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 - 2016 & 2017 Form 10-Ks.pdf, 232 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, FR_16(7)(p)_Att2 - Sep'15-Sep'17 Form 8-Ks.pdf, 616 Pages.

ATTACHMENT 3 - Atmos Energy Corporation, FR_16(7)(p)_Att3 - Form 10-Qs.pdf, 297 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, 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 ☐ (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, 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.

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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	Effective Date
			(In thousands)	
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 (In thousands)	Effective Date
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 (In thousands)	Effective Date
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:

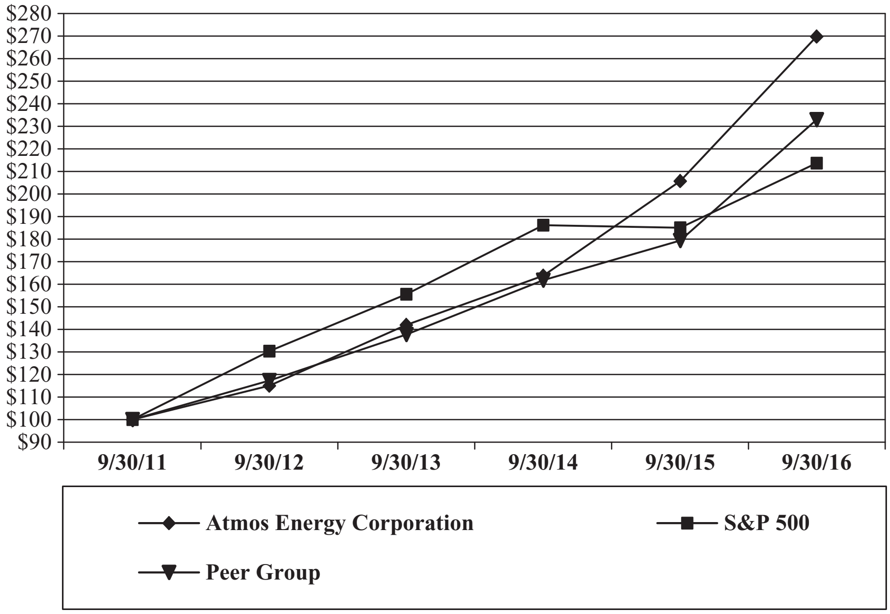
	Fiscal 2016			Fiscal 2015		
	High	Low	Dividends Paid	High	Low	Dividends Paid
Quarter ended:						
December 31	$64.25	$57.82	$0.42	$58.08	$47.35	$0.39
March 31	74.33	61.74	0.42	58.81	52.02	0.39
June 30	81.32	70.60	0.42	56.41	51.28	0.39
September 30	81.16	71.88	0.42	58.18	51.48	0.39
			$1.68			$1.56

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.

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(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 (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (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 nonregulated 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:

Source of Fair Value	Fair Value of Contracts at September 30, 2016 — Maturity in years — 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	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					
	Number of Shares	Stated Value	Additional Paid-in Capital	Accumulated 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.

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.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 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 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.

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.

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:

	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

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

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

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

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.

Security Class	Targeted Allocation Range	Actual Allocation September 30	
		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.

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.

Security Class	Actual Allocation September 30 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

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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

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

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.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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.

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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

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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	September 30 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.

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 (In thousands)	2014
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

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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.

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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

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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 counter-parties.

		Regulated Distribution		Nonregulated	
	Balance Sheet Location	Assets	Liabilities	Assets	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	$ —

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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.

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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.

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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, 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

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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

		Additions			
	Balance at beginning of period	Charged to cost & expenses	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.

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, 2017

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, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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, 2017, was $8,146,262,574.

As of November 8, 2017, the registrant had 106,112,709 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 7, 2018 are incorporated by reference into Part III of this report.

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GLOSSARY OF KEY TERMS

AEC	Atmos Energy Corporation
AEH	Atmos Energy Holdings, Inc.
AEM	Atmos Energy Marketing, LLC
AOCI	Accumulated Other Comprehensive Income
ARM	Annual Rate Mechanism
ATO	Trading symbol for Atmos Energy Corporation common stock on the New York Stock Exchange
Bcf	Billion cubic feet
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DARR	Dallas Annual Rate Review
ERISA	Employee Retirement Income Security Act of 1974
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
Gross Profit	Non-GAAP measure defined as operating revenues less purchased gas cost
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.
NGA	Natural Gas Act of 1938
NYMEX	New York Mercantile Exchange, Inc.
NYSE	New York Stock Exchange
PAP	Pension Account Plan
PPA	Pension Protection Act of 2006
PRP	Pipeline Replacement Program
RRC	Railroad Commission of Texas
RRM	Rate Review Mechanism
RSC	Rate Stabilization Clause
S&P	Standard & Poor's Corporation
SAVE	Steps to Advance Virginia Energy
SEC	United States Securities and Exchange Commission
SGR	Supplemental Growth Filing
SIR	System Integrity Rider
SRF	Stable Rate Filing
SSIR	System Safety and Integrity Rider
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 one of the country’s largest natural-gas-only distributors based on number of customers. 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. We also operate one of the largest intrastate pipelines in Texas based on miles of pipe.

Through December 31, 2016, we were also engaged in certain nonregulated businesses that provided 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. Effective January 1, 2017, we sold all of the equity interests of Atmos Energy Marketing, LLC (AEM) to CenterPoint Energy Services, Inc. (CES), a subsidiary of CenterPoint Energy Inc. As a result of the sale, Atmos Energy has fully exited the nonregulated gas marketing business.

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 six years, regulatory mechanisms designed to minimize regulatory lag have enabled us to make significant capital investments to fortify and upgrade our distribution and transmission systems. The timely recovery of these investments has increased our rate base which has resulted in rising earnings per share during this time.

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

As of September 30, 2017, we manage and review our consolidated operations through the following three reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states and storage assets located in Kentucky and Tennessee.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana.
- The *natural gas marketing segment* is comprised of our discontinued natural gas marketing business.

These operating segments are described in greater detail below.

Distribution Segment Overview

Our distribution segment is primarily comprised of the regulated natural gas distribution and related sales and storage operations in our six regulated natural gas distribution divisions, which are used to support our regulated natural gas distribution operations in those states. 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, 2017, we held 1,008 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	1,672,581
Kentucky/Mid-States	Kentucky	230	181,638
	Tennessee		147,620
	Virginia		24,153
Louisiana	Louisiana	270	359,920
West Texas	Amarillo, Lubbock, Midland	80	311,188
Mississippi	Mississippi	110	270,754
Colorado-Kansas	Colorado	170	118,410
	Kansas		135,141

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 systems.

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 the cost natural gas. 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 adjustments, 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, withdrawals of gas from proprietary and contracted storage assets and peaking and spot purchase agreements, as needed.

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 2017 were BP Energy Company, Castleton Commodities Merchant Trading L.P., CenterPoint Energy Services, Inc., Concord Energy LLC, ConocoPhillips Company, Devon Gas Services, L.P., Sequent Energy Management, L.P., Targa Gas Marketing LLC, Tenaska Gas Storage, LLC and Texla Energy Management, Inc.

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 2017 was on January 6, 2017, when sales to customers reached approximately 3.6 Bcf.

Currently, our distribution divisions utilize 38 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.

Pipeline and Storage Segment Overview

Our pipeline and storage segment consists of the pipeline and storage operations of APT and our natural gas transmission operations in Louisiana. 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's system, 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.

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, the most recent filing was completed in 2017. APT's existing regulatory mechanisms allow certain transportation and storage services to be provided under market-based rates.

Our natural gas transmission operations in Louisiana are comprised of a proprietary 21-mile pipeline located in New Orleans, Louisiana that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and on a more limited basis, to third parties. The demand fee charged to our Louisiana distribution division for these services is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans in Louisiana with distribution affiliates of the Company, which have been approved by applicable state regulatory commissions. Generally, these asset management plans require us to share with our distribution customers a significant portion of the cost savings earned from these arrangements.

Natural Gas Marketing Segment Overview

Through December 31, 2016, we were engaged in a nonregulated natural gas marketing business, which was conducted by Atmos Energy Marketing (AEM). AEM's primary business was to aggregate and purchase gas supply, arrange transportation and storage logistics and ultimately deliver gas to customers at competitive prices.

As more fully described in Note 15, effective January 1, 2017, we sold all of the equity interests of AEM to CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy Inc. As a result of the sale, Atmos Energy has fully exited the nonregulated natural gas marketing business. Accordingly, these operations have been reported as discontinued operations.

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 adjustment to rates for qualifying capital expenditures. Through our annual formula rate mechanisms and infrastructure programs, we have the ability to recover over 95 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 such as depreciation, ad valorem taxes and pension costs, until they are included in rates.
- WNA mechanisms in seven states that serve to minimize the effects of weather on approximately 97 percent of our distribution gross profit.
- 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	08/01/2017	$1,767,600	8.87%	47/53	11.50%
Colorado-Kansas	Colorado	01/01/2016	129,094	7.82%	48/52	9.60%
	Colorado SSIR	01/01/2017	13,500	7.82%	48/52	9.60%
	Kansas	03/17/2016	200,564	(3)	(3)	(3)
	Kansas GSRS	02/09/2017	6,633	(3)	(3)	(3)
Kentucky/Mid-States	Kentucky	08/15/2016	335,833	(3)	(3)	(3)
	Kentucky PRP	11/14/2016	38,173	7.71%	51/49	9.80%
	Tennessee	06/01/2017	302,953	7.49%	47/53	9.80%
	Virginia	11/07/2016	47,581	(3)	(3)	(3)
Louisiana	Trans La	04/01/2017	156,200	7.50%	47/53	9.80%
	LGS	07/01/2017	385,435	7.43%	47/53	9.80%
Mid-Tex Cities	Texas	06/01/2017	2,362,937[2]	8.36%	45/55	10.50%
Mid-Tex — Dallas	Texas	06/01/2017	2,273,567[2]	8.38%	41/59	10.10%
Mississippi	Mississippi	01/12/2017	387,252	7.85%	47/53	9.73%
	Mississippi - SIR	01/01/2017	21,345	7.85%	47/53	9.73%
	Mississippi - SGR	01/01/2017	17,437	9.04%	47/53	12.00%
West Texas[4]	Texas	03/15/2017	(3)	(3)	(3)	10.50%
	Texas-GRIP	05/23/2017	476,665	8.57%	48/52	10.50%

Division	Jurisdiction	Bad Debt Rider[5]	Formula Rate	Infrastructure Mechanism	Performance Based Rate Program[6]	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[4]	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) The Mid-Tex Rate Base amounts for the Mid-Tex Cities and Mid-Tex Dallas areas, combined, represent "system-wide", or 100 percent, of the Mid-Tex Division's rate base.

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

(4) 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.

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

(6) 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, 2017, 2016 and 2015 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 $104.2 million, $122.5 million and $114.5 million, became effective in fiscal 2017, 2016 and 2015, as summarized below:

	Annual Increase to Operating Income For the Fiscal Year Ended September 30		
Rate Action	2017	2016	2015
		(In thousands)	
Annual formula rate mechanisms	$ 90,427	$114,974	$113,706
Rate case filings	12,961	7,716	711
Other ratemaking activity	784	(183)	78
	$104,172	$122,507	$114,495

Additionally, the following ratemaking efforts seeking $59.4 million in annual operating income were initiated during fiscal 2017 but had not been completed as of September 30, 2017:

Division	Rate Action	Jurisdiction	Operating Income Requested
			(In thousands)
Atmos Pipeline — Texas	GRIP	Texas	$28,988
Colorado-Kansas	Rate Case	Colorado	2,916
Kentucky/Mid-States	SAVE(1)	Virginia	308
	PRP(1)(4)	Kentucky	5,638
	Rate Case	Kentucky	4,778
	ARM(2) True-Up	Tennessee	850
Mississippi	SIR(1)	Mississippi	8,111
	SGR(3)	Mississippi	1,385
	SRF	Mississippi	4,214
Mid-Tex	Rate Case	City of Dallas	2,247
			$59,435

(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 eligible industrial growth projects beyond the division's normal main extension policies with prior approval from the Mississippi Public Service Commission. For fiscal 2017, the Commission approved a total of $13.2 million and has also approved $10.2 million under the program for fiscal 2018.

(4) On October 27, 2017, we received a final order from the Kentucky Public Service Commission approving this increase.

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, 2017, 2016 and 2015:

Division	Jurisdiction	Test Year Ended	Increase (Decrease) in Annual Operating Income (In thousands)	Effective Date
2017 Filings:				
Louisiana	LGS	12/2016	$ 6,237	07/01/2017
Mid-Tex	Mid-Tex DARR(1)	09/2016	9,672	06/01/2017
Mid-Tex	Mid-Tex Cities RRM	12/2016	36,239	06/01/2017
Kentucky/Mid-States	Tennessee ARM	05/2018	6,740	06/01/2017
Mid-Tex	Mid-Tex Environs	12/2016	1,568	05/23/2017
West Texas	West Texas Environs	12/2016	872	05/23/2017
West Texas	West Texas ALDC	12/2016	4,682	04/25/2017
Louisiana	TransLa	09/2016	4,392	04/01/2017
West Texas	West Texas Cities RRM	09/2016	4,255	03/15/2017
Colorado-Kansas	Kansas	09/2016	801	02/09/2017
Mississippi	Mississippi-SRF	10/2017	4,390	02/01/2017
Mississippi	Mississippi-SIR	10/2017	3,334	01/01/2017
Mississippi	Mississippi-SGR	10/2017	1,292	01/01/2017
Colorado-Kansas	Colorado-SSIR	12/2017	1,350	01/01/2017
Kentucky/Mid-States	Kentucky-PRP	09/2017	4,981	10/14/2016
Kentucky/Mid-States	Virginia-SAVE	09/2017	(378)	10/01/2016
Total 2017 Filings			$ 90,427	

Division	Jurisdiction	Test Year Ended	Increase (Decrease) in Annual Operating Income	Effective Date
			(In thousands)	
2016 Filings:				
Louisiana	LGS	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	09/2015	6,216	04/01/2016
Colorado-Kansas	Colorado	12/2016	764	01/01/2016
Mississippi	Mississippi-SRF	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	West Texas Environs	12/2014	697	06/12/2015
Mid-Tex	Mid-Tex Environs	12/2014	1,158	06/01/2015
Mid-Tex	Mid-Tex Cities	12/2014	16,801	06/01/2015
Mid-Tex	Mid-Tex DARR	09/2014	4,420	06/01/2015
West Texas	West Texas ALDC	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	

(1) The Company and the City of Dallas were unable to arrive at a mutually agreeable settlement; therefore, the DARR rates were implemented, subject to refund, pending the outcome of an appeal filed with the Texas Railroad Commission. The examiners issued a proposal for decision on October 30, 2017 recommending an increase of $9.2 million. The Company expects the Commission to issue a final order in December 2017.

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 (In thousands)	Effective Date
2017 Rate Case Filings:			
Atmos Pipeline — Texas	Texas	$12,955	08/01/2017
Kentucky/Mid-States	Virginia	6	12/27/2016
Total 2017 Rate Case Filings		$12,961	
2016 Rate Case Filings:			
Kentucky/Mid-States	Kentucky	$ 2,723	08/15/2016
Kentucky/Mid-States	Virginia	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	

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the fiscal years ended September 30, 2017, 2016 and 2015:

Division	Jurisdiction	Rate Activity	Increase in Annual Operating Income (In thousands)	Effective Date
2017 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad-Valorem[(1)]	$ 784	02/01/2017
Total 2017 Other Rate Activity			$ 784	
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	

(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

We are 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 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 under the NGA. Additionally, the FERC has regulatory authority over 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 were adopted; we enacted procedures and modified existing business practices and contractual arrangements to comply with such 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 pipeline and storage 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 discontinued natural gas marketing operations, AEM competed 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 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, 2017, we had 4,565 employees, consisting of 4,504 employees in our distribution operations and 61 employees in our pipeline and storage 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 2017, 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 and Moody's Investors Service, Inc. 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 credit 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 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.

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.

We are subject to regulatory oversight from various state and local regulatory authorities in the eight states that we serve. 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 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, could 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 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. We are generally insulated from commodity price risk through our purchased gas cost mechanisms. 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 to the extent that we do not recover our actual interest expense in our rates.

The concentration of our 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 distribution customers and most of our pipeline and storage 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 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 pipeline and storage 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.

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 distribution operations, 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 operating results may continue to vary somewhat with the actual temperatures during the winter heating season. Additionally, sustained cold weather could challenge our ability to adequately meet customer demand in our operations.

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

Our operations are 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 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 working capital, capital expenditures and other cash needs is provided from a combination of internally generated cash flows and external debt and equity financing. 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 is 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 systems to ensure that natural gas is delivered safely, reliably and efficiently through our network of more than 75,000 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 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 change or related additional legislation or regulation in the future.

To the extent climate change occurs, 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 change would result in warmer temperatures in our service territories, financial results could be adversely affected through lower gas volumes and revenues. Such climate change 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 operations 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 transmission pipeline and storage 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 and storage 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 and storage 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, 2017, in our distribution segment, we owned an aggregate of 70,605 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 pipeline and storage segment we owned 5,682 miles of gas transmission lines as well.

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, 2017:

State	Usable Capacity (Mcf)	Cushion Gas (Mcf)[1]	Total Capacity (Mcf)	Maximum Daily Delivery Capability (Mcf)
Distribution Segment				
Kentucky	7,881,596	9,562,283	17,443,879	158,100
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	13,028,167	14,305,200	27,333,367	234,100
Pipeline and Storage Segment				
Texas	46,083,549	15,878,025	61,961,574	1,559,000
Louisiana	438,583	300,973	739,556	56,000
Total	46,522,132	16,178,998	62,701,130	1,615,000
Total	59,550,299	30,484,198	90,034,497	1,849,100

(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, 2017:

Segment	Division/Company	Maximum Storage Quantity (MMBtu)	Maximum Daily Withdrawal Quantity (MDWQ)[1]
Distribution Segment			
	Colorado-Kansas Division	5,129,562	124,830
	Kentucky/Mid-States Division	8,175,103	226,739
	Louisiana Division	2,480,779	173,605
	Mid-Tex Division	3,500,000	175,000
	Mississippi Division	3,823,800	126,334
	West Texas Division	5,000,000	161,000
Total		28,109,244	987,508
Pipeline and Storage Segment			
	Trans Louisiana Gas Pipeline, Inc.	1,674,000	67,507
Total Contracted Storage Capacity		29,783,244	1,055,015

(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.

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 2017 and 2016 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:

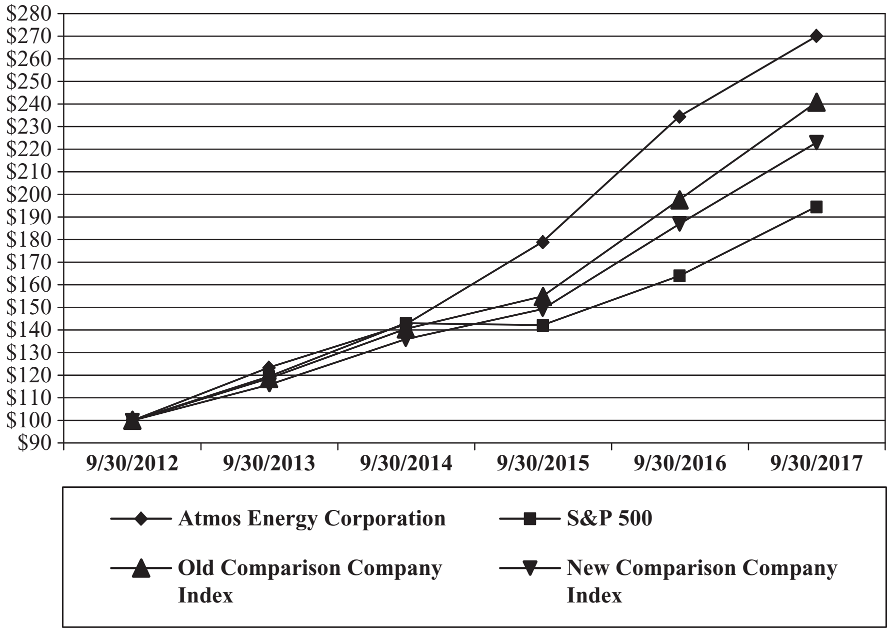
	Fiscal 2017			Fiscal 2016		
	High	Low	Dividends Paid	High	Low	Dividends Paid
Quarter ended:						
December 31	$74.73	$68.96	$0.45	$64.25	$57.82	$0.42
March 31	80.40	73.21	0.45	74.33	61.74	0.42
June 30	85.54	78.90	0.45	81.32	70.60	0.42
September 30	88.69	82.42	0.45	81.16	71.88	0.42
			$1.80			$1.68

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, 2017 was 13,341. 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 2017 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 two different customized peer company groups, the New Comparison Company Index and the Old Comparison Company Index. The New 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, 2012 in our common stock, the S&P 500 Index and in the common stock of the companies in the New and Old Comparison Company Indices, 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					
	9/30/2012	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017
Atmos Energy Corporation	100.00	123.32	142.46	178.85	234.47	270.05
S&P 500 Index	100.00	119.34	142.89	142.02	163.93	194.44
Old Comparison Company Index	100.00	118.55	140.49	154.76	197.60	240.77
New Comparison Company Index	100.00	115.80	135.84	149.18	186.87	222.79

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 in the index are Alliant Energy Corporation, CenterPoint Energy, Inc., CMS Energy Corporation, DTE Energy Company, National Fuel Gas Company, NextEra Energy, Inc., NiSource Inc., ONE Gas, Inc., Spire, Inc. (formerly The Laclede Group, Inc.), Vectren Corporation, WEC Energy Group, Inc., WGL Holdings, Inc., and Xcel Energy, Inc. The Old Comparison Company Index includes AGL Resources Inc.[(1)], CenterPoint Energy, Inc., CMS Energy Corporation, NiSource Inc., ONE Gas, Inc., Piedmont Natural Gas Company, Inc.[(1)], Questar Corporation[(1)], TECO Energy, Inc.[(1)], Spire, Inc. (formerly The Laclede Group, Inc.), Vectren Corporation and WGL Holdings, Inc.

(1) AGL Resources Inc., Piedmont Natural Gas Company, Inc., Questar Corporation and TECO Energy, Inc. were acquired prior to September 30, 2017. As a result, the cumulative total return of these companies is not included in the Old 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, 2017.

	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	1,143,243[1]	$ —	2,035,861
Total equity compensation plans approved by security holders	1,143,243	—	2,035,861
Equity compensation plans not approved by security holders	—	—	—
Total	1,143,243	$ —	2,035,861

(1) Comprised of a total of 478,367 time-lapse restricted stock units, 361,381 director share units and 303,495 performance-based restricted stock units at the target level of performance granted under our 1998 Long-Term Incentive Plan.

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				
	2017	2016	2015	2014	2013
	(In thousands, except per share data)				
Results of Operations					
Operating revenues	$ 2,759,735	$ 2,454,648	$2,926,985	$3,243,904	$2,572,488
Gross profit	$ 1,834,199	$ 1,708,456	$1,631,310	$1,521,844	$1,377,392
Income from continuing operations	$ 382,711	$ 345,542	$ 305,623	$ 270,331	$ 232,378
Net income	$ 396,421	$ 350,104	$ 315,075	$ 289,817	$ 243,194
Diluted income per share from continuing operations	$ 3.60	$ 3.33	$ 3.00	$ 2.76	$ 2.52
Diluted net income per share	$ 3.73	$ 3.38	$ 3.09	$ 2.96	$ 2.64
Cash dividends declared per share	$ 1.80	$ 1.68	$ 1.56	$ 1.48	$ 1.40
Financial Condition					
Net property, plant and equipment[1]	$ 9,259,182	$ 8,268,606	$7,416,700	$6,709,926	$6,013,975
Total assets	$10,749,596	$10,010,889	$9,075,072	$8,581,006	$7,919,069
Capitalization:					
Shareholders' equity	$ 3,898,666	$ 3,463,059	$3,194,797	$3,086,232	$2,580,409
Long-term debt (excluding current maturities)	3,067,045	2,188,779	2,437,515	2,442,288	2,440,472
Total capitalization	$ 6,965,711	$ 5,651,838	$5,632,312	$5,528,520	$5,020,881

(1) Amounts shown are net of assets held for sale related to the divestiture of our natural gas marketing business.

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 and capital 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 and 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 distribution and pipeline and storage businesses; 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 change 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 Notes 2 and 15 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 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 rate-making 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 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. When permitted, we implement rates that have not been formally approved by our regulatory authorities, 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 amounts billed subject to refund
Pension and other postretirement plans	Pension and other postretirement plan costs and liabilities are determined on an actuarial basis	General economic and market conditions

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
	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	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
	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.	
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

Non-GAAP Financial Measure

Our operations are affected by the cost of natural gas. The cost of gas is passed through to our customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees and settlements of financial instruments used to mitigate commodity price risk. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, we believe Gross Profit, a non-GAAP financial measure defined as operating revenues less purchased gas cost, is a better indicator of our financial performance than operating revenues as it provides a useful and more relevant measure to analyze our financial performance. As such, the following discussion and analysis of our financial performance will reference gross profit rather than operating revenues and purchased gas cost individually.

RESULTS OF OPERATIONS

Overview

Atmos Energy strives to operate our 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 2017 as net income increased to $396.4 million, or $3.73 per diluted share for the year ended September 30, 2017, compared with net income of $350.1 million or $3.38 per diluted share in the prior year. The year-over-year increase largely reflects positive rate outcomes, which more than offset weather that was 12 percent warmer than the prior year. Results for fiscal 2017 include $0.13 per diluted share from discontinued operations. In January 2017, we completed the sale of our nonregulated natural gas marketing business. We received $140.3 million in cash proceeds, including working capital and recognized a net gain of $0.03 per diluted share on the sale in the second quarter of fiscal 2017. The proceeds from the sale were redeployed to fund infrastructure investments in our remaining businesses. As a result of the sale, we have fully exited the nonregulated gas marketing business.

Capital expenditures for fiscal 2017 totaled $1,137.1 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 2016 and 2017 spending under these and other mechanisms enabled the Company to complete 19 regulatory filings during fiscal 2017 that should increase annual operating income from regulated operations by $104.2 million. We funded over 75 percent of our current-year capital expenditure program primarily through operating cash flows of $867.1 million.

In addition, we acquired EnLink Pipeline in the first fiscal quarter of 2017 for an all — cash price of $86.1 million, inclusive of working capital. The acquisition of EnLink Pipeline increased the capacity on our APT intrastate pipeline to serve transportation customers in North Texas, which continues to experience significant population growth.

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 future investments through a combination of internally generated cash flows and external debt and equity financing. During fiscal 2017 we received net proceeds of $885 million through the issuance of long-term debt and $99 million through the issuance of common stock. The net proceeds from these issuances were primarily used to repay maturing long-term debt, reduce short-term debt and for general corporate purposes, including funding a portion of our fiscal 2017 capital expenditures.

As a result of the continued contribution and stability of our earnings, cash flows and capital structure, our Board of Directors increased the quarterly dividend by 7.8 percent for fiscal 2018.

Consolidated Results

The following table presents our consolidated financial highlights for the fiscal years ended September 30, 2017, 2016 and 2015.

	For the Fiscal Year Ended September 30		
	2017	2016	2015
	(In thousands, except per share data)		
Operating revenues	$2,759,735	$2,454,648	$2,926,985
Purchased gas cost	925,536	746,192	1,295,675
Operating expenses	1,106,653	1,051,226	1,019,078
Operating income	727,546	657,230	612,232
Interest charges	120,182	114,812	116,241
Income from continuing operations before income taxes	604,094	542,184	495,172
Net income from continuing operations	382,711	345,542	305,623
Net income from discontinued operations	13,710	4,562	9,452
Net income	$ 396,421	$ 350,104	$ 315,075
Diluted net income from continuing operations per share	$ 3.60	$ 3.33	$ 3.00
Diluted net income from discontinued operations per share	0.13	0.05	0.09
Diluted net income per share	$ 3.73	$ 3.38	$ 3.09

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		
	2017	2016	2015
	(In thousands)		
Distribution segment	$268,369	$233,830	$205,820
Pipeline and storage segment	114,342	111,712	99,803
Net income from continuing operations	382,711	345,542	305,623
Net income from discontinued natural gas marketing operations	13,710	4,562	9,452
Net income	$396,421	$350,104	$315,075

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

Distribution Segment

The distribution segment is primarily comprised of our regulated natural gas distribution and related sales operations in eight states. The primary factors that impact the results of our distribution operations are our ability to earn our authorized rates of return, 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 to minimize regulatory lag and, ultimately, separate the recovery of our approved rates 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, increases in the cost of gas are offset by a corresponding increase in revenues. 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 associated 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 2017, we completed 18 regulatory proceedings in our distribution segment, which should result in a $91.2 million increase in annual operating income.

Review of Financial and Operating Results

Financial and operational highlights for our distribution segment for the fiscal years ended September 30, 2017, 2016 and 2015 are presented below.

	For the Fiscal Year Ended September 30				
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
	(In thousands, unless otherwise noted)				
Operating revenues	$2,649,175	$2,339,778	$2,821,362	$309,397	$(481,584)
Purchased gas cost	1,269,456	1,058,576	1,574,447	210,880	(515,871)
Gross profit	1,379,719	1,281,202	1,246,915	98,517	34,287
Operating expenses	874,077	839,318	824,223	34,759	15,095
Operating income	505,642	441,884	422,692	63,758	19,192
Miscellaneous income (expense)	(1,695)	1,171	284	(2,866)	887
Interest charges	79,789	78,238	83,087	1,551	(4,849)
Income before income taxes	424,158	364,817	339,889	59,341	24,928
Income tax expense	155,789	130,987	134,069	24,802	(3,082)
Net income	$ 268,369	$ 233,830	$ 205,820	$ 34,539	$ 28,010
Consolidated distribution sales volumes — MMcf	246,825	258,650	307,985	(11,825)	(49,335)
Consolidated distribution transportation volumes — MMcf	141,540	133,378	135,972	8,162	(2,594)
Total consolidated distribution throughput — MMcf	388,365	392,028	443,957	(3,663)	(51,929)
Consolidated distribution average cost of gas per Mcf sold	$ 5.14	$ 4.09	$ 5.11	$ 1.05	$ (1.02)

Fiscal year ended September 30, 2017 compared with fiscal year ended September 30, 2016

Net income for our distribution segment increased 15 percent, primarily due to a $98.5 million increase in gross profit, partially offset by a $34.8 million increase in operating expenses. The year-to-date increase in gross profit primarily reflects:

- a $72.4 million net increase in rate adjustments, primarily in our Mid-Tex, Louisiana, Mississippi and West Texas Divisions.
- Customer growth, primarily in our Mid-Tex and Kentucky/Mid-States Divisions, which contributed an incremental $5.8 million.

- a $5.8 million increase in transportation gross profit, primarily in the Kentucky/Mid-States and Mid-Tex Divisions.
- a $5.2 million increase in revenue-related taxes primarily in our Mid-Tex and West Texas Divisions, offset by a corresponding $5.1 million increase in the related tax expense.
- a $2.9 million increase in net consumption, despite weather that was 12 percent warmer than the prior year.

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 and property taxes associated with increased capital investments, higher employee-related costs, increased revenue-related taxes, as discussed above, and higher pipeline maintenance and related activities, partially offset by lower legal costs.

Fiscal year ended September 30, 2016 compared with fiscal year ended September 30, 2015

Net income for our distribution segment increased 14 percent, primarily due to a $34.3 million increase in gross profit, partially offset by a $15.1 million increase in operating expenses. The year-over-year 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 16 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 included 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.

The following table shows our operating income by distribution division, in order of total rate base, for the fiscal years ended September 30, 2017, 2016 and 2015. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	For the Fiscal Year Ended September 30				
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
			(In thousands)		
Mid-Tex	$233,158	$210,608	$196,847	$22,550	$ 13,761
Kentucky/Mid-States	75,214	63,730	58,849	11,484	4,881
Louisiana	69,300	55,857	55,633	13,443	224
West Texas	46,859	41,131	37,041	5,728	4,090
Mississippi	38,505	37,398	34,210	1,107	3,188
Colorado-Kansas	34,658	31,840	28,606	2,818	3,234
Other	7,948	1,320	11,506	6,628	(10,186)
Total	$505,642	$441,884	$422,692	$63,758	$ 19,192

Pipeline and Storage Segment

Our pipeline and storage segment consists of the pipeline and storage operations of Atmos Pipeline-Texas Division (APT) and our natural gas transmission operations in Louisiana, which were previously included in our former nonregulated segment. 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 natural gas transmission operations in Louisiana are comprised of a proprietary 21-mile pipeline located in New Orleans, Louisiana that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and on a more limited basis, to third parties. The demand fee charged to our Louisiana distribution division for these services is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans which have been approved by applicable state regulatory commissions. Generally, these asset management plans require us to share with our distribution customers a significant portion of the cost savings earned from these arrangements.

Our pipeline and storage 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.

APT annually uses the Gas Reliability Infrastructure Program (GRIP) to recover capital costs incurred in the prior calendar year. However, GRIP also requires a utility to file a statement of intent at least once every five years to review its costs and expenses, including capital costs filed for recovery under GRIP. On August 1, 2017, a final order was issued in our most recent APT rate case, resulting in a $13 million increase in annual operating income. On September 1, 2017, APT filed its 2016 GRIP filing covering changes in net investment from October 1, 2016 through December 31, 2016 with a requested increase in operating income of $29.0 million.

On December 21, 2016, the Louisiana Public Service Commission approved an annual increase of five percent to the demand fee charged by our natural gas transmission pipeline for each of the next 10 years, effective October 1, 2017. This agreement replaces the existing agreement that expired in September 2017.

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 pipeline and storage segment for the fiscal years ended September 30, 2017, 2016 and 2015 are presented below.

	For the Fiscal Year Ended September 30				
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
	(In thousands, unless otherwise noted)				
Mid-Tex / Affiliate transportation revenue	$338,850	$315,726	$271,009	$23,124	$ 44,717
Third-party transportation revenue	100,100	89,498	98,638	10,602	(9,140)
Other revenue	18,080	21,972	15,310	(3,892)	6,662
Total operating revenues	457,030	427,196	384,957	29,834	42,239
Total purchased gas cost	2,506	(58)	562	2,564	(620)
Gross profit	454,524	427,254	384,395	27,270	42,859
Operating expenses	232,620	211,908	194,855	20,712	17,053
Operating income	221,904	215,346	189,540	6,558	25,806
Miscellaneous expense	(1,575)	(1,405)	(1,103)	(170)	(302)
Interest charges	40,393	36,574	33,154	3,819	3,420
Income before income taxes	179,936	177,367	155,283	2,569	22,084
Income tax expense	65,594	65,655	55,480	(61)	10,175
Net income	$114,342	$111,712	$ 99,803	$ 2,630	$ 11,909
Gross pipeline transportation volumes — MMcf	770,348	686,042	745,728	84,306	(59,686)
Consolidated pipeline transportation volumes —MMcf	596,179	505,303	528,068	90,876	(22,765)

Fiscal year ended September 30, 2017 compared with fiscal year ended September 30, 2016

Net income for our pipeline and storage segment increased two percent, primarily due to a $27.3 million increase in gross profit, partially offset by a $20.7 million increase in operating expenses. The increase in gross profit primarily reflects a $24.6 million increase in rates from the approved 2016 GRIP filing and the rate case finalized in August 2017 and higher through system revenue of $8.3 million, largely related to higher basis spreads due to increased production in the Permian Basin and incremental throughput on the EnLink Pipeline, which was acquired in the first quarter of fiscal 2017. Partially offsetting these increases was a decrease in gross profit of $2.3 million due to lower excess retention gas sales in the current year. As noted above, as a result of the annual rate case, we did not file our annual GRIP filing during the second quarter of fiscal 2017, which influenced this segment's performance year-over-year.

Operating expenses increased $20.7 million, primarily due to increased depreciation expense and property taxes associated with increased capital investments.

Fiscal year ended September 30, 2016 compared with fiscal year ended September 30, 2015

Net income for our pipeline and storage segment increased 12 percent, primarily due to a $42.9 million increase in gross profit, partially offset by a $17.1 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 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 $17.1 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.

Natural Gas Marketing Segment

Through December 31, 2016, we were engaged in an unregulated natural gas marketing business, which was conducted by Atmos Energy Marketing (AEM). AEM's primary business was to aggregate and purchase gas supply, arrange transportation and storage logistics and ultimately deliver gas to customers at competitive prices.

As more fully described in Note 15, effective January 1, 2017, we sold all of the equity interests of AEM to CenterPoint Energy Services, Inc. (CES), a subsidiary of CenterPoint Energy Inc. As a result of the sale, Atmos Energy has fully exited the nonregulated natural gas marketing business. Accordingly, these operations have been reported as discontinued operations.

Review of Financial and Operating Results

Financial and operational highlights for our natural gas marketing segment for the fiscal years ended September 30, 2017, 2016 and 2015 are presented below.

	For the Fiscal Year Ended September 30				
	2017	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
	(In thousands, unless otherwise noted)				
Operating revenues	$303,474	$1,005,090	$1,409,071	$(701,616)	$(403,981)
Purchased gas cost	277,554	968,118	1,359,832	(690,564)	(391,714)
Gross profit	25,920	36,972	49,239	(11,052)	(12,267)
Operating expenses	7,874	26,184	30,076	(18,310)	(3,892)
Operating income	18,046	10,788	19,163	7,258	(8,375)
Miscellaneous income (expense)	30	109	(1,863)	(79)	1,972
Interest charges	241	2,604	1,707	(2,363)	897
Income before income taxes	17,835	8,293	15,593	9,542	(7,300)
Income tax expense	6,841	3,731	6,141	3,110	(2,410)
Income from discontinued operations	10,994	4,562	9,452	6,432	(4,890)
Gain on sale of discontinued operations, net of tax	2,716	—	—	2,716	—
Net income from discontinued operations	$ 13,710	$ 4,562	$ 9,452	$ 9,148	$ (4,890)
Gross natural gas marketing delivered gas sales volumes — MMcf	90,223	371,319	395,409	(281,096)	(24,090)
Consolidated natural gas marketing delivered gas sales volumes — MMcf	78,646	325,537	336,792	(246,891)	(11,255)
Net physical position (Bcf)	—	18.1	12.4	(18.1)	5.7

Fiscal year ended September 30, 2017 compared with fiscal year ended September 30, 2016

The $9.1 million year-over-year increase in net income from discontinued operations primarily reflects the recognition of a net $6.6 million noncash gain from unwinding hedge accounting for certain of the natural gas marketing business's financial positions in connection with the sale of AEM. Additionally we recognized a $2.7 million net gain on sale upon completion of the sale of AEM to CES in January 2017.

Fiscal year ended September 30, 2016 compared with fiscal year ended September 30, 2015

Net income for our natural gas marketing segment decreased 52 percent compared to fiscal 2015 primarily due to lower gross profit.

The $12.3 million year-over-year decrease in gross profit was primarily due to a decrease in asset optimization margins combined with a decrease in delivered gas 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. Delivered gas margins decreased 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 fiscal 2015 per-unit margins.

Operating expenses decreased $3.9 million, primarily due to lower administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

The liquidity required to fund our working capital, capital expenditures and other cash needs is provided from a combination of internally generated cash flows and external debt and equity financing. External debt financing is provided primarily through the issuance of long-term debt, a $1.5 billion commercial paper program and three committed revolving credit facilities with a total availability from third-party lenders of approximately $1.5 billion. The commercial paper program and credit facilities provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves the Company's desired capital structure with an equity-to-capitalization ratio between 50% and 60%, inclusive of long-term and short-term debt. Additionally, we have various uncommitted trade credit lines with our gas suppliers that we utilize to purchase natural gas on a monthly basis. The liquidity provided by these sources is expected to be sufficient to fund the Company's working capital needs and capital expenditure program for fiscal year 2018 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. At September 30, 2017, approximately $1.6 billion of securities remained available for issuance under the shelf registration statement, which expires March 26, 2019.

The following table presents our capitalization as of September 30, 2017 and 2016:

	September 30			
	2017		2016	
	(In thousands, except percentages)			
Short-term debt	$ 447,745	6.0%	$ 829,811	12.3%
Long-term debt	3,067,045	41.4%	2,438,779	36.2%
Shareholders' equity	3,898,666	52.6%	3,463,059	51.5%
Total capitalization, including short-term debt	$7,413,456	100.0%	$6,731,649	100.0%

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, 2017, 2016 and 2015 are presented below.

	For the Fiscal Year Ended September 30				
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
			(In thousands)		
Total cash provided by (used in)					
Operating activities	$ 867,090	$ 794,990	$ 811,914	$ 72,100	$ (16,924)
Investing activities	(1,056,306)	(1,079,732)	(956,602)	23,426	(123,130)
Financing activities	168,091	303,623	131,083	(135,532)	172,540
Change in cash and cash equivalents	(21,125)	18,881	(13,605)	(40,006)	32,486
Cash and cash equivalents at beginning of period	47,534	28,653	42,258	18,881	(13,605)
Cash and cash equivalents at end of period	$ 26,409	$ 47,534	$ 28,653	$ (21,125)	$ 18,881

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 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, 2017 compared with fiscal year ended September 30, 2016

For the fiscal year ended September 30, 2017, we generated operating cash flows of $867.1 million compared with $795.0 million in the prior year. The year-over-year increase primarily reflects the positive cash effect of successful rate case outcomes achieved in fiscal 2016.

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 fiscal 2015. The year-over-year decrease primarily reflects the timing of deferred gas cost recoveries.

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 system used to provide 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, 2017, we had $1,137.1 million in capital expenditures compared with $1,087.0 million for the fiscal year ended September 30, 2016 and $963.6 million for the fiscal year ended September 30, 2015.

Fiscal Year ended September 30, 2017 compared with fiscal year ended September 30, 2016

The $50.1 million increase in capital expenditures in fiscal 2017 compared to fiscal 2016 primarily reflects:

- $109.7 million increase due to planned increases in our distribution segment to replace vintage pipe.

- $59.2 million decrease in spending in our pipeline and storage segment as a result of the substantial completion of an APT project to improve the reliability of gas service to its local distribution company customers.

Cash flows from investing activities for the year ended September 30, 2017 also include proceeds of $140.3 million received from the sale of AEM, proceeds received from the completion of a State of Texas use tax audit and $86.1 million used to purchase Enlink Pipeline in the first fiscal quarter of 2017.

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 $69.6 million increase in capital spending in our 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 $53.6 million increase in capital spending in our pipeline and storage 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 amount of $168.1 million, $303.6 million and $131.1 million in cash from financing activities for fiscal years 2017, 2016 and 2015. Our significant financing activities for the fiscal years ended September 30, 2017, 2016 and 2015 are summarized as follows:

2017

During the fiscal year ended September 30, 2017, our financing activities generated $168.1 million of cash compared with $303.6 million of cash generated in the prior year. The $135.5 million decrease in cash provided by financing activities is primarily due to the reduction in our short — term debt, partially offset by an increase in our long-term debt.

During fiscal 2017, we completed approximately $975 million of debt and equity financing. On June 8, 2017, we completed a public offering of $500 million of 3.00% senior unsecured notes due 2027 and $250 million of 4.125% senior unsecured notes due 2044. The net proceeds of approximately $753 million were used to repay our $250 million 6.35% senior unsecured notes at maturity on June 15, 2017 and for general corporate purposes, including the repayment of working capital borrowings pursuant to our commercial paper program. In October 2016, we issued $125 million of long-term debt under our three year, $200 million multi-draw term loan agreement.

Additionally, during fiscal 2017 we issued 1.3 million shares under our ATM program and received net proceeds of $98.8 million. As of September 30, 2017, substantially all of shares under this program had been issued.

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 fiscal 2015. 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.

The following table shows the number of shares issued for the fiscal years ended September 30, 2017, 2016 and 2015:

	For the Fiscal Year Ended September 30		
	2017	**2016**	**2015**
Shares issued:			
Direct Stock Purchase Plan	112,592	133,133	176,391
Retirement Savings Plan	228,326	359,414	398,047
1998 Long-Term Incentive Plan (LTIP)	529,662	598,439	664,752
At-the-Market (ATM) Equity Sales Program	1,303,494	1,360,756	—
Total shares issued	2,174,074	2,451,742	1,239,190

The decrease in the number of shares issued in fiscal 2017 compared with the number of shares issued in fiscal 2016 primarily reflects fewer shares issued under the Retirement Savings Plan and the LTIP. At September 30, 2017, of the 11.2 million aggregate shares authorized for issuance from the LTIP, 2,035,861 shares remained available.

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.

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 two rating agencies: Standard & Poor's Corporation (S&P) and Moody's Investors Service (Moody's). As of September 30, 2017, both rating agencies maintained a stable outlook.

Our current debt ratings are all considered investment grade and are as follows:

	S&P	**Moody's**
Senior unsecured long-term debt	A	A2
Short-term debt	A-1	P-1

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 two 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 and Aaa for Moody's. The lowest investment grade credit rating is BBB- for S&P and Baa3 for Moody's. 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, 2017. 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, 2017.

	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]	$3,085,000	$ —	$ 575,000	$ —	$2,510,000
Short-term debt[1]	447,745	447,745	—	—	—
Interest charges[2]	2,408,200	152,676	243,823	222,759	1,788,942
Operating leases[3]	114,937	17,170	31,875	30,376	35,516
Financial instrument obligations[4]	112,398	322	112,076	—	—
Pension and postretirement benefit plan contributions[5]	312,295	33,798	52,499	50,223	175,775
Uncertain tax positions[6]	23,719	—	23,719	—	—
Total contractual obligations	$6,504,294	$651,711	$1,038,992	$303,358	$4,510,233

(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 liabilities for natural gas commodity and interest rate financial instruments that were valued as of September 30, 2017. The ultimate settlement amounts of these remaining liabilities are unknown because they are subject to continuing market risk until the financial instruments are settled.

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

(6) Represents liabilities associated with uncertain tax positions claimed or expected to be claimed on tax returns. The amount does not include interest and penalties that may be applied to these positions.

Our distribution and pipeline and storage segments 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 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, 2017, we were committed to purchase 20.9 Bcf within one year, 37.9 Bcf within two to three years and 0.3 Bcf after three years under indexed contracts.

Risk Management Activities

We use financial instruments to mitigate commodity price risk and, periodically, to manage interest rate risk. In our distribution and pipeline and storage segments, 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. Additionally, we manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings. Through December 31, 2016, we managed our exposure to the risk of natural gas price changes in our natural gas marketing segment by locking 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. Risk management assets and liabilities associated with our former natural gas marketing operations have been classified as held for sale at September 30, 2016. The change in fair value of these risk management assets and liabilities are included below.

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 financial instruments for the fiscal year ended September 30, 2017 (in thousands):

Fair value of contracts at September 30, 2016	$(279,543)
Contracts realized/settled	49,187
Fair value of new contracts	(288)
Other changes in value	121,485
Fair value of contracts at September 30, 2017	(109,159)
Netting of cash collateral	—
Cash collateral and fair value of contracts at September 30, 2017	$(109,159)

The fair value of our financial instruments at September 30, 2017, is presented below by time period and fair value source:

	Fair Value of Contracts at September 30, 2017				
	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	$2,114	$(111,273)	$—	$—	$(109,159)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$2,114	$(111,273)	$—	$—	$(109,159)

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 regulatory provisions and are 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 2018, 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, 2017, our total net periodic pension and other benefits costs was $49.0 million, compared with $46.0 million and $58.9 million for the fiscal years ended September 30, 2016 and 2015. These costs are recoverable through our 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 2017 costs were determined using a September 30, 2016 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, 2015, the measurement date for our fiscal 2016 net periodic cost. 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, our fiscal 2017 pension and postretirement medical costs were consistent with the prior year.

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 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, 2017. Based on this valuation, we contributed cash of $5.0 million, $15.0 million and $38.0 million to our pension plans during fiscal 2017, 2016 and 2015. Each contribution increased the level of our plan assets to achieve a desired PPA funding threshold.

We contributed $13.7 million, $16.6 million and $20.0 million to our postretirement benefits plans for the fiscal years ended September 30, 2017, 2016 and 2015. 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 2018 and Beyond

As of September 30, 2017, interest and corporate bond rates were higher than the rates as of September 30, 2016. Therefore, we increased the discount rate used to measure our fiscal 2018 net periodic cost from 3.73 percent to 3.89 percent. We lowered the expected return on plan assets to 6.75 percent in the determination of our fiscal 2018 net periodic pension cost based upon expected market returns for our targeted asset allocation. On October 20, 2017, 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, 2017, 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 2018 net periodic pension cost to be approximately 25 percent lower than fiscal 2017.

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 2018. However, we may consider whether a voluntary contribution is prudent to maintain certain funding levels. The amount of this funding is contingent upon several factors, including the issuance of new mortality tables by the US Treasury Department used to establish plan funding requirements. With respect to our postretirement medical plans, we anticipate contributing between $10 million and $20 million during fiscal 2018.

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 $3.0 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 in our distribution, pipeline and storage segments, and formerly, in our natural gas marketing segment. In our distribution and pipeline and storage segments, 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 natural gas marketing segment, we previously managed our exposure to the risk of natural gas price changes and locked 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

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

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 $4.3 million during 2017.

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, 2017 and 2016, 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, 2017. 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, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2017, 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, 2017, 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 13, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
November 13, 2017

ATMOS ENERGY CORPORATION

CONSOLIDATED BALANCE SHEETS

	September 30	
	2017	2016
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$11,001,910	$ 9,958,627
Construction in progress	299,394	183,879
	11,301,304	10,142,506
Less accumulated depreciation and amortization	2,042,122	1,873,900
Net property, plant and equipment	9,259,182	8,268,606
Current assets		
Cash and cash equivalents	26,409	47,534
Accounts receivable, less allowance for doubtful accounts of $10,865 in 2017 and $11,056 in 2016	222,263	215,880
Gas stored underground	184,653	179,070
Current assets of disposal group classified as held for sale	—	151,117
Other current assets	106,321	88,085
Total current assets	539,646	681,686
Goodwill	730,132	726,962
Noncurrent assets of disposal group classified as held for sale	—	28,616
Deferred charges and other assets	220,636	305,019
	$10,749,596	$10,010,889
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at $.005 per share); 200,000,000 shares authorized; issued and outstanding: 2017 — 106,104,634 shares, 2016 — 103,930,560 shares	$ 531	$ 520
Additional paid-in capital	2,536,365	2,388,027
Accumulated other comprehensive loss	(105,254)	(188,022)
Retained earnings	1,467,024	1,262,534
Shareholders' equity	3,898,666	3,463,059
Long-term debt	3,067,045	2,188,779
Total capitalization	6,965,711	5,651,838
Commitments and contingencies		
Current liabilities		
Accounts payable and accrued liabilities	233,050	196,485
Current liabilities of disposal group classified as held for sale	—	72,900
Other current liabilities	332,648	439,085
Short-term debt	447,745	829,811
Current maturities of long-term debt	—	250,000
Total current liabilities	1,013,443	1,788,281
Deferred income taxes	1,878,699	1,603,056
Regulatory cost of removal obligation	485,420	424,281
Pension and postretirement liabilities	230,588	297,743
Noncurrent liabilities of disposal group held for sale	—	316
Deferred credits and other liabilities	175,735	245,374
	$10,749,596	$10,010,889

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended September 30		
	2017	2016	2015
	(In thousands, except per share data)		
Operating revenues			
Distribution segment	$2,649,175	$2,339,778	$2,821,362
Pipeline and storage segment	457,030	427,196	384,957
Intersegment eliminations	(346,470)	(312,326)	(279,334)
Total operating revenues	2,759,735	2,454,648	2,926,985
Purchased gas cost			
Distribution segment	1,269,456	1,058,576	1,574,447
Pipeline and storage segment	2,506	(58)	562
Intersegment eliminations	(346,426)	(312,326)	(279,334)
Total purchased gas cost	925,536	746,192	1,295,675
Operation and maintenance expense	546,798	538,592	516,406
Depreciation and amortization expense	319,448	290,791	272,408
Taxes, other than income	240,407	221,843	230,264
Operating income	727,546	657,230	612,232
Miscellaneous expense, net	(3,270)	(234)	(819)
Interest charges	120,182	114,812	116,241
Income from continuing operations before income taxes	604,094	542,184	495,172
Income tax expense	221,383	196,642	189,549
Income from continuing operations	382,711	345,542	305,623
Income from discontinued operations, net of tax ($6,841, $3,731 and $6,141)	10,994	4,562	9,452
Gain on sale of discontinued operations, net of tax ($10,215, $0 and $0)	2,716	—	—
Net Income	$ 396,421	$ 350,104	$ 315,075
Basic and diluted net income per share			
Income per share from continuing operations	$ 3.60	$ 3.33	$ 3.00
Income per share from discontinued operations	0.13	0.05	0.09
Net income per share — basic and diluted	$ 3.73	$ 3.38	$ 3.09
Basic and diluted weighted average shares outstanding	106,100	103,524	101,892

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended September 30		
	2017	2016	2015
		(In thousands)	
Net income	$396,421	$350,104	$315,075
Other comprehensive income (loss), net of tax			
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of $1,473, $(245) and $(1,559)	2,564	(465)	(2,713)
Cash flow hedges:			
Amortization and unrealized gain (loss) on interest rate agreements, net of tax of $43,238, $(56,723) and $(40,501)	75,222	(98,682)	(70,461)
Net unrealized gains (losses) on commodity cash flow hedges, net of tax of $3,183, $13,078 and $(15,193)	4,982	20,455	(23,763)
Total other comprehensive income (loss)	82,768	(78,692)	(96,937)
Total comprehensive income	$479,189	$271,412	$218,138

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common stock		Additional	Accumulated Other Comprehensive	Retained	
	Number of Shares	Stated Value	Paid-in Capital	Income (Loss)	Earnings	Total
	(In thousands, except share and per share data)					
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
Net income	—	—	—	—	396,421	396,421
Other comprehensive income	—	—	—	82,768	—	82,768
Cash dividends ($1.80 per share)	—	—	—	—	(191,931)	(191,931)
Common stock issued:						
Public offering	1,303,494	6	98,749	—	—	98,755
Direct stock purchase plan	112,592	1	8,970	—	—	8,971
Retirement savings plan	228,326	1	17,551	—	—	17,552
1998 Long-term incentive plan	529,662	3	3,698	—	—	3,701
Employee stock-based compensation	—	—	19,370	—	—	19,370
Balance, September 30, 2017	106,104,634	$531	$2,536,365	$(105,254)	$1,467,024	$3,898,666

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30		
	2017	2016	2015
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 396,421	$ 350,104	$ 315,075
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	319,633	293,096	274,796
Deferred income taxes	227,183	193,556	192,886
Gain on sale of discontinued operations	(12,931)	—	—
Discontinued cash flow hedging for natural gas marketing commodity contracts	(10,579)	—	—
Stock-based compensation	14,064	14,760	15,980
Debt financing costs	6,469	5,667	5,922
Other	97	1,019	359
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(58,696)	(4,847)	48,240
(Increase) decrease in gas stored underground	(35,126)	20,577	33,234
(Increase) decrease in other current assets	9,991	(18,739)	(11,951)
(Increase) decrease in deferred charges and other assets	102,254	(24,860)	51,614
Increase (decrease) in accounts payable and accrued liabilities	53,017	(5,195)	(59,112)
Increase (decrease) in other current liabilities	(78,651)	(44,482)	896
Increase (decrease) in deferred credits and other liabilities	(66,056)	14,334	(56,025)
Net cash provided by operating activities	867,090	794,990	811,914
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures	(1,137,089)	(1,086,950)	(963,621)
Acquisition	(86,128)	—	—
Proceeds from the sale of discontinued operations	140,253	—	—
Purchases of available-for-sale securities	(53,597)	(32,551)	(29,527)
Proceeds from sale of available-for-sale securities	31,792	27,019	24,889
Maturities of available-for-sale securities	9,332	6,290	6,235
Use tax refund	29,790	—	—
Other, net	9,341	6,460	5,422
Net cash used in investing activities	(1,056,306)	(1,079,732)	(956,602)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term debt	(382,066)	371,884	261,232
Proceeds from issuance of long-term debt, net of premium/discount	884,911	—	499,060
Net proceeds from equity offering	98,755	98,574	—
Issuance of common stock through stock purchase and employee retirement plans	26,523	34,278	30,952
Settlement of interest rate agreements	(36,996)	—	13,364
Interest rate agreements cash collateral	25,670	(25,670)	—
Repayment of long-term debt	(250,000)	—	(500,000)
Cash dividends paid	(191,931)	(175,126)	(160,018)
Repurchase of equity awards	—	—	(7,985)
Debt issuance costs	(6,775)	(317)	(5,522)
Net cash provided by financing activities	168,091	303,623	131,083
Net increase (decrease) in cash and cash equivalents	(21,125)	18,881	(13,605)
Cash and cash equivalents at beginning of year	47,534	28,653	42,258
Cash and cash equivalents at end of year	$ 26,409	$ 47,534	$ 28,653
CASH PAID (RECEIVED) DURING THE PERIOD FOR:			
Interest	$ 156,668	$ 154,748	$ 151,334
Income taxes	$ 5,264	$ 7,794	$ 1,802

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 in the regulated natural gas distribution and pipeline and storage businesses. Through our 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 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 pipeline and storage business, which is also subject to federal and state regulation, consists of the operations of our Atmos Pipeline — Texas (APT) Division and our Louisiana natural gas transmission business. The APT 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 natural gas transmission operations in Louisiana are comprised of a proprietary 21-mile pipeline located in New Orleans, Louisiana that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and on a more limited basis, to third parties.

On October 29, 2016, we entered into a Membership Interest Purchase Agreement (the Agreement) with CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy, Inc. (CES) to sell all of the equity interests of AEM. The transaction closed on January 3, 2017, with an effective date of January 1, 2017. AEM's historical financial results are reflected in the Company's consolidated financial statements as discontinued operations, which required retrospective application to financial information for all periods presented. Please refer to Note 15 for further information. Our discontinued natural gas marketing segment was primarily engaged in an unregulated natural gas marketing business, conducted by Atmos Energy Marketing (AEM). The natural gas marketing business operated primarily in the Midwest and Southeast and was based in Houston, Texas. This business provided 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 our 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.

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.

Regulation — Our distribution and pipeline and storage 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, 2017 and 2016 included the following:

	September 30	
	2017	2016
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs[1]	$ 26,826	$132,348
Infrastructure mechanisms[2]	46,437	42,719
Deferred gas costs	65,714	45,184
Recoverable loss on reacquired debt	11,208	13,761
Deferred pipeline record collection costs	11,692	7,336
APT annual adjustment mechanism	2,160	7,171
Rate case costs	2,629	1,539
Other	10,132	13,565
	$176,798	$263,623
Regulatory liabilities:		
Regulatory cost of removal obligation	$521,330	$476,891
Deferred gas costs	15,559	20,180
Asset retirement obligation	12,827	13,404
Other	5,941	4,250
	$555,657	$514,725

(1) Includes $9.4 million and $12.4 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 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 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 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 pipeline and storage segment are recognized in the period in which volumes are transported.

Discontinued operations — Accounting policies specific to our discontinued natural gas marketing business are described in more detail in Note 15.

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 distribution operations. The average cost method is used for substantially all of our distribution operations. 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.

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 \$2.5 million, \$2.8 million and \$2.3 million was capitalized in 2017, 2016 and 2015.

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 3.1 percent, 3.2 percent and 3.3 percent for the fiscal years ended September 30, 2017, 2016 and 2015.

Other 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.

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, 2017 and 2016, we had asset retirement obligations of $12.8 million and $13.4 million. Additionally, we had $7.8 million and $8.1 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. During the second quarter of fiscal 2017, we completed our annual goodwill impairment assessment. Based on the assessment performed, we determined that our goodwill was not impaired.

Marketable securities — As of September 30, 2017 and 2016, 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 distribution and pipeline and storage segments and to mitigate interest rate risk. The objectives and strategies for using financial instruments have been tailored to our continuing business 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 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 distribution segment as a result of the use of financial instruments.

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, 2017, no cash was required to be held in margin accounts. 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.

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.

Our Level 1 measurements consist primarily of 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 corporate bonds and government securities.

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.

Investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient are not categorized within the fair value hierarchy, as required by accounting guidance adopted in the current fiscal year and includes common collective trusts and investments in limited partnerships held by our pension plans, as described in Note 7. The adoption of the new accounting guidance did not have an impact on our results of operations, consolidated balance sheets or cash flows.

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.

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 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.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, an entity 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 may need to use more judgment and make more estimates than under current guidance. The new guidance will become effective for us 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, 2017, we have substantially completed the evaluation of our sources of revenue and the impact that the new guidance will have on our financial position, results of operations, cash flows and business processes. Based on this evaluation, we currently do not believe the implementation of the new guidance will have a material effect on our financial position, results of operations, cash flows or business processes. We expect to apply the new guidance using the modified retrospective method, which will result in a cumulative-effect adjustment on the date of adoption. We are currently still evaluating the impact to our financial statement presentation and related disclosures.

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 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.

In January 2017, the FASB issued new guidance that simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test. Under the new guidance, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The new standard will be effective for our fiscal 2021 goodwill impairment test; however, early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of the new standard will have no impact on our results of operations, consolidated balance sheets or cash flows.

In March 2017, the FASB issued new guidance related to the income statement presentation of the components of net periodic benefit cost for an entity's sponsored defined benefit pension and other postretirement plans. The new guidance requires entities to disaggregate the current service cost component of the net periodic benefit cost from the other components and present it with other current compensation costs for related employees in the statement of income. The other components of net periodic benefit cost will be presented outside of income from operations on the statement of income. In addition, only the service cost component of net periodic benefit cost is eligible for capitalization (e.g., as part of property, plant, and equipment). However, we believe that we will be allowed to defer the other components of net periodic benefit cost as a regulatory asset and that we will still be allowed to capitalize all components of net periodic benefit cost for ratemaking purposes. The new guidance is effective for us in the fiscal year beginning on October 1, 2018 and for interim periods within that year. We are currently evaluating the potential impact of this new guidance on our financial position, results of operations and cash flows.

3. Segment Information

As of September 30, 2017, we manage and review our consolidated operations through the following three reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana.
- The *natural gas marketing segment* is comprised of our discontinued natural gas marketing business.

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 distribution segment operations are geographically dispersed, they are aggregated and reported as a single segment as each natural gas distribution division has similar economic characteristics. In addition, because the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana have similar economic characteristics, they have been aggregated and reported as a single segment.

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. We allocate interest and pension expense to the pipeline and storage segment; however, there is no debt or pension liability recorded on the pipeline and storage segment balance sheet. 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. 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, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$2,647,813	$111,922	$ —	$ —	$2,759,735
Intersegment revenues	1,362	345,108	—	(346,470)	—
Total operating revenues	2,649,175	457,030	—	(346,470)	2,759,735
Purchased gas cost	1,269,456	2,506	—	(346,426)	925,536
Operation and maintenance expense	413,077	133,765	—	(44)	546,798
Depreciation and amortization expense	249,071	70,377	—	—	319,448
Taxes, other than income	211,929	28,478	—	—	240,407
Operating income	505,642	221,904	—	—	727,546
Miscellaneous expense	(1,695)	(1,575)	—	—	(3,270)
Interest charges	79,789	40,393	—	—	120,182
Income from continuing operations before income taxes	424,158	179,936	—	—	604,094
Income tax expense	155,789	65,594	—	—	221,383
Income from continuing operations	268,369	114,342	—	—	382,711
Income from discontinued operations, net of tax	—	—	10,994	—	10,994
Gain on sale of discontinued operations, net of tax	—	—	2,716	—	2,716
Net income	$ 268,369	$114,342	$13,710	$ —	$ 396,421
Capital expenditures	$ 849,950	$287,139	$ —	$ —	$1,137,089

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended September 30, 2016				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$2,338,404	$116,244	$ —	$ —	$2,454,648
Intersegment revenues	1,374	310,952	—	(312,326)	—
Total operating revenues	2,339,778	427,196	—	(312,326)	2,454,648
Purchased gas cost	1,058,576	(58)	—	(312,326)	746,192
Operation and maintenance expense	407,982	130,610	—	—	538,592
Depreciation and amortization expense	234,109	56,682	—	—	290,791
Taxes, other than income	197,227	24,616	—	—	221,843
Operating income	441,884	215,346	—	—	657,230
Miscellaneous income (expense)	1,171	(1,405)	—	—	(234)
Interest charges	78,238	36,574	—	—	114,812
Income from continuing operations before income taxes	364,817	177,367	—	—	542,184
Income tax expense	130,987	65,655	—	—	196,642
Income from continuing operations	233,830	111,712	—	—	345,542
Income from discontinued operations, net of tax	—	—	4,562	—	4,562
Net income	$ 233,830	$111,712	$4,562	$ —	$ 350,104
Capital expenditures	$ 740,246	$346,383	$ 321	$ —	$1,086,950

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended September 30, 2015				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$2,819,977	$107,008	$ —	$ —	$2,926,985
Intersegment revenues	1,385	277,949	—	(279,334)	—
Total operating revenues	2,821,362	384,957	—	(279,334)	2,926,985
Purchased gas cost	1,574,447	562	—	(279,334)	1,295,675
Operation and maintenance expense	393,504	122,902	—	—	516,406
Depreciation and amortization expense	224,094	48,314	—	—	272,408
Taxes, other than income	206,625	23,639	—	—	230,264
Operating income	422,692	189,540	—	—	612,232
Miscellaneous income (expense)	284	(1,103)	—	—	(819)
Interest charges	83,087	33,154	—	—	116,241
Income from continuing operations before income taxes	339,889	155,283	—	—	495,172
Income tax expense	134,069	55,480	—	—	189,549
Income from continuing operations	205,820	99,803	—	—	305,623
Income from discontinued operations, net of tax	—	—	9,452	—	9,452
Net income	$ 205,820	$ 99,803	$9,452	$ —	$ 315,075
Capital expenditures	$ 670,620	$292,775	$ 226	$ —	$ 963,621

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

	2017	2016	2015
		(In thousands)	
Distribution revenues:			
Gas sales revenues:			
Residential	$1,642,918	$1,477,049	$1,761,689
Commercial	708,167	619,979	772,187
Industrial	133,372	98,439	131,034
Public authority and other	45,820	41,307	53,401
Total gas sales revenues	2,530,277	2,236,774	2,718,311
Transportation revenues	86,332	76,690	72,340
Other gas revenues	31,204	24,940	29,326
Total distribution revenues	2,647,813	2,338,404	2,819,977
Pipeline and storage revenues	111,922	116,244	107,008
Total operating revenues	$2,759,735	$2,454,648	$2,926,985

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Balance sheet information at September 30, 2017 and 2016 by segment is presented in the following tables.

	September 30, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Property, plant and equipment, net	$ 6,849,517	$2,409,665	$ —	$ —	$ 9,259,182
Total assets	$10,050,164	$2,621,601	$ —	$(1,922,169)	$10,749,596
Deferred income tax liabilities	$ 1,271,808	$ 606,891	$ —	$ —	$ 1,878,699

	September 30, 2016				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Property, plant and equipment, net[1]	$ 6,208,465	$2,060,141	$ —	$ —	$ 8,268,606
Total assets	$ 9,321,815	$2,283,864	$216,715	$(1,811,505)	$10,010,889
Deferred income tax liabilities	$ 1,055,348	$ 543,390	$ 4,318	$ —	$ 1,603,056

(1) Natural gas marketing had net property, plant and equipment of $11.9 million classified as assets held for sale on the consolidated balance sheet at September 30, 2016.

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:

	2017	2016	2015
	(In thousands, except per share data)		
Basic and Diluted Earnings Per Share from continuing operations			
Income from continuing operations	$382,711	$345,542	$305,623
Less: Income from continuing operations allocated to participating securities	475	538	607
Income from continuing operations available to common shareholders	$382,236	$345,004	$305,016
Basic and diluted weighted average shares outstanding	106,100	103,524	101,892
Income from continuing operations per share — Basic and Diluted	$ 3.60	$ 3.33	$ 3.00
Basic and Diluted Earnings Per Share from discontinued operations			
Income from discontinued operations	$ 13,710	$ 4,562	$ 9,452
Less: Income from discontinued operations allocated to participating securities	12	8	19
Income from discontinued operations available to common shareholders	$ 13,698	$ 4,554	$ 9,433
Basic and diluted weighted average shares outstanding	106,100	103,524	101,892
Income from discontinued operations per share — Basic and Diluted	$ 0.13	$ 0.05	$ 0.09
Net Income per share — Basic and Diluted	$ 3.73	$ 3.38	$ 3.09

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Debt

Long-term debt

Long-term debt at September 30, 2017 and 2016 consisted of the following:

	2017	2016
	(In thousands)	
Unsecured 6.35% Senior Notes, due June 2017	—	250,000
Unsecured 8.50% Senior Notes, due March 2019	450,000	450,000
Unsecured 3.00% Senior Notes, due 2027	500,000	—
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	750,000	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
Floating-rate term loan, due June 2019	125,000	—
Total long-term debt	3,085,000	2,460,000
Less:		
Original issue (premium) discount on unsecured senior notes and debentures	(4,384)	4,270
Debt issuance cost	22,339	16,951
Current maturities	—	250,000
	$3,067,045	$2,188,779

Maturities of long-term debt at September 30, 2017 were as follows (in thousands):

2018	$ —
2019	575,000
2020	—
2021	—
2022	—
Thereafter	2,510,000
	$3,085,000

On June 8, 2017, we completed a public offering of $500 million of 3.00% senior notes due 2027 and $250 million of 4.125% senior notes due 2044. The effective rate of these notes is 3.12% and 4.40%, after giving effect to the offering costs and the settlement of the associated forward starting interest rate swaps. The net proceeds, excluding the loss on the settlement of the interest rate swaps of $37 million, of approximately $753 million were used to repay our $250 million 6.35% senior unsecured notes at maturity on June 15, 2017 and for general corporate purposes, including the repayment of working capital borrowings pursuant to our commercial paper program.

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 was used to refinance existing indebtedness and for working capital, capital expenditures and other general corporate purposes. At September 30, 2017, there was $125.0 million of borrowings outstanding under the term loan. At September 30, 2016, there were no borrowings outstanding.

We utilize short-term debt to provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves the Company's desired capital structure with an equity-to-capitalization ratio between 50% and 60%, inclusive of long-term and short-term debt. Our short-term borrowing requirements are affected primarily 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 our customers' needs could significantly affect our borrowing requirements. Our short-term borrowings typically reach their highest levels in the winter months.

Currently, our short-term borrowing requirements are satisfied through a combination of a $1.5 billion commercial paper program and three committed revolving credit facilities with third-party lenders that provide approximately $1.5 billion of total working capital funding. The primary source of our funding is our commercial paper program, which is supported by a five-year unsecured $1.5 billion credit facility that expires September 25, 2021. The 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. Additionally, the facility contains a $250 million accordion feature, which provides the opportunity to increase the total committed loan to $1.75 billion. This facility was amended in October 2016 to increase the total availability from $1.25 billion. At September 30, 2017 and 2016, there was $447.7 million and $829.8 million outstanding under our commercial paper program with weighted average interest rates of 1.25% and 0.81%, with average maturities of less than two months.

Additionally, we have a $25 million unsecured facility, which was renewed on April 1, 2017, and a $10 million unsecured revolving credit facility, which was renewed on September 30, 2017. At September 30, 2017, there were no borrowings outstanding under either of these facilities; however, outstanding letters of credit reduced the total amount available to us under our $10 million unsecured revolving facility to $4.2 million.

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, 2017, our total-debt-to-total-capitalization ratio, as defined, was 48 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.

These credit facilities and our 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 certain of 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, 2017. 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.

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, 2017, $1.6 billion of securities remain available for issuance under the shelf registration statement.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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. in their capacity as agents and/or as principals (Agents). Under the terms of the Agreement, we were permitted to 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. During fiscal 2017, we sold 1,303,494 shares of common stock under the ATM program for $100.0 million and received net proceeds of $98.8 million. 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. The shares were issued pursuant to our shelf registration statement filed with the SEC on March 28, 2016. At September 30, 2017, substantially all shares had been issued under our ATM program.

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 available 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 the additional 2.5 million shares; we also listed such shares with the New York Stock Exchange. As of September 30, 2017, 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.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, 2016	$4,484	$(187,524)	$(4,982)	$(188,022)
Other comprehensive income (loss) before reclassifications	2,502	74,560	9,847	86,909
Amounts reclassified from accumulated other comprehensive income	62	662	(4,865)	(4,141)
Net current-period other comprehensive income	2,564	75,222	4,982	82,768
September 30, 2017	$7,048	$(112,302)	$ —	$(105,254)

	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)

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables detail reclassifications out of AOCI for the fiscal years ended September 30, 2017 and 2016. Amounts in parentheses below indicate decreases to net income in the statement of income.

	Fiscal Year Ended September 30, 2017	
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	$ (97)	Operation and maintenance expense
	(97)	Total before tax
	35	Tax benefit
	$ (62)	Net of tax
Cash flow hedges		
Interest rate agreements	$(1,043)	Interest charges
Commodity contracts	7,967	Purchased gas cost[1]
	6,924	Total before tax
	(2,721)	Tax expense
	$ 4,203	Net of tax
Total reclassifications	$ 4,141	Net of tax

	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[1]
	(53,197)	Total before tax
	20,733	Tax benefit
	$(32,464)	Net of tax
Total reclassifications	$(32,262)	Net of tax

(1) Amounts are presented as part of income from discontinued operations on the consolidated statements of income.

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, 2017				
Unrecognized prior service credit	$ (1,278)	$ —	$ 1,309	$ 31
Unrecognized actuarial (gain) loss	62,388	42,170	(87,196)	17,362
	$ 61,110	$42,170	$(85,887)	$ 17,393
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

Defined Benefit Plans

Employee Pension Plan

As of September 30, 2017, we maintained one defined benefit plan, the Atmos Energy Corporation Pension Account Plan (the Plan). The assets of the Plan are held within the Atmos Energy Corporation Master Retirement Trust (the Master Trust). The Plan is a cash balance pension plan that was established effective January 1999 and covers most of the employees of Atmos Energy 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.

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 2017 and 2016 we contributed $5.0 million and $15.0 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, 2017, the current funded position of the Plan and the funding requirements under the PPA, we do not anticipate a minimum required contribution for fiscal 2018. 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, 2017 and 2016.

Security Class	Targeted Allocation Range	Actual Allocation September 30 2017	Actual Allocation September 30 2016
Domestic equities	35%-55%	43.9%	40.5%
International equities	10%-20%	17.2%	15.5%
Fixed income	5%-30%	10.6%	11.2%
Company stock	0%-15%	11.8%	15.1%
Other assets	0%-20%	16.5%	17.7%

At September 30, 2017 and 2016, the Plan held 716,700 and 956,700 shares of our common stock which represented 11.8 percent and 15.1 percent of total Plan assets. These shares generated dividend income for the Plan of approximately $1.7 million and $1.8 million during fiscal 2017 and 2016.

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, 2017 and 2016 and the actuarial assumptions used to determine the net periodic pension cost for the Plan was determined as of September 30, 2016, 2015 and 2014. On October 20, 2017, 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, 2017, we updated our assumed mortality rates to incorporate the updated mortality table.

Additional assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2017	2016	2017	2016	2015
Discount rate	3.89%	3.73%	3.73%	4.55%	4.43%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%	3.50%
Expected return on plan assets	6.75%	7.00%	7.00%	7.00%	7.25%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the Plan's accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2017 and 2016:

	2017	2016
	(In thousands)	
Accumulated benefit obligation	$505,355	$516,924
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$545,480	$508,599
Service cost	18,109	16,419
Interest cost	20,443	23,193
Actuarial (gain) loss	(16,347)	41,847
Benefits paid[(1)]	(34,230)	(44,578)
Benefit obligation at end of year	533,455	545,480
Change in plan assets:		
Fair value of plan assets at beginning of year	473,950	450,932
Actual return on plan assets	63,524	52,596
Employer contributions	5,000	15,000
Benefits paid[(1)]	(34,230)	(44,578)
Fair value of plan assets at end of year	508,244	473,950
Reconciliation:		
Funded status	(25,211)	(71,530)
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Accrued pension cost	$ (25,211)	$ (71,530)

(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.

Net periodic pension cost for the Plan for fiscal 2017, 2016 and 2015 is recorded as operating expense and included the following components:

	Fiscal Year Ended September 30		
	2017	2016	2015
		(In thousands)	
Components of net periodic pension cost:			
Service cost	$ 18,109	$ 16,419	$ 16,231
Interest cost	20,443	23,193	21,850
Expected return on assets	(27,975)	(27,522)	(25,744)
Amortization of prior service credit	(231)	(226)	(192)
Recognized actuarial loss	12,744	10,693	13,322
Net periodic pension cost	$ 23,090	$ 22,557	$ 25,467

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of September 30, 2017 and 2016. 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. Investments in our common/collective trusts and limited partnerships that are measured at net asset value per share equivalent are not classified in the fair value hierarchy. The net asset value amounts presented are intended to reconcile the fair value

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

hierarchy to the total investments. In addition to the assets shown below, the Plan had net accounts receivable of $0.6 million and $2.6 million at September 30, 2017 and 2016 which materially approximates fair value due to the short-term nature of these assets.

	Assets at Fair Value as of September 30, 2017			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments:				
Common stocks	$164,910	$ —	$ —	$164,910
Money market funds	—	9,588	—	9,588
Registered investment companies	64,102	—	—	64,102
Government securities:				
Mortgage-backed securities	—	15,664	—	15,664
U.S. treasuries	5,129	822	—	5,951
Corporate bonds	—	32,314	—	32,314
Total investments at fair value	$234,141	$58,388	$ —	292,529
Investments measured at net asset value:				
Common/collective trusts[1]				150,976
Limited partnerships[1]				64,135
Total investments at fair value				$507,640

	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
Government securities:				
Mortgage-backed securities	—	15,223	—	15,223
U.S. treasuries	4,704	863	—	5,567
Corporate bonds	—	31,929	—	31,929
Total assets in the fair value hierarchy	$249,211	$59,537	$ —	308,748
Investments measured at net asset value:				
Common/collective trusts[1]				105,124
Limited partnerships[1]				57,438
Total investments at fair value				$471,310

(1) The fair value of our common/collective trusts and limited partnerships are measured using the net asset value per share practical expedient. There are no redemption restrictions, redemption notice periods or unfunded commitments for these investments. The redemption frequency is daily.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 and any corporate officer who was appointed to the Management Committee through December 31, 2016. 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, 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 (25 percent for members of the Management Committee appointed on or after January 1, 2017) 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%).

Due to the departure of certain executives in February 2017, we recognized a settlement loss of $2.7 million associated with our SEBP and made an $8.6 million benefit payment during the fourth quarter of fiscal 2017.

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, 2017 and 2016 and the actuarial assumptions used to determine the net periodic pension cost for the supplemental plans were determined as of September 30, 2016, 2015 and 2014. These assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2017	**2016**	**2017**	**2016**	**2015**
Discount rate	3.89%	3.73%	3.73%	4.55%	4.43%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%	3.50%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the supplemental plans' accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2017 and 2016:

	2017	2016
	(In thousands)	
Accumulated benefit obligation	$ 130,070	$ 137,616
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 142,574	$ 122,393
Service cost	2,756	2,371
Interest cost	4,744	5,185
Actuarial (gain) loss	(2,452)	17,229
Benefits paid	(4,588)	(4,604)
Settlements	(8,554)	—
Benefit obligation at end of year	134,480	142,574
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	13,142	4,604
Benefits paid	(4,588)	(4,604)
Settlements	(8,554)	—
Fair value of plan assets at end of year	—	—
Reconciliation:		
Funded status	(134,480)	(142,574)
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Accrued pension cost	$(134,480)	$(142,574)

Assets for the supplemental plans are held in separate rabbi trusts. At September 30, 2017 and 2016, assets held in the rabbi trusts consisted of available-for-sale securities of $42.9 million and $41.3 million, which are included in our fair value disclosures in Note 14.

Net periodic pension cost for the supplemental plans for fiscal 2017, 2016 and 2015 is recorded as operating expense and included the following components:

	Fiscal Year Ended September 30		
	2017	2016	2015
	(In thousands)		
Components of net periodic pension cost:			
Service cost	$ 2,756	$ 2,371	$ 3,971
Interest cost	4,744	5,185	4,943
Amortization of transition asset	—	—	—
Amortization of prior service cost	—	—	—
Recognized actuarial loss	4,251	2,586	2,343
Settlements	2,685	—	—
Net periodic pension cost	$14,436	$10,142	$11,257

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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 Plan	Supplemental Plans
	(In thousands)	
2018	$ 32,173	$18,411
2019	32,903	23,000
2020	34,314	4,701
2021	36,487	4,609
2022	37,857	17,520
2023-2027	204,690	48,415

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 2018.

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, 2017 and 2016.

	Actual Allocation September 30	
Security Class	2017	2016
Diversified investment funds	97.5%	97.2%
Cash and cash equivalents	2.5%	2.8%

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, 2017 and 2016 and the actuarial assumptions used

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

to determine the net periodic pension cost for the postretirement plan were determined as of September 30, 2016, 2015 and 2014. The assumptions are presented in the following table:

	Postretirement Liability		Postretirement Cost		
	2017	2016	2017	2016	2015
Discount rate	3.89%	3.73%	3.73%	4.55%	4.43%
Expected return on plan assets	4.29%	4.45%	4.45%	4.45%	4.60%
Initial trend rate	7.00%	7.50%	7.50%	7.50%	7.50%
Ultimate trend rate	5.00%	5.00%	5.00%	5.00%	5.00%
Ultimate trend reached in	2022	2022	2022	2021	2020

The following table presents the postretirement plan's benefit obligation and funded status as of September 30, 2017 and 2016:

	2017	2016
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$279,222	$ 267,179
Service cost	12,436	10,823
Interest cost	10,679	12,424
Plan participants' contributions	4,936	4,289
Actuarial gain	(21,750)	(1,052)
Benefits paid	(13,970)	(14,441)
Plan amendments	2,545	—
Benefit obligation at end of year	274,098	279,222
Change in plan assets:		
Fair value of plan assets at beginning of year	158,977	138,009
Actual return on plan assets	21,160	14,528
Employer contributions	13,687	16,592
Plan participants' contributions	4,936	4,289
Benefits paid	(13,970)	(14,441)
Fair value of plan assets at end of year	184,790	158,977
Reconciliation:		
Funded status	(89,308)	(120,245)
Unrecognized transition obligation	—	—
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Accrued postretirement cost	$ (89,308)	$(120,245)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net periodic postretirement cost for fiscal 2017, 2016 and 2015 is recorded as operating expense and included the components presented below.

	Fiscal Year Ended September 30		
	2017	2016	2015
	(In thousands)		
Components of net periodic postretirement cost:			
Service cost	$12,436	$10,823	$15,583
Interest cost	10,679	12,424	14,385
Expected return on assets	(7,185)	(6,264)	(6,431)
Amortization of transition obligation	—	82	272
Amortization of prior service credit	(1,644)	(1,644)	(1,644)
Recognized actuarial (gain) loss	(2,827)	(2,167)	—
Net periodic postretirement cost	$11,459	$13,254	$22,165

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	$ 4,526	$ (3,584)
Effect on postretirement benefit obligation	$41,259	$(33,863)

We are currently recovering other postretirement benefits costs through our regulated rates in substantially all of our service areas under accrual accounting as prescribed by accounting principles generally accepted in the United States. 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, 2017 and 2016. 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, 2017			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments:				
Money market funds	$ —	$4,534	$ —	$ 4,534
Registered investment companies	180,256	—	—	180,256
Total investments at fair value	$180,256	$4,534	$ —	$184,790

	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

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 2017 include contributions to our postretirement plan trusts.

	Company Payments	Retiree Payments	Subsidy Payments	Total Postretirement Benefits
		(In thousands)		
2018	$15,387	$ 3,392	$—	$ 18,779
2019	12,140	3,751	—	15,891
2020	12,658	4,171	—	16,829
2021	13,571	4,704	—	18,275
2022	14,523	5,282	—	19,805
2023-2027	85,118	35,165	—	120,283

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. Participants are eligible to receive matching contributions after completing one year of service, in which they are immediately vested. Participants are also permitted to take out a loan 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 AEH 401(k) Profit-Sharing Plan, which covered substantially all AEH employees.

Matching and fixed annual contributions to the Retirement Savings Plan and the AEH 401(k) Profit-Sharing Plan are expensed as incurred and amounted to $15.4 million, $15.8 million and $14.8 million for fiscal years 2017, 2016 and 2015. At September 30, 2017 and 2016, the Retirement Savings Plan held 3.7 percent and 4.2 percent of our outstanding common stock.

8. Stock and Other Compensation Plans

Stock-Based Compensation Plans

Total stock-based compensation cost was $23.1 million, $24.6 million and $27.5 million for the fiscal years ended September 30, 2017, 2016 and 2015. Of this amount, $9.0 million, $9.8 million and $11.5 million was capitalized. Tax benefits related to stock-based compensation were $4.4 million, $5.0 million and $4.7 million for the fiscal years ended September 30, 2017, 2016 and 2015.

1998 Long-Term Incentive Plan

We have a Long-Term Incentive Plan (LTIP), which provides a 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 available personnel, providing for additional performance incentives and promoting our success by providing employees with the opportunity to acquire common stock.

As of September 30, 2017, 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, 2017, 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 2.0 million shares were available for future issuance.

Restricted Stock Units 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, 2017, 2016 and 2015:

	2017		2016		2015	
	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	782,431	$57.66	878,104	$48.24	988,637	$42.22
Granted	273,497	74.15	357,323	65.98	444,543	50.50
Vested	(448,326)	52.23	(448,136)	45.88	(551,688)	39.28
Forfeited	(36,788)	63.48	(4,860)	53.52	(3,388)	48.55
Nonvested at end of year	570,814	$69.45	782,431	$57.66	878,104	$48.24

As of September 30, 2017, there was $10.9 million of total unrecognized compensation cost related to non-vested 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, 2017, 2016 and 2015 was $23.4 million, $20.6 million and $21.7 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.

Equity Incentive and Deferred Compensation Plan for Non-Employee Directors

We have an Equity Incentive and Deferred Compensation Plan for Non — Employee Directors, which 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. 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. Assets held for sale at September 30, 2016 are detailed in Note 15.

Accounts receivable

Accounts receivable was comprised of the following at September 30, 2017 and 2016:

	September 30	
	2017	2016
	(In thousands)	
Billed accounts receivable	$135,091	$120,128
Unbilled revenue	73,143	67,396
Other accounts receivable	24,894	39,412
Total accounts receivable	233,128	226,936
Less: allowance for doubtful accounts	(10,865)	(11,056)
Net accounts receivable	$222,263	$215,880

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other current assets

Other current assets as of September 30, 2017 and 2016 were comprised of the following accounts.

	September 30	
	2017	2016
	(In thousands)	
Deferred gas costs	$ 65,714	$45,184
Prepaid expenses	32,163	21,489
Taxes receivable	—	5,456
Materials and supplies	4,472	5,825
Assets from risk management activities	2,436	3,029
Other	1,536	7,102
Total	$106,321	$88,085

Property, plant and equipment

Property, plant and equipment was comprised of the following as of September 30, 2017 and 2016:

	September 30	
	2017	2016
	(In thousands)	
Production plant	$ 66	$ 66
Storage plant	369,510	353,523
Transmission plant	2,521,671	2,232,927
Distribution plant	7,306,021	6,598,990
General plant	765,662	732,606
Intangible plant	38,980	40,515
	11,001,910	9,958,627
Construction in progress	299,394	183,879
	11,301,304	10,142,506
Less: accumulated depreciation and amortization	(2,042,122)	(1,873,900)
Net property, plant and equipment[1]	$ 9,259,182	$ 8,268,606

(1) Net property, plant and equipment includes plant acquisition adjustments of $(64.1) million and $(59.8) million at September 30, 2017 and 2016.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Goodwill

The following presents our goodwill balance allocated by segment and changes in the balance for the fiscal year ended September 30, 2017:

	Distribution	Pipeline and Storage	Total
		(In thousands)	
Balance as of September 30, 2016[1]	$583,950	$143,012	$726,962
Allocation of goodwill due to disposal of Natural Gas Marketing operations	2,711	—	2,711
Deferred tax adjustments on prior acquisitions[2]	419	40	459
Balance as of September 30, 2017	$587,080	$143,052	$730,132

(1) Our discontinued natural gas marketing segment had $16.4 million of goodwill at September 30, 2016. Of this amount, $13.7 million was written off in connection with the sale and the remaining $2.7 million was reallocated to the distribution segment.

(2) 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 $0.5 million for fiscal 2017.

Deferred charges and other assets

Deferred charges and other assets as of September 30, 2017 and 2016 were comprised of the following accounts.

	September 30 2017	September 30 2016
	(In thousands)	
Marketable securities	$ 88,409	$ 72,701
Regulatory assets	110,977	214,890
Assets from risk management activities	803	1,822
Other	20,447	15,606
Total	$220,636	$305,019

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of September 30, 2017 and 2016 were comprised of the following accounts.

	September 30 2017	September 30 2016
	(In thousands)	
Trade accounts payable	$143,422	$114,361
Accrued gas payable	50,253	47,107
Accrued liabilities	39,375	35,017
Total	$233,050	$196,485

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other current liabilities

Other current liabilities as of September 30, 2017 and 2016 were comprised of the following accounts.

	September 30	
	2017	2016
	(In thousands)	
Customer credit balances and deposits	$ 54,627	$ 81,219
Accrued employee costs	46,653	47,058
Deferred gas costs	15,559	20,180
Accrued interest	39,624	34,863
Liabilities from risk management activities	322	56,771
Taxes payable	116,291	104,145
Pension and postretirement obligations	18,411	36,606
Regulatory cost of removal accrual	35,910	52,610
Other	5,251	5,633
Total	$332,648	$439,085

Deferred credits and other liabilities

Deferred credits and other liabilities as of September 30, 2017 and 2016 were comprised of the following accounts.

	September 30	
	2017	2016
	(In thousands)	
Customer advances for construction	$ 9,309	$ 9,850
Regulatory liabilities	5,257	4,152
Asset retirement obligation	12,827	13,404
Liabilities from risk management activities	112,076	184,048
Other	36,266	33,920
Total	$175,735	$245,374

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 14 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, 2017 were as follows:

	Operating Leases
	(In thousands)
2018	$ 17,170
2019	16,437
2020	15,438
2021	15,238
2022	15,138
Thereafter	35,516
Total minimum lease payments	$114,937

Consolidated lease and rental expense amounted to $32.7 million, $32.6 million and $32.5 million for fiscal 2017, 2016 and 2015.

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.

Purchase Commitments

Our distribution and pipeline and storage segments 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 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, 2017, we were committed to purchase 20.9 Bcf within one year, 37.9 Bcf within two to three years and 0.3 Bcf beyond three years under indexed contracts. Purchases under these contracts totaled $49.7 million, $85.3 million and $113.3 million for 2017, 2016 and 2015.

12. Income Taxes

The components of income tax expense from continuing operations for 2017, 2016 and 2015 were as follows:

	2017	2016	2015
		(In thousands)	
Current			
Federal	$ —	$ —	$ —
State	9,022	5,667	6,513
Deferred			
Federal	197,013	178,630	170,649
State	15,348	12,350	12,393
Investment tax credits	—	(5)	(6)
	$221,383	$196,642	$189,549

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 2017, 2016 and 2015 are set forth below:

	2017	2016	2015
		(In thousands)	
Tax at statutory rate of 35%	$211,433	$189,764	$173,310
Common stock dividends deductible for tax reporting	(2,584)	(2,570)	(2,413)
State taxes (net of federal benefit)	16,100	11,133	12,289
Change in valuation allowance	—	1,324	4,998
Other, net	(3,566)	(3,009)	1,365
Income tax expense	$221,383	$196,642	$189,549

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, 2017 and 2016 are presented below:

	2017	2016
	(In thousands)	
Deferred tax assets:		
Employee benefit plans	$ 121,288	$ 122,682
Interest rate agreements	65,171	107,782
Net operating loss carryforwards	555,043	514,391
Charitable and other credit carryforwards	18,873	22,273
Other	10,218	23,648
Total deferred tax assets	770,593	790,776
Valuation allowance	(5,403)	(10,481)
Net deferred tax assets	765,190	780,295
Deferred tax liabilities:		
Difference in net book value and net tax value of assets	(2,528,485)	(2,259,278)
Pension funding	(13,101)	(30,652)
Gas cost adjustments	(60,376)	(54,725)
Other	(41,927)	(38,696)
Total deferred tax liabilities	(2,643,889)	(2,383,351)
Net deferred tax liabilities	$(1,878,699)	$(1,603,056)
Deferred credits for rate regulated entities	$ 985	$ 861

At September 30, 2017, we had $532.9 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 $7.6 million in charitable contribution carryforwards to offset taxable income. The Company's charitable contribution carryforwards expire in 2018 — 2022.

For state taxable income, the Company has $22.1 million of state net operating loss carryforwards (net of $11.9 million of federal effects) and $1.2 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 2018 and 2032.

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 was established for the year ended September 30, 2016. No additional valuation allowance was recorded for the year ended September 30, 2017. However, at September 30, 2017, $5.1 million of deferred tax assets expired for which a valuation allowance had previously been recorded.

At September 30, 2017, we had recorded liabilities associated with unrecognized tax benefits totaling $23.7 million. The following table reconciles the beginning and ending balance of our unrecognized tax benefits:

	2017	2016	2015
		(In thousands)	
Unrecognized tax benefits — beginning balance	$20,298	$17,069	$12,629
Increase (decrease) resulting from prior period tax positions	(366)	(290)	1,009
Increase resulting from current period tax positions	3,787	3,519	3,431
Unrecognized tax benefits — ending balance	23,719	20,298	17,069
Less: deferred federal and state income tax benefits	(8,302)	(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	$15,417	$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, 2017, 2016 and 2015, the Company recognized approximately $1.1 million, $2.5 million and $0.5 million in interest and penalties. The Company had approximately $4.5 million, $3.3 million and $0.8 million for the payment of interest and penalties accrued at September 30, 2017, 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 2009 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. 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 and Note 15, 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 at September 30, 2017 and 2016. Risk management assets and liabilities associated with our former natural gas marketing operations have been classified as held for sale at September 30, 2016. These risk management assets and liabilities are presented in Note 15.

	September 30	
	2017	2016
	(In thousands)	
Assets from risk management activities, current	$ 2,436	$ 3,029
Assets from risk management activities, noncurrent	803	1,822
Liabilities from risk management activities, current(1)	(322)	(56,771)
Liabilities from risk management activities, noncurrent(1)	(112,076)	(184,048)
Net assets (liabilities)	$(109,159)	$(235,968)

(1) Includes $25.7 million of cash held on deposit to collateralize certain distribution financial instruments, which were used to offset current and noncurrent risk management liabilities at September 30, 2016.

Distribution Commodity Risk Management Activities

Although our purchased gas cost adjustment mechanisms essentially insulate our 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 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 2016-2017 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 27 percent, or approximately 16.2 Bcf of the winter flowing gas requirements at a weighted average cost of approximately $3.08 per Mcf. We have not designated these financial instruments as hedges.

Natural Gas Marketing Commodity Risk Management Activities

Our discontinued natural gas marketing segment was exposed to risks associated with changes in the market price of natural gas through the purchase, sale and delivery of natural gas to its customers at competitive prices. Through December 31, 2016, we managed 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. Effective January 1, 2017, as a result of the sale of AEM, these activities were discontinued.

Due to the sale of AEM, we determined that the cash flows associated with our natural gas marketing commodity cash flow hedges were no longer probable of occurring; therefore, we discontinued hedge accounting as of December 31, 2016. As a result, we reclassified the gain in accumulated other comprehensive income associated with the commodity contracts into earnings as a reduction of purchased gas cost and recognized a pre-tax gain of $10.6 million, which is included in income from discontinued operations on the consolidated statement of income for the year ended September 30, 2017.

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 then anticipated issuance of $250 million unsecured senior notes in June 2017. These notes were issued as planned in June 2017 and we settled swaps with the payment of $37.0 million. Because the swaps were effective, the realized loss was recorded as a component of accumulated other comprehensive loss and is being recognized as a component of interest expense over the 27-year life of the senior notes.

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, 2017, 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, 2017, we had 19,172 MMcf of net long commodity contracts outstanding. These contracts have not been designated as hedges.

Financial Instruments on the Balance Sheet

The following tables present the fair value and balance sheet classification of our financial instruments as of September 30, 2017 and 2016. 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	Assets	Liabilities
		(In thousands)	
September 30, 2017			
Designated As Hedges:			
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	$ —	$(112,076)
Total		—	(112,076)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	2,436	(322)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	803	—
Total		3,239	(322)
Gross Financial Instruments		3,239	(112,398)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		—	—
Net Financial Instruments		3,239	(112,398)
Cash collateral		—	—
Net Assets/Liabilities from Risk Management Activities		$3,239	$(112,398)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
September 30, 2016			
Designated As Hedges:			
Commodity contracts	Current assets of disposal group classified as held for sale / Current liabilities of disposal group classified as held for sale	$ 6,612	$ (21,903)
Interest rate contracts	Other current assets / Other current liabilities	—	(68,481)
Commodity contracts	Noncurrent assets of disposal group classified as held for sale / Noncurrent liabilities of disposal group classified as held for sale	2,178	(3,779)
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	—	(198,008)
Total		8,790	(292,171)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	3,029	—
Commodity contracts	Current assets of disposal group classified as held for sale / Current liabilities of disposal group classified as held for sale	18,157	(18,812)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	1,822	—
Commodity contracts	Noncurrent assets of disposal group classified as held for sale / Noncurrent liabilities of disposal group classified as held for sale	12,343	(12,701)
Total		35,351	(31,513)
Gross Financial Instruments		44,141	(323,684)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		(39,290)	39,290
Net Financial Instruments		4,851	(284,394)
Cash collateral		6,775	43,575
Net Assets/Liabilities from Risk Management Activities		$ 11,626	$(240,819)

Impact of Financial Instruments on the Income Statement

Hedge ineffectiveness for our natural gas marketing segment was recorded as a component of purchased gas cost, which is included in discontinued operations on the consolidated statements of income, and primarily results from differences in the location and timing of the derivative instrument and the hedged item. For the years ended September 30, 2017, 2016 and 2015, we recognized a gain arising from fair value and cash flow hedge ineffectiveness of $3.4 million, $21.6 million and $0.2 million. Additional information regarding ineffectiveness recognized in the income statement is included in the tables below.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fair Value Hedges

The impact of our natural gas marketing segment commodity contracts designated as fair value hedges and the related hedged item on the results of discontinued operations on our consolidated income statement for the years ended September 30, 2017, 2016 and 2015 is presented below.

	Fiscal Year Ended September 30		
	2017	2016	2015
		(In thousands)	
Commodity contracts	$ (9,567)	$ 3,516	$10,311
Fair value adjustment for natural gas inventory designated as the hedged item	12,858	18,079	(9,768)
Total decrease in purchased gas cost reflected in income from discontinued operations	$ 3,291	$21,595	$ 543
The decrease in purchased gas cost reflected in income from discontinued operations is comprised of the following:			
Basis ineffectiveness	$ (597)	$ (1,390)	$ 811
Timing ineffectiveness	3,888	22,985	(268)
	$ 3,291	$21,595	$ 543

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, 2017, 2016 and 2015 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		
	2017	2016	2015
		(In thousands)	
Loss reclassified from AOCI for effective portion of natural gas marketing commodity contracts	$ (2,612)	$(52,651)	$(41,716)
Gain (loss) arising from ineffective portion of natural gas marketing commodity contracts	111	(19)	(325)
Gain on discontinuance of cash flow hedging of natural gas marketing commodity contracts reclassified from AOCI	10,579	—	—
Total impact on purchased gas cost reflected in income from discontinued operations	8,078	(52,670)	(42,041)
Net loss on settled interest rate agreements reclassified from AOCI into interest expense	(1,043)	(546)	(853)
Total impact from cash flow hedges	$ 7,035	$(53,216)	$(42,894)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, 2017 and 2016. 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	
	2017	2016
	(In thousands)	
Increase (decrease) in fair value:		
Interest rate agreements	$74,560	$(99,029)
Forward commodity contracts	9,847	(11,662)
Recognition of (gains) losses in earnings due to settlements:		
Interest rate agreements	662	347
Forward commodity contracts	(4,865)	32,117
Total other comprehensive income (loss) from hedging, net of tax[(1)]	$80,204	$(78,227)

(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. 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, 2017. 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
	(In thousands)
2018	$ (1,509)
2019	(1,533)
2020	(1,557)
2021	(1,557)
2022	(1,557)
Thereafter	(33,420)
Total[(1)]	$(41,133)

(1) Utilizing an income tax rate of 37 percent.

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, 2017, 2016 and 2015 was an increase (decrease) in purchased gas cost reflected in income from discontinued operations of $6.8 million, $(15.5) million and $15.5 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 distribution segment are not designated as hedges. However, there is no earnings impact on our 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.

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, 2017 and 2016. 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	September 30, 2017
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 3,239	$ —	$ —	$ 3,239
Available-for-sale securities					
Registered investment companies	41,097	—	—	—	41,097
Bond mutual funds	16,371	—	—	—	16,371
Bonds	—	29,104	—	—	29,104
Money market funds	—	1,837	—	—	1,837
Total available-for-sale securities	57,468	30,941	—	—	88,409
Total assets	$57,468	$ 34,180	$ —	$ —	$ 91,648
Liabilities:					
Financial instruments	$ —	$112,398	$ —	$ —	$112,398

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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[2]	September 30, 2016
			(In thousands)		
Assets:					
Financial instruments[3]	$ —	$ 44,141	$ —	$(32,515)	$ 11,626
Hedged portion of gas stored underground[3]	52,578	—	—	—	52,578
Available-for-sale securities					
Registered investment companies	38,677	—	—	—	38,677
Bonds	—	31,394	—	—	31,394
Money market funds	—	2,630	—	—	2,630
Total available-for-sale securities	38,677	34,024	—	—	72,701
Total assets	$91,255	$ 78,165	$ —	$(32,515)	$136,905
Liabilities:					
Financial instruments[3]	$ —	$323,684	$ —	$(82,865)	$240,819

(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. As of September 30, 2016 we had $50.4 million of cash held in margin accounts to collateralize certain financial instruments. Of this amount, $43.6 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) Our financial instruments and hedged portion of gas stored underground include assets and liabilities related to our natural gas marketing operations, which are classified as "held for sale" on our consolidated balance sheets at September 30, 2016.

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, 2017				
Domestic equity mutual funds	$25,361	$ 8,920	$ —	$34,281
Foreign equity mutual funds	4,581	2,235	—	6,816
Bond mutual funds	16,391	2	(22)	16,371
Bonds	29,074	46	(16)	29,104
Money market funds	1,837	—	—	1,837
	$77,244	$11,203	$ (38)	$88,409
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

At September 30, 2017 and 2016, our available-for-sale securities included $42.9 million and $41.3 million related to assets held in separate rabbi trusts for our supplemental executive retirement plans as discussed in Note 7. At September 30, 2017 we maintained investments in bonds that have contractual maturity dates ranging from October 2017 through December 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, 2017:

	September 30, 2017
	(In thousands)
Carrying Amount	$3,085,000
Fair Value	$3,382,272

15. Divestitures and Acquisitions

Divestiture of Atmos Energy Marketing (AEM)

On October 29, 2016, we entered into a Membership Interest Purchase Agreement (the Agreement) with CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy, Inc. (CES) to sell all of the equity inter-

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

ests of AEM. The transaction closed on January 3, 2017, with an effective date of January 1, 2017. CES paid a cash purchase price of $38.3 million plus working capital of $109.0 million for total cash consideration of $147.3 million. Of this amount, $7.0 million was placed into escrow and will be paid to the Company within 24 months, net of any indemnification claims agreed upon between the two companies. We recognized a net gain of $0.03 per diluted share on the sale in the second quarter of fiscal 2017 and completed the working capital true — up during the third quarter of fiscal 2017.

The operating results of our natural gas marketing reportable segment have been reported on the consolidated statements of income as income from discontinued operations, net of income tax. Accordingly, expenses related to allocable general corporate overhead and interest expense are not included in these results. The decision to report this segment as a discontinued operation was predicated, in part, on the following qualitative and quantitative factors: 1) the disposal resulted in the company becoming a fully regulated entity; 2) the fact that an entire reportable segment was disposed and 3) the fact the disposed segment represented in excess of 30 percent of consolidated revenues over the last five fiscal years.

The tables below set forth selected financial and operational information related to assets, liabilities and operating results related to discontinued operations. Additionally, assets and liabilities related to our natural gas marketing operations are classified as “held for sale” on our consolidated balance sheets at September 30, 2016. Prior period revenues and expenses associated with these assets have been reclassified into discontinued operations. This reclassification had no impact on previously reported consolidated net income.

The following table presents statement of income data related to discontinued operations.

	Year Ended September 30		
	2017	2016	2015
		(In thousands)	
Operating revenues	$303,474	$1,005,090	$1,409,071
Purchased gas cost	277,554	968,118	1,359,832
Operating expenses	7,874	26,184	30,076
Operating income	18,046	10,788	19,163
Other nonoperating expense	(211)	(2,495)	(3,570)
Income from discontinued operations before income taxes	17,835	8,293	15,593
Income tax expense	6,841	3,731	6,141
Income from discontinued operations	10,994	4,562	9,452
Gain on sale from discontinued operations, net of tax ($10,215, $0 and $0)	2,716	—	—
Net income from discontinued operations	$ 13,710	$ 4,562	$ 9,452

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents a reconciliation of the carrying amounts of major classes of assets and liabilities of our natural gas marketing's operations to total assets and liabilities classified as held for sale.

	September 30, 2016
	(In thousands)
Assets:	
Net property, plant and equipment	$ 11,905
Accounts receivable	93,551
Gas stored underground	54,246
Assets from risk management activities	8,743
Other current assets	5,968
Goodwill	16,445
Noncurrent assets from risk management activities	169
Deferred charges and other assets	266
Total assets of the disposal group classified as held for sale in the statement of financial position[(1)]	191,293
Cash	25,417
Other assets	5
Total assets of disposal group in the statement of financial position	$216,715
Liabilities:	
Accounts payable and accrued liabilities	$ 72,268
Other current liabilities	9,640
Deferred credits and other	316
Total liabilities of the disposal group classified as held for sale in the statement of financial position[(1)]	82,224
Intercompany note payable	35,000
Tax liabilities	15,471
Intercompany payables	14,139
Other liabilities	3,284
Total liabilities of disposal group in the statement of financial position	$150,118

[(1)] Amounts are classified as current and long term in the statement of financial position.

The following table presents statement of cash flow data related to discontinued operations.

	Year Ended September 30		
	2017	2016	2015
	(In thousands)		
Depreciation and amortization	$ 185	$ 2,304	$ 2,388
Capital expenditures	$ —	$ 321	$ 226
Noncash gain (loss) in commodity contract cash flow hedges	$(8,165)	$(33,533)	$38,956

Significant Accounting Policies Related to Discontinued Operations

Except as noted below, AEM adhered to the same Significant Accounting Policies as described in Note 2.

Revenue recognition — Operating revenues for our natural gas marketing segment was recognized in the period in which actual volumes were transported and storage services were provided. Operating revenues for our natural gas marketing segment and the associated carrying value of natural gas inventory (inclusive of storage costs) were recognized when we sold the gas and physically delivered it to our customers. Operating revenues include realized gains and losses arising from the settlement of financial instruments used in our natural gas marketing activities.

Gas stored underground — Gas stored underground was comprised of natural gas injected into storage to conduct the operations of the natural gas marketing segment. Our natural gas marketing segment utilized the average cost method; however, most of this inventory was hedged and was therefore reported at fair value at the end of each month.

Property, plant and equipment — Natural gas marketing property, plant and equipment was stated at cost. Depreciation was generally computed on the straight-line method for financial reporting purposes based upon estimated useful lives ranging from 3 to 30 years.

Financial instruments and hedging activities — In our natural gas marketing segment, we previously designated most of the natural gas inventory held by this operating segment as the hedged item in a fair-value hedge. This inventory was 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, which is reflected in income from discontinued operations in the period of change. The financial instruments associated with this natural gas inventory were designated as fair-value hedges and were 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 elected to exclude this spot/forward differential for purposes of assessing the effectiveness of these fair-value hedges.

Additionally, we previously elected to treat fixed-price forward contracts used in our natural gas marketing segment to deliver natural gas as normal purchases and normal sales. As such, these deliveries were 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 were designated as cash flow hedges of anticipated purchases and sales at indexed prices. Accordingly, unrealized gains and losses on these open financial instruments were recorded as a component of accumulated other comprehensive income, and are recognized in earnings as a component of purchased gas cost which is reflected in income from discontinued operations when the hedged volumes were sold.

Gains and losses from hedge ineffectiveness were 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 reflected in income from discontinued operations for the years ended September 30, 2017, 2016 and 2015.

Our natural gas marketing segment also utilized master netting agreements with significant counterparties that allow us to offset gains and losses arising from financial instruments that would be settled in cash with gains and losses arising from financial instruments that could 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, 2016, the Company netted $24.7 million of cash held in margin accounts into its current and noncurrent risk management assets and liabilities, which are included in assets and liabilities held for sale.

Fair Value Measurements — Our discontinued operations used the same fair value measurement policies as described in Note 2 for our continuing operations. Level 1 measurements included primarily exchange-traded financial instruments and gas stored underground that was been designated as the hedged item in a fair value hedge. Within our natural gas marketing operations, we utilized 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 reflected the market in which transactions involving these financial instruments are executed. Level 2 measurements primarily consisted of non-exchange-traded financial instruments, such as over-the-counter options and swaps.

Short-term Debt Related to Discontinued Operations

AEM had one uncommitted $25 million 364-day bilateral credit facility that was scheduled to expire on July 31, 2017 and one committed $15 million 364-day bilateral credit facility that was scheduled to expire on September 30, 2017. In connection with the sale of AEM, both facilities were terminated on January 3, 2017.

Acquisition of EnLink Pipeline

On December 20, 2016, we executed a purchase and sale agreement to acquire the general partnership and limited partnership interests in EnLink North Texas Pipeline, LP (EnLink Pipeline) from EnLink Energy GP, LLC and EnLink Midstream Operating, LP for a cash price of $85.0 million, plus working capital of $1.1 million.

EnLink Pipeline's primary asset was a 140 — mile natural gas pipeline located on the north side of the Dallas — Fort Worth Metroplex. The $85.0 million purchase price has been allocated, based on fair value using observable market inputs, to the net book value of the acquired pipeline.

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 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.

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 2017:				
Operating revenues				
Distribution	$754,656	$962,541	$494,060	$437,918
Pipeline and storage	109,952	111,972	117,283	117,823
Intersegment eliminations	(84,440)	(86,327)	(84,842)	(90,861)
Total operating revenues	780,168	988,186	526,501	464,880
Purchased gas cost	311,305	427,494	114,176	72,561
Operating income	209,918	285,172	140,664	91,792
Income from continuing operations	114,038	162,012	70,808	35,853
Income from discontinued operations	10,994	—	—	—
Gain on sale of discontinued operations	—	2,716	—	—
Net income	125,032	164,728	70,808	35,853
Basic and diluted earnings per share				
Income per share from continuing operations	$ 1.08	$ 1.52	$ 0.67	$ 0.34
Income per share from discontinued operations	0.11	0.03	—	—
Net income per share — basic and diluted	$ 1.19	$ 1.55	$ 0.67	$ 0.34

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Quarter Ended			
	December 31	March 31	June 30	September 30
	(In thousands, except per share data)			
Fiscal year 2016:				
Operating revenues				
Distribution	$649,443	$862,127	$424,905	$403,303
Pipeline and storage	98,416	102,153	113,855	112,772
Intersegment eliminations	(73,106)	(74,240)	(82,548)	(82,432)
Total operating revenues from continuing operations	674,753	890,040	456,212	433,643
Operating revenues from discontinued operations[1]	231,468	242,253	176,704	244,876
Purchased gas cost from continuing operations	240,326	377,356	64,583	63,927
Purchased gas cost from discontinued operations[1]	221,999	236,993	160,889	238,448
Operating income from continuing operations	192,729	251,656	128,396	84,449
Operating income (loss) from discontinued operations	3,476	(1,640)	8,768	184
Income from continuing operations	101,546	143,003	66,143	34,850
Income (loss) from discontinued operations	1,315	(1,193)	5,050	(610)
Net Income	102,861	141,810	71,193	34,240
Basic and diluted earnings per share				
Income per share from continuing operations	$ 0.99	$ 1.39	$ 0.64	$ 0.33
Income (loss) per share from discontinued operations	$ 0.01	$ (0.01)	$ 0.05	$ —
Net income per share — basic and diluted	$ 1.00	$ 1.38	$ 0.69	$ 0.33

(1) Operating revenues and purchased gas cost from discontinued operations are shown net of intersegment eliminations.

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, 2017 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, 2017, 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/ MICHAEL E. HAEFNER	/s/ CHRISTOPHER T. FORSYTHE
Michael E. Haefner President, Chief Executive Officer and Director	Christopher T. Forsythe Senior Vice President and Chief Financial Officer

November 13, 2017

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, 2017, 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, 2017, 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, 2017 and 2016, 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, 2017 of Atmos Energy Corporation and our report dated November 13, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
November 13, 2017

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, 2017 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 7, 2018. Information regarding executive officers is reported below:

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information as of September 30, 2017, 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	66	11	Chief Executive Officer and Director
Michael E. Haefner	57	9	President and Chief Operating Officer and Director
Christopher T. Forsythe	46	14	Senior Vice President and Chief Financial Officer
David J. Park	46	13	Senior Vice President, Utility Operations
John K. Akers	54	26	Senior Vice President, Safety and Enterprise Services
Karen E. Hartsfield	47	2	Senior Vice President, General Counsel and Corporate Secretary
John M. Robbins	47	4	Senior Vice President, Human Resources

Kim R. Cocklin was named Executive Chairman of the Board on October 1, 2017. From October 1, 2010 through September 30, 2015, Mr. Cocklin served the Company as President and Chief Executive Officer and from October 1, 2015 through September 30, 2017, as Chief Executive Officer. 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 was named President and Chief Executive Officer, effective October 1, 2017. Mr. 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.

Christopher T. Forsythe was named Senior Vice President and Chief Financial Officer effective February 1, 2017. Mr. Forsythe joined the Company in June 2003 and prior to his promotion, served as the Company's Vice President and Controller from May 2009 through January 2017.

David J. Park was named Senior Vice President of Utility Operations, effective January 1, 2017. In this role, Mr. Park is 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 from July 2012 to December 2016. Mr. Park also served as Vice President of Rates and Regulatory Affairs in the Mid-Tex Division and previously held positions in Engineering and Public Affairs.

John K. (Kevin) Akers was named Senior Vice President, Safety and Enterprise Services, effective January 1, 2017. In this role, Mr. Akers is responsible for customer service, safety and training, supply chain and facilities management and workforce development. Prior to his promotion, Mr. Akers served as the President of the Kentucky/Mid-States Division from May 2007 to December 2016. Mr. Akers also previously served as the President of the Mississippi Division.

Karen E. Hartsfield was named Senior Vice President, General Counsel and Corporate Secretary of Atmos Energy, effective August 7, 2017. Ms. Hartsfield joined the Company in June 2015, after having served in private practice for 19 years, most recently as Managing Partner of Jackson Lewis LLP in its Dallas office from July 2013 to June 2015. Prior to joining Jackson Lewis as a partner in January 2009, Ms. Hartsfield was a partner with Baker Botts LLP in Dallas.

John M. (Matt) Robbins was named Senior Vice President, Human Resources, effective January 1, 2017. Mr. Robbins joined the Company in May 2013 and prior to this promotion served as Vice President, Human Resources from February 2015 to December 2016. Before joining Atmos Energy, Matt had over 20 years of experience in human resources.

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 7, 2018.

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 7, 2018.

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 7, 2018. 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 7, 2018.

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 7, 2018.

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 10.11(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/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and Chief Financial Officer

Date: November 13, 2017

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Michael E. Haefner and Christopher T. Forsythe, 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/ MICHAEL E. HAEFNER Michael E. Haefner	President, Chief Executive Officer and Director	November 13, 2017
/s/ CHRISTOPHER T. FORSYTHE Christopher T. Forsythe	Senior Vice President and Chief Financial Officer	November 13, 2017
/s/ RICHARD M. THOMAS Richard M. Thomas	Vice President and Controller (Principal Accounting Officer)	November 13, 2017
/s/ KIM R. COCKLIN Kim R. Cocklin	Executive Chairman of the Board	November 13, 2017
/s/ ROBERT W. BEST Robert W. Best	Director	November 13, 2017
/s/ KELLY H. COMPTON Kelly H. Compton	Director	November 13, 2017
/s/ RICHARD W. DOUGLAS Richard W. Douglas	Director	November 13, 2017
/s/ RUBEN E. ESQUIVEL Ruben E. Esquivel	Director	November 13, 2017
/s/ RAFAEL G. GARZA Rafael G. Garza	Director	November 13, 2017
/s/ RICHARD K. GORDON Richard K. Gordon	Director	November 13, 2017
/s/ ROBERT C. GRABLE Robert C. Grable	Director	November 13, 2017
/s/ NANCY K. QUINN Nancy K. Quinn	Director	November 13, 2017
/s/ RICHARD A. SAMPSON Richard A. Sampson	Director	November 13, 2017
/s/ STEPHEN R. SPRINGER Stephen R. Springer	Director	November 13, 2017
/s/ RICHARD WARE II Richard Ware II	Director	November 13, 2017

Schedule II

ATMOS ENERGY CORPORATION

Valuation and Qualifying Accounts
Three Years Ended September 30, 2017

	Balance at beginning of period	Additions: Charged to cost & expenses	Additions: Charged to other accounts	Deductions	Balance at end of period
	(In thousands)				
2017					
Allowance for doubtful accounts	$11,056	$12,269	$—	$12,460[1]	$10,865
2016					
Allowance for doubtful accounts	$12,934	$10,414	$—	$12,292[1]	$11,056
2015					
Allowance for doubtful accounts	$20,659	$15,923	$—	$23,648[1]	$12,934

(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 8.50% Senior Notes due 2019	Exhibit 4.2 to Form 8-K dated March 26, 2009 (File No. 1-10042)
4.7(d)	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(e)	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(f)	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)
4.7(g)	Global Security for the 3.000% Senior Notes due 2027	Exhibit 4.2 to Form 8-K dated June 8, 2017 (File No. 1-10042)
4.7(h)	Global Security for the 4.125% Senior Notes due 2044	Exhibit 4.3 to Form 8-K dated June 8, 2017 (File No. 1-10042)
	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)	Exhibit 10.5 to Form 10-K for fiscal year ended September 30, 2016 (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)

Exhibit Number	Description	Page Number or Incorporation by Reference to
10.7(a)*	Atmos Energy Corporation Supplemental Executive Retirement Plan (As Amended and Restated, Effective as of January 1, 2016)	Exhibit 10.7(a) to Form 10-K for fiscal year ended September 30, 2016 (File No. 1-10042)
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 10.8 to Form 10-K for fiscal year ended September 30, 2016 (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)
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	
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, 2017
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	

Exhibit Number	Description	Page Number or Incorporation by Reference to
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. 2018-00281
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

August 3, 2016
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, August 3, 2016, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the 2016 fiscal year third quarter, which ended June 30, 2016, and that certain of its officers would discuss such financial results in a conference call on Thursday, August 4, 2016 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 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release dated August 3, 2016 (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: August 3, 2016

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 August 3, 2016 (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 2016 Third Quarter and Nine Months; Reaffirms Fiscal 2016 Guidance

DALLAS (August 3, 2016) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2016 third quarter and nine months ended June 30, 2016 .

- Fiscal 2016 third quarter consolidated net income was $71.2 million , or $0.69 per diluted share, compared with consolidated net income of $56.3 million , or $0.55 per diluted share in the prior-year quarter.

- Fiscal 2016 third quarter consolidated net income, excluding net unrealized margins, was $68.6 million, or $0.67 per diluted share, compared with consolidated net income, excluding net unrealized margins of $55.1 million, or $0.54 per diluted share in the prior-year quarter.

- 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 over fiscal 2015.

- Fiscal 2016 earnings guidance remains in the range of $3.25 to $3.35 per diluted share, excluding net unrealized margins.

For the nine months ended June 30, 2016 , consolidated net income was $315.9 million , or $3.06 per diluted share, compared with net income of $291.6 million , or $2.86 per diluted share for the same period last year. Consolidated net income includes net unrealized gains of $7.8 million , or $0.08 per diluted share for the nine months ended June 30, 2016 , compared with net unrealized gains of $5.2 million , or $0.05 per diluted share for the prior-year period.

“Our financial and operational performance in the quarter puts us on track for another year of achieving our commitments," said Kim Cocklin, chief executive officer of Atmos Energy Corporation. “We continue to make investments to enhance the safety and reliability for our customers, while delivering consistent results for our shareholders. As we enter the final quarter of fiscal 2016, we are poised to deliver earnings per diluted share in the range of $3.25 to $3.35," Cocklin concluded.

Results for the Quarter Ended June 30, 2016

Regulated distribution gross profit increased $8.4 million to $275.4 million for the fiscal 2016 third quarter, compared with $267.0 million in the prior-year quarter. Gross profit reflects a net $6.5 million increase in rates, primarily in the Mississippi, Louisiana and West Texas Divisions. Additionally, higher customer counts primarily in our Mid-Tex and Louisiana Divisions increased gross profit $1.5 million.

Regulated pipeline gross profit increased $12.2 million to $109.2 million for the quarter ended June 30, 2016 , compared with $97.0 million for the same quarter last year. This increase is primarily the result of an $11.3 million increase in revenues from the Gas Reliability Infrastructure Program (GRIP) filings approved in 2016 and 2015.

Nonregulated gross profit increased $5.0 million to $22.8 million for the fiscal 2016 third quarter, compared with $17.8 million for the prior-year quarter, as a result of a $2.8 million increase in realized margins, combined with a $2.2 million increase in unrealized margins. The quarter-over-quarter increase in realized margins reflects the timing and magnitude of settlement gains on financial positions.

Consolidated operation and maintenance expense for the quarter June 30, 2016 , was $137.4 million , compared with $132.4 million for the prior-year period. This increase was primarily driven by increased pipeline maintenance spending and legal expenses, partially offset by lower employee-related costs.

Results for the Nine Months Ended June 30, 2016

Regulated distribution gross profit increased $20.9 million to $1,018.0 million for the nine months ended June 30, 2016 , compared with $997.1 million in the prior-year period. Gross profit reflects a net $37.2 million increase in rates, primarily in the Mid-Tex, Mississippi and West Texas Divisions. This increase was partially offset by a $14.5 million decrease in revenue-related taxes and a $3.6 million decrease in consumption. Weather was 25 percent warmer than the prior-year period, before adjusting for weather normalization mechanisms, which resulted in a 19 percent decrease in sales volumes.

Regulated pipeline gross profit increased $27.3 million to $299.6 million for the nine months ended June 30, 2016 , compared with $272.3 million in the prior-year period. This increase primarily reflects a $28.4 million increase in revenue from the GRIP filings approved in 2016 and 2015. This increase was partially offset by decreased through-system volumes and lower storage and blending fees due to warmer weather in the current-year period.

Nonregulated gross profit decreased $5.0 million to $51.7 million for the nine months ended June 30, 2016 , compared with $56.7 million for the prior-year period, as a result of a $9.4 million decrease in realized margins, partially offset by a $4.3 million increase in unrealized margins. The year-over-year decrease in realized margins reflects larger settlement losses incurred during the second quarter during a period of falling natural gas prices, partially offset by the aforementioned settlement gains realized during the third quarter.

Consolidated operation and maintenance expense for the nine months ended June 30, 2016 , was $396.0 million , compared with $384.5 million for the prior-year period. This increase was primarily driven by increased pipeline maintenance spending and legal expenses partially offset by lower employee-related costs.

Capital expenditures increased to $796.0 million for the nine months ended June 30, 2016 , compared with $667.5 million in the prior-year period driven by a planned increase in spending in the company's regulated operations.

For the nine months ended June 30, 2016 , the company generated operating cash flow of $624.6 million , a $93.0 million decrease compared with the nine months ended June 30, 2015 . The year-over-year decrease primarily reflects the timing of deferred gas cost recoveries.

The debt capitalization ratio at June 30, 2016 was 47.4 percent , compared with 47.7 percent at September 30, 2015 and 45.5 percent at June 30, 2015 . At June 30, 2016 , there was $670.5 million of short-term debt outstanding, compared with $457.9 million at September 30, 2015 and $252.0 million at June 30, 2015 .

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 continues to expect fiscal 2016 earnings to be in the range of $3.25 to $3.35 per diluted share, excluding net unrealized margins. Net income from regulated operations is expected to be in the range of $320 million to $335 million. Net income from nonregulated operations is expected to be in the range of $14 million to $19 million, excluding net unrealized margins. Capital expenditures for fiscal 2016 are now expected to be at the top end of the previously announced range, approximating $1.1 billion.

Conference Call to be Webcast August 4, 2016

Atmos Energy will host a conference call with financial analysts to discuss the financial results for the fiscal 2016 third quarter on Thursday, August 4, 2016 , at 10:00 a.m. Eastern. The domestic telephone number is 877-485-3107 and the international telephone number is 201-689-8427. Kim Cocklin, chief executive officer, Mike Haefner, president and chief operating officer, Bret Eckert, senior vice president and chief financial officer, along with other members of the leadership team, 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

S&P Upgrades Atmos Energy's Senior Unsecured Debt
On May 13, 2016, S&P Global Ratings upgraded Atmos Energy's senior unsecured debt rating to A from A- with a ratings outlook of stable, citing the company's robust financial performance, largely due to the timely recovery of invested capital.

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, 2015 and in the company's Quarterly Report on Form 10-Q for the three and nine months ended June 30, 2016 . 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.

Non-GAAP Financial Measures

The information in this news release utilizes certain financial measures that are not presented in accordance with generally accepted accounting principles (GAAP). Specifically, in addition to presenting the traditional U.S. GAAP measures, historical net income and diluted earnings per share for the quarter and year-to-date periods are presented after excluding net unrealized margins on financial positions utilized in the Company's nonregulated operations. These non-GAAP financial measures are included because the Company believes they more accurately reflect the Company's financial performance since the net unrealized margins relate to positions that will settle in the future and are not necessarily indicative of the value of those positions when they are ultimately settled. In addition, the Company's fiscal year guidance for expected diluted earnings per share and net income from nonregulated operations excludes net unrealized margins because these amounts are not determinable until after the end of the fiscal year.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest natural-gas-only distributor, 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 .

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income (000s except per share)	Three Months Ended June 30, 2016	2015
Gross Profit:		
Regulated distribution segment	$ 275,381	$ 267,019
Regulated pipeline segment	109,249	97,008
Nonregulated segment	22,814	17,779
Intersegment eliminations	(133)	(133)
Gross profit	407,311	381,673
Operation and maintenance expense	137,444	132,447
Depreciation and amortization	73,459	68,444
Taxes, other than income	59,244	63,175
Total operating expenses	270,147	264,066
Operating income	137,164	117,607
Miscellaneous income	833	634
Interest charges	27,698	27,955
Income before income taxes	110,299	90,286
Income tax expense	39,106	34,005
Net income	$ 71,193	$ 56,281
Basic and diluted earnings per share	$ 0.69	$ 0.55
Cash dividends per share	$ 0.42	$ 0.39
Basic and diluted weighted average shares outstanding	103,750	102,000

Summary Net Income by Segment (000s)	Three Months Ended June 30, 2016	2015
Regulated distribution	$ 29,856	$ 22,464
Regulated pipeline	33,130	28,568
Nonregulated	5,613	4,019
Unrealized margins, net of tax	2,594	1,230
Consolidated net income	$ 71,193	$ 56,281

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Statements of Income (000s except per share)	Nine Months Ended June 30, 2016	2015
Gross Profit:		
Regulated distribution segment	$ 1,017,984	$ 997,066
Regulated pipeline segment	299,629	272,305
Nonregulated segment	51,671	56,724
Intersegment eliminations	(399)	(399)
Gross profit	1,368,885	1,325,696
Operation and maintenance expense	395,958	384,489
Depreciation and amortization	216,670	204,059
Taxes, other than income	172,872	181,606
Total operating expenses	785,500	770,154
Operating income	583,385	555,542
Miscellaneous expense	(1,061)	(2,634)
Interest charges	85,741	85,166
Income before income taxes	496,583	467,742
Income tax expense	180,719	176,182
Net income	$ 315,864	$ 291,560
Basic and diluted earnings per share	$ 3.06	$ 2.86
Cash dividends per share	$ 1.26	$ 1.17
Basic and diluted weighted average shares outstanding	103,137	101,776

Summary Net Income by Segment (000s)	Nine Months Ended June 30, 2016	2015
Regulated distribution	$ 217,423	$ 195,704
Regulated pipeline	83,901	78,285
Nonregulated	6,737	12,390
Unrealized margins, net of tax	7,803	5,181
Consolidated net income	$ 315,864	$ 291,560

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	June 30, 2016	September 30, 2015
Net property, plant and equipment	$ 8,053,547	$ 7,430,580
Cash and cash equivalents	66,206	28,653
Accounts receivable, net	277,362	295,160
Gas stored underground	244,841	236,603
Other current assets	60,504	65,890
Total current assets	648,913	626,306
Goodwill	742,702	742,702
Deferred charges and other assets	282,206	293,357
	$ 9,727,368	$ 9,092,945
Shareholders' equity	$ 3,466,724	$ 3,194,797
Long-term debt	2,205,645	2,455,388
Total capitalization	5,672,369	5,650,185
Accounts payable and accrued liabilities	198,882	238,942
Other current liabilities	410,452	457,954
Short-term debt	670,466	457,927
Current maturities of long-term debt	250,000	—
Total current liabilities	1,529,800	1,154,823
Deferred income taxes	1,585,500	1,411,315
Deferred credits and other liabilities	939,699	876,622
	$ 9,727,368	$ 9,092,945

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Nine Months Ended June 30, 2016	Nine Months Ended June 30, 2015
Cash flows from operating activities		
Net income	$ 315,864	$ 291,560
Depreciation and amortization	216,670	204,059
Deferred income taxes	171,042	164,627
Other	20,750	18,999
Changes in assets and liabilities	(99,728)	38,337
Net cash provided by operating activities	624,598	717,582
Cash flows from investing activities		
Capital expenditures	(796,008)	(667,483)
Other, net	1,627	(1,119)
Net cash used in investing activities	(794,381)	(668,602)
Cash flows from financing activities		
Net increase in short-term debt	212,539	48,830
Net proceeds from issuance of long-term debt	—	493,538
Net proceeds from equity offering	98,660	—
Settlement of interest rate agreements	—	13,364
Repayment of long-term debt	—	(500,000)
Cash dividends paid	(130,363)	(116,645)
Repurchase of equity awards	—	(7,985)
Issuance of common stock through stock purchase and employee retirement plans	26,500	20,813
Net cash provided by (used in) financing activities	207,336	(48,085)
Net increase in cash and cash equivalents	37,553	895
Cash and cash equivalents at beginning of period	28,653	42,258
Cash and cash equivalents at end of period	$ 66,206	$ 43,153

Statistics	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Nine Months Ended June 30, 2016	Nine Months Ended June 30, 2015
Consolidated distribution throughput (MMcf as metered)	65,399	66,260	318,936	372,708
Consolidated pipeline transportation volumes (MMcf)	128,801	134,823	373,000	381,828
Consolidated nonregulated delivered gas sales volumes (MMcf)	76,798	75,929	257,733	272,260
Regulated distribution meters in service	3,179,374	3,144,874	3,179,374	3,144,874
Regulated distribution average cost of gas	$ 3.97	$ 4.15	$ 4.10	$ 5.26
Nonregulated net physical position (Bcf)	30.6	22.1	30.6	22.1

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CASE NO. 2018-00281
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 22, 2016
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)

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□ 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 22, 2016, Atmos Energy Corporation (the "Company") entered into a $200 million Term Loan Agreement (the "Term Loan") with Branch Banking and Trust Company as Administrative Agent ("BB&T"), and a syndicate of three lenders identified therein. The Term Loan will be used to refinance existing indebtedness and for working capital, capital expenditures and other general corporate purposes.

Borrowings under the Term Loan 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 1.150% 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 BB&T 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 BB&T, 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 3.500% per annum, plus an applicable margin of 0.000% per annum, or an effective total interest rate of 3.500% 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 0.520% per annum, plus an applicable margin of 0.900% per annum, or an effective total interest rate of 1.420% per annum.

The Company must also pay commitment fees quarterly in arrears on the average daily unused portion of the Term Loan 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 Term Loan will expire on September 22, 2019, at which time all outstanding amounts under the Term Loan will be due and payable. The Term Loan contains usual and customary covenants for transactions of this type, including covenants limiting liens, substantial asset sales and mergers. In addition, the Term Loan 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 Term Loan (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 Term Loan, including cross-defaults relating to specified other indebtedness of the Company, BB&T 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 Term Loan, 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 Term Loan 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 Term Loan, 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 Term Loan

Agreement 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 Term Loan.

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	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

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 27, 2016

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President, General Counsel
and Corporate Secretary

INDEX TO EXHIBITS

Exhibit Number	Description
10.1	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

Execution Version

TERM LOAN AGREEMENT

dated as of September 22, 2016

among

ATMOS ENERGY CORPORATION,
as Borrower,

THE LENDERS FROM TIME TO TIME PARTY HERETO,

and

BRANCH BANKING AND TRUST COMPANY,
as Administrative Agent

BB&T CAPITAL MARKETS,
as Sole Lead Arranger and Bookrunner

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TERM LOAN AGREEMENT

THIS TERM LOAN AGREEMENT (this " Agreement ") is made and entered into as of September 22, 2016, 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 BRANCH BANKING AND TRUST COMPANY, in its capacity as administrative agent for the Lenders (the " Administrative Agent ").

W I T N E S S E T H:

WHEREAS, the Borrower has requested that the Lenders establish in favor of the Borrower a $200,000,000 multi-draw term loan facility; and

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 multi-draw term loan 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):

" 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 $200,000,000.

" Aggregate Commitments " shall mean, collectively, all Commitments of all Lenders at any time outstanding.

" 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.

" Bail-In Action " shall mean the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

" Bail-In Legislation " shall mean, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

" 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.

" 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.

“ 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 , 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) June 24, 2019, (ii) the date on which the Commitments are terminated pursuant to Section 2.6 , (iii) the first date on which the principal amount of any Loan is repaid and (iv) 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.

"EEA Financial Institution" shall mean (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" shall mean any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" shall mean any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"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.

" ERISA " 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.

" ERISA Affiliate " 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.

" EU Bail-In Legislation Schedule " shall mean the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

" Eurodollar " 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.

" Eurodollar Reserve Percentage " 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.

" Event of Default " shall have the meaning provided in Section 7.1 .

" Exchange Act " shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

" Excluded Taxes " 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) .

" 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, 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 that certain fee letter, dated as of August 30, 2016, executed by the Administrative Agent and Lead Arranger and 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.

" Interest Period " shall mean with respect to any Eurodollar Borrowing, a period of one, two, three or six months; provided, that:

(a) 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;

(b) 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;

(c) 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;

" Lead Arranger " shall mean BB&T Capital Markets.

" 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, (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 or (iv) a Lender or its Parent Company has become the subject of a Bail-In Action; 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.

" 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 term loan made by a Lender to the Borrower under its Commitment pursuant to Section 2.2 , 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.

" Maturity Date " shall mean the earlier of (i) September 22, 2019 and (ii) 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).

" 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.

" 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 200 West Second Street, 16 th Floor, Winston Salem, NC 27101, 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 Maturity 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 Maturity 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.

"Principal Revolving Credit Agreement" shall mean that certain Revolving Credit Agreement dated as of September 25, 2015 among the Borrower, Crédit Agricole Corporate and Investment Bank, as administrative agent, and the lenders from time to time parties thereto, as amended, restated, supplemented, refinanced, replaced, or otherwise modified from time to time.

" 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.

" 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.

" Write-Down and Conversion Powers " means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

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 multi-draw term loan 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 term 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 and prepay Loans in accordance with the terms and conditions of this Agreement; provided , that the Borrower may not reborrow any Loans that are repaid.

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 Maturity 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 . 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.

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 Maturity 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 Maturity 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. The Commitment Fee shall be payable quarterly in arrears on the last day of each March, June, September and December, commencing on December 31, 2016 and on the Commitment Termination Date.

(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) The Borrower shall pay to the Administrative Agent, for the ratable benefit of each Lender, a fee on September 22, 2017 equal to (1) the amount (if any) by which the average daily balance of Loans outstanding during the one-year period immediately following the Closing Date is below $125 million, multiplied by (2) (a) the highest Applicable Margin applicable during such one-year period, less (b) the average daily Applicable Commitment Fee Percentage applicable during such one-year period.

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,

(a) 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

(b) 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. Intentionally Omitted .

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.

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 Lead Arranger 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 Lead Arranger.

(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. a certificate of the Secretary or Assistant Secretary of the Borrower in the form of Exhibit 3.1(b)(ii) , 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;

iii. 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;

iv. 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;

v. a certificate in the form of Exhibit 3.1(b)(v) , 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, 2015, 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;

vi. a duly executed funds disbursement agreement, together with a report setting forth the sources and uses of the proceeds hereof;

vii. 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;

viii. 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, 2016 and (B) the audited consolidated financial statements for the Borrower and its Subsidiaries for the fiscal year ending September 30, 2015; and

ix. such other documents, certificates or information as the Lead Arranger may reasonably request, all in form and substance reasonably satisfactory to the Lead Arranger.

(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)(viii) 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, 2015, 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)(viii) 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 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.

Section 4.22. **EEA Financial Institution; Other Regulations** . Neither the Borrower nor any Subsidiary is an EEA Financial Institution.

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 pay fees and expenses on the Closing Date, (b) to refinance existing Indebtedness, (c) to fund future acquisitions permitted by Section 4.14 and (d) 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).

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)(v)) 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 . (x) 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; or (y) any “Event of Default” has occurred and is continuing under the Principal Revolving Credit Agreement.

(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 Branch Banking and Trust Company 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 45th 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.

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 : Branch Banking and Trust Company
200 West Second Street, 16 th Floor
Winston Salem, NC 27101
Attention: Beth Cook
Email Address: Beth.Cook@bbandt.com
Fax: (336) 733-2740

With a copy to: Branch Banking and Trust Company
200 West Second Street, 17 th Floor
Winston Salem, NC 27101
Attention: Brent Keene

Email Address: BKeene@bbandt.com
Fax: (336) 733-1456

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 : Branch Banking and Trust Company
200 West Second Street, 17th Floor
Winston Salem, NC 27101
Attention: Brent Keene
Email Address: BKeene@bbandt.com
Fax: (336) 733-1456

With a copy to: Branch Banking and Trust Company
200 West Second Street, 17th Floor
Winston Salem, NC 27101
Attention: Olu Jegede
Email Address: OJegede@bbandt.com
Fax: (336) 733-0598

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 (excluding the Fee Letter, which may be amended by written agreement executed by each of the parties thereto), 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 Lead Arranger, 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, 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.

Section 9.16. **Acknowledgment and Consent to Bail-In of EEA Financial Institutions .** Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

(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 Term Loan Agreement]

BRANCH BANKING AND TRUST COMPANY ,
as Administrative Agent and as a Lender

By: /s/ OLUGBENGA JEGEDE
Name: Olugbenga Jegede
Title: Senior Vice President

By: /s/ MICHAEL SKORICH
Name: Michael Skorich
Title: Senior Vice President

[Signature Page to Term Loan Agreement]

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION ,
as a Lender

By: /s/ JUSTIN MARTIN
Name: Justin Martin
Title: Authorized Officer

[Signature Page to Term Loan Agreement]

COBANK, ACB , as a Lender

By: /s/ DUSTIN ZUBKE
Name: Dustin Zubke
Title: Vice President

[Signature Page to Term Loan 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	Aa3 / AA- / AA- or higher	0.750%	0.000%	0.060%
II	A1 / A+ / A+	0.850%	0.000%	0.075%
III	A2 / A / A	0.900%	0.000%	0.100%
IV	A3 / A- / A-	1.000%	0.000%	0.150%
V	Baa1 / BBB+ / BBB+ or lower	1.150%	0.150%	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 II

COMMITMENT AMOUNTS

Lender	**Commitment Amount**
Branch Banking and Trust Company	$66,666,666.68
JPMorgan Chase Bank, National Association	$66,666,666.66
CoBank, ACB	$66,666,666.66
TOTAL	**$200,000,000**

[SCHEDULE II]

SCHEDULE 4.20
Secured Indebtedness as of June 30, 2016

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	Louisiana

[SCHEDULE 4.21]

Storage, LLC)

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]

EXHIBIT A

FORM OF ASSIGNMENT AND ACCEPTANCE

[*Date*]

Reference is made to the Term Loan Agreement dated as of September 22, 2016 (as amended and in effect on the date hereof, the " Credit Agreement "), among Atmos Energy Corporation, a Texas and Virginia corporation, the lenders from time to time party thereto and Branch Banking and Trust Company, as Administrative Agent for such lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

[*Name of Assignor*] (the " Assignor ") hereby sells and assigns, without recourse, to [*name of Assignee*] (the " Assignee "), and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth below, the interests set forth below (the " Assigned Interest ") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the Commitment of the Assignor on the Assignment Date and Credit Exposure owing to the Assignor which are outstanding on the Assignment Date, but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 2.17(e) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The Assignee shall pay the fee payable to the Administrative Agent pursuant to Section 9.4(b)(iv) of the Credit Agreement.

The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (ii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby, and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Credit Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Credit Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Credit Document.

The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an eligible assignee under Section 9.4 of the Credit Agreement (subject to receipt of such consents as may be required under Section 9.4(b)(iii) of the Credit Agreement), (iii) from and after the Effective Date, it shall

be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.1 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender, attached to the Assignment and Acceptance is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Documents are required to be performed by it as a Lender.

Choose in the alternative [**Alternative A** : From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.] [**Alternative B** : From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to, on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.]

This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Acceptance by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

Assignment Date:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment:
(" Effective Date "):

Facility	**Principal Amount Assigned**	**Percentage Assigned of Commitment (set forth, to at least 8 decimals, as a percentage of the aggregate Commitments of all Lenders thereunder)**
Commitment:	$	%

The terms set forth above are hereby agreed to:

[**NAME OF ASSIGNOR**], as Assignor

By: ______________________________
Name:
Title:

[**NAME OF ASSIGNEE**], as Assignee

By: ______________________________
Name:
Title:

The undersigned hereby consents to the within assignment [1]:

ATMOS ENERGY CORPORATION

BRANCH BANKING AND TRUST COMPANY, as Administrative Agent:

By: ____________________________
Name:
Title:

By: ______________________________
Name:
Title:

By: ______________________________
Name:
Title:

[1] Consents to be included to the extent required by Section 9.4(b)(iii) of the Credit Agreement.

EXHIBIT 2.3

FORM OF NOTICE OF BORROWING

[*Date*]

Branch Banking and Trust Company,
as Administrative Agent
for the Lenders referred to below
200 West Second Street, 16th Floor
Winston Salem, NC 27101
Attention: Beth Cook
Email: Beth.Cook@bbandt.com
Fax: 336-733-2740

Ladies and Gentlemen:

Reference is made to the Term Loan Agreement dated as of September 22, 2016 (as amended and in effect on the date hereof, the " Credit Agreement "), among the undersigned, as Borrower, the lenders from time to time party thereto, and Branch Banking and Trust Company, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings. This notice constitutes a Notice of Borrowing, and the Borrower hereby requests a Borrowing under the Credit Agreement, and in that connection the Borrower specifies the following information with respect to the Borrowing requested hereby:

(A) Aggregate principal amount of Borrowing [2] : ____________________

(B) Date of Borrowing (which is a Business Day): ___________________

(C) Interest Rate basis [3] : ____________________

(D) Interest Period [4] : _______________________

(E) Location and number of Borrower's account to which proceeds of Borrowing are to be disbursed: ____________________

The Borrower hereby represents and warrants that the conditions specified in paragraphs (a) and (b) of Section 3.2 of the Credit Agreement are satisfied.

[*Signature page follows*]

[2] Not less than $5,000,000 for Eurodollar Borrowing or $1,000,000 for Base Rate Borrowing.

[3] Eurodollar Borrowing or Base Rate Borrowing.

[4] Which must comply with the definition of "Interest Period" and end not later than the Commitment Termination Date.

Very truly yours,

ATMOS ENERGY CORPORATION

By: ______________________________
Name:
Title:

EXHIBIT 2.5

FORM OF NOTICE OF CONVERSION/CONTINUATION

[*Date*]

Branch Banking and Trust Company,
as Administrative Agent
for the Lenders referred to below
200 West Second Street, 16th Floor
Winston Salem, NC 27101
Attention: Beth Cook
Email: Beth.Cook@bbandt.com
Fax: 336-733-2740

Ladies and Gentlemen:

Reference is made to the Term Loan Agreement dated as of September 22, 2016 (as amended and in effect on the date hereof, the " Credit Agreement "), among the undersigned, as Borrower, the lenders named therein, and Branch Banking and Trust Company, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings. This notice constitutes a Notice of Conversion/Continuation and the Borrower hereby requests the conversion or continuation of a Borrowing under the Credit Agreement, and in that connection the Borrower specifies the following information with respect to the Borrowing to be converted or continued as requested hereby:

(A) Borrowing to which this request applies: ______________________

(B) Principal amount of Borrowing to be converted/continued: ______________________

(C) Effective date of election (which is a Business Day): ______________________

(D) Interest rate basis: ______________________

(E) Interest Period: ______________________

Very truly yours,

ATMOS ENERGY CORPORATION

By: ______________________________
Name:
Title:

EXHIBIT 3.1(b)(ii)

FORM OF SECRETARY'S CERTIFICATE OF ATMOS ENERGY CORPORATION

Reference is made to the Term Loan Agreement dated as of September 22, 2016 (the " Credit Agreement "), among Atmos Energy Corporation (the " Borrower "), the lenders named therein, and Branch Banking and Trust Company, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings. This certificate is being delivered pursuant to Section 3.1(b)(ii) of the Credit Agreement.

I, ______________________, Secretary of the Borrower, DO HEREBY CERTIFY that:

(a) annexed hereto as Exhibit A is a true, correct and complete copy of the Amended and Restated Articles of Incorporation of the Borrower, and all amendments thereto, for each of the State of Texas and the Commonwealth of Virginia. Except as shown on Exhibit A, each of such Amended and Restated Articles of Incorporation of the Borrower has not been amended or otherwise modified since [*date*] and at all times hereafter through the date hereof;

(b) annexed hereto as Exhibit B is a true and correct copy of the Amended and Restated Bylaws of the Borrower as in effect on [*date*] [5] and at all times thereafter through the date hereof;

(c) annexed hereto as Exhibit C is a true and correct copy of certain resolutions duly adopted by the Board of Directors of the Borrower at its meeting on [*date*] with respect to the transactions contemplated by the Credit Agreement, which resolutions are the only resolutions adopted by the Board of Directors of the Borrower or any committee thereof relating to the Credit Agreement and the other Loan Documents to which the Borrower is a party and the transactions contemplated therein and have not been revoked, amended, supplemented or modified and are in full force and effect on the date hereof; and

(d) each of the persons named below is and has been at all times since [*date*] a duly elected and qualified officer of the Borrower holding the office set forth opposite her name and the signature set forth opposite her name is her genuine signature:

[5] This date should be prior to the date of the resolutions referred to in clause (d).

Name		*Title*		*Specimen Signature*
[Include all officers who are signing the Credit Agreement or any other Credit Documents.]				

IN WITNESS WHEREOF, I have hereunto signed my name this ___ day of [*month*], [*year*].

____
Name
Secretary

I, __________________________, [_________________________] of the Borrower, do hereby certify that __________________________ has been duly elected, is duly qualified and is the [*Assistant*] Secretary of the Borrower, that the signature set forth above is [*his/her*] genuine signature and that [*he/she*] has held such office at all times since [*date*]. [6]

____
Name:
Title:

[6] This certification should be included as part of the Secretary's certificate and signed by one of the officers whose incumbency is certified pursuant to clause (e) above.

Exhibit A

[Articles of Incorporation]

3.1(b)(ii)-3

Exhibit B

[Bylaws]

Exhibit C

[Resolutions]

EXHIBIT 3.1(b)(v)

FORM OF OFFICER'S CERTIFICATE OF ATMOS ENERGY CORPORATION

Reference is made to the Term Loan Agreement dated as of September 22, 2016 (the " Credit Agreement "), among Atmos Energy Corporation (the " Borrower "), the lenders from time to time party thereto, and Branch Banking and Trust Company, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings. This certificate is being delivered pursuant to Section 3.1(b)(v) of the Credit Agreement.

I, ________________________, [_______________________] of the Borrower, DO HEREBY CERTIFY that:

(a) no Default or Event of Default exists;

(b) the representations and warranties of the Borrower set forth in the Credit Documents are true and correct in all material respects;

(c) since September 30, 2015, there 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 their properties which would have or be reasonably expected to have a Material Adverse Effect;

(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 such properties or the businesses operated by the Borrower or its Subsidiaries (the " Businesses "), and (c) there are no conditions relating to the Businesses or such properties that would reasonably be expected to give rise to a material liability under any applicable Environmental Laws; and

(f) attached hereto as Exhibit A are true, correct and complete 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 are in full force and effect and all applicable waiting periods have expired, and no investigation or inquiry by any governmental authority regarding the Commitments or any transaction being financed with the proceeds thereof is ongoing.

IN WITNESS WHEREOF, I have hereunto signed my name this ___ day of [*month*], [*year*].

____
Name:
Title:

Exhibit A

[third party consents and approvals]

EXHIBIT 5.1(c)

FORM OF COMPLIANCE CERTIFICATE

To: Branch Banking and Trust Company,
as Administrative Agent
for the Lenders referred to below
200 West Second Street, 16th Floor
Winston Salem, NC 27101
Attention: Beth Cook
Email: Beth.Cook@bbandt.com
Fax: 336-733-2740

Ladies and Gentlemen:

Reference is made to that certain Term Loan Agreement dated as of September 22, 2016 (as amended and in effect on the date hereof, the " Credit Agreement "), among Atmos Energy Corporation (the " Borrower "), the lenders named therein, and Branch Banking and Trust Company, as Administrative Agent. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

I, __________________, being the duly elected and qualified, and acting in my capacity as Chief Financial Officer of the Borrower, hereby certify to the Administrative Agent and each Lender as follows:

1. The consolidated financial statements of the Borrower and its Subsidiaries attached hereto for the fiscal **[*quarter*][*year*]** ending ____________________ fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as at the end of such fiscal **[*quarter*][*year*]** on a consolidated basis, and the related statements of income cash flows of the Borrower and its Subsidiaries for such fiscal **[*quarter*][*year*]** , in accordance with generally accepted accounting principles consistently applied (subject, in the case of such quarterly financial statements, to normal year-end audit adjustments and the absence of footnotes).

2. The calculations set forth in Attachment 1 are computations of the financial covenants set forth in Article V of the Credit Agreement calculated from the financial statements referenced in clause 1 above in accordance with the terms of the Credit Agreement.

3. Based upon a review of the activities of Borrower and its Subsidiaries and the financial statements attached hereto during the period covered thereby, as of the date hereof, there exists no Default or Event of Default.

____
Name:
Title: Treasurer

Attachment 1 to Compliance Certificate

3.1(b)(vii)-2

CASE NO. 2018-00281
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

October 5, 2016
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 October 5, 2016, Atmos Energy Corporation (the “Company”) entered into the First Amendment to Revolving Credit Agreement (the “First Amendment”) with Crédit Agricole Corporate and Investment Bank as Administrative Agent, Mizuho Bank, Ltd. and JPMorgan Chase Bank, National Association as co-syndication agents and a syndicate of 17 lenders identified therein, which amends the Company’s existing Revolving Credit Agreement dated September 25, 2015 (the “Crédit Agricole Facility”). The primary changes to the Crédit Agricole Facility, as reflected in the First Amendment, were to (i) extend the expiration date of the Crédit Agricole Facility for one (1) additional year to September 25, 2021, (ii) increase the committed loan amount from $1,250,000,000 to $1,500,000,000 and (iii) retain the $250,000,000 accordion feature (allowing for an increase in the total committed loan amount to $1,750,000,000).

The Crédit Agricole Facility, as amended (the “Credit Facility”), will continue to be used for working capital, capital expenditures and other general corporate purposes. There were no other material changes to the Credit Facility as a result of the execution of the First Amendment. With respect to the other parties to the Credit Facility, the Company has or may have had customary banking relationships based on the provision of a variety of financial services, including without limitation, 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 First Amendment 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 First Amendment.

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	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 Crédit Agricole Corporate and Investment Bank, in its capacity as administrative agent for the Lenders

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 11, 2016

By: /s/ LOUIS P. GREGORY #160;
Louis P. Gregory
Senior Vice President, General Counsel
and Corporate Secretary

INDEX TO EXHIBITS

Exhibit Number	Description
10.1	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 Crédit Agricole Corporate and Investment Bank, in its capacity as administrative agent for the Lenders

Exhibit 10.1

Execution Version

FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT

THIS FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT (this " ***Amendment*** "), is made and entered into as of October 5, 2016, by and among ATMOS ENERGY CORPORATION, a Texas and Virginia corporation (the " ***Borrower*** "), the lenders signatory hereto (the " ***Lenders*** ") and CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, in its capacity as administrative agent for the Lenders (the " ***Administrative Agent*** ").

W I T N E S S E T H:

WHEREAS, the Borrower, certain of the Lenders and the Administrative Agent are parties to a certain Revolving Credit Agreement dated as of September 25, 2015 (the " ***Credit Agreement*** "; capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement), pursuant to which such Lenders have made certain financial accommodations available to the Borrower;

WHEREAS, the Borrower has notified the Administrative Agent and each of the Lenders that the Borrower proposes to increase the Aggregate Commitment Amount under the Credit Agreement by the amount of $250,000,000, which increase shall be made without using the existing $250,000,000 uncommitted incremental facility set forth in Section 2.21 of the Credit Agreement;

WHEREAS, certain Lenders have agreed to provide new Commitments or increase their Commitments as requested by the Borrower and the Credit Agreement will continue to contemplate an up to $250,000,000 uncommitted incremental facility set forth in Section 2.21 of the Credit Agreement that may be used in addition to the incremental Commitments provided below; and

WHEREAS, the Borrower has also requested that the Administrative Agent and the Lenders amend certain provisions of the Credit Agreement, including, without limitation, an extension of the term of the Commitments, and subject to the terms and conditions hereof, the Administrative Agent and the Lenders are willing to do so.

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of all of which are acknowledged, the Borrower, the Administrative Agent and the Lenders agree as follows:

1. **Increase in Commitments** . Each of the parties hereto consents to the increase in the aggregate principal amount of the Commitments to $1,500,000,000. Each Lender executing this Amendment agrees that, effective as of the First Amendment Date (defined below), its Commitment is in the amount set forth on Schedule II . Each of the parties acknowledges and agrees that the Commitments of each of the Lenders are several and not joint commitments and obligations of such Lender. Immediately after giving effect to this Amendment, the outstanding Borrowings shall be reallocated ratably based upon the Commitments as set forth on Schedule II . Each Lender signatory hereto that was not a party to the Credit Agreement prior to this Amendment hereby becomes a party to the Credit Agreement as a Lender thereunder with the same force and effect as if originally named therein as a Lender, and without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Lender thereunder and agrees to be bound by the terms and conditions of the Credit Agreement. Each of the parties hereto acknowledges and agrees that the foregoing increase in the Commitments is independent of Section 2.21 of the Credit Agreement, and the Borrower retains the right to further increase the Commitments by up to $250,000,000 after the First Amendment Date on the terms set forth in Section 2.21 of the Credit Agreement.

2. **Amendments** .

a) Section 1.1 of the Credit Agreement is hereby amended by replacing the definitions of "Aggregate Commitment Amount", "Anti-Terrorism and Anti-Corruption Laws", "Co-Documentation Agents", "Commitment Termination Date", "Credit Documents", "Federal Funds Rate", "Fee Letter", "Joint Lead Arrangers" and "Lender Insolvency Event" in their entirety with the following definitions:

" Aggregate Commitment Amount " shall mean the aggregate principal amount of the Aggregate Commitments from time to time. On the First Amendment Date, the Aggregate Commitment Amount equals $1,500,000,000.

" 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 United Kingdom, the European Union or any other applicable authority.

" Co-Documentation Agents " shall mean, collectively, Bank of America, N.A., U.S. Bank National Association, Wells Fargo Bank, N.A and BNP Paribas.

" Commitment Termination Date " shall mean the earliest of (i) September 25, 2021 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).

" Credit Documents " shall mean, collectively, this Agreement, any promissory notes issued pursuant to this Agreement, the Fee Letters, 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.

" Federal Funds Rate " shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the next 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with member banks of the Federal Reserve System, 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 Letters " shall mean, collectively, that certain fee letter, dated as of September 9, 2016, executed by the Administrative Agent and accepted by the Borrower, and that certain fee letter dated as of September 9, 2016, executed by the Administrative Agent, Mizuho Bank, Ltd. and JP Morgan Chase Bank, N.A. and accepted by the Borrower.

" Joint Lead Arrangers " shall mean, collectively, Crédit Agricole Corporate and Investment Bank, Mizuho Bank, Ltd., JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated (or any other registered broker-dealer wholly-owned by Bank of America Corporation to which all or substantially all of Bank of America Corporation's or any of its subsidiaries' investment banking, commercial lending services or related businesses may be transferred following the date of this Agreement), U.S. Bank National Association, Wells Fargo Securities, LLC and BNP Paribas Securities Corp.

" Lender Insolvency Event " shall mean that (i) a Lender or its Parent Company is, or has been, 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, (iii) a Lender or its Parent Company has become the subject of a Bail-In Action; 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.

b) Section 1.1 of the Credit Agreement is hereby amended by adding the following definitions in their entirety in the appropriate alphabetical order:

" Bail-In Action " shall mean the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

" Bail-In Legislation " shall mean, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

" Co-Syndication Agents " shall mean, collectively, Mizuho Bank, Ltd. and JPMorgan Chase Bank, N.A.

" EEA Financial Institution " shall mean (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

" EEA Member Country " shall mean any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" shall mean any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"EU Bail-In Legislation Schedule" shall mean the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"Extension Effective Date" shall have the meaning provided in Section 2.23.

"First Amendment Date" shall mean October 5, 2016.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

c) Section 1.1 of the Credit Agreement is hereby amended by deleting the definitions of "Anniversary Date", "Borrower Extension Notice Date", "Existing Termination Date" and "Syndication Agent" in their entirety.

d) Section 2.11(d) of the Credit Agreement is hereby amended by replacing such subsection in its entirety with the following:

(d) Accrued fees under paragraph (b) above shall be payable quarterly in arrears on the last day of each March, June, September and December, commencing on December 31, 2016, and on the Commitment Termination Date.

e) Section 2.21(a) of the Credit Agreement is hereby amended by deleting the reference to "September 30, 2014" in clause (a) of the first sentence thereof and replacing it with "September 30, 2015".

f) The Credit Agreement is hereby amended by adding new Section 4.22 as follows:

Section 4.22 EEA Financial Institution; Other Regulations. Neither the Borrower nor any Subsidiary is an EEA Financial Institution.

g) The term "Syndication Agent," as used in Sections 8.8 and 9.15 of the Credit Agreement is hereby deleted and replaced with the term "Co-Syndication Agents."

h) Section 9.2(b) of the Credit Agreement is hereby amended by inserting the phrase "(excluding the Fee Letters, each of which may be amended by written agreement executed by each of the parties thereto)" immediately following the reference to "Credit Documents."

i) Section 9.4(d) of the Credit Agreement is hereby amended by replacing the first sentence of such section, before the proviso, in its entirety with the following:

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, any of the Borrower's Affiliates or Subsidiaries or any Defaulting Lender) (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);

j) Section 9.8 of the Credit Agreement is hereby amended by replacing the second sentence of such section in its entirety with the following:

This Agreement, the Fee Letters, 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.

k) Section 9.15 of the Credit Agreement is hereby amended by replacing the first sentence of such section in its entirety with the following:

The Administrative Agent, the Co-Syndication Agents, the Co-Documentation Agents, the Joint Lead Arrangers, each Lender and their Affiliates (collectively, solely for purposes of this paragraph, the "Lenders"), may have economic interests that conflict with those of Borrower.

l) The Credit Agreement is hereby amended by adding new Section 9.16 as follows:

Section 9.16 **Acknowledgment and Consent to Bail-In of EEA Financial Institutions**. Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Credit Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

m) Schedule II of the Credit Agreement is hereby amended by replacing such schedule in its entirety with Schedule II attached hereto.

3. **Conditions to Effectiveness of this Amendment**. Notwithstanding any other provision of this Amendment and without affecting in any manner the rights of the Lenders hereunder, it is understood and agreed that this Amendment, the increase in the Commitments and the other terms contemplated hereby shall not become effective, and the Borrower shall have no rights under this Amendment, until:

a) The Administrative Agent shall have received (i) the fees set forth in the Fee Letters (as defined above), (ii) such fees as the Borrower has previously agreed to pay the Administrative Agent or any of its affiliates in connection with this Amendment, and (iii) reimbursement or payment of its costs and expenses incurred in connection with this Amendment or the Credit Agreement (including reasonable fees, charges and disbursements of King & Spalding LLP, counsel to the Administrative Agent);

b) To the extent requested by any Lender in writing not less than five (5) Business Days prior to the First Amendment Date, any such Lender shall have received, not later than two (2) calendar days prior to the First Amendment Date, all documentation and other information with respect to the Borrower that such Lender 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; and

c) The Administrative Agent shall have received each of the following:

i. executed counterparts to this Amendment from the Borrower and the Lenders;

ii. 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 Amendment and certifying the name, title and true signature of each officer of the Borrower executing the Amendment;

iii. 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;

iv. 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 Amendment and the transactions contemplated herein as the Administrative Agent or the Required Lenders shall reasonably request; and

v. certified copies of all consents, approvals, authorizations, registrations and filings and orders, if any, 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 this Amendment or any of the transactions contemplated hereby, 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 an governmental authority regarding the Commitments or any transaction being financed with the proceeds hereof shall be ongoing.

4. **Representations and Warranties** . To induce the Lenders and the Administrative Agent to enter into this Amendment, the Borrower hereby represents and warrants to the Lenders and the Administrative Agent:

a) 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;

b) The execution, delivery and performance by the Borrower of the Amendment is within the Borrower's organizational powers and has been duly authorized by all necessary organizational, and if required, shareholder, partner or member, action;

c) The execution, delivery and performance by the Borrower of this Amendment do not (i) require any consent or approval of, registration or filing with, or any action by, any Governmental Authority, court or third party, except those as have been obtained or made and are in full force and effect, (ii) violate or conflict with, in any material respect, any provision of its articles of incorporation or bylaws, (iii) 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, (iv) 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 (v) 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;

d) This Amendment has been duly executed and delivered for the benefit of or on behalf of the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights and remedies in general; and

e) After giving effect to this Amendment, the representations and warranties contained in the Credit Agreement and the other Credit Documents are true and correct in all material respects, and no Default or Event of Default has occurred and is continuing as of the date hereof.

5. **Effect of Amendment** . Except as set forth expressly herein, all terms of the Credit Agreement, as amended hereby, and the other Credit Documents shall be and remain in full force and effect and shall constitute the legal, valid, binding and enforceable obligations of the Borrower to the Lenders and the Administrative Agent. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders under the

Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement. This Amendment shall constitute a Credit Document for all purposes. Upon and after the execution of this Amendment by each of the parties hereto, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the other Credit Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified hereby.

6. **Governing Law**. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of New York and all applicable federal laws of the United States of America.

7. **No Novation**. This Amendment is not intended by the parties to be, and shall not be construed to be, a novation of the Credit Agreement or an accord and satisfaction in regard thereto.

8. **Costs and Expenses**. The Borrower agrees to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and out-of-pocket expenses of outside counsel for the Administrative Agent with respect thereto.

9. **Counterparts**. This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, each of which shall be deemed an original and all of which, taken together, shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in pdf form shall be as effective as delivery of a manually executed counterpart hereof.

10. **Binding Nature**. This Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective successors, successors-in-titles, and assigns.

11. **Entire Understanding**. This Amendment sets forth the entire understanding of the parties with respect to the matters set forth herein, and shall supersede any prior negotiations agreements, whether written or oral, with respect thereto.

[*Signature Pages To Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment 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 FIRST AMENDMENT 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/ GORDON YIP
Name: Gordon Yip
Title: Director

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

MIZUHO BANK, LTD. ,
as Co-Syndication Agent and as a Lender

By: /s/ NELSON CHANG
Name: Nelson Chang
Title: Authorized Signatory

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION ,
as Co-Syndication Agent and as a Lender

By: /s/ JUSTIN MARTIN
Name: Justin Martin
Title: Authorized Officer

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

BANK OF AMERICA, N.A. ,
as a Co-Documentation Agent and as a Lender

By: /s/ MAGGIE HALLELAND
Name: Maggie Halleland
Title: Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

U.S. BANK NATIONAL ASSOCIATION , as a Co-Documentation Agent and as a Lender

By: /s/ MICHAEL E. TEMNICK
Name: Michael E. Temnick
Title: Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

WELLS FARGO BANK, NATIONAL ASSOCIATION , as a Co-Documentation Agent and as a Lender

By: /s/ KEITH LUETTEL
Name: Keith Luettel
Title: Director

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

BNP PARIBAS , as a Co-Documentation Agent and as a Lender

By: /s/ NICOLE RODRIGUEZ
Name: Nicole Rodriguez
Title: Director

By: /s/ JULIEN PECOUD-BOUVET
Name: Julien Pecoud-Bouvet
Title: Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. , as a Lender

By: /s/ PAUL FARRELL
Name: Paul Farrell
Title: Managing Director

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

BRANCH BANKING AND TRUST COMPANY , as a Lender

By: /s/ KELLY ATTAYEK
Name: Kelly Attayek
Title: Assistant Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT 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/ DARREL HO
Name: Darrel Ho
Title: Authorized Signatory

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

THE TORONTO-DOMINION BANK, NEW YORK BRANCH , as a Lender

By: /s/ SAVO BOZIC
Name: Savo Bozic
Title: Authorized Signatory

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

GOLDMAN SACHS BANK USA , as a Lender

By: /s/ JOSH ROSENTHAL
Name: Josh Rosenthal
Title: Authorized Signatory

[SIGNATURE PAGE TO FIRST AMENDMENT 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 FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

COBANK, ACB , as a Lender

By: /s/ DUSTIN ZUBKE
Name: Dustin Zubke
Title: Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

REGIONS BANK , as a Lender

By: /s/ BRIAN J. WALSH
Name: Brian J. Walsh
Title: Director

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

THE NORTHERN TRUST COMPANY , as a Lender

By: /s/ WICKS BARKHAUSEN
Name: Wicks Barkhausen
Title: Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

BOKF, NA DBA BANK OF TEXAS , as a Lender

By: /s/ MATTHEW RENNA
Name: Matthew Renna
Title: Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT]

Exhibit A

Schedule II

COMMITMENT AMOUNTS

Lender	**Commitment Amount**
Crédit Agricole Corporate and Investment Bank	$117,000,000.00
Mizuho Bank, Ltd.	$117,000,000.00
JPMorgan Chase Bank, National Association	$117,000,000.00
Bank of America, N.A.	$116,000,000.00
U.S. Bank National Association	$116,000,000.00
Wells Fargo Bank, National Association	$116,000,000.00
BNP Paribas	$116,000,000.00
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$95,000,000.00
Branch Banking and Trust Company	$95,000,000.00
Canadian Imperial Bank of Commerce, New York Branch	$95,000,000.00
The Toronto-Dominion Bank, New York Branch	$95,000,000.00
Goldman Sachs Bank USA	$80,000,000.00
Regions Bank	$80,000,000.00
CoBank, ACB	$55,000,000.00

Morgan Stanley Bank, N.A.	$50,000,000.00
The Northern Trust Company	$20,000,000.00
BOKF, NA dba Bank of Texas	$20,000,000.00
TOTAL	**$1,500,000,000**

CASE NO. 2018-00281
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

October 26, 2016
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 .

(c) On October 26 , 2016, Atmos Energy Corporation ("Atmos Energy") has appointed David J. Park, currently president of the West Texas Division of Atmos Energy, as senior vice president, utility operations, effective January 1, 2017. Mr. Park, 45, will report to Mike Haefner, President and Operating Officer and will be a member of the company's senior management team. Although Atmos Energy is not a party to any employment agreement with Mr. Park, he will receive an annual base salary of $360,000. Mr. Park will also be eligible to participate in all other applicable incentive, benefit and deferred compensation plans offered by the company to its senior officers.

In addition, Atmos Energy will enter into a change in control severance agreement with Mr. Park to provide certain severance benefits to him in the event of the termination of his employment within three years following a change in control of the company. The agreement will provide that in the case of such termination of employment, the company will pay Mr. Park a lump sum severance payment equal to 2.5 times his total compensation, comprised of his annual base salary and "average bonus," as such term is defined in the agreement. In addition, Mr. Park will receive all medical, dental, vision, and any other health benefits which qualify for continuation coverage under Internal Revenue Code Section 4980B ("COBRA coverage"), for a period of 18 months from the date of his termination.

In the event of such termination of employment, the company will also pay Mr. Park a lump sum payment generally equal to the actuarially equivalent sum of the value of (a) an additional three (3) years of age and service credits payable under our Pension Account Plan; (b) an additional three (3) years of company matching contributions under our Retirement Savings Plan; (c) the cost to the company of providing COBRA coverage benefits to Mr. Park for an additional 18-month period and (d) the cost to the company of providing accident and life insurance as well as disability benefits for three (3) years following the date of his termination.

However, if Mr. Park is terminated by the company for "cause" (as defined in the agreement), or if his employment is terminated by retirement, death, or disability, the agreement will provide that the company will not be obligated to pay the severance benefits to Mr. Park. The agreement will further provide that if Mr. Park voluntarily terminates his employment except for "constructive termination" (as defined in the agreement), the company will not be obligated to pay him the severance benefits. A form of such change in control severance agreement has been previously filed with the Commission as Exhibit 10.3(a) to Form 10-K for the fiscal year ended September 30, 2015.

A copy of a news release issued on October 28, 2016 announcing this management change is filed herewith as Exhibit 99.1.

(d) On October 27, 2016, Kelly H. Compton was elected to the Board of Directors of the Company, effective November 1, 2016, with her term expiring at the 2017 annual meeting of shareholders on February 8, 2017. The Board of Directors also appointed Ms. Compton to serve as a member of the Audit Committee and the Nominating and Corporate Governance Committee, also effective November 1, 2016. Ms. Compton will participate in all applicable compensation and benefit plans offered by the Company to our directors. Ms. Compton has not received any grant or award under any Company plan, contract or arrangement in connection with her election.

A copy of a news release issued on October 28, 2016 announcing Ms. Compton's election to the Board of Directors is filed herewith as Exhibit 99.2.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release issued by Atmos Energy Corporation dated October 28, 2016
99.2	News Release issued by Atmos Energy Corporation dated October 28, 2016

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 28, 2016

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 issued by Atmos Energy Corporation dated October 28, 2016
99.2	News Release issued by Atmos Energy Corporation dated October 28, 2016

Exhibit 99.1

ATMOS energy

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Corporation Promotes
David Park to Senior Vice President of Utility Operations

DALLAS (October 28, 2016)-Atmos Energy Corporation (NYSE: ATO) said today that David Park has been promoted to senior vice president of utility operations, effective January 1, 2017. In his new role, Park will be responsible for the operations of Atmos Energy's six utility divisions in eight states, as well as gas supply.

"David has broad experience in engineering, operations and rates and regulatory areas, and currently serves as President of the West Texas Division. He will continue the emphasis we place on the success of all our utility divisions, making our safe system even safer, and delivering exceptional customer service," said Michael E. Haefner, President and COO of Atmos Energy Corporation.

Park, 45, has been with the company more than 20 years, having started his career with Lone Star Gas Company in 1994. Before being named President of the West Texas Division, he was Vice President of Rates and Regulatory Affairs in the Mid-Tex Division, and previously held positions in Engineering and Public Affairs.

Park is a graduate of Texas A&M University and is a registered professional engineer. He has been active in a number of community organizations throughout his career with Atmos Energy, including the United Way and Chamber of Commerce in both Bryan-College Station and Lubbock, Texas. David is currently chair of the Texas Gas Association.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest natural-gas-only distributor, 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 .

Exhibit 99.2

ATMOS energy

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Corporation Names Kelly H. Compton to Board of Directors

DALLAS (October 28, 2016)-Atmos Energy Corporation (NYSE: ATO) said today that Kelly H. Compton has been elected to its board of directors. Her election, effective November 1, 2016, will increase the board's size to 14 directors. Compton will serve on the board's Audit Committee and Human Resources Committee.

Compton has served as Executive Director of The Hoglund Foundation since 1992. Prior to joining the Hoglund Foundation, Compton was with NationsBank Texas and its predecessors for 13 years, serving as Vice President of Commercial Lending.

"Kelly Compton brings a significant amount of experience in public and private finance, development and strategic matters," said Robert W. Best, chairman of the board of Atmos Energy Corporation. "Our directors will greatly benefit from Kelly's broad and diverse experience, and we look forward to her wise counsel in helping us lead Atmos Energy."

Currently, Compton serves on the Board of Trustees for The Perot Museum of Nature and Science, the Teach for America Dallas-Ft. Worth Regional Advisory Board and the Board of Directors for Momentous Institute.

Compton graduated cum laude from Southern Methodist University with a bachelor's degree in Business Administration with a specialization in Finance, and currently serves on its Board of Trustees.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest natural-gas-only distributor, 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. 2018-00281
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

October 29, 2016
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 October 29, 2016, Atmos Energy Holdings, Inc. (“Holdings”), a wholly-owned subsidiary of Atmos Energy Corporation (“Atmos Energy”), entered into an agreement (the “Agreement”) to sell all of the membership interests in Atmos Energy Marketing, LLC (“Marketing”), to CenterPoint Energy Services, Inc. (“CP Energy Services”), an affiliate of CenterPoint Energy, Inc. (“CenterPoint”), for a purchase price of $40 million plus working capital at the closing. Working capital at the closing is expected to be approximately $80 million. The Agreement contains the usual terms and conditions customary for transactions of this type, including adjustments to the working capital at closing and indemnification by Holdings related to the business of Marketing prior to closing and breaches of representations and warranties regarding the business conducted by Marketing. The closing of the transaction is subject to the satisfaction of customary conditions including the receipt of applicable regulatory approvals. Neither Atmos Energy nor any of its affiliates, including Holdings or Marketing, have had a material relationship with CenterPoint or any of its affiliates, including CP Energy Services, other than in respect of the Agreement.

The foregoing description of the Agreement does not purport to be complete and is qualified in its entirety by reference to the Agreement, a copy of which is attached as Exhibit 2.1 hereto and incorporated into this Item 1.01 by reference. The Agreement is included as an exhibit to this Form 8-K to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual or financial information about Atmos Energy, Marketing, CenterPoint, the other parties to the Agreement or any of their respective subsidiaries and affiliates. The representations, warranties and covenants contained in the Agreement were made only for purposes of that agreement and as of specific dates; were solely for the benefit of the parties to the Agreement; may be subject to limitations agreed upon by the parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties thereto instead of establishing these matters as facts; and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors should not rely on the representations, warranties and covenants or any description thereof as characterizations of the actual state of facts or condition of Atmos Energy, Marketing, CenterPoint, the other parties to the Agreement or any of their respective subsidiaries and affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Agreement, which subsequent information may or may not be fully reflected in public disclosures by Atmos Energy or CenterPoint.

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

The statements contained in this Current Report on Form 8-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, the word "expect" 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 and other factors. 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.

Item 7.01. Regulation FD Disclosure.

On October 31, 2016, Atmos Energy announced in a news release that Holdings had entered into the Agreement described above under Item 1.01. A copy of the news release is furnished as Exhibit 99.1. The information furnished in this Item 7.01 and in Exhibit 99.1 shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act 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 9.01. Financial Statements and Exhibits.

(d) Exhibits

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
99.1	News Release dated October 31, 2016 (furnished under Item 7.01)

* Certain exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted exhibit or schedule will be furnished supplementally to the Securities and Exchange Commission upon request.

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 31, 2016

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President, General Counsel and Corporate Secretary

INDEX TO EXHIBITS

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* Certain exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted exhibit or schedule will be furnished supplementally to the Securities and Exchange Commission upon request.

Exhibit 2.1

Execution Version

MEMBERSHIP INTEREST PURCHASE AGREEMENT

BY AND BETWEEN

ATMOS ENERGY HOLDINGS, INC.

AND

CENTERPOINT ENERGY SERVICES, INC.

October 29, 2016

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Exhibits

MEMBERSHIP INTEREST PURCHASE AGREEMENT

This MEMBERSHIP INTEREST PURCHASE AGREEMENT is dated as of October 29, 2016 and is by and between CenterPoint Energy Services, Inc., a Delaware corporation ("Buyer") and Atmos Energy Holdings, Inc., a Delaware corporation ("Seller"). Buyer and Seller are individually referred to herein as "Party," and collectively referred to herein as the "Parties." Capitalized terms used in this Agreement and not otherwise defined are defined in Section 1.1 hereof.

RECITALS

A. Seller owns all of the membership interests in Atmos Energy Marketing, LLC, a Delaware limited liability company (the "Company").

B. The Company is a retail and wholesale supplier of natural gas and related services and owns contracts and other assets relating thereto.

C. On the terms and subject to the conditions set forth in this Agreement, Seller desires to sell and transfer to Buyer, and Buyer desires to purchase and acquire from Seller, all of the membership interests in the Company (the "Equity Interests").

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement and other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the following meanings unless the context otherwise requires:

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

"Agreement" means this Membership Interest Purchase Agreement, as the same may be amended or supplemented from time to time, together with the exhibits and schedules hereto.

"Applicable Law" means any federal, state, local or municipal statute, law (excluding principles of common law), rule, or regulation, or any judgment, award, order, ordinance, writ, injunction, or decree of, any Governmental Entity to which a specified Person is subject.

"Assets" means the assets and properties of the Company.

" Asset Management Agreements " means Contracts between the Company and owners of natural gas transportation and storage assets pursuant to which the Company is granted the right to manage and control the capacity associated with proprietary and customer-owned transportation and storage assets.

" Books and Records " means files, data and documents in every medium stored or contained in Seller's or the Company's possession to the extent related to the Business or the Customers, including, without limitation, all (a) present and pending customer lists, (b) audio recordings of the Customers' authorizations, (c) account numbers, (d) business reply cards, (e) past regulatory filings with applicable regulatory authorities, (f) other information necessary to enroll and continue servicing the Customers as customers of the Company after the Closing, (g) Tax Returns of the Company for all periods for which the statute of limitations remains open, and (h) information relating to daily natural gas inventory storage volumes injected and withdrawn and the associated pricing information and physical hedge information; provided , however , that "Books and Records" does not include: (i) any of the foregoing to the extent related to the Excluded Assets and Liabilities; (ii) information which, if provided to Buyer, would violate any Applicable Law or Order; and (iii) any valuations of or related to the Business.

" Business " means the retail and wholesale supply of natural gas and related services, and ownership of contracts and other assets relating thereto, including (a) aggregating and purchasing natural gas supply, arranging transportation and storage logistics and delivering gas to customers and (b) using customer-owned transportation and storage assets to provide services to customers, including furnishing natural gas supplies at fixed and market-based prices, contract negotiation and administration, load forecasting, gas storage acquisition and management services, transportation services, peaking sales and balancing services, capacity utilization strategies and gas price hedging through the use of financial instruments.

" Business Day " means any day other than Saturday or Sunday or any other day on which banks in Houston, Texas are permitted or required to close.

" Code " means the Internal Revenue Code of 1986, as amended.

" Confidentiality Agreement " means the Confidentiality Agreement between Atmos Energy Corporation and CenterPoint Energy Services, Inc. dated as of September 1, 2016.

" Contract " means any contract, agreement, indenture, note, bond, loan, instrument, lease, commitment, conditional sale contract, purchase or sale order, mortgage, license, franchise, insurance policy, power of attorney or other legally binding arrangement, whether written or oral.

" Customer " means each Person to whom the Company is providing retail or wholesale natural gas services.

" Customer Contracts " means all of Seller's Contracts with Customers for the supply of natural gas.

" Disclosure Schedule " means the schedules of Seller attached to this Agreement.

" Easement Interest " means an easement, license, right of way or any other access right in real property.

" Encumbrances " means liens, pledges, options, security interests, charges, restrictions, claims, hypothecations, reservations and all other encumbrances or adverse rights or interests whatsoever (other than those created under applicable securities laws).

" Environment " means all soil, real property, air, water (including surface water, streams, ponds, drainage basins and wetlands), groundwater, sediments, land surface or subsurface strata and geologic formations, natural resources, fish, plant, wildlife, rare, threatened or endangered species or any other environmental media or natural resources.

" Environmental Claims " means any and all administrative or judicial actions, suits, orders, liens, notices, claims, notices of violation, complaints, Proceedings, requests for information, losses, costs (including investigation and response costs), expenses, liabilities, fines, penalties or damages (including natural resource damages) arising out of or related to: (i) any violation or alleged violation of or liability under any Environmental Law or Environmental Permit; or (ii) the presence, Release or threatened Release of any Hazardous Material.

" Environmental Laws " means all applicable federal, state and local, civil and criminal laws (including common law), regulations, rules, ordinances, codes, decrees, Orders, judgments, directives, or judicial or administrative orders relating to pollution or protection, investigation of the Environment, natural resources or human health and safety, including, without limitation, laws relating to Releases or threatened Releases of Hazardous Materials or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, threatened Release, transport, management, disposal or handling of Hazardous Materials. "Environmental Laws" includes, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §§ 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. §§ 5101 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.), the Clean Air Act (42 U.S.C. §§ 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. §§ 2601 et seq.), the Oil Pollution Act (33 U.S.C. §§ 2701 et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. §§ 11001 et seq.), the Pipeline Safety Act (49 U.S.C. §§ 60101 et seq.), Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.) and all applicable other state and local laws analogous to any of the above, as amended.

" Environmental Permit " means all Permits or Governmental Approvals required under Environmental Laws.

" ERISA " means Employee Retirement Income Security Act of 1974, as amended.

" Fraud " means, with respect to the making of the representations and warranties pursuant to Article III or Article IV (as applicable) or in the certificate described in Section 6.2(b) or Section 6.3(a) (as applicable) by a Party, the making of such representations and warranties with actual knowledge that such representations and warranties made by such Party were actually breached when made, with the express intention that the other Party rely thereon.

" Funded Indebtedness " means, with respect to any Person, (a) all Indebtedness of such Person of the types described in clauses (i) or (iii) of the definition of "Indebtedness" and (b) to the extent related to Indebtedness of the types described in clauses (i) or (iii) of the definition of "Indebtedness," all Indebtedness of such Person of the types described in clause (v) of the definition of "Indebtedness."

" Gas Service Agreements " means pipeline, storage and LDC service agreements for the transportation, storage, distribution, delivery, exchange, balancing, aggregation, pooling, wheeling, parking or lending of natural gas by an interstate pipeline or storage service provider or a local gas distribution company or system.

" Governmental Approvals " means, collectively, any consent, license, registration, Permit or approval issued, granted, given or otherwise made available by or under the authority of any Governmental Entity pursuant to Applicable Laws.

" Governmental Entity " means any domestic or foreign national, state or local government, any subdivision, agency, board, commission, bureau, court, tribunal, or other instrumentality or authority thereof, or any quasi-governmental or private body exercising any regulatory or taxing authority thereunder (to the extent that the rules, regulations or orders of such quasi-governmental or private body have the force of law).

" Hazardous Materials " means (a) any petrochemical or petroleum products, oil, radioactive materials, radon gas, coal ash, asbestos in any form, urea formaldehyde foam insulation, lead, lead containing materials, polychlorinated biphenyls, (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "hazardous constituents," "restricted hazardous materials," "extremely hazardous substances," "toxic substances," "contaminants," "pollutants," "toxic pollutants" or words of similar meaning and regulatory effect under any applicable Environmental Laws and (c) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any Environmental Laws.

" HSR Act " means the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the rules and regulations promulgated thereunder.

" Indebtedness " of any Person means, without duplication, (i) the principal of and premium (if any) in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (ii) all obligations of such Person to pay the deferred purchase price of property; (iii) all obligations of such Person for the reimbursement of any obligor with respect to any letter of credit (except with respect to Letters of Credit (if any) that remain outstanding at Closing in accordance with the terms and conditions of Section 7.10 of this Agreement) to the extent drawn; (iv) all obligations of such Person under leases required to be capitalized in accordance with GAAP (but excluding any breakage costs, prepayment penalties or fees or other similar amounts payable in connection with any capitalized leases unless such breakage costs, prepayment penalties, fees or other similar amounts are due and will be paid at the Closing); and (v) all obligations of the type referred to in clauses (i) through (iv) of any Persons for the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, including guarantees of such obligations.

" Indemnified Environmental Liabilities " means: (a) the presence, storage, transportation, treatment, disposal, discharge, Release, or recycling of Hazardous Materials, or the arrangement for such activities, on or prior to the Closing Date, at or to any Off-Site Location, by or on behalf of the Company; (b) any Environmental Claims arising from or related to the Business prior to the Closing Date (whether or not such Losses arose or were made manifest before the Closing Date or arise or become manifest on or after the Closing Date); (c) claims for loss of life, injury to persons or property or damage to the Environment or similar causes of action arising from or related to the Business prior to the Closing Date (whether or not such loss, injury or damage arose or were made manifest before the Closing Date or arise or become manifest on or after the Closing Date); (d) the presence or Release or threatened Release of Hazardous Materials on or prior to the Closing Date at any Real Property; (e) violations or alleged violations of, or noncompliance or alleged noncompliance with Environmental Laws or Environmental Permits on or prior to the Closing Date (whether or not such violations or noncompliance arose or were made manifest before the Closing Date or arise or become manifest on or after the Closing Date); and (f) any Contract, other consensual arrangement, or Order entered into or issued on or prior to the Closing Date pursuant to which any liability is assumed or imposed with respect to Environmental Laws or Hazardous Materials.

" Intellectual Property " means all intellectual, industrial and proprietary rights, whether domestic or foreign (including goodwill associated therewith), including all (a) patents and patent applications, (b) trademarks, service marks, trade names, trade dress and domain names, together with the goodwill associated exclusively therewith, (c) copyrights, including copyrights in computer software, (d) proprietary software, (e) trade secrets and (f) proprietary design rights, techniques, data, inventions, methods and other proprietary technical, business, research, development and other information.

" Intellectual Property Rights " means all Intellectual Property owned or purported to be owned by the Company and utilized in the Business.

" LDCs " means local distribution companies responsible for delivering natural gas to end-user customers' meters.

" Leased Real Property " means the real property leased, subleased or otherwise occupied by the Company, as tenant, together with, to the extent leased by the Company, all buildings and other structures, facilities or improvements currently or hereafter located thereon.

" Losses " means any and all demands, claims, liabilities, losses, obligations, causes of action, damages, fines, penalties, costs, and expenses, including reasonable attorneys' fees, costs and expenses, court costs, and other costs of suit.

" Material Adverse Effect " means any change, event, violation, inaccuracy or circumstance with respect to the Company or the Business that would reasonably be expected to, individually or together with any other such change, event, violation, inaccuracy or circumstance, (a) have a material adverse effect on the financial condition, results of operations, properties, assets or liabilities of the Company or (b) materially impede or delay the ability of Seller to consummate the transactions contemplated hereby, other than any change, event, violation, inaccuracy or circumstance that results from (i) disclosure of the identity of Buyer or any of its Affiliates as the acquiror of the Company, (ii) factors generally affecting the international, national or regional economy, financial markets, capital markets or commodities markets, (iii) any change in international, national, regional, or local regulatory or political conditions, (iv) any change in Applicable Law or an Order issued after the date hereof (other than an Applicable Law adopted or Order issued specifically with respect to the Company or the transactions contemplated by this Agreement), (v) any change in GAAP or other applicable accounting rules, (vi) any changes or developments in national, regional, state or local wholesale or retail markets for natural gas or related products including those due to actions by competitors or due to changes in commodities prices or hedging markets therefor, (vii) any changes or developments in national, regional, state or local natural gas transmission or distribution systems, (viii) any changes or developments in national, regional, state, or local wholesale or retail natural gas prices, (ix) acts consented to or requested by Buyer in writing, (x) any outbreak or escalation of hostilities or acts of war, terrorism or civil unrest, and (xi) any changes in weather or climate or acts of God, except, in the case of clauses (ii), (iii), (iv), (vi), (vii) or (viii), to the extent such changes or conditions disproportionately affect the Company relative to other participants in the industry in which the Company operates.

" Named Severance Eligible Employee " means an individual named in the list provided by Seller to Buyer prior to the date of this Agreement identifying the individuals who are to receive special severance benefits (as compared to other Acquired Employees) in accordance with Section 8.1(a) of this Agreement.

" Off-Site Location " means any real property other than the Real Property, including third party owned or operated real property.

" Orders " means any writ, judgment, decree, injunction, award, settlement or stipulation, decision, determination, ruling, subpoena or verdict or similar order entered, issued, made or rendered by any Governmental Entity (in each such case whether preliminary or final).

" Owned Real Property " all real property and interests in real property owned in fee by the Company, together with all buildings and other structures, facilities or improvements currently located thereon.

" Permits " means licenses, permits, variances, exemptions, tariffs, rate schedules and other authorizations of or from Governmental Entities.

" Permitted Encumbrances " means (a) claims, equities and other encumbrances arising under the Customer Contracts, (b) the encumbrances listed in Section 1.1(c) of the Disclosure Schedule, including, but not limited to, those which will be discharged or released either prior to or on the Closing Date, (c) liens for Taxes that are not yet due or delinquent (or which may be paid without interest or penalties) or the validity or amount of which is being contested in good faith by appropriate proceedings if reserves with respect thereto are maintained in accordance with GAAP and reflected on Final Net Working Capital, (d) mechanics', carriers', workers', repairers' and other similar liens arising or incurred in the ordinary course of business relating to obligations as to which there is no default on the part of the Company, or the validity or amount of which is being contested in good faith by appropriate proceedings if reserves with respect thereto are maintained in accordance with GAAP and reflected on Final Net Working Capital, or pledges, deposits or other liens securing statutory obligations (including workers' compensation, unemployment insurance or other social security legislation), (e) zoning, entitlement, conservation restriction and other land use and environmental regulations promulgated by Governmental Entities, (f) all rights of condemnation, eminent domain, or other similar rights of any Person, (g) all Encumbrances arising under approvals by any Governmental Entities that are listed on Section 1.1(d) of the Disclosure Schedule, (h) any right, interest, lien, title or other Encumbrance of a lessor or sublessor under any lease or other similar agreement or in the property being leased, (i) Encumbrances created by or through Buyer as of the Closing, (j) outbound licenses of Intellectual Property and (k) exceptions, restrictions, easements, imperfections of title, charges and rights-of-way, in each case that would not, individually or in the aggregate, materially detract from or materially diminish the value of or materially interfere with the use of any property or asset of the Company.

" Person " means any individual, corporation, partnership, joint venture, trust, limited liability company, unincorporated organization, Governmental Entity or other entity.

" Proceedings " means all proceedings, actions, claims, suits, investigations and inquiries by or before any arbitrator or Governmental Entity.

" Purchase and Sale Contracts " means any purchase and sale contracts for natural gas, including any forward, futures, option, swap, hedge, collar, cap, floor or similar contract regarding natural gas, and any other derivative instrument, contract or arrangement based thereon or on any related indices, regardless of whether such instrument, contract or arrangement provides for or results in physical delivery of natural gas or cash settlement.

" Real Property " means (i) Owned Real Property and (ii) Leased Real Property.

" Release " means any release, spill, emission, leaking, injection, deposit, disposal, discharge, dispersal, leaching, abandonment, pumping, pouring, emptying, dumping, or allowing to escape or migrate into or through the Environment, including the disposal or abandonment of barrels, containers, tanks or other receptacles.

" Representatives " means, with respect to any Person, the officers, directors, employees, agents, accountants, advisors, bankers and other representatives of such Person.

" Seller's Knowledge " or " to Seller's Knowledge " means the knowledge after due inquiry of each of Mark Bergeron, Ron Bahr, Rob Ellis, Louis Gregory, Chris Forsythe, Gary Vilas, David Tucker, Wade Sadler, Matt Robbins, Jeff Perryman, Harold Reid, Mike Haefner and Bret Eckert.

" Seller Retained Liabilities " means:

(a) all liabilities to be retained by Seller as expressly provided in Sections 8.1 and 8.2 ;

(b) any liability arising from the Company's noncompliance on or prior to the Closing with any Applicable Law; and

(c) any liabilities arising from the Company's breach of or default under any Company Contract on or prior to the Closing.

Notwithstanding the foregoing and for the avoidance of doubt, the term "Seller Retained Liabilities" shall not include the following:

(a) any liabilities of the Company reflected or reserved against in the Final Net Working Capital; or

(b) any liabilities to be assumed by Buyer as expressly provided in Sections 8.1 and 8.2 .

" Solvent " means, with respect to any Person, (i) such Person is able to pay its liabilities as they become due in the usual course of its business, (ii) such Person does not have unreasonably small capital with which to conduct its present or proposed business, and (iii) such Person has assets (calculated at fair market value and present fair saleable value) that exceed its liabilities.

" Subsidiary " means, with respect to any Person, any other Person of which a majority of the outstanding voting securities or other voting equity interests are owned, directly or indirectly, by such first Person.

" Tax " or " Taxes " means any and all federal, state, local or foreign income, gross receipts, capital gains, license, occupancy, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including Taxes under Section 59A of the Code), customs duties, exercise duties, capital stock, franchise, unincorporated business, profits, withholding, information, social security (or similar), Medicare, Medicaid, health care, employment, unemployment, disability, workers' compensation, real property, personal property, unclaimed property, ad valorem, sales, use, transfer, registration, value added, alternative or add-on minimum, accumulated earnings, personal holding company, estimated, or other tax, contributions, report or assessment of any kind whatsoever (in the nature of a tax) imposed by any Governmental Entity, including any estimated payments related thereto, and any interest, penalty, fine, assessment, or addition thereto, whether disputed or not.

" Tax Returns " means any and all returns, reports and forms (including elections, declarations, amendments, schedules, information returns or attachments thereto) filed or required to be filed with a Governmental Entity with respect to Taxes.

" Termination Date " means February 2, 2017.

" Third Party " means any Person other than (a) Seller and its Affiliates or (b) Buyer and its Affiliates.

" Third Party Claim " means any claim, action or proceeding, or the commencement of any claim, action or proceeding, in each case with respect to a Loss or potential Loss made or brought by a Third Party.

" Transaction Expenses " means all legal, accounting and other out-of-pocket expenses or costs, in each case, incurred by the Company prior to the Closing Date and that are payable by the Company in connection with the negotiation, preparation or execution of this Agreement.

Section 1.2 Additional Definitions. The following contains a list of additional terms used in this Agreement and a reference to a Section hereof in which such term is defined:

Term	Section
Accounting Principles	Section 2.4(b)(i)
Acquired Employee	Section 8.1(b)
Acquisition Engagement	Section 12.16(a)
Adjusted Escrow Amount	Section 2.3
Adjustment Report	Section 2.4(f)
Affiliate AMAs	Section 3.6(a)(i)
Allocation	Section 2.5
Antitrust Laws	Section 7.11(b)
Authorization	Section 3.2
Awards	Section 8.2
Base Purchase Price	Section 2.2
Buyer	Preamble
Buyer Claims	Section 9.1(a)(i)
Buyer Closing Certificate	Section 2.4(c)
Buyer Documents	Section 4.2(a)
Buyer Fundamental Representations	Section 9.5
Buyer Plan	Section 8.1(c)
Buyer's Closing Conditions	Section 5.2
Capitalization and Ownership	Section 3.4
Closing	Section 6.1
Closing Date	Section 6.1
Closing Date Accounts Receivable Schedule	Section 6.2(j)
Closing Net Working Capital	Section 2.4(c)
Closing Purchase Price	Section 2.2
COBRA	Section 3.26(f)
Company	Preamble
Company Contracts	Section 3.6(a)
Company Personal Property	Section 3.7
Company Plans	Section 3.26(a)
Company Registered IP	Section 3.27(a)
Company Trading Guidelines	Section 3.29
Consents	Section 3.5
Continuing Guarantees	Section 7.10(b)
Contracts of the Company	Section 3.6

Purchase Price	Section 2.2
Purchase Price Adjustment	Section 2.4
Purchase Price Allocation	Section 2.5
Qualified Plan	Section 3.26(b)
Real Estate Valuation Firm	Section 7.12(b)
Real Property Lease	Section 3.17(a)
Receiving Party	Section 2.7
Review Period	Section 2.4(d)
Response Notice	Section 7.12(b)
Securities Act	Section 4.8
Seller	Preamble
Seller Claims	Section 9.1(b)(i)
Seller Closing Certificate	Section 2.4(c)
Seller Documents	Section 3.2(a)
Seller Indemnified Group	Section 9.1(b)
Seller’s Closing Conditions	Section 5.1
Seller’s Imbalance Amount	Section 2.6(a)
Shared Contract	Section 3.6(e)
Software	Section 3.27(a)
Tax Consideration	Section 2.5
Title	Section 3.7
Transfer Fees	Section 10.1
Transfer Taxes	Section 10.1
Transition Services Agreement	Section 6.2(i)
Undisputed Amount	Section 2.4(d)
Unresolved Claims	Section 2.3
Volumetric Gas Imbalance Amount	Section 2.6
Volumetric Gas Imbalance Report	Section 2.6(a)
WARN	Section 3.25(a)
Withholding	Section 2.8
Working Capital Amount	Section 2.2

ARTICLE II
THE TRANSACTIONS

Section 2.1 Purchase and Sale . Upon the terms and subject to the conditions set forth in this Agreement, at the Closing (as hereinafter defined), Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase and acquire from Seller, all of the Equity Interests free and clear of all Encumbrances.

Section 2.2 Purchase Price . In consideration of the transfer to Buyer of the Equity Interests, and in accordance with this Agreement, Buyer shall pay to Seller at the Closing by wire transfer of immediately available funds to such account as may be designated by Seller, an amount in cash equal to (a) Forty Million Dollars ($40,000,000) (the “ Base Purchase Price ”), plus (b) Eighty-Four Million Three Hundred Thirteen Thousand Nine Hundred and Fifty Three

Dollars ($84,313,953) (the " Working Capital Amount "), minus (c) any unpaid Indebtedness of the Company as of the close of business on the day immediately preceding the Closing Date, minus (d) the Indemnity Escrow Amount, minus (e) any unpaid Transaction Expenses, and minus (f) if applicable, the Final Real Estate Deduction Amount (such amount, the " Closing Purchase Price "), subject to the adjustments determined pursuant to Section 2.4 below (as adjusted, the " Purchase Price ").

Section 2.3 Indemnity Escrow . On the Closing Date, Buyer shall, pursuant to the Indemnity Escrow Agreement, deposit with Wells Fargo, National Association (the " Escrow Agent ") as a holdback of a portion of the Purchase Price, an amount equal to Seven Million Dollars ($7,000,000) (the " Indemnity Escrow Amount "). Any payment that Seller is obligated to make to the Buyer Indemnified Group pursuant to Article IX shall be paid first from the Indemnity Escrow Amount, and Buyer and Seller shall deliver instructions to the Escrow Agent pursuant to the Escrow Agreement directing that any such payment be so made. If the Indemnity Escrow Amount is insufficient to pay any such amounts, Seller shall be obligated to make such payments to the Buyer Indemnified Group pursuant to, and subject to the limitations in, Article IX . On the date that is twelve (12) months from the Closing Date, Buyer shall instruct the Escrow Agent to distribute to Seller an amount (which shall not be less than zero) equal to (1) the remaining balance of the Indemnity Escrow Amount less (2) the amount of any claims for indemnification under Article IX asserted by Buyer prior to such date but not yet resolved (" Unresolved Claims ") less (3) an amount equal to Four Million Dollars ($4,000,000) (the " Adjusted Escrow Amount "). On the date that is twenty four (24) months from the Closing Date, Buyer shall instruct the Escrow Agent to distribute to Seller an amount (which shall not be less than zero) equal to (A) the remaining balance of the Adjusted Escrow Amount less (B) the amount of any Unresolved Claims. The Adjusted Escrow Amount retained for Unresolved Claims shall be released by the Escrow Agent (to the extent not utilized to pay the Buyer Indemnified Group for any such claims resolved in favor of the Buyer Indemnified Group) upon resolution of such claims in accordance with Article IX , and Buyer and Seller shall deliver instructions to the Escrow Agent pursuant to the Escrow Agreement directing that any such payment be so made.

Section 2.4 Purchase Price Adjustment .

(a) For purposes of this Agreement, including the determination of the Estimated Closing Net Working Capital, Closing Net Working Capital and the Final Net Working Capital, the term " Net Working Capital " shall have the meaning and will be calculated as set forth on Section 2.4 of the Disclosure Schedule.

(b) Closing Date Purchase Price Adjustment.

(i) Not later than three (3) Business Days prior to the Closing Date, Seller shall provide Buyer with an estimated balance sheet of the Company as of the open of business on the Closing Date (the " Estimated Closing Balance Sheet ") and a statement of the estimated Net Working Capital, derived from the Estimated Closing Balance Sheet (" Estimated Closing Net Working Capital " and, together with the Estimated Closing Balance Sheet, the " Estimated Closing Statement "). Except as otherwise provided on Section 2.4 of the Disclosure Schedule, the

Estimated Closing Net Working Capital shall be calculated by Seller in accordance with generally accepted accounting principles (" GAAP ") applied on a basis consistent with the accounting methods, policies, practices and procedures that were used in preparation of the Most Recent Balance Sheet (except to the extent such methods, policies, practices and procedures of the Company used in preparing the Most Recent Balance Sheet are not consistent with GAAP) (collectively, " Accounting Principles "), and shall not include any changes in assets or liabilities as a result of purchase accounting adjustments or other changes arising from or resulting as a consequence of the transactions contemplated hereby.

(ii) If Estimated Closing Net Working Capital is less than the Working Capital Amount, the Purchase Price payable at Closing will be decreased by the difference between Estimated Closing Net Working Capital and the Working Capital Amount. If Estimated Closing Net Working Capital is more than the Working Capital Amount, the Purchase Price payable at Closing will be increased by the difference between Estimated Closing Net Working Capital and the Working Capital Amount.

(c) As promptly as practicable, but no later than one-hundred and twenty (120) days after the Closing Date (the " Preparation Period "), Buyer will cause to be prepared and delivered to Seller a certificate (the " Buyer Closing Certificate ") signed by an officer of Buyer setting forth a calculation of the Net Working Capital of the Company, as of the Closing Date (the " Closing Net Working Capital "). The Buyer Closing Certificate shall be accompanied by reasonably detailed documentation showing Buyer's calculation of the Closing Net Working Capital. During the Preparation Period, Buyer and its accountants will be provided access at all reasonable times to Seller's personnel, books and records for the purpose of preparing the Buyer Closing Certificate. If Buyer does not deliver the Buyer Closing Certificate to Seller within the Preparation Period, at the election of Seller, (i) Buyer will be deemed to have waived the right to object to any items set forth in the Estimated Closing Statement and all such items will be deemed to be final and binding on the Parties and will be non-appealable and may be enforced by any court having proper jurisdiction for purposes of determining the final Purchase Price, as described below in this Section 2.4 , or (ii) Seller will cause to be prepared and delivered to Buyer, no later than forty-five (45) days after the expiration of the Preparation Period, a certificate (the " Seller Closing Certificate ") signed by an officer of Seller setting forth a calculation of the Closing Net Working Capital and accompanied by reasonably detailed documentation showing Seller's calculation of the Closing Net Working Capital. Except as otherwise provided on Section 2.4 of the Disclosure Schedule, the Closing Net Working Capital shall be calculated in accordance with the Accounting Principles and shall not include any changes in assets or liabilities as a result of purchase accounting adjustments or other changes arising from or resulting as a consequence of the transactions contemplated hereby. The Buyer Closing Certificate or Seller Closing Certificate, as applicable, shall, in respect of the Closing Net Working Capital reflected thereon, present fairly in all material respects the Closing Net Working Capital as calculated in accordance with this Agreement.

(d) During the thirty (30) day period following Seller's receipt of the Buyer Closing Certificate or during the thirty (30) day period following the expiration of the Preparation Period if Seller elects to prepare and deliver a Seller Closing Certificate in accordance with Section 2.4(c) , as applicable (either such period, the " Review Period "), Seller and its accountants shall be provided access at all reasonable times to the Company's personnel, books and records for the purpose of reviewing the Buyer Closing Certificate or preparing the Seller Closing Certificate, as applicable. On or prior to the last day of the Review Period, Seller may deliver either (i) if Seller disagrees in any respect with any item or amount shown or reflected in the Buyer Closing Certificate or with the calculation of the Closing Net Working Capital, a notice to Buyer setting forth, in reasonable detail, each disputed item or amount and the basis for Seller's disagreement therewith or (ii) if so elected by Seller in accordance with Section 2.4(c) , the Seller Closing Certificate (either such notice or certificate, the " Dispute Notice "). The Dispute Notice shall set forth Seller's position as to the proper Closing Net Working Capital. If no Dispute Notice is received by Buyer on or prior to the last day of the Review Period and Buyer previously delivered a Buyer Closing Certificate pursuant to this Agreement, the Buyer Closing Certificate shall be deemed accepted by Seller, whereupon (1) the Closing Net Working Capital reflected on the Buyer Closing Certificate shall be deemed to be the " Final Net Working Capital ," and (2) Buyer or Seller, as the case may be, will pay to the other Party the amount owing in accordance with Section 2.4(g) hereof. In the event that Seller timely delivers a Dispute Notice to Buyer, Buyer or Seller, as the case may be, will pay to the other Party any undisputed portion of the amount determined under Section 2.4(c) hereof which would be payable regardless of how the matters set forth in the Dispute Notice are resolved (the " Undisputed Amount ").

(e) For twenty (20) days after Buyer's receipt of a Dispute Notice, if any, the Parties shall endeavor in good faith to resolve by mutual agreement all matters in the Dispute Notice. In the event that the Parties are unable to resolve by mutual agreement any matter in the Dispute Notice within such 20-day period, Buyer and Seller hereby agree that they shall engage BDO USA, LLP (the " Independent Accounting Firm ") in respect of this Section 2.4 and promptly execute a reasonable and customary engagement letter with the Independent Accounting Firm, if requested to do so by the Independent Accounting Firm. Seller and Buyer shall submit the disputed matters, as described in the Dispute Notice, together with such arguments as either of them choose to make in connection therewith, in writing to the Independent Accounting Firm within twenty (20) days after the Independent Accounting Firm's engagement.

(f) Seller and Buyer shall use commercially reasonable efforts to cause the Independent Accounting Firm to resolve the disputed matters based upon the materials submitted to it pursuant to the last sentence of Section 2.4(e) hereof within thirty (30) days following the submission of such materials. The Independent Accounting Firm shall determine, based solely on presentations by Seller and Buyer, and not by independent review, only those issues in dispute specifically set forth in the Dispute Notice and shall render a written report to Seller and Buyer (the " Adjustment Report ") in which the Independent Accounting Firm shall, after considering all matters set forth in the Dispute Notice, determine what adjustments, if any, should be made to the Buyer Closing Certificate or Seller Closing Certificate, as applicable, solely as to the disputed items and shall determine the appropriate Final Net Working Capital on that basis. The Adjustment Report shall set forth, in reasonable detail, the Independent Accounting Firm's determination with respect to each of the disputed items or amounts specified in the Dispute Notice, and the revisions, if any, to be made to the Buyer Closing Certificate or the Seller Closing Certificate, as applicable, and the Closing Net Working Capital, together with supporting calculations. In resolving any disputed item, the Independent Accounting Firm: (i) shall be bound to the principles of this Section 2.4 , (ii) shall limit its review to matters specifically set forth in the Dispute Notice, (iii) shall limit its review to correcting mathematical errors and determining whether disputed items were determined in accordance with Accounting Principles and this Agreement and (iv) shall not assign a value to any item higher than the highest value for such item claimed by either Party or lower than the lowest value for such item claimed by either Party; provided , however , that to the extent the determination of the value of any disputed item affects any other item used in calculating the Closing Net Working Capital, such effect may be taken into account by the Independent Accounting Firm. All fees and expenses of the Independent Accounting Firm shall be split equally by Buyer and Seller. If a retainer is required by the Independent Accounting Firm, the retainer shall be split equally between Buyer and Seller; provided , however , that the retainer shall be considered part of the fees and expenses of such Independent Accounting Firm and if either Party has paid more than its equal share of such retainer, such Party shall be entitled to be reimbursed by the other Party to the extent required by this Section 2.4 . The Adjustment Report, absent fraud, shall be final and binding upon Buyer and Seller, shall be deemed a final arbitration award that is binding on each of Buyer and Seller, and no Party shall seek further recourse to courts, other tribunals or otherwise, other than to enforce the Adjustment Report. Judgment may be entered to enforce the Adjustment Report in any court having proper jurisdiction. Upon the issuance of the Adjustment Report the Closing Net Working Capital reflected in the Adjustment Report shall be deemed to be the " Final Net Working Capital ," and Buyer or Seller, as the case may be, will pay to the other Party the amount owing in accordance with Section 2.4(g) hereof.

(g) Effective upon the end of the Review Period (if a timely Dispute Notice is not delivered), or upon the resolution of all matters set forth in the Dispute Notice by mutual agreement of the Parties or by the issuance of the Adjustment Report (if a timely Dispute Notice is delivered), (i) if Final Net Working Capital is greater than Estimated Closing Net Working Capital, the Purchase Price shall be increased by the excess of Final Net Working Capital over Estimated Closing Net Working Capital and Buyer shall promptly, but no later than ten (10) Business Days after such final determination, pay to Seller the amount of such difference, and (ii) if Final Net Working Capital is less than Estimated Closing Net Working Capital, the Purchase Price shall be decreased by the excess of Estimated Closing Net Working Capital over Final Net Working Capital and Seller shall promptly, but no later than ten (10) Business Days after such final determination, pay to Buyer the amount of such difference. Any such payment shall be made by wire transfer of immediately available funds to an account or accounts designated by Buyer or Seller, as the case may be, at least two (2) Business Days prior to the applicable payment date, and in the absence of any such designation by certified check mailed to such Party at such Party's notice address.

(h) The Parties agree that the purpose of calculating Closing Net Working Capital and the related adjustments to the Purchase Price is to validate, and measure any change in, Net Working Capital, and this Section 2.4 is not intended to, and the calculation of Closing Net Working Capital shall not, introduce different judgments, accounting methodologies (including with respect to accruals and reserves), policies, principals, practices, procedures or classifications than the Accounting Principles.

(i) At the sole option of Buyer, any payment to be made by Seller to Buyer pursuant to Section 2.4(g) may be made as a payment from the Indemnity Escrow Amount. If Buyer elects not to withhold such amount from the Indemnity Escrow Amount, it shall notify Seller and Seller shall make such payment in accordance with Section 2.4 (g) .

Section 2.5 Purchase Price Allocation . Seller and Buyer agree that the total Purchase Price (and any other amounts treated as taxable sales consideration for applicable income tax purposes, including any amounts treated as assumed liabilities) (the " Tax Consideration ") shall be allocated among the Assets (the " Allocation "). Buyer shall prepare, or cause to be prepared, such Allocation, and deliver a copy of such Allocation to Seller no later than one hundred eighty (180) days after the Closing for review and comment. Seller shall notify Buyer in writing of any comments to such Allocation no later than thirty (30) days following receipt of such Allocation from Buyer. If Seller objects in writing during such thirty (30) day period, the Parties shall cooperate in good faith to reach a mutually agreeable allocation of the Tax Consideration, which allocation shall be binding on the Parties. If the Parties are unable to reach an agreement, any disputed items shall be referred to the Independent Accounting Firm for resolution, and the determination of the Independent Accounting Firm shall be final and binding on the Parties. The fees and expenses of the Independent Accounting Firm shall be allocated between Buyer and Seller in the same proportion that the aggregate amount of the disputed items submitted to the Independent Accounting Firm that is unsuccessfully disputed by each such Party (as finally determined by the Independent Accounting Firm) bears to the total amount of such disputed items so submitted. If Seller does not provide Buyer with any comments within such period, the Allocation provided to Seller by Buyer shall be treated by the Parties as the agreed upon Allocation of the Tax Consideration for all applicable purposes. Any subsequent adjustments to the Tax Consideration shall be reflected in the Allocation of the Tax Consideration hereunder in a manner that is consistent with the Allocation. The Tax Consideration paid by Buyer shall be allocated by the Parties in accordance with the Allocation (or any subsequent adjustment to such Allocation), and all Tax Returns or other applicable documentation (including IRS Form 8594 and any other applicable forms for federal, provincial, state, local or foreign tax purposes) filed by each of the Parties shall be prepared consistently with such Allocation (or any subsequent adjustment to such Allocation). Further, neither Party shall take any Tax position that is inconsistent with such Allocation (or any subsequent adjustment to such Allocation). Seller shall cooperate with Buyer in good faith to prepare such Allocation (and any subsequent adjustment to such Allocation), including timely making available to Buyer and its representatives all records and information necessary in connection with the preparation of such Allocation (or any subsequent adjustment to such Allocation).

Section 2.6 Volumetric Gas Imbalance Amount . Seller and Buyer agree as follows:

(a) Buyer shall deliver a copy of each report of volumetric natural gas imbalances (a " Volumetric Gas Imbalance Report ") for each of the LDCs or pipelines with whom the Company has agreements for the delivery or transportation of natural gas as of the Closing Date to Seller within twenty (20) Business Days following Buyer's receipt of the Volumetric Gas Imbalance Report from such LDC or pipeline to the extent such report covers any portion of the year ending December 31, 2016. Buyer and Seller shall instruct each LDC or pipeline to, based on the Closing Date, calculate Seller's Volumetric Gas Imbalance Report separate and apart from Buyer's Volumetric Gas Imbalance Report in each Volumetric Gas Imbalance Report. In respect of the period ending on the Closing Date, the volumetric natural gas imbalances attributable to such period and pertaining to each such LDC or pipeline multiplied by the applicable index price for natural gas set forth in the tariff or contract with such LDC or pipeline (or, if the tariff or contract does not specify an index price, the applicable index price for the applicable market) shall be for the account of Seller (the " Seller's Imbalance Amount "), subject to reduction for imbalance amounts set forth as a current liability in Final Net Working Capital. All volumetric natural gas imbalances pertaining to each such LDC and pipeline for the period beginning after the Closing Date shall be for the account of Buyer. Promptly following receipt of the Volumetric Gas Imbalance Report, Buyer shall deliver to Seller a statement showing Seller's Imbalance Amount attributable to such report.

(b) If Seller disagrees with a Seller's Imbalance Amount, Seller shall, within ten (10) Business Days after receipt of such statement, deliver a notice to Buyer disagreeing with Seller's Imbalance Amount and setting forth Seller's calculation of Seller's Imbalance Amount. Upon Buyer's receipt of such notice of disagreement, Buyer and Seller shall, during the fifteen (15) days following such delivery, use their commercially reasonable efforts to reach agreement on the disputed items or amounts in order to determine Seller's Imbalance Amount and the calculation thereof.

(c) Within five (5) Business Days following determination of Seller's Imbalance Amount (including if Seller does not deliver a notice of disagreement within ten (10) Business Days pursuant to Section 2.6(b)), if (A) such amount is positive, Buyer shall remit Seller's Imbalance Amount to Seller and (B) if such amount is negative, Seller shall remit Seller's Imbalance Amount to Buyer, in each case by wire transfer of immediately available funds into an account designated by the receiving Party.

Section 2.7 Payments and Charges . Each Party agrees that if any Party (" Receiving Party ") receives any payment that under the terms and provisions of this Agreement should have been paid to the other Party, the Receiving Party shall remit such payment to the other Party as soon as reasonably practicable after its receipt. Each Party agrees that if any Party (" Paying Party ") inadvertently pays any expense or charge that should have been paid by the other Party pursuant to the terms of this Agreement, the Paying Party can invoice the other party for such amount, such invoice to provide sufficient supporting documentation to permit the other Party to verify the appropriateness of the charge and that such charge should be paid by such other Party, and the other Party shall, if appropriate, remit to the Paying Party such amount as soon as reasonably practicable after its receipt of such invoice.

Section 2.8 Withholding . Buyer (and any other Person that has any withholding obligation with respect to any payment made pursuant to this Agreement) shall be entitled to deduct and withhold from the Purchase Price and any amounts otherwise payable pursuant to this Agreement to any Person such amounts as Buyer or such other Person is required to deduct and withhold with respect to the making of such payment under the Code or any other applicable provision of Applicable Law; provided , however , that Buyer (or any other Person that believes it has any withholding obligation with respect to any payment made pursuant to this Agreement) shall notify Seller prior to deducting and withholding from any consideration otherwise payable to any Person pursuant to this Agreement and shall reasonably cooperate with Seller, at Seller's sole cost and expense, in seeking to reduce or eliminate any such deduction or withholding. To the extent that amounts are so withheld, such withheld amounts will be timely paid over to the applicable tax authority in accordance with Applicable Law and will be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as follows:

Section 3.1 Organization and Good Standing .

(a) Seller (i) is a corporation that is duly formed and validly existing under the laws of the State of Delaware and (ii) has all requisite corporate power and authority to execute, deliver and perform this Agreement.

(b) The Company is a limited liability company that is duly formed and validly existing under the laws of the State of Delaware.

(c) The Company is duly qualified in each jurisdiction where such qualification is necessary because of its conduct of business, except where the failure to be so qualified would not be material.

(d) The Company has all requisite limited liability company power and authority and the legal right to own and operate its properties and to conduct its business, including the Business, as currently conducted.

Section 3.2 Authorization .

(a) The execution, delivery and performance by Seller of this Agreement and each other agreement, document, or instrument or certificate contemplated by this Agreement to be executed by Seller in connection with the consummation of the transactions contemplated by this Agreement (together with this Agreement, the " Seller Documents ") and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on its part.

(b) The execution, delivery and performance of this Agreement and each of the other Seller Documents by Seller and the consummation by it of the transactions contemplated hereby do not and will not:

(i) violate or breach its organizational documents or the organizational documents of the Company,

(ii) violate or breach any Applicable Law binding on it or the Company, or

(iii) result in any breach of, or constitute a default under, or give to others any rights of termination, payment, amendment, acceleration or cancellation of, any Company Contract, or result in the creation of any Encumbrance on the Equity Interests or any of the assets of the Company,

except, in the case of clause (ii) or (iii), for any such violations, breaches, defaults or other occurrences that arise as a result of any facts or circumstances relating to Buyer or any of its Affiliates. Seller has delivered to Buyer true and complete copies of all organizational documents of the Company.

Section 3.3 Enforceability . This Agreement is, and each of the other Seller Documents when executed and delivered will be, the legal, valid and binding obligation of Seller, enforceable against it in accordance with its terms, except that such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and (b) equitable principles which may limit the availability of certain equitable remedies in certain instances.

Section 3.4 Capitalization and Ownership .

(a) The Equity Interests have been legally and validly issued.

(b) The Equity Interests represent 100% of the membership interests of the Company. Seller holds of record and owns, and will transfer or cause to be transferred to Buyer on the Closing Date, the Equity Interests free and clear of all Encumbrances.

(c) There are no outstanding securities convertible into, exchangeable for, or carrying the right to acquire securities or any other equity interests, including the Equity Interests, of the Company.

(d) The Company has no Subsidiaries and does not own any equity interests in any other Person, and has not had any Subsidiaries or owned any equity interests in any other Person at any time since September 30, 2013.

Section 3.5 Consents . Except as set forth in Section 3.5 of the Disclosure Schedule, no authorization, approval or consent of, or filing with or notification to, any (i) Governmental Entity is required to be obtained or given by Seller or the Company in connection with the execution, delivery or performance of this Agreement and the other Seller Documents and the consummation of the transactions contemplated hereby and thereby, or the validity and effectiveness on or after the Closing Date of any Customer Contract, except (A) for any filings required to be made under the HSR Act, (B) for such filings as may be required by any applicable federal or state securities or "blue sky" laws or (C) as may be necessary as a result of any facts or circumstances relating to Buyer or any of its Affiliates or (ii) Person other than a Governmental Entity is required to be obtained or given by Seller or the Company in connection with the execution, delivery or performance of this Agreement and the other Seller Documents and the consummation of the transactions contemplated hereby and thereby, except as may be necessary as a result of any facts or circumstances relating to Buyer or any of its Affiliates.

Section 3.6 Contracts of the Company .

(a) Section 3.6(a) of the Disclosure Schedule sets forth a complete list of the following Contracts to which the Company is a party as of the date hereof, excluding any Contracts included within the Excluded Assets and Liabilities (collectively, the " Company Contracts "):

(i) all Asset Management Agreements between the Company and Seller or its Affiliates (the " Affiliate AMAs ");

(ii) all other Asset Management Agreements;

(iii) all Purchase and Sale Contracts;

(iv) all Gas Service Agreements;

(v) all Contracts with a broker, sales partner or distribution partner that is engaged in soliciting customer relationships on behalf of the Company;

(vi) all capital leases, loan agreements, notes, guarantees, and contracts and agreements relating to Indebtedness, or the mortgage, pledge or transfer of, or the grant of a security interest or other Encumbrance in, any asset of the Company;

(vii) any Contract for employment, independent contractor agreement, consulting, severance, termination, bonus, or similar agreement, or any other agreement that will require the Company to make a payment to any Person as a result of the consummation of the transactions contemplated by this Agreement;

(viii) all Contracts between the Company, on the one hand, and Seller or any of its other Affiliates on the other;

(ix) all Contracts for joint ventures, strategic alliances or partnerships;

(x) all Contracts that limit or purport to limit the ability of the Company to compete in any line of business or with any Person or in any geographic area or during any period of time;

(xi) all Contracts pursuant to which the Company grants any license of Intellectual Property, other than non-exclusive licenses granted to customers substantially on the Company's standard form, a copy of which has been made available to Buyer; and

(xii) all Contracts (including Customer Contracts) not otherwise set forth on Section 3.6(a) of the Disclosure Schedule, the performance of which would reasonably be expected to involve the receipt of or payment by the Company in excess of $50,000 per year or in excess of $100,000 over the remaining term of such contract.

(b) Each Company Contract (i) is a valid, binding and enforceable obligation of the Company and, to Seller's Knowledge, the other parties thereto, in accordance with its terms and conditions, except that such enforceability may be limited by (1) applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and (2) equitable principles which may limit the availability of certain equitable remedies in certain instances, and (ii) is in full force and effect. The Company is not in breach of or default under any Company Contract and has not received written notice regarding any actual or alleged violation or breach of or default under or termination or acceleration of any Company Contract. To Seller's Knowledge, none of the other parties to each Company Contract is in material breach of or material default under any Company Contract.

(c) Each of the Purchase and Sale Contracts to which the Company is a party was entered into: (i) in the ordinary course of business, (ii) for the purpose of meeting the retail supply obligations of the Business or hedging exposure or managing price risk arising out of such obligations, and (iii) in compliance with the Company Trading Guidelines. The Purchase and Sale Contracts entered into by the Company and the activities of the Company related thereto do not require the Company to register as a commodity trading advisor under the Commodity Exchange Act.

(d) Seller has made available to Buyer true and complete copies of all of the Company Contracts.

(e) Schedule 3.6(e) sets forth a complete list of each Contract between the Seller or any of its Affiliates, on the one hand, and a Third Party, on the other hand, that (i) pertain to the Business and (ii) pursuant to which the Company receives a material benefit that will not be assigned to the Company at the Closing (each, a " Shared Contract ").

Section 3.7 Title .

(a) The Company has or will have, as of the Closing Date, good and marketable title to its tangible personal property, excluding for the avoidance of doubt Intellectual Property (because such matters are exclusively addressed in Section 3.27) and including all equipment (the " Company Personal Property ")

(b) The Company owns or will own, as of the Closing Date, the Company Personal Property free and clear of all Encumbrances, except for Permitted Encumbrances.

(c) Section 3.7 of the Disclosure Schedule sets forth a true, correct and complete list and general description of the material Company Personal Property as of the date hereof. All items of Company Personal Property are in good operating condition and in a state of good maintenance and repair (ordinary wear and tear excepted) and are suitable for the purposes used.

Section 3.8 Financial Information; Indebtedness .

(a) Seller has delivered to Buyer the balance sheets of the Company as of September 30, 2016, September 30, 2015, September 30, 2014 and September 30, 2013 and the financial information of the Company set forth on Schedule 3.8(a) (collectively, the " Financial Information "). The balance sheet as of September 30, 2016 is referred to herein as the " Most Recent Balance Sheet ." The Financial Information (i) has been prepared in accordance with GAAP consistently applied by the Company without modification of the accounting principles used in the preparation thereof throughout the periods presented and presents fairly, in all material respects, the financial position, results of operations and cash flows of the Company as at the dates and for the periods indicated therein, except as otherwise noted therein and subject to the absence of notes and normal and recurring fiscal year-end adjustments and (ii) does not reflect the Excluded Assets and Liabilities.

(b) The Company makes and keeps books, records and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of its assets. The Company maintains systems of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP and to maintain accountability for assets; and (iii) access to assets is permitted only in accordance with management's general or specific authorization.

(c) Section 3.8(c) of the Disclosure Schedule sets forth all outstanding Indebtedness of the Company, and specifies for each loan, note, debt, capital lease or other form of Indebtedness, (i) the name of the creditor, (ii) the principal amount outstanding, (iii) the applicable interest rate and accrued interest outstanding, (iv) a description of all collateral securing such Indebtedness and (v) whether such Indebtedness can be prepaid prior to maturity and any penalties, premiums or other amounts payable in connection with such prepayment.

Section 3.9 Compliance with Laws . The Company has, at all times since January 1, 2012, conducted the Business in accordance with Applicable Law in all material respects, and the Company is not in violation in any material respect of any Applicable Law. Other than regulatory orders of general applicability, the Company is not subject to any Order applicable to it or with respect to its assets. The Company has not received since January 1, 2012 any written notice of or been charged with the violation of any Applicable Law. To Seller's Knowledge, no investigation by any Governmental Entity with respect to the Company is pending, nor has any Governmental Entity indicated in writing to the Company an intention to conduct any such investigation. This Section 3.9 shall not apply to Intellectual Property, Environmental Laws, Taxes or the Plans.

Section 3.10 Litigation. Except as set forth on Section 3.10 of the Disclosure Schedule, there are no Proceedings pending or, to Seller's Knowledge, threatened against the Company, nor to the Seller's Knowledge is there any reasonable basis for any such Proceeding. Except as set forth on Section 3.10 of the Disclosure Schedule, no Proceeding involving the Company has been adjudicated, settled, or otherwise resolved or terminated within the five years prior to the date of this Agreement. There are no Proceedings pending or, to Seller's Knowledge, threatened against Seller that would affect the legality, validity or enforceability of this Agreement or the consummation of the transactions contemplated hereby. The Company is not subject to any Order or any ongoing or outstanding obligations in connection with any settlement of, or judgment or award related to, any Proceedings.

Section 3.11 Financial Advisors. Neither Seller nor any Person acting on its behalf has entered (directly or indirectly) into any agreement with any Person that would obligate, or would purport to obligate, the Company to pay any commission, broker's fee or finder's fee in connection with the sale of the Equity Interests, as contemplated herein.

Section 3.12 Permits.

(a) Section 3.12 of the Disclosure Schedule contains a list of all Permits which are required for the operation of the business of the Company as presently operated. The Company holds or has received all Permits required in order for it to own, operate and maintain its Business in substantially the same manner as presently operated.

(b) All material Permits required in order for the Company to own, operate and maintain its assets in the manner presently operated are in full force and effect and the Company is in compliance with all material Permits.

(c) The Company is not in receipt of any written notice of any noncompliance with any material Permit required in order to own, operate and maintain the Business and its assets in substantially the same manner as presently operated.

(d) All applications required to have been filed for the renewal of all material Permits required in order for the Company to own, operate and maintain the Business and its assets in substantially the same manner as presently operated have been duly filed on a timely basis with the appropriate Governmental Entity and LDCs and all other material filings required to have been made with respect to such Permits have been duly made on a timely basis with the appropriate Governmental Entity and LDC.

Section 3.13 Absence of Certain Changes and Events. Except as set forth on Section 3.13 of the Disclosure Schedule, since the date of the Most Recent Balance Sheet (i) the Company has conducted its business only in the ordinary course of business and (ii) there has not been any event, change, occurrence or circumstance that has had or would reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, since the date of the Most Recent Balance Sheet through the date hereof, the Company has not:

(a) canceled, compromised, waived or released any claims or rights with a value in excess of $50,000 with respect to any one Contract or with an aggregate value in excess of $100,000 with respect to all Contracts (other than any termination of a Customer Contract by the Company or a Customer in the ordinary course of business);

(b) experienced any damage, destruction or loss, whether or not covered by insurance, with respect to the property and assets of the Company having a replacement cost of more than $50,000 for any single loss or $100,000 for all such losses;

(c) made any material change in its accounting or Tax reporting principles, methods or policies relating to the Company or the Business;

(d) made, changed or rescinded any election relating to Taxes, settled or compromised any claim relating to Taxes, or amended any Tax Return, in each case only relating to the Company or the Business, in each case if such action could have the effect of increasing the Tax liability of the Company or the Buyer (or any of its Affiliates) in respect of any Tax period (or portion thereof) ending after the Closing Date;

(e) engaged in any transaction that gives rise to (i) a registration obligation under Section 6111 of the Code and the Treasury Regulations thereunder, (ii) a list maintenance obligation under Section 6112 and the Treasury regulations thereunder, or (iii) a disclosure obligation as a “reportable transaction” under Section 6011 of the Code and the Treasury regulations thereunder;

(f) failed to promptly pay and discharge current liabilities except where disputed in good faith by appropriate proceedings;

(g) transferred, sold, leased, mortgaged, pledged or disposed of any assets (other than any termination of a Customer Contract by the Company or a Customer in the ordinary course of business);

(h) made or committed to make any capital expenditures or capital additions or betterments in excess of $50,000 individually or $100,000 in the aggregate;

(i) incurred, assumed or guaranteed any Indebtedness (other than Indebtedness owed to Seller or its Affiliates); or

(j) entered into any Contract to do any of the foregoing.

Section 3.14 Solvency . On the Closing Date, Seller will be Solvent both before and immediately after giving effect to the transactions.

Section 3.15 Customers .

(a) Schedule 3.15(a) sets forth a complete list of the Customers of the Company as of September 1, 2016, with each Customer separated into one of the following categories based on the type of Customer: "Industrial," "Utility," "Municipal," "Power Generation" and "Other." Seller has made available to Buyer the Company's FERC Form No. 552 for the 2014, 2015 and 2016 calendar years showing the volume of natural gas sold to Customers during such periods, and each such form is true, correct and complete.

(b) All Contracts with Customers, a true and correct list of which has been provided to Buyer in an agreed upon format, are substantially in the forms attached hereto as Exhibits A-1 , A-2 , A- 3, A-4 and A-5 , which include each unique form required by an LDC, region or public utility commission.

(c) Seller has or will have, as of the Closing Date, made available to Buyer documentation evidencing all Customer Contracts, and Seller represents that, except to the extent contained in such documentation, as of the date hereof the Company has entered into no other contractual obligations relating to the Business with Customers or other parties to such Customer Contracts.

Section 3.16 Books and Records . The Books and Records have been or will be, as of or promptly following the Closing, delivered to Buyer and are or will be true, complete and correct copies, in all material respects, of the Books and Records utilized by the Company in the ordinary course of operating the Business.

Section 3.17 Real Property .

(a) Section 3.17(a) of the Disclosure Schedule sets forth a complete list and description of (i) all Owned Real Property and (ii) all Leased Real Property, including the address of each parcel of Leased Real Property and the identity of the lessor, lessee and current occupant (if different from lessee) of each such parcel of Leased Real Property (each lease related thereto, a " Real Property Lease "). The Company has good and marketable fee title to all Real Property, free and clear of all Encumbrances except Permitted Encumbrances. The Real Property listed on Section 3.17(a) of the Disclosure Schedule constitutes all interests in real property currently used or currently held for use in connection with the Business and which are necessary for the continued operation of the Business as it is currently conducted. All of the Real Property, buildings, fixtures and improvements thereon owned or leased by the Company are in good operating condition and repair (subject to normal wear and tear).

(b) The Company has made available to Purchaser true, correct and complete copies of (i) all deeds, title reports and surveys for the Owned Real Properties and (ii) the Real Property Leases, together with all amendments, modifications or supplements, if any, thereto.

(c) The Company has a valid and enforceable leasehold interest under each of the Real Property Leases, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). Each of the Real Property Leases is in full force and effect, and the Company has not received or given any notice of any default or event that with notice or lapse of time, or both, would constitute a default by the Company under any of the Real Property Leases and, to Seller's Knowledge, no other party is in default thereof and no party of the Real Property Leases has exercised any termination rights with respect thereto.

(d) The Company has all certificates of occupancy and Permits of any Governmental Entity necessary for the current use and operation of the Real Property.

(e) There does not exist any actual or, to the Seller's Knowledge, threatened or contemplated condemnation or eminent domain proceedings that affect any Real Property or any part thereof, and neither the Seller nor the Company has received any notice, oral or written, of the intention of any Governmental Entity or other Person to take or use all or any party thereof.

(f) Neither the Seller nor the Company has received any notice from any insurance company that has issued a policy with respect to any Real Property requiring performance of any structural or other repairs or alterations to such Real Property.

(g) The Company does not own or hold, and is not obligated under or a party to, any option, right of first refusal or other Contractual right to purchase, acquire, sell, assign or dispose of any real estate or any portion thereof or interest therein.

Section 3.18 No Undisclosed Liabilities . Except as set forth in Section 3.18 of the Disclosure Schedule, the Company does not have any liability, contingent or otherwise, except for (a) liabilities reflected or reserved on the Most Recent Balance Sheet; and (b) liabilities of the type reflected or reserved on the Most Recent Balance Sheet incurred since the date of the Most Recent Balance Sheet in the ordinary course of business that are not material to the Company.

Section 3.19 Tax Matters .

(a) Except as set forth in Section 3.19(a) of the Disclosure Schedule, Seller and the Company have timely filed all material Tax Returns relating to the Company and the Business that they were required to file under Applicable Laws. All such Tax Returns are correct and complete in all material respects. Except as set forth in Section 3.19(a) of the Disclosure Schedule, the Seller and the Company have timely paid all material Taxes due and payable by them relating to the Company and the Business.

(b) Except as set forth in Section 3.19(b) of the Disclosure Schedule, neither Seller nor the Company have received written notice of any foreign, federal, state, or local Tax audits or administrative or judicial Tax proceedings that are pending or being conducted with respect to the Company or the Business. Except as set forth in Section 3.19(b) of the Disclosure Schedule, within the past three (3) years neither Seller (relating to the Company or the Business) nor the Company has received from any Governmental Entity (including in jurisdictions where Seller or the Company has not filed Tax Returns) any written (i) notice indicating an intent to open an audit or other review, (ii) request for information relating to Tax matters, or (iii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed by any Governmental Entity against the Company.

(c) Except as set forth in Section 3.19(c) of the Disclosure Schedule, the Company does not have any material liability for the Taxes of any Person under Treasury Regulation § 1.1502-6 (or any similar provision of a state, local, or foreign Applicable Laws), or as a transferee, indemnitor, or successor, by contract (other than a contract the primary subject matter of which is not Taxes but only if such contract is specifically identified in Section 3.19(c) of the Disclosure Schedule as such a contract), or otherwise.

(d) Except as set forth in Section 3.19(d) of the Disclosure Schedule, the Company is and at all times since its formation has been disregarded as an entity separate from its owner for U.S. federal Tax purposes under Treasury Regulation Section 301.7701-3.

(e) Except as set forth in Section 3.19(e) of the Disclosure Schedule, the Company is not a party to any Tax allocation or Tax sharing agreement that will be binding upon the Company after the Closing.

(f) Except as set forth in Section 3.19(f) of the Disclosure Schedule, neither Seller (relating to the Company or the Business) nor the Company is currently the beneficiary of any extension of time within which to file any Tax Return and Seller (relating to the Company or the Business) and the Company have not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(g) Except as set forth in Section 3.19(g) of the Disclosure Schedule, the Company has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, or other Third Party and all Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed.

(h) Except as set forth in Section 3.19(h) of the Disclosure Schedule, there are no Encumbrances for Taxes (other than (A) for current Taxes not yet due and payable or (B) Taxes which the Company is contesting in good faith and for which the Company has established appropriate reserves to the extent required by GAAP) upon any Assets.

(i) Except as set forth in Section 3.19(i) of the Disclosure Schedule, the Company is not a party to any agreement, contract, arrangement or plan that has resulted or could reasonably be expected to result, separately or in the aggregate, in the payment of any "excess parachute payment" within the meaning of Code Section 280G (or any corresponding provision of state, local, or non-U.S. Tax law) in connection with the transactions contemplated by this Agreement.

(j) Seller is not a "foreign person" as such term is defined in Section 1445 of the Code.

Section 3.20 Environmental Matters .

(a) Except as described or identified in Section 3.20 of the Disclosure Schedule:

(i) the Company is, and has been for the past five (5) years, in compliance with applicable Environmental Laws;

(ii) there are no Environmental Claims pending or, to Seller's Knowledge, threatened against or involving the Company;

(iii) the Company is not subject to (a) any Order or Contract with any Governmental Entity or Person related to compliance with Environmental Laws or Environmental Permits; or (b) any investigation, judgment, decree or Order, investigation, remediation or response action related to Environmental Laws or Hazardous Materials;

(iv) the Company has obtained, and is in compliance with, all Environmental Permits required in connection with the Business;

(v) no Release or threatened Release of Hazardous Materials has occurred in connection with the Business or at, onto, from, under or in any Real Property, at any Real Property formerly owned or operated by the Company or its Affiliates or at any other real property or Easement Interest with respect to which any response action is required by Environmental Laws or which otherwise could reasonably be expected to form the basis of any Environmental Claims against the Company;

(vi) the Company has not retained or assumed, by Contract or, to Seller's Knowledge, operation of law, any obligation or liability arising under Environmental Laws;

(vii) to Sellers' Knowledge, the Company will not be required to incur any material costs or expense within the next five (5) years in order to achieve and maintain compliance with Environmental Laws;

(viii) Neither Seller nor the Company is in possession or control of any site assessment reports, remediation plans, investigations, compliance audits, settlement proposals, orders, decrees, notices, or similar documents relating to environmental, health and safety matters, including without limitation the presence or Release of Hazardous Materials and compliance with Environmental Laws and Environmental Permits.

Section 3.21 Insurance . Section 3.21 of the Disclosure Schedule contains a complete and correct list of all insurance policies currently carried by, or for the benefit of, the Company, other than insurance policies providing employee welfare benefits (as defined in Section 3.26(a)) for employees of the Company, specifying the insurer and type of policy. All premiums with respect to such policies covering all periods up to and including the Closing Date have been paid or will be paid in the ordinary course of business (other than retroactive premiums which may be payable with respect to comprehensive general liability and workers' compensation insurance policies), and no written notice of cancellation or termination has been received by Seller or by the Company with respect to any such policy which was not replaced on substantially similar terms prior to the date of such cancellation. Section 3.21 of the Disclosure Schedule sets forth a complete and correct list of all claims or losses with respect to the Company as of the date of this Agreement under any insurance policy carried by, or for the benefit of, the Company relating to any event or occurrence that took place or was discovered at any time after September 30, 2013.

Section 3.22 Bank Accounts . Section 3.22 of the Disclosure Schedule lists the names, account numbers and locations of all banks and other financial institutions in which the Company has any accounts or safe deposit boxes, and the names of all Persons authorized to draft or have access to any such accounts. The Company does not have and has not had any financial account physically located outside the United States.

Section 3.23 Certain Business Relationships with the Company . Except as set forth on Section 3.23 of the Disclosure Schedule, neither Seller nor any of its Affiliates (other than the Company) has been party to any Contract or involved in any business transaction with the Company within the past three (3) years, and neither Seller nor any of its Affiliates owns any asset, tangible or intangible, that is used in the Business.

Section 3.24 Managers and Officers; No Powers of Attorney .

(a) Section 3.24(a) of the Disclosure Schedule lists all managers and officers of the Company. The Company is not indebted, directly or indirectly, to any Person set forth in Section 3.24(a) of the Disclosure Schedule in any amount whatsoever, other than for salaries for services rendered or reimbursable business expenses, nor is any such Person indebted to the Company.

(b) Other than those that will be terminated at the Closing, except as set forth in Section 3.24(b) of the Disclosure Schedule, the Company does not have any power of attorney or comparable delegation of authority outstanding.

Section 3.25 Labor and Employment Matters .

(a) The Company is not a party to or bound by any collective bargaining agreement or other labor contract. Since September 30, 2013, the Company has not experienced any strikes, picketing, work stoppage, concerted refusal to work overtime, or any claims of unfair labor practices or other collective bargaining disputes. The Seller has no knowledge of organizational effort being made or threatened since September 30, 2013 by or on behalf of any labor union with respect to employees of the Company. The Company has complied in all material respects with all provisions of Applicable Laws pertaining to the employment of employees, including without limitation, all laws relating to labor relations, equal employment, fair employment practices, overtime pay, entitlements, prohibited discrimination, and the Worker Adjustment and Retraining Notification Act, 29 U.S.C. Section 2101 *et seq.* (" WARN ") and comparable foreign, state and local laws or regulations relating to or arising out of the layoff or termination of employment by the Company.

(b) Section 3.25(b) of the Disclosure Schedule sets forth a true and complete list of the employees of the Company as of the date hereof, along with the position of each such employee, and a true and complete list of any independent contractors providing personal services to the Company and agreements with such independent contractors. Prior to the date of this Agreement, Seller has provided to Buyer a true and complete list of such employees' annual base compensation, date of hire and status as actively at work or on a leave of absence (denoting the basis for the leave of absence), and any incentive or bonus program applicable to such employees. There are no employment agreements with any employees of the Company, including but not limited to retention agreements, confidentiality agreements and non-competition agreements for which the Company will have any responsibility or obligation on or after the Closing (" Employment Agreements ").

Section 3.26 Employee Benefits .

(a) Section 3.26(a) of the Disclosure Schedule lists all Plans (as hereafter defined) and all Plans sponsored directly by the Company under which any current or former employee of the Company is entitled to any compensation or benefits (whether or not contingent) (such directly sponsored Plans, the " Company Plans "). For purposes of this Agreement, " Plan " means any "employee pension benefit plan" (as defined in Section 3(2) of ERISA) and any "employee welfare benefit plan" (as defined in Section 3(1) of ERISA), and any other employee benefit, program, or plan, (other than statutory or Tax-based programs such as workers' compensation or social security) including sick leave, short and long term disability, deferred compensation, profit sharing, bonus, stock option, stock purchase, stock ownership, phantom stock, stock appreciation, excess benefit, supplemental unemployment, post-retirement medical or life insurance or other post-retirement compensation, severance pay, or holiday, paid time off or vacation plan, whether formal or informal, oral or written, maintained or contributed to by Seller or its Affiliates under which any employees or former employees of the Company are, or may become (assuming any vesting, performance or other benefit requirements are met), entitled to benefits with respect to service as an employee of the Company or under which the Company has any present or future liability. For purposes of this Agreement, " ERISA Affiliate " means any entity which is a member of (i) a controlled group of corporations (as defined in Section 414(b) of the Code), (ii) a group of trades or businesses under common control (as defined in Section 414(c) of the Code), or (iii) an affiliated service group (as defined in Section 414(m) of the Code or the regulations under Section 414(o) of the Code), any of which includes the Company. With respect to each Company Plan, Seller has made available to Buyer a correct and complete copy of: (i) each writing constituting a part of the Company Plan, including all plan documents and amendments, benefit schedules, trust agreements, and insurance Contracts and other funding vehicles; (ii) the most recent Annual Report (Form 5500 Series) and accompanying schedules, if any; (iii) the current summary plan description and any subsequent summaries of material modifications, if any; (iv) the most recent annual financial report, if any; (v) the most recent determination letter or opinion letter, as applicable, from the Internal Revenue Service, if any; (vi) the most recent actuarial valuation, if any; and (vii) all compliance reports and testing results prepared by the Company or provided by third party administrators, actuaries or others relative to the Plan during the past year. With respect to each Plan, Seller has made available to Buyer a correct and complete copy of: (i) the current summary plan description and any subsequent summaries of material modifications, if any; (ii) the most recent determination letter or opinion letter, as applicable, from the Internal Revenue Service, if any; and (iii) any correspondence with or notices to or from any Governmental Entity relative to any Plan or Company Plan during the past three years. None of the Company or any of its ERISA Affiliates has any plan or commitment to create any additional Company Plan or Plan or to materially modify any existing Company Plan or Plan in any manner that would increase liability to the Company or Buyer, except to the extent any modification is required by Applicable Law. No Company Plan or Plan is subject to the laws of any jurisdiction outside of the United States. The Company does not have any employees who are based outside of the United States.

(b) The Internal Revenue Service has issued a favorable determination letter or opinion letter, as applicable, with respect to each Company Plan and Plan that is intended to be a "qualified plan" within the meaning of Section 401(a) of the Code (a " Qualified Plan "), and, there are no existing circumstances or events that have occurred that would reasonably be expected to adversely affect the qualified status of any Qualified Plan or the related trust.

(c) All contributions required to be made to any Company Plan or Plan, and all premiums due or payable with respect to insurance policies funding any Company Plan or Plan have been timely made or paid. Each Company Plan that is an employee welfare benefit plan under Section 3(1) of ERISA either (i) is funded through an insurance company Contract and is not a "welfare benefit fund" within the meaning of Section 419 of the Code, or (ii) is unfunded.

(d) The Company and its ERISA Affiliates have, in all material respects, complied and are now in compliance with all provisions of ERISA, the Code and all Applicable Laws applicable to the Plans and any Company Plans, including the timely filing of all reports required by ERISA, the Code or other Applicable Laws and the timely giving of any notices required to be given to participants in any Plan or Company Plan under ERISA, the Code or other Applicable Laws. Each Company Plan and Plan has been operated in compliance in all material respects with its terms, ERISA, the Code and all Applicable Laws. There is not now, and, there are no existing circumstances that could give rise to, any requirement for the posting of security with respect to a Plan or Company Plan or the imposition of any Lien on the assets of the Company under ERISA or the Code with respect to a Plan or Company Plan. Each Company Plan includes provisions that effectively reserve the rights of the Company to amend or terminate the Plan. No statement, either written or oral, has been made by the Company with respect to any Company Plan that was inconsistent therewith or that could reasonably be expected to have a material adverse economic consequence for the Company or any Company Plan.

(e) No Plan is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA (a " Multiemployer Plan ") or a plan that has two or more contributing sponsors at least two of whom are not under common control, within the meaning of Section 4063 of ERISA (a " Multiple Employer Plan "), nor has the Company, its Subsidiaries or any of their ERISA Affiliates, at any time within the past six years, contributed to or been obligated to contribute to any Multiemployer Plan or Multiple Employer Plan. There does not now exist, and, there is no existing circumstance that would reasonably be expected to result in, any Controlled Group Liability that would be a liability of the Company following the Closing. " Controlled Group Liability " means any and all Liabilities under (i) Title IV of ERISA, (ii) Section 302 of ERISA, (iii) Sections 412 and 4971 of the Code, (iv) the continuation coverage requirements of Section 601 et seq. of ERISA and Section 4980B of the Code and the portability and nondiscrimination requirements of Section 701 et seq. of ERISA and Section 9801 et seq. of the Code, (v) Section 4975 of the Code and (vi) corresponding or similar provisions of foreign laws or regulations. Without limiting the generality of the foregoing, none of the Company or any of its ERISA Affiliates has engaged in any transaction described in Section 4069 of ERISA or any transaction that constitutes a withdrawal under Section 4063 or Section 4201 et seq. of ERISA.

(f) Except for health continuation coverage as required by Section 4980B of the Code or Part 6 of Title I of ERISA or applicable state insurance law, the Company does not have any liability for life, health, medical or other welfare benefits to former employees or beneficiaries or dependents thereof. Each Company Plan and Plan which is a "group health plan" within the meaning of Section 5000(b)(1) of the Code is in compliance in all material respects with the notice and continuation requirements of Section 4980B of the Code, the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (" COBRA "), Part 6 of Subtitle B of Title I of ERISA and the regulations thereunder, the portability and nondiscrimination requirements of Sections 701 et seq. of ERISA and Sections 9801 et seq. of the Code, the privacy and security regulations issued by the U.S. Department of Health and Human Services at 45 C.F.R. Parts 160 and 164, and the requirements of the Patient Protection and Affordable Care Act (" PPACA "), except as would not result in any material liability to the Company or Buyer. There does not now exist, and there are no existing circumstances that could result in, any liabilities under Sections 4980H, 6055, or 6056 of the Code or any other provision of the PPACA relative to any Company Plan or Plan that would be the liability of the Company or Buyer.

(g) There are no Proceedings pending or, to the Sellers' Knowledge, threatened (other than claims for benefits in the ordinary course), which have been asserted or instituted against any Plan or Company Plan, any fiduciaries thereof with respect to their duties to the Plans or Company Plans or the assets of any of the trusts under any of the Plans or Company Plans which could reasonably be expected to result in any material liability of Buyer or the Company. No "reportable event" (as such term is defined in Section 4043 of ERISA) that would reasonably be expected to result in material liability, no nonexempt "prohibited transaction" (as such term is defined in Section 406 of ERISA and Section 4975 of the Code) or failure to satisfy the minimum funding standards under Section 302 of ERISA and Section 412 of the Code (whether or not waived) has occurred with respect to any Plan that is subject to ERISA, except as would not result in any material liability to the Company or Buyer.

(h) Each Company Plan or Plan that is a "nonqualified deferred compensation plan" (as defined in Section 409A (d)(1) of the Code) that is subject to Section 409A of the Code has since (i) January 1, 2005, been maintained and operated in good faith compliance with Section 409A of the Code and Notice 2005-1, and (ii) January 1, 2009, been in documentary and operational compliance with Section 409A of the Code. No Company Plan or Plan is subject to Section 457A of the Code. Nothing has occurred, whether by action or failure to act, or is reasonably expected or intended to occur, that would subject an individual employed by the Company and having rights under any such nonqualified deferred compensation plan to accelerated taxation as a result of Section 409A or to a tax imposed under Section 409A.

(i) Each individual providing services to the Company who is classified by the Company as an independent contractor has been properly classified for purposes of exclusion from participation and benefit accrual under each Company Plan and Plan.

(j) Except as set forth in Section 3.26(j) of the Disclosure Schedule, or as contemplated by this Agreement or pursuant to Applicable Law, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will (either alone or in conjunction with any other event such as termination of employment) (i) result in any material payment becoming due to any current or former employee of the Company under any Company Plan, Plan or Employment Agreement that could reasonably be expected to be a material liability of the Company, (ii) materially increase any benefits otherwise payable under any Company Plan, Plan or Employment Agreement to current or former employees of the Company, (iii) result in any acceleration of the time of payment, funding or vesting of any such benefits to current or former employees of the Company under any Company Plan or Plan, (iv) limit, or restrict the right to terminate, any Company Plan or Employment Agreement, (v) result in any payments by the Company that would not be deductible under Code Section 280G, or (vi) result in an obligation to accelerate the funding of or contribution to any Plan or Company Plan pursuant to Applicable Law or otherwise.

Section 3.27 Intellectual Property .

(a) Section 3.27 of the Disclosure Schedule sets forth a true, complete and correct list of all (i) registered Intellectual Property owned by the Company and utilized in the Business (the " Company Registered IP "), (ii) proprietary computer programs and other software, databases or code owned by the Company, (iii) Contracts granting a license to the Company under any computer programs and other software, databases and code (collectively, " Software ") that is utilized in the Business other than commercially available Software with aggregate license fees below $25,000, open source Software, freeware and associated "shrink wrap," "click wrap" and "click thru" licenses (collectively, " Inbound Software Agreements ") and (iii) Software used by the Company pursuant to an administrative services or similar agreement with Seller or any of its Affiliates. True and correct copies of all such licenses and agreements have been made available to Buyer.

(b) Except as set forth in Section 3.27 of the Disclosure Schedule, (i) the Company is the sole and exclusive owner of all Intellectual Property Rights, (ii) the Company will have the right to continue using all Software used pursuant to an Inbound Software Agreement in the same manner as currently used, and (iii) the operation of the Business does not infringe upon any Intellectual Property right of any Third Party. In the thirty-six (36) months prior to the date hereof, (x) Seller has not otherwise received any written notice with respect to the Business that it infringes the Intellectual Property right of any Person and (y) no Third Party has made a written claim to Seller that it is the owner of the Intellectual Property Rights purported to be owned by the Company. To Seller's Knowledge, no Third Party is infringing any of the rights of the Company in or to any of the Intellectual Property Rights in any material manner. Without limitation of the foregoing, the Company has the legal right to use all copies of Software currently used by it. All registration, maintenance and renewal fees currently due in connection with the Company Registered IP have been or will be timely paid. No present or former employee of the Company has any right, title, or interest, directly or indirectly, in whole or in part, in any Intellectual Property owned and used by the Company. The Company has, with respect to the Business, taken reasonable precautions to protect trade secrets and proprietary information.

Section 3.28 Accounts and Notes Receivable and Payable .

(a) All accounts and notes receivable of the Company have arisen from bona fide transactions in the ordinary course of business consistent with past practice and are payable on ordinary trade terms. All accounts and notes receivable of the Company reflected on the Most Recent Balance Sheet are, when viewed as of the date of this Agreement, good and collectible at the aggregate recorded amounts thereof, net of any applicable reserve for returns or doubtful accounts reflected thereon, which reserves were calculated in a manner consistent with past practice and in accordance with GAAP consistently applied. All accounts and notes receivable arising after the date of the Most Recent Balance Sheet are, when viewed as of the date of this Agreement, good and collectible at the aggregate recorded amounts thereof, net of any applicable reserve for returns or doubtful accounts, which reserves were calculated in a manner consistent with past practice and in accordance with GAAP consistently applied. None of the accounts or the notes receivable of the Company are subject to any setoffs or counterclaims. The Closing Date Accounts Receivable Schedule delivered to Buyer by Seller at Closing shall be true, correct and complete.

(b) All accounts payable of the Company reflected in the Most Recent Balance Sheet or arising after the date thereof are the result of bona fide transactions in the ordinary course of business and have been paid or are not yet due and payable.

Section 3.29 Trading . The Company has established risk parameters, limits and guidelines (including position limits and limitations on working capital) in compliance with the risk management policy approved by the Company (the " Company Trading Guidelines ") to restrict the level of risk that the Company is authorized to take with respect to, among other things, the net position resulting from all physical commodity transactions, exchange-traded futures and options transactions, over-the-counter transactions and derivatives thereof and similar transactions (the " Net Company Position ") and monitors compliance by the Company with such Company Trading Guidelines. Seller has made available a copy of the Company Trading Guidelines to Buyer prior to the date of this Agreement. At no time between September 30, 2015 and the date hereof, (a) has the Net Company Position not been within the risk parameters in all material respects that are set forth in the Company Trading Guidelines, or (b) has the exposure of the Company with respect to the Net Company Position resulting from all such transactions been material to the Company. From September 30, 2015 to the date hereof, the Company has not, in accordance with generally recognized mark to market accounting policies, experienced an aggregate net loss in its trading and related operations that would reasonably be expected to have a Material Adverse Effect.

Section 3.30 Business Practices . Neither the Company, nor, to Seller's Knowledge, any manager, officer, member, agent, or employee of Seller or the Company has (a) engaged in any violation of the U.S. Foreign Corrupt Practices Act or any other Applicable Law relating to anti-bribery or anti-money laundering, (b) directly or indirectly, paid, offered, or promised to pay, or authorize payment of, any monies or any other value to any government official or employee (including officers and employees of government-owned or controlled entities) or any political party, political party official or candidate for political office (collectively, " Proscribed Recipient ") for the purpose of (i) inducing such Proscribed Recipient to do or omit to do any act in violation of the lawful duty of such Proscribed Recipient, (ii) securing any improper advantage for the Company or any of its Affiliates, or (iii) inducing such Proscribed Recipient to use his, her or its influence with a Governmental Entity or instrumentality thereof to affect or influence any act or decision of such government or instrumentality, to obtain or retain business for or with, or direct business to, any Person. Seller administers policies and procedures applicable to it and all of its Affiliates (including the Company) that are reasonably designed and implemented to deter, detect and address activity that is contrary to the U.S. Foreign Corrupt Practices Act and any other Applicable Laws relating to anti-bribery or anti-money laundering.

Section 3.31 Privacy and Data Security .

(a) The Company has a privacy policy (a " Privacy Policy ") regarding the collection, use, storage, retention disclosure and disposal of personal information in connection with the operation of the Business. The Company's privacy practices conform in all material respects, and at all times have conformed in all material respects, to the Company's applicable Privacy Policy. None of the Company's contractual or other legal commitments conflict with the applicable Privacy Policy or privacy practices in any material respect. True and complete copies of all of the Privacy Policies that have been used by the Company at any time in the thirty-six (36) months prior to the date hereof have been provided to the Buyer.

(b) The Company has complied in all material respects at all times with all Applicable Laws regarding the collection, use, storage, transfer, or disposal of personal information.

(c) The Company is in compliance in all material respects with the terms of all Contracts to which the Company is a party relating to data privacy, security, or breach notification (including provisions that impose conditions or restrictions on the collection, use, storage, transfer, or disposal of personal information).

(d) In the thirty-six (36) months prior to the date hereof, and to Seller's Knowledge, no Person (including any Governmental Entity) has commenced any Proceeding relating to the Business's information privacy or data security practices, including with respect to the collection, use, transfer, storage, or disposal of personal information maintained by or on behalf of the Company, or, to Seller's Knowledge, threatened any such Proceeding, or made any complaint, investigation, or inquiry relating to such practices.

(e) The execution, delivery, and performance of this Agreement and the consummation of the contemplated transactions, including any transfer of personal information resulting from such transactions, will not violate any Applicable Law, each Privacy Policy as it currently exists or as it existed at any time during which any personal information was collected or obtained by or on behalf of the Company or other privacy and data security requirements imposed on Company or any party acting on its behalf under any Contracts. Upon the Closing, the Company will continue to have the right to use such personal information on identical terms and conditions as the Business enjoyed immediately prior to the Closing. The Company has established and implemented (i) policies, programs, and procedures that, if followed, ensure that the Company is in compliance, in all material respects, with any Applicable Law, including administrative, technical, and physical safeguards, to protect the confidentiality, integrity, and security of personal information in its possession, custody, or control against unauthorized access, use, modification, disclosure, or other misuse and (ii) data backup, data storage, system redundancy, disaster avoidance and recovery technology and procedures, and business continuity plans.

(f) In the thirty-six (36) months prior to the date hereof, the Company has not experienced any material loss, damage, or unauthorized access, disclosure, use, or breach of security of any personal information in the Company's possession, custody, or control, or otherwise held or processed on its behalf.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as follows:

Section 4.1 Organization and Good Standing . Buyer (a) is a corporation that is duly formed and validly existing under the laws of the State of Delaware, (b) is duly qualified as a foreign entity in each jurisdiction where such qualification is necessary because of the conduct of its business, and (c) has all requisite corporate power and authority and the legal right to execute, deliver and perform this Agreement and own and operate its properties and to conduct its business as currently conducted.

Section 4.2 Authorization .

(a) The execution, delivery and performance by Buyer of this Agreement and each other agreement, document, instrument or certificate contemplated by this Agreement to be executed by Buyer in connection with the consummation of the transactions contemplated hereby (the " Buyer Documents "), and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on its part.

(b) The execution, delivery and performance of this Agreement and each Buyer Document by Buyer and the consummation by it of the transactions contemplated hereby and thereby do not and will not (i) violate or breach its organizational documents, (ii) violate or breach any Applicable Law binding upon it in any material respect or in any respect that would reasonably be expected to have a material adverse effect on the ability of Buyer to consummate the transactions contemplated hereby or (iii) result in any breach of, or constitute a default under, or give to others any rights of termination, payment, amendment, acceleration or cancellation of, or result in the creation of any Encumbrance (other than a Permitted Encumbrance) on any of the assets or properties of Buyer pursuant to, any Contract or Governmental Approval to which Buyer is a party or by which any of such assets or properties is bound or affected.

Section 4.3 Consents . Except as provided for in Section 4.3 of the Disclosure Schedule, no authorization, approval or consent of any (a) Governmental Entity is required to be obtained by Buyer in connection with the execution, delivery or performance of this Agreement and the Buyer Documents and the consummation of the transactions contemplated hereby or thereby, except (A) for any filings required to be made under the HSR Act or (B) for such filings as may be required by any applicable federal or state securities or "blue sky" laws; or (b) Person, other than a Governmental Entity, is required to be obtained by Buyer in connection with the execution, delivery or performance of this Agreement and the Buyer Documents and the consummation of the transactions contemplated hereby, except where the failure by Buyer to obtain such consents, approvals or authorizations would not reasonably be expected to have a material adverse effect on the ability of Buyer to consummate the transactions contemplated hereby.

Section 4.4 Enforceability . This Agreement is, and each Buyer Document when executed and delivered will be, the legal, valid and binding obligation of Buyer, enforceable against it in accordance with its terms, except that such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and (b) equitable principles which may limit the availability of certain equitable remedies in certain instances.

Section 4.5 Litigation . There are no Proceedings pending or, to Buyer's knowledge, threatened against Buyer that would reasonably be expected to have a material adverse effect on the ability of Buyer to consummate the transactions contemplated hereby.

Section 4.6 Financial Advisors . Neither Buyer nor any Person acting on its behalf has entered (directly or indirectly) into any agreement with any Person that would obligate, or would purport to obligate, Seller to pay any commission, broker's fee, or finder's fee in connection with the transactions contemplated herein.

Section 4.7 Sufficient Financing . Buyer (a) has access to, and will have at Closing, sufficient cash or other sources of immediately available funds to enable it to make payment of the Purchase Price and any other payments to be paid by it hereunder, (b) has, and at the Closing will have, the resources and capabilities (financial or otherwise) to perform its other obligations hereunder and (c) has not incurred, and prior to the Closing will not incur, any obligation, commitment, restriction, or liability of any kind which would impair or adversely affect such resources and capabilities.

Section 4.8 Investment Intent . Buyer is acquiring the Equity Interests for its own account for investment purposes only and not with a view to any public distribution thereof or with any intention of selling, distributing or otherwise disposing of the Equity Interests in a manner that would violate the registration requirements of the Securities Act of 1933, as amended (the " Securities Act "). Buyer agrees that the Equity Interests may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act and any applicable state securities laws, except pursuant to an exemption from such registration under the Securities Act and such laws. Buyer has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risk of its investment.

Section 4.9 Buyer ' s Investigation and Reliance . Neither Seller nor any of its Affiliates or Representatives has made any representation or warranty, express or implied, as to the accuracy or completeness of any information concerning the Company contained herein or made available in connection with Buyer's investigation of the Company, except as expressly set forth in this Agreement, the Seller Documents and the Disclosure Schedule, and Seller and its Affiliates and Representatives expressly disclaim any and all liability that may be based on such information or errors therein or omissions therefrom. Buyer has not relied and is not relying on any statement, representation or warranty, oral or written, express or implied, made by Seller or any of its Affiliates or Representatives, except as expressly set forth in this Agreement, the Seller Documents and the Disclosure Schedule. Neither Seller nor any of its Affiliates or Representatives is making, directly or indirectly, any representation or warranty with respect to any estimates, projections, forecasts, strategies or asset optimization models involving the Company. Notwithstanding anything to the contrary herein (including, for the avoidance of doubt, Article III), neither Seller nor any of its Affiliates or Representatives is making, directly or indirectly, any representation or warranty with respect to the Excluded Assets and Liabilities.

Section 4.10 Solvency . Buyer and the Company will be Solvent upon consummation of the transactions contemplated hereby.

ARTICLE V
CONDITIONS TO THE PARTIES' OBLIGATIONS TO CLOSE

Section 5.1 Seller ' s Closing Conditions . The obligation of Seller to consummate the transactions contemplated by this Agreement is subject to the following conditions (collectively, the " Seller's Closing Conditions "), all or any of which may be waived in whole or in part by Seller in its sole discretion:

(a) The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects (except those representations and warranties that contain materiality qualifications or limitations therein, which representations and warranties shall be true and correct in all respects) at and as of the Closing Date as if made as of the Closing Date (except for the representations that address matters only as of a particular date which shall be true and correct as of such date), except for any failure or failures of such representations and warranties to be true and correct that would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of Buyer to consummate the transactions contemplated by this Agreement.

(b) Buyer shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) There shall not exist any temporary restraining order, preliminary or permanent injunction, final judgment, law or regulation prohibiting the consummation of this Agreement or the transactions contemplated hereby.

(d) Buyer shall have obtained the consents and approvals, if any, set forth on Section 4.3 of the Disclosure Schedule.

(e) Seller shall have obtained the Governmental Approvals, if any, set forth on Section 3.5 of the Disclosure Schedule.

(f) Buyer shall have complied with its obligations set forth in Section 6.3 .

(g) The waiting period under the HSR Act shall have expired or early termination shall have been granted and the Parties shall have obtained all consents, waivers and approvals required under other applicable Antitrust Laws, if any.

Section 5.2 Buyer ' s Closing Conditions . The obligation of Buyer to consummate the transactions contemplated by this Agreement is subject to the following conditions (collectively, the " Buyer's Closing Conditions "), all or any of which may be waived in whole or in part by Buyer in its sole discretion.

(a) The representations and warranties of Seller set forth in this Agreement shall be true and correct in all material respects (except those representations and warranties that contain materiality qualifications or limitations therein, which representations and warranties shall be true and correct in all respects) at and as of the Closing Date as if made as of the Closing Date, except for the representations that address matters only as of a particular date which shall be true and correct as of such date; provided , however , that if any representations and warranties (other than the Seller Fundamental Representations) are not true and correct due to changes, events, violations or circumstances that have arisen since the date of this Agreement and (1) the aggregate

Losses reasonably likely to result therefrom are less than $2,000,000 and (2) Seller agrees in writing that such Losses shall be subject to indemnification in favor of the Buyer Indemnified Parties pursuant to, and subject to the limitations in, Article IX , then the condition set forth in this Section 5.2(a) shall be deemed to be satisfied.

(b) Seller shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) There shall not have occurred any Material Adverse Effect.

(d) There shall not exist any temporary restraining order, preliminary or permanent injunction, final judgment, law or regulation prohibiting the consummation of this Agreement or the transactions contemplated hereby.

(e) Seller shall have obtained the consents and approvals, if any, set forth on Section 3.5 of the Disclosure Schedule.

(f) Seller shall have complied with its obligations set forth in Section 6.2 .

(g) Buyer shall have received the Governmental Approvals, if any, set forth on Section 4.3 of the Disclosure Schedule.

(h) Buyer shall have received reasonably satisfactory evidence that all Encumbrances, other than Permitted Encumbrances, on the assets and properties of the Company shall have been released or will be released as of the Closing.

(i) Seller shall have caused the Company to transfer, assign or distribute each of the assets and liabilities listed on Section 5.2(i) of the Disclosure Schedule (the " Excluded Assets and Liabilities ") to its Affiliates in a manner reasonably satisfactory to Buyer.

(j) The waiting period under the HSR Act shall have expired or early termination shall have been granted and the Parties shall have obtained all consents, waivers and approvals required under other applicable Antitrust Laws, if any.

ARTICLE VI
CLOSING

Section 6.1 Closing . Subject to the satisfaction of the conditions set forth in Sections 5.1 and 5.2 (or the waiver thereof by the party entitled to waive that condition), the closing of the sale and purchase of the Equity Interests (the " Closing ") shall take place on a date to be specified by the parties, which date shall be no later than the second Business Day after the satisfaction or waiver of each conditions to the Closing set forth in Sections 5.1 and 5.2 (other than conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), unless another date is agreed to in writing by the Parties. The Closing will be consummated remotely via the exchange of documents and signatures in PDF format or by facsimile. The date on which the Closing shall be held is referred to in this Agreement as the " Closing Date ." If the Closing is consummated, the Closing shall be deemed to have occurred at 12:01 a.m. (Houston time) on the Closing Date.

Section 6.2 Deliveries by Seller at the Closing . At the Closing, Seller will deliver to Buyer:

(a) the assignments of membership interest with respect to the Equity Interests, duly executed by Seller in favor of Buyer;

(b) a certificate executed on behalf of Seller by an officer thereof, dated the Closing Date, certifying that the conditions set forth in Section 5.2(a)-(c) have been fulfilled;

(c) appropriate payoff letters or other documentation (including certification from Seller as to the amount of Funded Indebtedness owed to Seller or its Affiliates) reasonably sufficient to evidence satisfaction upon payment of the outstanding balances under any Funded Indebtedness of the Company and certifying that all Encumbrances securing such Funded Indebtedness will be released promptly upon payment thereof;

(d) all minute books and membership interest records of the Company;

(e) resignations, effective as of immediately after the Closing, of each officer and manager of the Company;

(f) a Non-Competition Agreement, substantially in the form attached hereto as Exhibit B , duly executed by Seller (the " Non-Competition Agreement ");

(g) an Indemnity Escrow Agreement, substantially in the form attached hereto as Exhibit C , duly executed by Seller and Escrow Agent (the " Indemnity Escrow Agreement") ;

(h) a Transition Services Agreement, pursuant to which, following the closing, (i) Seller or its Affiliates will provide certain services described on Exhibit D to the Company and (ii) the Company or its Affiliates will provide certain services described on Exhibit D to Seller or its Affiliates, duly executed by Seller (the " Transition Services Agreement ");

(i) a true, correct and complete schedule listing of all outstanding accounts receivable of the Company as of the Closing Date in the format produced by the Company's accounting system on the date hereof (the " Closing Date Accounts Receivable Schedule ");

(j) a certificate certified by the Secretary or Assistant Secretary of Seller attaching, and certifying the true, accurate and complete nature of, (i) a copy of the certificate of formation of Seller and the Company, certified by the Secretary of State of their respective states of formation, (ii) a copy of the operating agreement of the Company, (iii) a copy of the resolutions of the Board of Directors of Seller approving the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, and (iv) a copy of a Certificate of Good Standing issued by the Delaware Secretary of State with respect to Company;

(k) reasonable evidence of all consents and approvals needed from Open Link Financial, Inc. to ensure that the Company and Buyer shall have the benefit of the Software and Services Contract between Seller and Open Link Financial, Inc. in effect on the date hereof; and

(l) a certificate as to the non-foreign status of Seller pursuant to Treasury Regulation Section 1.1445-2(b)(2); provided , that if Seller fails to deliver the certificate required under this Section 6.2(m) , Buyer's sole recourse shall be to withhold such amounts as it is required to withhold under the Code.

Section 6.3 Deliveries by Buyer at the Closing . At the Closing, Buyer will deliver to Seller:

(a) a certificate executed on behalf of Buyer by an officer thereof, dated the Closing Date, certifying that the conditions set forth in Section 5.1(a)-(b) have been fulfilled.

(b) the Non-Competition Agreement, duly executed by Buyer;

(c) the Indemnity Escrow Agreement, duly executed by Buyer; and

(d) the Transition Services Agreement, duly executed by the Company.

ARTICLE VII
COVENANTS OF THE PARTIES

Section 7.1 Pre-Closing Conduct of Business . Except (i) as contemplated by this Agreement or required by Applicable Law or Order, (ii) for actions approved by Buyer in writing (which approval shall not be unreasonably withheld, conditioned or delayed), (iii) with respect to the Excluded Assets and Liabilities, as applicable, or (iv) as otherwise described on Section 7.1 of the Disclosure Schedule, prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, Seller covenants and agrees that, from the date of this Agreement until the Closing, Seller:

(a) shall cause the Company to:

(i) carry on the conduct of the Business and the ownership and operation of its assets in the ordinary course of business, consistent with past practices;

(ii) maintain the insurance coverage in existence on the date hereof (or replacement policies providing for equivalent coverage), whether for past or present liabilities relating thereto;

(iii) comply with Applicable Laws, Company Trading Guidelines and Privacy Policies;

(iv) maintain its Books and Records in the ordinary course of business, consistent with past practice; and

(b) shall not permit the Company to:

(i) mortgage, or pledge any material portion of its assets, tangible or intangible, or create or suffer to exist any material lien thereupon (other than Permitted Encumbrances);

(ii) sell, lease, transfer, or otherwise dispose of any of its assets, except in the ordinary course of business;

(iii) amend, modify or change the form of any Customer Contract in any material respect, except for amendments, modifications or changes in the ordinary course of business and terminations by the Company or a Customer or other customers of the Business in the ordinary course of business;

(iv) except to the extent required by Applicable Laws or the existing terms of any Company Plan or Plan: (i) increase the compensation or benefits payable or to become payable to its managers, officers or employees; (ii) grant any rights to severance or termination pay to, or enter into any employment, change in control or severance agreement with, any manager, officer or employee of the Company, or (iii) establish, adopt, enter into or materially amend (a) any Plan in any way that would materially increase liability to the Company or Buyer or (b) any Company Plan;

(v) settle or resolve any pending or threatened Proceeding, except in the ordinary course of business;

(vi) make or commit to make any capital expenditures or capital additions or betterments in excess of $50,000 individually or $100,000 in the aggregate;

(vii) issue or incur any Indebtedness (other than Funded Indebtedness that will be paid in full at Closing);

(viii) alter or amend its record retention policy in a manner that would reasonably be expected to be adverse to Buyer following the Closing;

(ix) make, change or revoke any material Tax election or amend any Tax Return, including, without limitation, making an election to change its tax status as an entity disregarded as an entity separate from Seller for U.S. federal Tax purposes;

(x) make any material change in its accounting or Tax reporting principles, methods or policies, except as required by GAAP;

(xi) settle or compromise any claim relating to Taxes;

(xii) engage in any transaction that gives rise to (i) a registration obligation under Section 6111 of the Code and the Treasury regulations thereunder, (ii) a list maintenance obligation under Section 6112 of the Code and the Treasury regulations thereunder or (iii) a disclosure obligation as a “reportable transaction” under Section 6011 of the Code and the Treasury regulations thereunder;

(xiii) hire any employee at the director level or above or any employee or independent contractor for a newly-created position; or

(xiv) agree to any of the foregoing.

Section 7.2 Access to Information and Inspection .

(a) During the period from the date of the execution of this Agreement by both Parties through the Closing, Seller (i) shall give Buyer and its authorized representatives access, during regular business hours and upon reasonable advance notice, to such, properties, facilities and Books and Records of the Company as are necessary to allow Buyer and its authorized representatives to make such investigation of the Business and the assets of the Company, including the Optional Real Estate Assets, as they may reasonably request and (ii) shall cause officers of the Company to furnish Buyer and its authorized representatives with such financial and operating data and other information with respect to the Business and the assets of the Company as Buyer may from time to time reasonably request including the information described on Section 7.2(a) of the Disclosure Schedule; provided , however , that any such access or furnishing of information shall be conducted in such a manner as not unreasonably to interfere with the normal operations of the Company. Notwithstanding anything in this Agreement to the contrary, any investigation of environmental matters by or on behalf of Buyer will be limited to visual inspections and site visits commonly included in the scope of “Phase 1” level environmental inspections, and Buyer will not have the right to perform or conduct any other sampling or testing at, in, on, or underneath any real property. The Company shall have the right to have a representative present at all times during any such inspections, interviews and examinations. Notwithstanding anything to the contrary in this Agreement, Seller and the Company shall not be required to disclose any information to Buyer or its representatives if Seller determines, in its sole discretion, that (A) such disclosure would contravene any Applicable Law or a binding agreement entered into prior to the date hereof; provided that Seller shall furnish Buyer all relevant agreements and information related to the Optional Real Estate Assets, (B) such information is pertinent to any litigation in which the Company or any of its Affiliates, on the one hand, and Buyer or any of its Affiliates, on the other hand, are adverse parties, or (C) such information relates to any consolidated, combined or unitary Tax Return filed by Seller or any of its Affiliates (other than the Company) or any of their respective predecessor entities; provided, that, in connection with this clause (C), Seller shall in all events provide Buyer with information solely relating to the Company and the Business from any such consolidated, combined or unitary Tax Returns.

(b) From the date of the execution of this Agreement by both Parties to the Closing Date, each Party shall promptly notify the other Party in writing of (i) any action, suit, proceeding or investigation that is instituted or threatened against such Party to restrain, prohibit or otherwise challenge the legality or propriety of any transaction contemplated by this Agreement or (ii) any facts, events, circumstances, actions or developments which become known to a Party, the existence or occurrence of which will or is reasonably likely to result in any of the conditions set forth in Sections 5.1 or 5.2 of this Agreement becoming incapable of being satisfied.

(c) Promptly following the Closing Date, Seller shall deliver to Buyer, or make reasonably accessible to Buyer on Seller's computer system, the Books and Records in its possession not previously provided to Buyer. Buyer agrees that Seller may retain a copy of all Books and Records and other materials relating to the Business and the assets of the Company and after the Closing Date Seller agrees to keep such information confidential except as may be required by Applicable Law or except to the extent any such information is or becomes generally available to the public (without any breach of this confidentiality covenant) prior to the time of disclosure.

(d) In order to facilitate the resolution of any claims made against or incurred by Seller (as it relates to the Company), for a period of seven (7) years after the Closing or, if shorter, the applicable period specified in Buyer's document retention policy, Buyer shall (i) retain the Books and Records relating to periods prior to the Closing and (ii) afford the Representatives of Seller reasonable access (including the right to make, at Seller's expense, photocopies), during normal business hours, to such Books and Records; provided , however , that Buyer shall notify Seller in writing at least thirty (30) days in advance of destroying any such Books and Records prior to the seventh anniversary of the Closing Date in order to provide Seller the opportunity to copy such Books and Records in accordance with this Section 7.2(d) .

Section 7.3 Further Assurances . Each Party shall, at its own cost and expense, at any time and from time to time, upon reasonable request of the other Party, use commercially reasonable efforts to (a) do, execute, acknowledge and deliver, and cause to be done, executed, acknowledged and delivered, all such further acts, transfers or assignments as may be reasonably required to consummate the transactions in accordance with the terms hereof, and (b) take such other actions as may be reasonably required in order to carry out the intent of this Agreement; provided , however , that in no event shall any Party be required to take any action which increases in any way the liability or obligations of such Party or would require the payment of any material amount by such Party or which, in the opinion of its counsel, is unlawful or would or could constitute a violation of any Applicable Law or require the approval of any Governmental Entity.

Section 7.4 Authorizations and Consents . Each Party shall use commercially reasonable efforts to obtain all authorizations, consents, orders, and approvals of, and to give all notices to and make all filings with, all Governmental Entities (including those pertaining to Governmental Approvals) and other Persons that may be or become necessary for its execution and delivery of, and the performance of its obligations under, this Agreement and will cooperate fully with the other Party in promptly seeking to obtain all such authorizations, consents, orders, and approvals, giving such notices, and making such filings; provided , however , notwithstanding anything to the contrary in this Agreement, the Parties acknowledge and agree that neither Buyer nor Seller shall have any obligation to pay any consideration, other than customary fees imposed by Governmental Entities, or to offer to grant, or agree to, any financial or other accommodation in order to obtain any such authorizations, consents, orders and approvals. The Parties hereto shall have the right to review in advance all characterizations of the information relating to this Agreement and the transactions contemplated hereby that appear in any filing made with a Governmental Entity as contemplated herein.

Section 7.5 No Solicitation . From the date hereof until the Closing, Seller shall not, and shall cause its employees not to, and shall direct that its agents and representatives not, initiate, solicit or encourage any inquiries or the making of any proposal with respect to any transaction to acquire the Equity Interests, the Business or any material assets of the Company, engage in any negotiations concerning, or provide to any other Person any information or data related to the Equity Interests, the Business or to any of the assets of the Company for the purposes of, or have any discussions with any Person relating to, or otherwise cooperate in any way with or assist or participate in, facilitate or encourage, any inquiries or the making of any proposal which constitutes any effort or attempt by any other Person to seek or effect the acquisition of the Equity Interests, the Business or any of the material assets of the Company.

Section 7.6 Public Announcements . Prior to either Party or any of its respective Affiliates issuing any press release or otherwise making any public statement with respect to this Agreement or the transactions contemplated hereby (including any disclosure of the Closing Purchase Price or any adjustment thereto), such Party shall first obtain the written consent of the other Party, except for statements as may be required by Applicable Law or the rules of any applicable stock exchange. Such consent shall not be unreasonably withheld, delayed or conditioned.

Section 7.7 Confidentiality . Notwithstanding the termination of this Agreement or any other provision of this Agreement to the contrary but subject to the next sentence of this Section 7.7 , the terms of the Confidentiality Agreement shall remain in full force and effect in accordance with its terms. If the Closing occurs, the Confidentiality Agreement shall cease to apply (which modification shall be effective as of the Closing Date) only with respect to the confidential information concerning the Business or the Customers or other customers of the Business but shall continue in accordance with its terms with respect to confidential information concerning Seller and its Affiliates and their respective businesses and any other information disclosed by Seller or any of its Affiliates to Buyer or its Affiliates, or any of their respective representatives.

Section 7.8 Customer Disclosure . Notwithstanding the provisions of Section 7.6 , Seller and the Company shall have the right to provide any notice to any Governmental Entity or other Person required by Applicable Law or Contract with respect to the transactions contemplated by this Agreement, provided that, prior to delivering any such notice, Seller or the Company shall provide Buyer a reasonable opportunity to review and approve, such approval not to be unreasonably withheld, delayed or conditioned, the form and substance of such notice.

Section 7.9 Name Change . Within one hundred and twenty (120) days after the Closing, Buyer shall cause the legal name of the Company to be changed to a name that does not contain the word “Atmos” or any confusingly similar word or phrase. Buyer shall cease to make any use of the name “Atmos” or any service marks, trademarks, trade names, identifying symbols, logos, emblems, signs or insignia related thereto or containing or comprising the foregoing within one hundred and twenty (120) days after the Closing, except where the authorization, approval or consent of any Governmental Entity, LDC or other Third Party is required to cease using or to change such name, in which case Buyer shall cease to make any such use as promptly as practicable but in any event within twelve (12) months after the Closing.

Section 7.10 Release of Letters of Credit and Guarantees .

(a) After the Closing, and subject to the terms set forth in Section 7.10(c) , Buyer shall use commercially reasonable efforts to obtain and deliver to each beneficiary of a letter of credit listed on Section 7.10(a) of the Disclosure Schedule and any letter of credit issued in renewal thereof or substitution therefor after the Closing in the ordinary course of business (each, a “ Letters of Credit ”) a substitute letter of credit or other form of security acceptable to the beneficiary to replace in all respects such Letters of Credit and deliver to Seller a full and unconditional release of all of the obligations of Seller and its applicable Affiliates (other than the Company) with respect to such Letters of Credit. Buyer shall use its commercially reasonable efforts to cause such Letters of Credit to be released within sixty (60) days following the Closing Date. If at any time after the Closing any Letter of Credit is drawn upon by a counterparty thereto or beneficiary thereof, Buyer shall reimburse Seller or the applicable Seller Affiliate obligor thereunder for the full amount that is drawn under the Letter of Credit within five (5) Business Days after receipt of written demand therefor.

(b) After the Closing, and subject to the terms set forth in Section 7.10(c) , Buyer shall use commercially reasonable efforts to obtain and deliver to each beneficiary of a guarantee or surety bond listed on Section 7.10(b) of the Disclosure Schedule and any guarantee or surety bond issued in renewal thereof or substitution therefor after the Closing in the ordinary course of business (each, a “ Continuing Guarantees ”) a substitute guarantee, surety bond or other form of security acceptable to the beneficiary to replace in all respects such Continuing Guarantee (provided that Buyer shall not be required to issue (or have issued on its behalf) any performance guarantees) and deliver to Seller a full and unconditional release of all of the obligations of Seller and its Affiliates (other than the Company) with respect to such Continuing Guarantee. Buyer shall use its commercially reasonable efforts to cause such Continuing Guarantees to be released within sixty (60) days following the Closing Date. If at any time after the Closing any Continuing Guarantee is drawn upon by a counterparty thereto or beneficiary thereof, Buyer shall reimburse Seller or the applicable Seller Affiliate obligor thereunder for the full amount that is drawn under the Continuing Guarantee within five (5) Business Days after receipt of written demand therefor.

(c) Seller shall use commercially reasonable efforts to cooperate with Buyer to facilitate the release of the Letters of Credit and Continuing Guarantees, including initiating contact with each of the counterparties and requesting the release thereof, providing all necessary information as reasonably requested by Buyer and providing legal and financial personnel of Seller to interact with Buyer and the counterparties.

Section 7.11 Antitrust Laws .

(a) Buyer shall and Seller shall cause the Company to (i) make all filings required of each of them under the HSR Act or other Antitrust Laws with respect to the transactions contemplated hereby as promptly as practicable and, in any event, within twenty (20) Business Days after the date of this Agreement in the case of all filings required under the HSR Act and within ten (10) Business Days in the case of all other filings required by other Antitrust Laws, (ii) comply at the earliest practicable date with any request under the HSR Act or other Antitrust Laws for additional information, documents, or other materials received by each of them from the Federal Trade Commission (the " FTC "), the Antitrust Division of the Department of Justice or any other Governmental Entity in respect of such filings or such transactions, and (iii) cooperate with each other in connection with any such filing and in connection with resolving any investigation or other inquiry of any of the FTC, the Antitrust Division of the Department of Justice or other Governmental Entity under any Antitrust Laws with respect to any such filing or any such transaction. Each such party shall use commercially reasonable efforts to furnish to each other all information required for any application or other filing to be made pursuant to any applicable law in connection with the transactions contemplated by this Agreement. Each such party shall promptly inform the other parties hereto of any oral communication with, and provide copies of written communications with, any Governmental Entity regarding any such filings or any such transaction. No party hereto shall participate in any meeting with any Governmental Entity in respect of any such filings, investigation, or other inquiry without giving the other parties hereto prior notice of the meeting and, to the extent permitted by such Governmental Entity, the opportunity to attend and participate. Subject to Applicable Law, the parties hereto will consult and cooperate with one another in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any party hereto relating to proceedings under the HSR Act or other Antitrust Laws. Seller and Buyer may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other under this Section 7.11 as "outside counsel only" or "counsel only." Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient, unless express written permission is obtained in advance from the source of the materials (Seller or Buyer, as the case may be). All filing fees and charges payable to any Governmental Entity in connection with filings under the HSR Act or other Antitrust Laws shall be borne equally by Seller and Buyer.

(b) Each of Buyer and Seller shall use commercially reasonable efforts to resolve such objections, if any, as may be asserted by any Governmental Entity with respect to the transactions contemplated by this Agreement under the HSR Act, the Sherman Act, as amended, the Clayton Act, as amended, the Federal Trade Commission Act, as amended, and any other United States federal or state or foreign statutes, rules, regulations, orders, decrees, administrative or judicial doctrines or other laws that are designed to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade (collectively, the " Antitrust Laws "). In connection therewith, if any Proceeding is instituted (or threatened to be instituted) challenging any transaction contemplated by this Agreement as in violation of any Antitrust Law, Seller and Buyer shall use commercially reasonable efforts to contest and resist any such Proceeding, and to have vacated, lifted, reversed, or overturned any decree, judgment, injunction or other order whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents, or restricts consummation of the transactions contemplated by this Agreement, including by pursuing all available avenues of administrative and judicial appeal and all available legislative action, unless, by mutual agreement, Buyer and Seller decide that litigation is not in their respective best interests. Each of Buyer and Seller shall use commercially reasonable efforts to take such action as may be required to cause the expiration of the notice periods under the HSR Act or other Antitrust Laws with respect to such transactions as promptly as possible after the execution of this Agreement. Notwithstanding anything to the contrary in this Agreement, neither Buyer nor any of its Affiliates shall be required (i) to hold separate (including by trust or otherwise) or divest any of their respective businesses, product lines or assets, (ii) to agree to any limitation on the operation or conduct of their respective businesses or (iii) to waive any of the conditions set forth in Article V of this Agreement.

Section 7.12 Optional Real Estate Assets .

(a) During the period between execution and delivery of this Agreement and the Closing, Buyer shall complete its due diligence investigation of the assets described on Section 3.17(a)(i) of the Disclosure Schedule (the " Optional Real Estate Assets ") pursuant to Section 7.2 . No later than forty-five (45) days after the date of this Agreement, Buyer shall notify Seller in writing whether Buyer elects to acquire the Optional Real Estate Assets at the Closing (the " Option Notice "). If Buyer does not timely deliver an Option Notice to Seller, Buyer shall be deemed to have elected to acquire the Optional Real Estate Assets at the Closing. If the Option Notice provides that Buyer does not elect to acquire the Optional Real Estate Assets, the Company shall assign, transfer and convey the Optional Real Estate Assets to Seller or an Affiliate of Seller prior to the Closing, and the transferee shall assume all liabilities and obligations relating to such Optional Real Estate Assets. If Buyer elects or is deemed to have elected to acquire the Optional Real Estate Assets, then, concurrently with the Closing, the Company, as lessor, shall enter into a lease or leases of the Optional Real Estate Assets with an Affiliate or Affiliates of Seller, as lessee, on commercially reasonable terms for a lease term of five (5) years at the then-current lease rate, subject to annual adjustments in the lease rate correlated with changes in the consumer price index (the " Lease Terms ").

(b) If the Option Notice provides that Buyer does not elect to acquire the Optional Real Estate Assets, the Option Notice shall include Buyer's proposal for the fair market value of the Optional Real Estate Assets. Within five (5) days after delivery of such Option Notice to Seller, Seller will notify Buyer in writing whether Seller agrees with Buyer's proposal for the fair market value of the Optional Real Estate Assets and, if Seller does not agree, Seller's proposal for the fair market value of the Optional Real Estate Assets (the " Response Notice "). If Seller does not timely deliver a Response Notice to Buyer, Seller will be deemed to have agreed to Buyer's proposal for the fair market value of the Optional Real Estate Assets. If Seller delivers a timely Response Notice notifying Buyer of Seller's disagreement with Buyer's proposal for the fair market value of the Optional Real Estate Assets, Seller and Buyer shall, for five (5) days after delivery of the Response Notice, negotiate in good faith to agree upon the fair market value of the Optional Real Estate Assets. If Seller and Buyer are unable to agree, they shall mutually submit the disagreement to an independent, recognized real estate valuation firm (the " Real Estate Valuation Firm ") for resolution, and the determination of such fair market value by the Real Estate Valuation Firm, absent fraud, shall be final and binding on the Parties. The Parties shall promptly execute a reasonable and customary engagement letter with the Real Estate Valuation Firm, if requested to do so by the Real Estate Valuation Firm. The fees and expense of the Real Estate Valuation Firm shall be allocated equally between Buyer and Seller. For purposes of the valuation, the Real Estate Valuation Firm shall assume that the Optional Real Estate Assets are subject to the Lease Terms. Seller and Buyer shall use commercially reasonable efforts to cause the Real Estate Valuation Firm to resolve the dispute as promptly as practicable and shall provide materials regarding the Optional Real Estate Assets and access thereto as may be reasonably requested by the Real Estate Valuation Firm. The Real Estate Valuation Firm's determination of the fair market value of the Optional Real Estate Assets shall not be higher or lower than the values proposed by Buyer and Seller. The fair market value of the Optional Real Estate Assets, as agreed or deemed agreed by Buyer and Seller or as determined by the Real Estate Valuation Firm, shall be the " Final Real Estate Deduction Amount ." If the Option Notice provides that Buyer does not elect to acquire the Optional Real Estate Assets, the Final Real Estate Deduction Amount shall be taken into account in determining the Closing Purchase Price pursuant to Section 2.2 .

ARTICLE VIII
EMPLOYEES

Section 8.1 Offers of Employment .

(a) Buyer and Seller acknowledge that the employees of the Company (other than those employees listed in Section 8.1(a) of the Disclosure Schedule) will continue in the employ of the Company on an at-will basis and that continuing employment of such employees is subject to Buyer's standard policies and procedures applicable to similarly-situated employees of Buyer. Prior to Closing, Seller shall furnish to Buyer an updated version of the lists described in Section 3.25(b) , accurate as of a date no later than five (5) days prior to the Closing Date. Effective upon the Closing, Buyer shall cause the Company to provide all employees of the Company (other than those employees listed in Section 8.1(a) of the Disclosure Schedule) as of the Closing Date with total compensation (including, but not limited to, base salary, cash or equity short-term or long-term incentive compensation) and employee benefits that are no less favorable in the aggregate than those provided to similarly-situated employees of Buyer immediately prior to the Closing. With respect to any employee benefit plan, policy or program of Buyer or its Affiliates in which any employees of the Company will participate after the Closing, Buyer shall cause to be recognized all service recognized by the Company or Seller for service with the Company for purposes of eligibility and vesting under such Buyer benefit plans and for the calculation of the amount of any severance pay and any vacation, sick and paid time off, for service with the Company or Seller prior to the Closing Date (except where doing so would cause a duplication of benefits), to the extent such service is reflected in records of the Company provided to Buyer and is based on actual employment with the Company, its Affiliates or a predecessor entity (as opposed to service credit granted for any other reason or purpose). Notwithstanding anything herein to the contrary, if Buyer or any of its Subsidiaries (including, after the Closing, the Company) terminates the employment of any Named Severance Eligible Employee for any reason other than death, disability or cause (each as defined in Buyer's then existing severance compensation program applicable to such individual), Buyer shall provide such individual with the greater of (i) the severance benefits provided under the Buyer's then existing severance compensation program applicable to such individual or (ii) severance benefits consisting of base salary and health benefits continuation (at the active employee rate) from the date of termination until the date that is eighteen (18) months following the Closing Date. In addition, if Buyer or any of its Subsidiaries (including, after the Closing, the Company) terminates the employment of any other Acquired Employee (as defined in Section 8.1(b)) for any reason other than death, disability or cause (each as defined in Buyer's then existing severance compensation program applicable to such individual), Buyer shall provide such individual with the greater of (i) the severance benefits provided under Buyer's then existing severance compensation program applicable to such individual or (ii) severance benefits consisting of base salary and health benefits continuation (at the active employee rate) from the date of termination until the date that is twelve (12) months following the Closing Date. Notwithstanding the foregoing, any severance benefits payable under this paragraph shall be contingent upon the employee's execution and return of a waiver and release and shall be upon such other terms and conditions applicable to Buyer's then existing severance compensation program.

(b) Seller shall cause the employment of each of the individuals listed on Section 8.1(a) of the Disclosure Schedule to be terminated or transferred to Seller or an Affiliate of Seller coincident with the Closing and Seller shall pay all compensation payable to such individuals, including salary, bonus and separation benefits, from and after the Closing and hold Buyer harmless with respect thereto. Buyer shall cause each Person, except those individuals listed on Section 8.1(a) of the Disclosure Schedule, who is employed by the Company immediately prior to the Closing to remain an employee of the Company following the Closing (each an " Acquired Employee "); provided , however , that this Section 8.1(b) shall not be construed to limit the ability of the Company to terminate the employment of any Acquired Employee following the Closing Date at any time after ninety (90) days. Any expressed intention by Buyer to continue the employment of the Acquired Employees as set forth in this Section 8.1 will not constitute a contract on the part of Buyer to a post-Closing employment relationship of any fixed term or duration or upon any terms or conditions other than those that Buyer may establish pursuant to individual offers of employment, and employment by Buyer is "at will" and may be terminated by Buyer or by an employee at any time for any reason (subject to any written commitments to the contrary made by Buyer or an employee and to any requirements of Applicable Law). Except as otherwise required pursuant to Section 8.1(a) or Section 8.1(e) , nothing in this Agreement will be deemed to prevent or restrict in any way the right of Buyer to terminate, reassign, promote or demote any of the Acquired Employees after the Closing or to change adversely or favorably the title, powers, duties, responsibilities, functions, locations, salaries, other compensation or terms or conditions of employment of such employees. Further, the provisions of this Article VIII are for the sole benefit of the parties to this Agreement and nothing herein, expressed or implied, is intended or shall be construed to constitute an amendment to any of the compensation and benefit plans maintained for or provided to the Acquired Employees prior to or following the Closing Date, or confer upon or give to any person (including for the avoidance of doubt any current or former directors, officers, owners, employees, or independent contractors of the Company) any legal or equitable rights or remedies with respect to the matters provided for in this Article VIII or any other provision of this Agreement.

(c) All Acquired Employees shall cease to be covered under the Plans (other than the Company Plans) and shall be permitted to participate in the plans, programs and arrangements of Buyer and its Affiliates relating to compensation and employee benefits (each a " Buyer Plan ") on the same terms as similarly situated employees of Buyer and its Affiliates. Buyer shall cause its employee health and welfare benefit plans, programs, policies, and practices in which the Acquired Employees participate, including Buyer's vacation and sick leave programs, to recognize each such Acquired Employee's duration of service (but not level or category of job) that is recognized by the Company for service with the Company or the Seller for eligibility to participate, eligibility for enrollment, eligibility for the commencement of benefits and eligibility for the level of benefits to the extent such service is reflected in records of the Company provided to Buyer and is based on actual employment with the Company, its Affiliates or a predecessor entity (as opposed to service credit granted for any other reason or purpose).

(d) Effective as of the Closing Date, the Company shall withdraw from the defined contribution plan that includes a qualified cash or deferred arrangement within the meaning of Section 401(k) of the Code sponsored by Seller or its affiliates (the "Seller's 401(k) Plan"), and Buyer shall permit the Acquired Employees to commence participation in the defined contribution plan that includes a qualified cash or deferred arrangement within the meaning of Section 401(k) of the Code sponsored by Buyer or its affiliates (the "Buyer's 401(k) Plan"). Acquired Employees shall be permitted to elect direct rollovers of their account balances under the Seller's 401(k) Plan, including any outstanding plan loans, to the Buyer's 401(k) Plan. For each Acquired Employee who elects to rollover an outstanding plan loan, Seller and Buyer shall take such actions as are required to transfer such loan to Buyer's 401(k) Plan, and Buyer shall permit loan repayments for active employees through payroll deductions by Buyer. Notwithstanding the foregoing, all matters regarding the Buyer's 401(k) Plan shall be subject to the terms of the Buyer's 401(k) Plan.

(e) Seller will retain any obligations under COBRA with respect to Acquired Employees and other qualified beneficiaries: (i) who are enrolled in COBRA continuation coverage under a Plan sponsored by Seller or its Affiliates as of the Closing; or (ii) with respect to whom a qualifying event occurred on or prior to the Closing. Buyer shall, or shall cause the Company to, meet any obligation under COBRA with respect to qualifying events occurring for Acquired Employees and other qualified beneficiaries under Buyer's Plans after the Closing.

(f) During the 90-day period beginning on the Closing Date, Buyer shall ensure that the Company does not terminate (actually or constructively) the employment of a number of Acquired Employees sufficient to cause any "plant closing" or "mass layoff" (as those terms are defined in the WARN Act) such that Seller has any obligation under the WARN Act that Seller otherwise would not have had absent such terminations.

Section 8.2 Benefit Plans . Effective as of the Closing Date, Seller shall cause the Company to cease being a participating employer with respect to the Plans (other than the Company Plans) so that each Acquired Employee shall cease to participate in the Plans (other than the Company Plans). Seller shall retain or assume all Plans (other than the Company Plans) and all obligations and liabilities that arise thereunder prior to Closing or otherwise under any Plan (other than any Company Plan), including but not limited to all obligations and liabilities to pay or provide severance compensation or benefits, for the payment of all vacation and sick pay and for any and all other claims for benefits by Acquired Employees under the Plans (other than the Company Plans). Seller shall retain all obligations and liabilities to pay or provide severance compensation or benefits to any Company Employee or former Company Employee that becomes due solely as a result of the consummation of the transactions contemplated by this Agreement. Seller shall be liable for and shall pay all long term and short term incentive awards (including any bonuses and equity or equity-based awards) (the " Awards "), commissions and separation benefits (if any) payable to Acquired Employees in respect of periods prior to the Closing, whether or not such amounts would normally be payable in the ordinary course on or before Closing, and hold Buyer and the Company harmless with respect thereto. For the avoidance of doubt, it is the intention of the prior sentence that any Awards to Acquired Employees that are outstanding immediately prior to the Closing shall be promptly paid or settled immediately after the Closing; provided , however , if any such Awards are subject to Code Section 409A and the termination of such Award or Plans under which they were made is necessary in order to accelerate payment of such Awards without violating Code Section 409A, Seller shall approve termination and acceleration of payment in compliance with the plan termination requirements under Treasury Regulations Section 1.409A-3(j)(4)(ix)(B). Seller shall hold the Company and Buyer harmless with respect to any liability under Code Section 409A based on such Award or plan termination and accelerated payment. Seller shall retain all liability for the funding of any Plans that are subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code, and shall hold the Company and Buyer harmless with respect thereto. Seller or its Affiliates shall be liable for claims for benefits by Acquired Employees under Plans (other than the Company Plans) that are welfare benefit plans arising out of occurrences on or prior to the Closing Date. Seller or its Affiliates shall be liable for workers' compensation benefits arising out of occurrences prior to the Closing Date. If any Acquired Employee has become disabled (within the meaning of the applicable Plan maintained by Seller or its Affiliates that provides short-term or long-term disability benefits) prior to the Closing Date, Seller or

Seller's Affiliates will retain liability for the provision of disability benefits payable to such employee under Seller's welfare benefit plans, if any, with respect to such disability (but not with respect to any reoccurrence of such a disability after such employee returns to active service with the Company on or following the Closing Date). From and after the Closing Date, any right to reemployment for any Acquired Employees who are on short-term or long-term disability as of immediately prior to the Closing Date shall be the obligation of the Company and its Affiliates and not of Seller and its Affiliates. Seller or its Affiliates shall be liable for claims for medical and dental benefits by Acquired Employees under Plans (other than any Company Plans) that are welfare benefit plans with respect to services and treatment rendered on or prior to the Closing Date.

Section 8.3 Managers and Officers . Effective as of the Closing Date, Seller hereby releases each manager and officer of the Company from any and all liability the same may have to Seller or any of its Affiliates arising on or prior to the Closing in their capacity as a manager or officer of the Company.

ARTICLE IX
INDEMNIFICATION

Section 9.1 Release and Indemnification .

(a) Indemnification by Seller.

(i) From and after the Closing, Seller will defend and hold harmless Buyer, its Affiliates (including the Company), and each of their respective shareholders, partners, members, managers, officers, directors, employees, attorneys, agents and representatives (collectively, the " Buyer Indemnified Group "), from and against any and all Losses (including Third Party Claims) which arise out of, or are attributable to, the following (collectively, " Buyer Claims "):

(1) any breach of any covenant, obligation or agreement of Seller set forth in this Agreement;

(2) any breach of the representations or warranties made by Seller in Article III or the certificate delivered by Seller pursuant to Section 6.2(b) ;

(3) any Indemnified Environmental Liabilities;

(4) the Excluded Assets and Liabilities;

(5) any unpaid Indebtedness of the Company as of the close of business on the day immediately preceding the Closing Date or unpaid Transaction Expenses (in each case, to the extent not taken into account in the calculation of the Purchase Price);

(6) all matters listed on, or that should have been listed on, Section 3.10 of the Disclosure Schedule; and

(7) any Seller Retained Liabilities.

(ii) Absent Fraud or willful misconduct, and except as provided in Section 9.1(a)(iv), Seller will have no liability for indemnification under Section 9.1(a)(i)(2) or otherwise relating to a breach of the representations or warranties made by Seller in Article III or in the certificate delivered by Seller pursuant to Section 6.2(b) until the total of all Losses exceeds $500,000 (the " Threshold "), and then Seller shall be required to pay the entire amount of such Losses.

(iii) Absent Fraud or willful misconduct, and except as provided in Section 9.1(a)(iv), the maximum liability of Seller for indemnification under Section 9.1(a)(i)(2) shall not exceed $20,000,000.

(iv) Notwithstanding the foregoing, the limitations specified in Sections 9.1(a)(ii) and 9.1(a)(iii) shall not apply to Losses arising out of any breach of any of the Seller Fundamental Representations.

(v) Absent Fraud or willful misconduct, in no event shall the maximum liability of Seller under Section 9.1(a)(i)(2) and Section 9.1(a)(i)(7) exceed the Base Purchase Price.

(b) Indemnification by Buyer.

(i) From and after the Closing, Buyer will indemnify, defend and hold harmless Seller, its Affiliates, and each of their respective shareholders, partners, members, managers, officers, directors, employees, attorneys, agents and representatives (collectively, the " Seller Indemnified Group "), from and against any and all Losses (including Third Party Claims) which arise out of, or are attributable to, the following (collectively, " Seller Claims "):

(1) any breach of any covenant, obligation or agreement of Buyer set forth in this Agreement; and

(2) any breach of any of the representations or warranties made by Buyer in Article IV or the certificate delivered by Buyer pursuant to Section 6.3(a) .

(ii) Absent Fraud or willful misconduct, Buyer will have no liability for indemnification under Section 9.1(b)(i)(2) or otherwise relating to a breach of the representations or warranties made by Buyer in Article IV or in the certificate delivered by Buyer pursuant to Section 6.3(a) until the total of all Losses exceeds the Threshold, and then Buyer shall be required to pay the entire amount of such Losses.

(iii) Notwithstanding the foregoing, the limitations specified in Section 9.1(b)(ii) shall not apply to Losses arising out of any breach of any of the Buyer Fundamental Representations.

(iv) Absent Fraud or willful misconduct, the maximum liability of Buyer for indemnification under Section 9.1(b)(i)(2) shall not exceed the Base Purchase Price.

(c) For purposes of calculating Losses hereunder, any materiality or Material Adverse Effect qualifications in the representations and warranties of Seller shall be ignored. Seller shall have no recourse against the Company or its officers, employees, Affiliates, agents, attorneys, representatives, assigns or successors for any indemnification claims asserted by the Buyer Indemnified Group.

(d) Subject to the terms of this Agreement and upon a receipt of notice of the assertion of a claim or of the commencement of any suit, action or proceeding that is a Third Party Claim against any member of the Buyer Indemnified Group or the Seller Indemnified Group entitled to indemnification under Section 9.1(a) or Section 9.1 (b) , respectively, such Person entitled to indemnification hereunder (the " Indemnitee ") will promptly notify the Party against which indemnification is sought (the " Indemnitor ") in writing of any Loss which the Indemnitee has determined has given or could give rise to a claim under Section 9.1(a) or Section 9.1(b) . Such written notice is herein referred to as a " Notice of Claim ." A Notice of Claim will specify, in reasonable detail, the facts known to the Indemnitee regarding the claim, and the Indemnitee shall provide any other information with respect thereto as the Indemnitor may reasonably request. Subject to the terms of this Agreement, the failure to provide (or timely provide) a Notice of Claim will not affect the Indemnitee's rights to indemnification except to the extent that, as a result of such failure, the Indemnitor was materially prejudiced.

(e) The Indemnitor may elect to defend, in good faith and at its expense, any claim or demand set forth in a Notice of Claim relating to a Third Party Claim. The Indemnitee, at its expense, may participate in the defense of any such Third Party Claim with counsel of its choosing. Any counsel obtained by the Indemnitor for the defense of any demand set forth in a Notice of Claim relating to a Third Party Claim shall be reasonably acceptable to the Indemnitee. Within twenty (20) days after receipt of a Notice of Claim, the Indemnitor must notify the Indemnitee in writing as to whether the Indemnitor is proceeding with the defense of the Third Party Claim. If the Indemnitor does not so notify the Indemnitee that the Indemnitor is proceeding with the defense of the Third Party Claim, the Indemnitee shall undertake its defense, and the Indemnitor shall promptly after receipt of evidence thereof, reimburse the Indemnitee for all reasonable attorneys' fees, costs and expenses, court costs, and other costs of suit incurred in connection with such defense. Without the prior written consent of the other Party, no Party will enter into any settlement of any Third Party Claim unless (i) there is no admission by the other Party or its Group (i.e., the Seller Indemnified Group or the Buyer Indemnified Group, as the case may be) of any violation of legal requirements or any violation of the rights of any Person and no effect on any other claims that may be made against the other Party or its Group (i.e., the Seller Indemnified Group or the Buyer

Indemnified Group, as the case may be), (ii) the settlement includes a complete and unconditional release of the other Party and its Group (i.e., the Seller Indemnified Group or the Buyer Indemnified Group, as the case may be) with respect to the Third Party Claim, (iii) the sole relief provided is monetary damages that are paid in full by such Party, and (iv) the settlement would not create any liability on the part of the other Party or its Group (i.e., the Seller Indemnified Group or the Buyer Indemnified Group, as the case may be) without its written consent.

(f) The Party defending the Third Party Claim will (i) consult with the other Party throughout the pendency of the Third Party Claim regarding the investigation, defense, settlement, trial, appeal or other resolution of the Third Party Claim, and (ii) afford the other Party the reasonable opportunity to participate, at the expense of such Party, in the defense of the Third Party Claim. Each Party will make available to the other Party or its representatives all records and other materials reasonably required by them for use in contesting any Third Party Claim (subject to obtaining an agreement to maintain the confidentiality of confidential or proprietary materials in a form reasonably acceptable to Indemnitor and Indemnitee). The Parties will cooperate in the defense of the Third Party Claim, including, if requested by a Party, contesting any Third Party Claim that a Party elects to contest or, if appropriate, in making any counterclaim against the Person asserting the claim or demand, or any cross-complaint against any Person. The requesting Party will reimburse the other Party for any expenses incurred by the other Party in cooperating with or acting at the request of the requesting Party.

(g) Any claim that is not a Third Party Claim will be asserted by giving the Indemnitor reasonably prompt written notice thereof, stating the nature of such claim in reasonable detail and indicating the estimated amount, if practicable, after the Indemnitee becomes aware of such claim, but the failure to give timely notice will not affect the rights or obligations of the Indemnitor except to the extent that, as a result of such failure, the Indemnitor was materially prejudiced.

(h) The right to indemnification, payment, reimbursement, or other remedy based upon any breach of a representation, warranty, covenant or other obligation hereunder shall not be affected by any investigation by or on behalf of any party or any knowledge acquired at any time, whether before or after the execution and delivery of this Agreement or the Closing Date.

Section 9.2 Payment . In the event that a Party is required to make an indemnity payment under this Agreement, such Indemnitor shall pay the Indemnitee the amount so determined within five (5) Business Days following an agreement between Buyer and Seller or other final determination that an indemnity amount is payable (which in the case of litigation which is not settled pursuant to mutual agreement of the Parties shall be the final order of a court of competent jurisdiction from which no appeal can be taken or the time for appeal from which has run). Upon making any indemnity payment and as permitted by Applicable Law or any applicable provisions of any relevant insurance or other contract, the Indemnitor will, to the extent of such indemnity payment, be subrogated to all rights of the Indemnitee against any other Person in respect of the Losses to which the indemnity payment relates. Further as a condition to any payment by the Indemnitor, Indemnitee shall assign to Indemnitor all of its rights with respect to such claims or otherwise make arrangements reasonably satisfactory to Indemnitor to provide that the Indemnitee is subrogated to such rights.

Section 9.3 Exclusive Remedy . Following the Closing, except in the case of Fraud or willful misconduct or as provided in Section 12.5 , the right of each Indemnitee to assert indemnification claims and receive indemnity payments under this Agreement shall be the sole and exclusive right and remedy exercisable by such Indemnitee with respect to any Loss or other claims arising out of this Agreement, or related in any way to this Agreement or the transactions contemplated hereby. No Indemnitee shall have any other remedy (statutory, common law or otherwise) against an Indemnitor with respect thereto, all such other remedies hereby being waived.

Section 9.4 Purchase Price Adjustment . Any payment made pursuant to this Article IX or Article X shall be treated as an adjustment to the purchase price for federal, state, local and foreign Tax purposes, to the extent permitted by Applicable Law. Further, the Parties agree to consult in good faith on the impact of any such adjustment on the Allocation. If the Parties are unable to agree upon the impact of any such adjustment on the Allocation, the Parties shall follow the dispute resolution procedure set forth in Section 2.4. The Parties shall file any necessary amended Tax Returns and reports in a manner consistent with any such agreed upon adjustments, or if necessary the final adjustments following the determination of the Independent Accounting Firm, to the Allocation.

Section 9.5 Survival . All representations and warranties of the Parties contained in this Agreement shall survive the Closing Date for a period of eighteen (18) months; except that (A) the representations and warranties of Seller set forth in Section 3.19 (Tax Matters) and Section 3.26 (Employee Benefits) shall survive the Closing Date until ninety (90) days following the expiration of the applicable statute of limitations with respect to the particular matter that is the subject matter thereof; (B) the representations and warranties Seller set forth in Section 3.1(a) and (b) (Organization), Section 3.2 (a) (Authorization), Section 3.3 (Enforceability), Section 3.4 (Capitalization and Ownership) and Section 3.7(b) (Title) shall survive the Closing Date indefinitely; and (C) the representations and warranties of Buyer set forth in Section 4.1(a) (Organization), Section 4.2(a) (Authorization), and Section 4.4 (Enforceability) shall survive the Closing Date indefinitely (the representations set forth in Sections 3.1(a) , 3.2(a) , 3.3 , 3.4 , 3.7(b) , 3.19 , 3.20 , and 3.26 are collectively referred to herein as the " Seller Fundamental Representations " and the representations set forth in Sections 4.1(a) , 4.2(a) and 4.4 are collectively referred to herein as the " Buyer Fundamental Representations "). All covenants and agreements of the Parties shall survive until such covenants and agreements are fully performed.

Section 9.6 Mitigation .

(a) An Indemnitee will use commercially reasonable efforts to mitigate any Losses subject to indemnification hereunder. The amount of any Loss subject to indemnification hereunder will be reduced to the extent of any insurance proceeds or other payments actually received from an insurer or other third party with respect to such Loss, net of all costs of recovery (including any demonstrably resulting increase in the cost of insurance). If the amount of any Loss, at any time subsequent to the making of an indemnity payment in respect thereof, is reduced by recovery, settlement, or payment under or pursuant to any insurance coverage or by recovery, settlement, or payment by or against any other Person, the amount of such reduction (net of all costs of recovery), will be repaid by the Indemnitee to the Indemnitor reasonably promptly following actual receipt or credit of such amounts.

(b) The amount of any Loss subject to indemnification hereunder will be reduced to the extent that the Indemnitee received a benefit from the reflection of such matter in the calculation of the adjustment to the Purchase Price, if any, as finally determined pursuant to Section 2.4 .

(c) Upon making any indemnity payment, the Indemnitor will, to the extent of such indemnity payment, be subrogated to all rights of the Indemnitee against any third party in respect of the Loss to which the indemnity payment relates.

Section 9.7 No Punitive Damages . Unless actually paid pursuant to a Third Party Claim, under no circumstances shall any Indemnitee be entitled to be indemnified for punitive or exemplary damages.

ARTICLE X
TAXES

Section 10.1 Transfer Taxes and Fees . Any sales, use, transfer, stock transfer, stamp taxes, any transfer, recording, filing, registration and other fees, and any other similar Taxes (the " Transfer Taxes ") and all permit or license transfer or reissuance fees or payments paid to a Governmental Entity (" Transfer Fees "), if any, which become payable in connection with the transactions contemplated by this Agreement, shall be borne and paid fifty percent (50%) by Seller and fifty percent (50%) by Buyer. Buyer, at its own expense, will file, to the extent required by Applicable Law, all necessary documentation with respect to all such Transfer Taxes, and, if required by Applicable Law, Seller will join in the execution of any such documentation and will take such positions therein as are reasonably requested by Buyer, provided that no Party shall be required to take a position inconsistent with the allocation provided under Section 2.4 hereof. Seller and Buyer agree to cooperate in the execution and delivery of all instruments and certificates reasonably necessary to minimize the amount of any Transfer Taxes.

Section 10.2 Taxes and Tax Returns .

(a) All Taxes on or with respect to the Company that are attributable to any period (or portion thereof) ending on or before the Closing Date shall be for the sole account of Seller. All Taxes on or with respect to the Company that are attributable to any period (or portion thereof) after the Closing Date shall be for the sole account of Buyer.

(b) Seller shall prepare or cause to be prepared all Tax Returns for the Company that relate to any period ending on or before the Closing Date which are filed after the Closing Date. Such Tax Returns shall be prepared consistently with the past practice of the Company unless otherwise required by Applicable Laws. At least one (1) Business Day prior to the filing date, Seller shall provide Buyer, for its review and comment, a copy of each proposed non-income Tax Return for the Company in respect of any taxable period ending on or prior to the Closing Date if such non-income Tax Return (i) relates solely to the operations of the Company and the Business and (ii) is to be filed after the Closing Date. Seller shall incorporate, or shall cause to be incorporated, all of Buyer's reasonable comments to such non-income Tax Returns. For the avoidance of doubt, in no case shall Seller be required to deliver any income Tax Return of Seller to Buyer for its review and comment and the restrictions in this Section 10.2(b) shall not apply with respect to any such Tax Return.

(c) Buyer shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Company, other than the Tax Returns which Seller shall prepare, or cause to be prepared, pursuant to Section 10.2(b) . To the extent any such Tax Return relates to any period (or portion thereof) ending on or prior to the Closing Date, prior to filing such Tax Return Buyer shall provide to Seller a copy of such Tax Return for Seller's review, comment and approval, such approval not to be unreasonably withheld, conditioned or delayed; provided, however, Seller shall not have any such review, comment and approval rights with respect to any amendment of a previously filed Tax Return relating to any period (or portion thereof) ending on or prior to the Closing Date, if the positions taken in such amended Tax Return do not increase Seller's indemnification obligations for Taxes under this Agreement.

(d) Seller and Buyer shall consult and attempt to resolve in good faith any issue arising as a result of the review of such proposed Tax Returns described in Sections 10.2(b) and 10.2(c) . If Seller and Buyer cannot agree on the amount of Taxes owed by the Company or the treatment of an item shown on such Tax Return within fifteen (15) days, Buyer and Seller shall refer the matter to the Independent Accounting Firm. Buyer and Seller shall equally share the fees and expenses of the Independent Accounting Firm and the determination of the Independent Accounting Firm as to the amount owing by the Company with respect to the proposed Tax Returns shall be binding on both Buyer and Seller for purposes of filing such Tax Returns. Subject to Section 10.2(e) , any Taxes that are Seller's responsibility hereunder shall be paid no later than five (5) days prior to the due date of an applicable Tax Return; provided , however , that Buyer shall provide Seller with written notice that a Tax payment is due at least fifteen days prior to the filing of the applicable Tax Return (and in the event written notice is provided less than fifteen days prior to the due date of an applicable Tax Return, Seller shall not be required to pay any amount under this sentence until the date that is ten days following when written notice is received by Seller). Buyer shall reimburse Seller for Tax refunds of the Company with respect to periods (or portions thereof) ending on or before the Closing Date within five (5) days after receipt by Buyer or the Company (or any of their respective Affiliates) of such Tax refunds; provided, that the amounts reimbursed by Buyer to Seller pursuant to this sentence shall be net of any reasonable costs and expenses incurred by Buyer, the Company or any of their respective Affiliates to obtain such refunds; provided, further, notwithstanding the above, any Tax refunds received by Buyer or the Company (or any of their respective Affiliates) with respect to sales Taxes and other similar Taxes collected by the Company and remitted by the Company to a Governmental Entity shall be refunded to the original party paying such Taxes (and not Seller) to the extent such party is legally entitled to such Tax refund.

(e) For purposes of this Section 10.2(e) , in the case of any Taxes that are imposed on a periodic basis and are payable for a taxable period that includes (but does not end on) the Closing Date (the " Straddle Period "), the portion of such Tax that relates to the portion of such taxable period ending on the Closing Date shall (i) in the case of any Taxes other than Taxes imposed on or measured by income or receipts of the Company, be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of calendar days in the taxable period ending on the Closing Date and the denominator of which is the number of calendar days in the entire taxable period and in the case of Taxes based on or measured by income or receipts of the Company shall be determined on an interim closing of the books of the Company as of the close of business on the Closing Date; and (ii) be the obligation of Seller, who shall pay such Taxes when due in accordance with Section 10.2(d) . Buyer shall be liable for all other Straddle Period Taxes and shall pay such Taxes when due. Any credits relating to a taxable period that begins before and ends after the Closing Date shall be taken into account as though the relevant taxable period ended on the Closing Date. All determinations necessary to give effect to the foregoing allocations shall be made in a manner consistent with past practices of the Company and shall be in conformity with the Code and any other applicable authorities except to the extent required by any Applicable Laws.

(f) Seller and Buyer shall cooperate fully and promptly, as and to the extent reasonably requested by the other party, in connection with (i) the filing of Tax Returns (" Tax Preparation ") of the Company and (ii) any suit, action, inquiry, proceeding, administrative or judicial appeal, audit, litigation or other similar proceeding with respect to Taxes (a " Tax Contest ") of the Company. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information reasonably relevant to any such Tax Contest and making employees reasonably available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Seller and Buyer agree to retain all books and records with respect to Tax matters pertinent to the Company relating to any taxable period beginning before the Closing Date until expiration of the statute of limitations (and any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any Taxing authority. Buyer shall promptly notify Seller upon receipt by Buyer or its Affiliates of notice of any pending or threatened Tax Contest which may affect the Tax liabilities or indemnification obligations hereunder of, or otherwise relate to, Seller or the Company in respect of Tax periods ending on or prior to the Closing Date. Seller shall have the sole right, at its expense, to represent all interests in any Tax Contest which could solely affect the Tax liabilities or indemnification obligations hereunder of Seller or Seller's Affiliates, and to employ counsel of its choice in such Tax Contest. If a Tax Contest may affect the Tax liabilities or indemnification obligations hereunder of both Seller or any Seller Affiliate (including the Company for any and all Tax periods beginning prior to the Closing), on the one hand, and Buyer or any Buyer Affiliate (including the Company for any and all Tax periods beginning on or after the Closing), on the other hand, Buyer shall have the sole right to represent all interests in any Tax Contest and Buyer shall keep Seller reasonably informed of the progress of such Tax Contest, and Seller's consent shall be required prior to the settlement of any such Tax Contest, which consent shall not be unreasonably withheld, conditioned or delayed. Seller shall cooperate fully with Buyer and its counsel in the defense against or compromise of any claim in any said Tax Contest. Buyer shall have the sole right, at its expense, to represent all interests in any other Tax Contest involving the Company, and to employ counsel of its choice in such Tax Contest; provided, however, that if the Tax Contest may affect the Tax liabilities or indemnification obligations hereunder of Seller or any of Seller's Affiliates for a Straddle Period Tax, Buyer shall keep Seller informed of the progress of such Tax Contest, and Seller's consent shall be required prior to the settlement of any such Tax Contest with respect to a Straddle Period Tax, which consent shall not be unreasonably withheld, conditioned or delayed.

(g) Upon written request of Seller, Buyer shall file, or cause to be filed, any amended Tax Return of the Company or claim for Tax refund on behalf of the Company and for any period ending on or prior to the Closing Date, provided that taking such position will not subject either Buyer, the Company, or any of their Affiliates to additional Taxes or reduce any Tax asset or Tax attribute of Buyer or the Company. Buyer shall permit Seller to review and comment on such amended Tax Return prior to filing and Buyer shall incorporate Seller's reasonable comments. The cost of preparing such amended Tax Return required by Seller shall be borne by Seller. Buyer shall pay to Seller any Tax refund received with respect to such amended Tax Return, net of any reasonable costs incurred by Buyer under this Section 10.2(g) , within five (5) days after receipt by Buyer or the Company. For the avoidance of doubt, any Tax refunds received by Buyer or the Company (or any of their respective Affiliates) with respect to sales Taxes and other similar Taxes collected by the Company and remitted by the Company to a Governmental Entity shall be refunded to the original party paying such Taxes (and not Seller) to the extent such party is legally entitled to such Tax refund.

(h) Buyer covenants that without the prior written consent of Seller (such consent not to be unreasonably withheld, conditioned or delayed), Buyer shall not, and shall not cause or permit its Affiliates (including the Company) to, make or change any material Tax election, amend any Tax Return, take any Tax position on any Tax Return, or compromise or settle any Tax liability, in each case if such action could have the effect of increasing the Tax liability of the Company or Seller (or any of its Affiliates) in respect of any tax period (or portion thereof) ending on or before the Closing Date or increasing the liability of Seller (or any of its Affiliates) under this Agreement.

Section 10.3 Tax Indemnities .

(a) Seller shall be responsible for and shall indemnify and hold the Company and Buyer harmless against (i) all Taxes imposed on or payable by the Company for any taxable period that ends on or before the Closing Date; (ii) with respect to any Straddle Period, all Taxes imposed on the Company which are allocable pursuant to Section 10.2 (e) to the portion of such period ending on the Closing Date; (iii) all Taxes attributable to a taxable period ending on or before the Closing Date for which the Company is held liable under Treasury Regulation Section 1.1502-6 by reason of the

Company being included in any consolidated or affiliated group with Seller (or any Affiliates of Seller) at any time before the Closing Date; and (iv) all Taxes of any Person other than the Company imposed on the Company as a transferee, indemnitor, or successor, by contract (other than a contract the primary subject matter of which is not Taxes but only if such contract is specifically identified in Section 3.19(c) of the Disclosure Schedule as such a contract) or pursuant to any Tax law, which Taxes relate solely to an event or transaction occurring on or before the Closing Date.

(b) Payment by the indemnifying party of any amount due under Section 10.3(a) shall be made within ten (10) days following written notice by the indemnified party that payment of such amounts to the appropriate taxing authority is due. In the case of a Tax that is contested in accordance with the provisions of Section 10.2(f) , payment of the Tax to the appropriate taxing authority will be considered to be due no earlier than the date a final determination to such effect is made by the appropriate taxing authority or court.

Section 10.4 Miscellaneous Tax Matters .

(a) Except for Section 9.4 and those portions of Article IX that relate to a breach of representations and warranties set forth in Section 3.18 (Tax Matters) and Section 3.25 (Employee Benefits), this Article X shall be the sole provision governing indemnities for Taxes under this Agreement.

(b) For purposes of this Article X , all references to Buyer, Seller, Affiliates, and the Company include successors.

(c) Notwithstanding any provision in this Agreement to the contrary, the covenants and agreements of the parties hereto contained in this Article X shall survive the Closing and shall remain in full force until ninety (90) days following the expiration of the applicable statutes of limitations for the Taxes in question (taking into account any extensions or waivers thereof).

(d) Any Tax sharing agreement or arrangement between Seller or any of its Affiliates, on the one hand, and the Company, on the other hand, shall have been terminated, and all payments thereunder settled, immediately prior to the Closing with no payments permitted to be made thereunder on and after the Closing Date.

ARTICLE XI
TERMINATION

Section 11.1 Termination . This Agreement may be terminated at any time prior to the Closing solely as follows:

(a) by Seller or Buyer, if the Closing has not occurred for whatever reason by 5:00 p.m., Central time, on the Termination Date (unless extended in writing by the Parties) provided that a Party in material breach of this Agreement may not terminate this Agreement pursuant to this Section 11.1(a) ; provided , however , that if Closing has not occurred prior to the Termination Date as a result of a request for additional information or documentary material pursuant to the HSR Act or due to an investigation or other inquiry by the FTC or the Antitrust Division of the Department of Justice under the HSR Act, then the Termination Date shall be extended sixty (60) days to allow the parties to fulfill their obligations under Section 7.11 ;

(b) by mutual written consent of Seller and Buyer;

(c) by Buyer, so long as Buyer is not then in material breach of its obligations under this Agreement, upon a breach of any covenant, representation or agreement on the part of Seller set forth in this Agreement and such breach (i) would give rise to the failure of any condition in Section 5.2 , (ii) cannot be cured by Seller or, if curable, is not cured within the earlier of (x) twenty (20) days of the date on which Seller receives written notice thereof from Buyer or (y) the Termination Date and (iii) has not been waived by Buyer;

(d) by Seller, so long as Seller is not then in material breach of its obligations under this Agreement, upon a breach of any covenant, representation or agreement on the part of Buyer set forth in this Agreement and such breach (i) would give rise to the failure of any condition in Section 5.1 , (ii) cannot be cured by Buyer or, if curable, is not cured within the earlier of (x) twenty (20) days of the date on which Buyer receives written notice thereof from Seller and (y) the Termination Date and (iii) has not been waived by Seller; or

(e) by Buyer or Seller, if any competent Governmental Entity shall have issued an order, decree or ruling or taken any other action which permanently enjoins or prevents or otherwise prohibits the acquisition by Buyer of the Equity Interests and such order, decree, ruling or other action shall have become final and nonappealable.

Section 11.2 Effect of Termination . Upon a termination of this Agreement by a Party pursuant to Section 11.1 , then such Party shall promptly give notice to the other Party specifying the provision hereof pursuant to which such termination is made, and upon delivery of such notice this Agreement shall become void and have no effect, other than each Party's obligations under Section 7.6 (Public Announcements), Section 7.7 (Confidentiality) and Articles XI (Termination) and XII (Miscellaneous), each of which shall survive the termination hereof. Notwithstanding the foregoing, nothing in this Section 11.2 shall be deemed to release any Party from any liability for any intentional breach by such Party of the terms and provisions of this Agreement occurring before such termination.

ARTICLE XII
MISCELLANEOUS

Section 12.1 Notice . All notices, requests, statements or payments shall be made as specified below. All notices are required to be in writing and shall be delivered by letter, facsimile or other documentary form. Notice by facsimile or hand delivery shall be deemed to have been received by the close of the Business Day on which it was transmitted or hand delivered (unless transmitted or hand delivered after close of business in which case it shall be deemed received at the close of the next Business Day). Notice by overnight mail or courier shall be deemed to have been received two (2) Business Days after it was sent. A Party may change its addresses by providing notice of same in accordance herewith. Notices shall be sent as follows:

If to Seller, to:

c/o Atmos Energy Corporation
5430 LBJ Freeway
1800 Three Lincoln Centre
Dallas, Texas 75240
Attention: Chief Financial Officer
Attention: General Counsel
Fax: (972) 855-3080

with a copy (which shall not constitute notice) to:

Gibson, Dunn & Crutcher LLP
2100 McKinney Avenue, Suite 1100
Dallas, Texas 75201
Attention: Robert B. Little
Fax: (214) 571-2924

If to Buyer, to:

CenterPoint Energy, Inc.
1111 Louisiana Street
Houston, Texas 77002
Attention: Chief Financial Officer
General Counsel
Fax: (713) 207-0141

with a copy (which shall not constitute notice) to:

Baker & Hostetler LLP
811 Main Street, Suite 1100
Houston, Texas 77002
Attention: W. Robert Shearer
Fax: (713) 751-1717

Section 12.2 No Third Party Beneficiaries . Nothing in this Agreement will provide any benefit to any Third Party or entitle any Third Party to any claim, cause of action, remedy or right of any kind, it being the intent of the Parties that this Agreement will not be construed as a Third Party beneficiary contract except with respect to the Buyer Indemnified Group and the Seller Indemnified Group, who may have rights under this Agreement under Article IX provided that any claims to be brought by the Buyer Indemnified Group or the Seller Indemnified Group under Article IX will be brought by Buyer or Seller as applicable. No member of the Seller Indemnified Group or the Buyer Indemnified Group, other than Buyer or Seller, shall be required to consent to any amendment to this Agreement.

Section 12.3 GOVERNING LAW; CONSENT TO JURISDICTION .

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES OR PRINCIPLES.

(b) THE PARTIES HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL COURTS IN AND FOR THE SOUTHERN DISTRICT OF TEXAS AND THE STATE COURTS IN HARRIS COUNTY, TEXAS IN CONNECTION WITH ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY AND ANY RELATED PROCEEDING, AND EACH PARTY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH DISPUTE OR PROCEEDING MUST BE HEARD AND DETERMINED IN SUCH COURTS. THE PARTIES HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH THEY MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY DISPUTE OR PROCEEDING ARISING UNDER OR RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY BROUGHT IN SUCH COURT OR ANY DEFENSE OF INCONVENIENT FORUM FOR THE MAINTENANCE OF SUCH DISPUTE OR PROCEEDING. EACH PARTY AGREES THAT A JUDGMENT IN ANY SUCH DISPUTE OR PROCEEDING MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

Section 12.4 Dispute Resolution; Waiver of Jury Trial . The Parties shall attempt to resolve any claim, counterclaim, demand, cause of action, dispute, and controversy arising out of or relating to this Agreement (or any agreement delivered in connection with this Agreement) or in any way relating to the subject matter of this Agreement involving the Parties or their representatives (each a " Dispute "), by allowing the applicable managers involved in such dispute thirty (30) days to attempt in good faith to reach an agreement with respect to such Dispute. If no such agreement is reached, the President or any Vice President of each of Buyer and Seller shall have fifteen (15) days to attempt in good faith to reach an agreement with respect to such Dispute. Each Dispute that is not resolved by mutual agreement of the Parties or their representatives, as applicable, may be resolved by litigation consistent with the provisions of this Agreement. **EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION, CLAIM OR PROCEEDING RELATING TO THIS AGREEMENT.**

Section 12.5 Specific Performance . Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the covenants of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Party shall be entitled to an injunction or injunctions to prevent non-performance or breaches of the covenants of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof. In the event of any action to enforce this Agreement specifically pursuant to this Section 12.5 , each Party hereby waives the defense that there is an adequate remedy at law.

Section 12.6 Entire Agreement . This Agreement, the Schedules and Exhibits hereto and thereto and the Confidentiality Agreement contain the entire understanding and agreement between the Parties with respect to the subject matter hereof and supersede and cancel any and all prior agreements between the Parties as to the matters covered herein. There are no agreements, understandings, representations, or warranties between the Parties other than those set forth or referred to herein.

Section 12.7 Assignment . No Party hereto may assign this Agreement or its rights or obligations hereunder without the prior written consent of the other Party, which consent may be granted or withheld in such other Party's sole discretion and any attempted assignment in contravention of the foregoing shall be null and void.

Section 12.8 Amendments . No amendment, modification or change to this Agreement will be enforceable unless reduced to writing and executed by duly authorized representatives of all Parties.

Section 12.9 Severability . This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all Applicable Laws. If any provision of this Agreement, or the application thereof to any Person or circumstance, is for any reason or to any extent invalid or unenforceable, the remainder of this Agreement and the application of such provision to the other persons or circumstances shall not be affected thereby, but rather is to be enforced to the greatest extent permitted by Applicable Law, unless the severance of any such provision from the remainder of this Agreement would change the economic substance of the Agreement as a whole in a manner that is adverse to any Party (and such change is not waived in writing by such affected Person).

Section 12.10 No Implied Waivers . Except as expressly provided for herein, no waiver of any of the terms and conditions of this Agreement shall be effective unless in writing and signed by the party against whom such waiver is sought to be enforced. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The failure of a party to insist, in any instance, on the strict performance of any of the terms and conditions hereof shall not be construed as a waiver of such party's right in the future to insist on such strict performance.

Section 12.11 Expenses . Except as otherwise expressly provided in this Agreement, all fees and expenses, including fees and expenses of counsel and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such fee or expense.

Section 12.12 No Joint Venture . Nothing contained in this Agreement creates or is intended to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to any Party.

Section 12.13 Joint Negotiation . This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties, and shall not be construed against one Party as a result of the preparation, submission or other event of negotiation, drafting or execution hereof.

Section 12.14 No Recourse . No past, present or future shareholder, partner, member, manager, director, officer, employee, incorporator, attorney, accountant, agent or other representative of any Party hereto or any Affiliate thereof shall have any liability for any obligations of such Party hereto under this Agreement or for any claim based on, in respect of or by reason of such obligations or their creation.

Section 12.15 Disclosure Generally . The disclosure of any item of information in any Disclosure Schedule shall not be construed to mean that such information is required to be disclosed by this Agreement. Such information and the dollar thresholds set forth herein shall not be used as a basis for interpreting the terms "material" or "Material Adverse Effect" or other similar terms in this Agreement.

Section 12.16 Legal Representation .

(a) Buyer, on behalf of itself and its Affiliates (including, after the Closing, the Company), acknowledges and agrees that Gibson, Dunn & Crutcher LLP (" Gibson Dunn ") has acted as counsel for Seller and the Company in connection with this Agreement and the transactions contemplated hereby (the " Acquisition Engagement "), and in connection with this Agreement and the transactions contemplated hereby, Gibson Dunn has not acted as counsel for any other Person, including Buyer.

(b) Buyer shall not have access to the files of Gibson Dunn relating to the Acquisition Engagement, whether or not the Closing occurs. Buyer, on behalf of itself and its Affiliates (including after the Closing, the Company) expressly (i) consents to Gibson Dunn's representation of Seller and/or its Affiliates and/or any of their respective agents (if any of the foregoing Persons so desire) in any matter that relates to this Agreement and the transactions contemplated hereby, including any post-Closing matter in which the interests of Buyer and the Company, on the one hand, and Seller or any of its Affiliates, on the other hand, are adverse and (ii) consents to the disclosure by Gibson Dunn to Seller or its Affiliates of any information learned by Gibson Dunn in the course of its representation of Seller, the Company or their respective Affiliates in connection with this Agreement and the transactions contemplated hereby, whether or not such information is subject to attorney-client privilege, attorney work product protection, or Gibson Dunn's duty of confidentiality.

(c) Buyer, on behalf of itself and its Affiliates (including after the Closing, the Company) further covenants and agrees that each shall not assert any claim against Gibson Dunn in respect of legal services provided to the Company or its Affiliates by Gibson Dunn in connection with this Agreement or the transactions contemplated hereby.

(d) From and after the Closing, the Company shall cease to have any attorney-client relationship with Gibson Dunn, unless and to the extent Gibson Dunn is expressly engaged in writing by the Company to represent the Company after the Closing.

Section 12.17 Headings and Gender; Construction; Interpretation .

(a) The table of contents, captions and section headings contained in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement. All references in this Agreement to " Section " or " Article " shall be deemed to be references to a Section or Article of this Agreement.

(b) Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context requires. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed followed by the words "without limitation." The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to the Agreement as a whole and not to any particular provision in this Agreement. The term "or" is not exclusive. The word "will" shall be construed to have the same meaning and effect as the word "shall." References to days mean calendar days unless otherwise specified. References to "dollars" or "$" in this Agreement refer to United States dollars, which is the currency used for all purposes in this Agreement.

Section 12.18 Counterparts . This Agreement may be executed and delivered in several counterparts, including through facsimile or electronic signatures, each of which is an original and all of which constitute one and the same agreement. No Party shall become bound by this Agreement or any other instrument executed by counterpart until all Parties hereto have affixed their respective signatures hereto.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have signed this Agreement in multiple counterparts, all as of the date first above written.

SELLER:

Atmos Energy Holdings, Inc.

By: /s/ BRET J. ECKERT
Name: Bret J. Eckert
Title: Vice President and Chief Financial Officer

BUYER

CenterPoint Energy Services, Inc.

By: /s/ JOSEPH B. MCGOLDRICK
Name: Joseph B. McGoldrick
Title: President

SIGNATURE PAGE
TO
MEMBERSHIP INTEREST PURCHASE AGREEMENT

List of Omitted Exhibits and Schedules

The following exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted exhibit or schedule will be furnished supplementally to the Securities and Exchange Commission upon request.

Exhibits

Exhibit No.	Description
Exhibit A-1	Form of Base Contract
Exhibit A-2	Form of Special Provisions to NAESB Base Contract
Exhibit A-3	Short Form Base Contract
Exhibit A-4	Form of Small Gas Service Contract
Exhibit A-5	Form of Small Gas Service Contract (Irrigation)
Exhibit B	Form of Non-Competition Agreement
Exhibit C	Form of Indemnity Escrow Agreement
Exhibit D	Transition Services Agreement List of Services

Disclosure Schedules

Section No.	Description
Section 1.1	Permitted Encumbrances
Section 2.4	Net Working Capital
Section 3.5	Consents
Section 3.6(a)	Contracts of the Company
Section 3.6(e)	Shared Contracts
Section 3.7	Company Personal Property
Section 3.8(a)	Financial Information
Section 3.8(c)	Outstanding Indebtedness
Section 3.9	Compliance with Laws
Section 3.10	Litigation
Section 3.12	Permits
Section 3.13	Absence of Certain Changes and Events
Section 3.15(a)	Customers
Section 3.17(a)	Real Property
Section 3.18	Undisclosed Liabilities
Section 3.19	Tax Matters
Section 3.20(a)	Environmental Matters
Section 3.21	Insurance
Section 3.22	Bank Accounts
Section 3.23	Seller and Affiliate Interests and Transactions
Section 3.24(a)	Managers and Officers
Section 3.24(b)	Power of Attorney
Section 3.25(b)	Employees

Section 3.26(a)	Company Plans; Plans
Section 3.26(j)	280G Payments
Section 3.27	Intellectual Property
Section 4.3	Buyer Consents
Section 5.2(i)	Excluded Assets and Liabilities
Section 7.1	Pre-Closing Conduct of Business
Section 7.2(a)	Pre-Closing Supplemental Disclosure
Section 7.10(a)	Letters of Credit
Section 7.10(b)	Continuing Guarantees
Section 8.1(a)	Departing Employees

Exhibit 99.1

ATMOS energy

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Announces Sale of Atmos Energy Marketing

- *Atmos Energy to sell its nonregulated gas marketing business to a subsidiary of CenterPoint Energy*
- *Transaction expected to close in the first calendar quarter of 2017, subject to customary approvals*
- *No impact on earnings per share growth of six to eight percent through fiscal 2020*

DALLAS (October 31, 2016)—Atmos Energy Corporation (NYSE: ATO) today announced that Atmos Energy Holdings, Inc., a wholly-owned subsidiary has executed a definitive agreement to sell all of the equity interest in Atmos Energy Marketing, LLC (AEM) to CenterPoint Energy Services, Inc., an indirect wholly-owned subsidiary of CenterPoint Energy, Inc. (NYSE: CNP). 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.

"We are pleased to have found a strategic buyer for our nonregulated delivered gas business, Atmos Energy Marketing, in CenterPoint Energy," said Kim Cocklin, Chief Executive Officer of Atmos Energy Corporation. "CenterPoint brings substantial scale and diversity, with a sharp focus on superior customer service and excellent employee relations."

"Given our company's long-term vision to become the nation's safest regulated natural gas utility and to further our strategy to grow organically by investing in our regulated infrastructure, now is the perfect time to move forward with this sale," said Mike Haefner, President and Chief Operating Officer of Atmos Energy Corporation. "This transaction results in Atmos Energy becoming a fully regulated pure-play natural gas company. Finally, it is important to note that the sale of this business will not reduce our ability and commitment to deliver earnings per diluted share growth in the six to eight percent range through fiscal 2020."

The sale is expected to close in the first calendar quarter of 2017. The proceeds from this transaction will be redeployed to fund infrastructure investment in the regulated business. Once the sale is complete, Atmos Energy will have fully exited the nonregulated gas marketing business. Atmos Energy will release fiscal 2016 results and give fiscal 2017 earnings guidance after the market close on November 9, 2016.

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, 2015 and in the company's Quarterly Report on Form 10-Q for the three and nine months ended June 30, 2016. 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 the country's largest natural-gas-only distributor, 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 currently 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 .

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 3, 2016
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 9, 2016, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the fourth quarter and full 2016 fiscal year, which ended September 30, 2016, and that certain of its officers would discuss such financial results in a conference call on Thursday, November 10, 2016 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.

(b) As reported in our news release issued November 3, 2016, Marvin L. Sweetin, Senior Vice President, Safety and Enterprise Services, will retire from the Company effective December 31, 2016.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release dated November 9, 2016 (furnished under Item 2.02)
99.2	News Release dated November 3, 2016

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 9, 2016

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 9, 2016 (furnished under Item 2.02)
99.2	News Release dated November 3, 2016

Exhibit 99.1

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2016 and Initiates Fiscal 2017 Guidance; Raises Dividend 7.1 Percent

DALLAS (November 9, 2016) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its 2016 fiscal year and fourth quarter ended September 30, 2016 .

- Fiscal 2016 consolidated net income was $350.1 million , or $3.38 per diluted share, compared with consolidated net income of $315.1 million , or $3.09 per diluted share in the prior year.

- Fiscal 2016 consolidated net income, excluding net unrealized margins, was $349.3 million , or $3.37 per diluted share, compared with consolidated net income, excluding net unrealized margins of $316.5 million , or $3.10 per diluted share in the prior year.

- Fiscal 2016 net income includes a $5.0 million, or $0.05 per diluted share, income tax benefit as a result of adopting new stock-based accounting guidance for equity awards.

- Capital expenditures were $1.1 billion for the year ended September 30, 2016, with over 80 percent of that spending related to system safety and reliability investments.

- Atmos Energy expects fiscal 2017 earnings from continuing operations to be in the range of $3.45 to $3.65 per diluted share. Capital expenditures are expected to be in the range of $1.1 billion to $1.25 billion in fiscal 2017.

- The company's Board of Directors has declared a quarterly dividend of $0.45 per common share. The indicated annual dividend for fiscal 2017 is $1.80, which represents a 7.1 percent increase over fiscal 2016.

For the quarter ended September 30, 2016 , consolidated net income was $34.2 million , or $0.33 per diluted share, compared with net income of $23.5 million , or $0.23 per diluted share for the same quarter last year. Consolidated net income includes net unrealized losses of $7.0 million , or $(0.07) per diluted share for the quarter ended September 30, 2016 , compared with net unrealized losses of $6.6 million , or $(0.06) per diluted share for the prior-year quarter.

“We are pleased to deliver solid earnings per share growth for the 14th consecutive year," said Kim Cocklin, Chief Executive Officer of Atmos Energy Corporation. "We have continued to execute our growth strategy of infrastructure investment, which benefits our customers and provides an attractive return to our shareholders. In addition, we will further minimize our business risk upon the closing of the announced sale of our marketing business, which will result in Atmos Energy becoming a fully regulated, pure-play natural gas utility. Finally, we are well positioned to deliver earnings per diluted share of between $3.45 and $3.65 in fiscal 2017, which supports our commitment to deliver annual earnings per share growth in the six to eight percent range," Cocklin concluded.

Results for the Fiscal Year Ended September 30, 2016

Regulated distribution gross profit increased $35.2 million to $1,272.8 million for the year ended September 30, 2016 , compared with $1,237.6 million in the prior year. Gross profit reflects a net $47.5 million increase in rates, primarily in the Mid-Tex, Mississippi and West Texas Divisions. This increase was partially offset by a $15.4 million decrease in revenue-related taxes and a $3.4 million decrease in consumption. Weather was 25 percent warmer than the prior year, before adjusting for weather normalization mechanisms, which resulted in a 17 percent decrease in sales volumes.

Regulated pipeline gross profit increased $38.7 million to $408.8 million for the year ended September 30, 2016 , compared with $370.1 million in the prior year. This increase primarily reflects a $39.6 million increase in revenue from the Gas Reliability Infrastructure Program (GRIP) filings approved in 2016 and 2015. This increase was partially offset by decreased through-system volumes and lower storage and blending fees due to warmer weather in the current year.

Nonregulated gross profit decreased $9.1 million to $63.8 million for the year ended September 30, 2016 , compared with $72.9 million for the prior year, as a result of a $12.7 million decrease in realized margins, partially offset by a $3.7 million increase in unrealized margins. The year-over-year decrease in realized margins reflects larger settlement losses incurred during the first six months of the year during a period of falling natural gas prices, partially offset by gains realized during the third and fourth quarters. Additionally, storage fees rose primarily due to increased park and loan activity in the current year.

Consolidated operation and maintenance expense for the year ended September 30, 2016 , was $560.8 million , compared with $541.9 million for the prior-year period. This increase was primarily driven by increased pipeline maintenance spending and legal expenses.

Income tax expense for the year ended September 30, 2016 includes a $5.0 million benefit as a result of adopting new stock-based accounting guidance related to equity awards that vested during the current year.

Capital expenditures increased to $1,087.0 million for the year ended September 30, 2016 , compared with $963.6 million in the prior year driven by a planned increase in spending in the company's regulated operations.

For the year ended September 30, 2016 , the company generated operating cash flow of $795.0 million , a $16.9 million decrease compared with the year ended September 30, 2015 . The year-over-year decrease primarily reflects the timing of deferred gas cost recoveries.

The debt capitalization ratio at September 30, 2016 was 48.5 percent , compared with 47.5 percent at September 30, 2015 . At September 30, 2016 , there was $829.8 million of short-term debt outstanding, compared with $457.9 million at September 30, 2015 . Short-term debt balances fluctuate due to the seasonal nature of the natural gas business and the timing of spending year over year.

Results for the Quarter Ended September 30, 2016

Regulated distribution gross profit increased $14.3 million to $254.8 million for the fiscal 2016 fourth quarter, compared with $240.5 million in the prior-year quarter. Gross profit reflects a net $10.3 million increase in rates across all divisions. Additionally, higher customer counts primarily in the Mid-Tex, Louisiana and Kentucky Mid-States Divisions increased gross profit $1.7 million.

Regulated pipeline gross profit increased $11.4 million to $109.2 million for the quarter ended September 30, 2016 , compared with $97.8 million for the same quarter last year. This increase is primarily the result of an $11.2 million increase in revenues from the GRIP filing that became effective in fiscal 2016.

Nonregulated gross profit decreased $4.0 million to $12.1 million for the fiscal 2016 fourth quarter, compared with $16.1 million for the prior-year quarter, as a result of a $3.4 million decrease in realized margins, combined with a $0.6 million decrease in unrealized margins. The quarter-over-quarter decrease in realized margins reflects the timing and magnitude of gains on financial positions combined with increased storage fees.

Consolidated operation and maintenance expense for the quarter September 30, 2016 , was $164.8 million , compared with $157.4 million for the prior-year quarter. This increase was primarily driven by increased pipeline maintenance spending.

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 2017 earnings from continuing operations to be in the range of $3.45 to $3.65 per diluted share. Net income from continuing operations is expected to be in the range of $365 million to $390 million. Capital expenditures for fiscal 2017 are expected to range between $1.1 billion and $1.25 billion.

Conference Call to be Webcast November 10, 2016

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2016 financial results and outline the assumptions supporting the fiscal 2017 guidance on Thursday, November 10, 2016 , at 10:00 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, Mike Haefner, president and chief operating officer, Bret Eckert, senior vice president and chief financial officer, along with other members of the leadership team, 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

Senior Management Retirement
On November 3, 2016, Atmos Energy announced the retirement of Marvin L. Sweetin, Senior Vice President, Safety and Enterprise Services, effective December 31, 2016. Sweetin's successor will be named before his departure.

Sale of Atmos Energy Marketing
On October 31, 2016, Atmos Energy announced the execution of a definitive agreement to sell all of the equity interests in Atmos Energy Marketing, LLC (AEM) to CenterPoint Energy Services, Inc., an indirect wholly-owned subsidiary of CenterPoint Energy, Inc. The transaction includes the transfer of about 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 this transaction will be redeployed to fund infrastructure investment in the regulated business. Upon completion of the sale, Atmos Energy will have fully exited the nonregulated gas marketing business.

Election of Director
Effective November 1, 2016, Kelly H. Compton was elected to the Board of Directors of the company. Ms. Compton has served as Executive Director of the Hoglund Foundation since 1992. Prior to joining the Hoglund Foundation, she served as Vice President of Commercial Lending for NationsBank Texas and its predecessors for 13 years. Compton will serve on the board's Audit Committee and Human Resources Committee.

Senior Management Promotion
On October 28, 2016, Atmos Energy announced the promotion of David J. Park from President of the West Texas Division to Senior Vice President of Utility Operations, effective January 1, 2017. In his new role, Park will be responsible for the operations of Atmos Energy's six utility divisions in eight states, as well as gas supply.

Credit Facility Amended
On October 5, 2016, Atmos Energy amended its existing $1.25 billion revolving credit agreement, (Credit Facility) primarily to increase the committed loan amount from $1.25 billion to $1.5 billion, while retaining the $250 million accordion feature that would allow an increase in the committed loan amount up to $1.75 billion. The Credit Facility was extended for one additional year to September 25, 2021, with all other terms remaining substantially the same.

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, 2015 and in the company's Quarterly Report on Form 10-Q for the three and nine months ended June 30, 2016. 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.

Non-GAAP Financial Measures

The historical financial information in this news release utilizes certain financial measures that are not presented in accordance with generally accepted accounting principles (GAAP). Specifically, in addition to presenting the traditional U.S. GAAP measures, historical net income and diluted earnings per share for the quarter and fiscal year periods are presented after excluding net unrealized margins on financial positions utilized in the Company's nonregulated operations. These non-GAAP financial measures are included because the Company believes they more accurately reflect the Company's financial performance since the net unrealized margins relate to positions that will settle in the future and are not necessarily indicative of the value of those positions when they are ultimately settled.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest natural-gas-only distributor, 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 currently 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 .

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income	Year Ended September 30	
(000s except per share)	2016	2015
Gross Profit:		
Regulated distribution segment	$ 1,272,805	$ 1,237,577
Regulated pipeline segment	408,833	370,112
Nonregulated segment	63,790	72,860
Intersegment eliminations	(532)	(532)
Gross profit	1,744,896	1,680,017
Operation and maintenance expense	560,766	541,868
Depreciation and amortization	293,096	274,796
Taxes, other than income	223,016	231,958
Total operating expenses	1,076,878	1,048,622
Operating income	668,018	631,395
Miscellaneous expense	(1,593)	(4,389)
Interest charges	115,948	116,241
Income before income taxes	550,477	510,765
Income tax expense	200,373	195,690
Net income	$ 350,104	$ 315,075
Basic and diluted earnings per share	$ 3.38	$ 3.09
Cash dividends per share	$ 1.68	$ 1.56
Basic and diluted weighted average shares outstanding	103,524	101,892

Summary Net Income by Segment (000s)	Year Ended September 30 2016	2015
Regulated distribution	$ 232,370	$ 204,813
Regulated pipeline	101,689	94,662
Nonregulated	15,276	17,064
Unrealized margins, net of tax	769	(1,464)
Consolidated net income	$ 350,104	$ 315,075

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Statements of Income (000s except per share)	Three Months Ended September 30 2016	 2015
Gross Profit:		
Regulated distribution segment	$ 254,821	$ 240,511
Regulated pipeline segment	109,204	97,807
Nonregulated segment	12,119	16,136
Intersegment eliminations	(133)	(133)
Gross profit	376,011	354,321
Operation and maintenance expense	164,808	157,379
Depreciation and amortization	76,426	70,737
Taxes, other than income	50,144	50,352
Total operating expenses	291,378	278,468
Operating income	84,633	75,853
Miscellaneous expense	(532)	(1,755)
Interest charges	30,207	31,075
Income before income taxes	53,894	43,023
Income tax expense	19,654	19,508
Net income	$ 34,240	$ 23,515
Basic and diluted earnings per share	$ 0.33	$ 0.23
Cash dividends per share	$ 0.42	$ 0.39
Basic and diluted weighted average shares outstanding	104,687	102,234

Summary Net Income by Segment (000s)	Three Months Ended September 30 2016	 2015
Regulated distribution	$ 14,947	$ 9,109
Regulated pipeline	17,788	16,377
Nonregulated	8,539	4,674
Unrealized margins, net of tax	(7,034)	(6,645)
Consolidated net income	$ 34,240	$ 23,515

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	September 30, 2016	September 30, 2015
Net property, plant and equipment	$ 8,280,511	$ 7,430,580
Cash and cash equivalents	47,534	28,653
Accounts receivable, net	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
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
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
Deferred credits and other liabilities	967,714	876,622
	$ 10,010,889	$ 9,075,072

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Year Ended September 30 2016	2015
Cash flows from operating activities		
Net income	$ 350,104	$ 315,075
Depreciation and amortization	293,096	274,796
Deferred income taxes	193,556	192,886
Other	21,446	22,261
Changes in assets and liabilities	(63,212)	6,896
Net cash provided by operating activities	794,990	811,914
Cash flows from investing activities		
Capital expenditures	(1,086,950)	(963,621)
Available-for-sale securities activities, net	758	1,597
Other, net	6,460	5,422
Net cash used in investing activities	(1,079,732)	(956,602)
Cash flows from financing activities		
Net increase in short-term debt	371,884	261,232
Proceeds from issuance of long-term debt, net of discount	—	499,060
Net proceeds from equity offering	98,574	—
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)
Repurchase of equity awards	—	(7,985)
Issuance of common stock through stock purchase and employee retirement plans	34,278	30,952
Other	(317)	(5,522)
Net cash provided by financing activities	303,623	131,083
Net increase (decrease) in cash and cash equivalents	18,881	(13,605)
Cash and cash equivalents at beginning of period	28,653	42,258
Cash and cash equivalents at end of period	$ 47,534	$ 28,653

Statistics	Three Months Ended September 30 2016	2015	Year Ended September 30 2016	2015
Consolidated distribution throughput (MMcf as metered)	57,031	56,614	375,967	429,322
Consolidated pipeline transportation volumes (MMcf)	132,188	146,240	505,188	528,068
Consolidated nonregulated delivered gas sales volumes (MMcf)	83,864	79,167	341,597	351,427
Regulated distribution meters in service	3,185,509	3,151,312	3,185,509	3,151,312
Regulated distribution average cost of gas	$ 4.99	$ 4.64	$ 4.20	$ 5.20
Nonregulated net physical position (Bcf)	19.2	14.6	19.2	14.6

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Exhibit 99.2

ATMOS energy

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Corporation Announces the Retirement of Senior Vice President Marvin Sweetin

DALLAS (November 3, 2016)—Atmos Energy Corporation (NYSE: ATO) said today that effective December 31, 2016, Marvin L. Sweetin, Senior Vice President, Safety and Enterprise Services will retire to take a more active role in his family's businesses.

"For more than 16 years, Atmos Energy employees have had the special pleasure of enjoying Marvin's friendship, leadership and support. Marvin has provided a steady hand and contributed to many successes in a variety of important leadership roles," said Kim Cocklin, Chief Executive Officer of Atmos Energy Corporation. "We wish Marvin and his wife, Regina, continued health, happiness and much success in the years ahead," Cocklin concluded.

Sweetin joined Atmos Energy in 2000 as Director of Procurement and established the efficient warehouse supply and equipment model still employed today. He was named Director of Technical Training in 2007, Vice President of Customer Service in 2010 and promoted to Senior Vice President of Utility Operations in 2011, serving in that role until 2015. His tenure was marked by a dramatic increase in capital expenditures, greater emphasis on safety and training, the construction of the customer contact center in Amarillo, Texas and the planning and construction of the industry's best-in-class training facility in Plano, Texas. In October 2015, Marvin was named to his current position of Senior Vice President of Safety and Enterprise Services to lead the company to its goal of becoming the nation's safest utility.

Sweetin's successor will be named prior to his departure at the end of December.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest natural-gas-only distributor, 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 currently 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 .

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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

January 12, 2017
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 .

(a) On January 19, 2017, Atmos Energy Corporation ("Atmos Energy") issued a news release in which it reported that Louis P. Gregory, Senior Vice President, General Counsel and Corporate Secretary, will retire from Atmos Energy effective February 1, 2017. A copy of the news release announcing this management change is filed herewith as Exhibit 99.1.

On January 12, 2017, Atmos Energy entered into a Separation Agreement and General Release with Mr. Gregory under which Mr. Gregory's retirement from the Company as Senior Vice President, General Counsel and Corporate Secretary will commence as of February 1, 2017. Under the Agreement, Mr. Gregory will receive a separation payment of $2,200,000 and will be entitled to receive any amounts of compensation or benefits otherwise payable in accordance with the terms of the Company's compensation and benefits plans in which he participated, as set forth in the Agreement. As part of the Agreement, Mr. Gregory and the Company executed a mutual release of all claims related to Mr. Gregory's employment. The full text of the Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

(b) As reported in its news release issued January 19, 2017, Bret J. Eckert, Senior Vice President and Chief Financial Officer, will leave Atmos Energy effective February 1, 2017. A copy of the news release announcing this management change is filed herewith as Exhibit 99.2.

On January 17, 2017, Atmos Energy entered into a Separation Agreement and General Release with Mr. Eckert under which Mr. Eckert's employment with the Company as Senior Vice President and Chief Financial Officer will end as of February 1, 2017. Under the Agreement, Mr. Eckert will receive a separation payment of $2,600,000 and will be entitled to receive any amounts of compensation or benefits otherwise payable in accordance with the terms of the Company's compensation and benefits plans in which he participated, as set forth in the Agreement. Mr. Eckert will also be entitled to receive Company-provided benefits, including COBRA continuation coverage and financial planning benefits, as set forth in the Agreement. As part of the Agreement, Mr. Eckert and the Company executed a mutual release of all claims related to Mr. Eckert's employment. The full text of the Agreement is attached hereto as Exhibit 10.2 and is incorporated herein by reference.

(c) On January 19, 2017, Atmos Energy issued a news release in which it reported that Christopher T. Forsythe, Vice President and Controller of Atmos Energy since May 2009, has been appointed as Senior Vice President and CFO, effective February 1, 2017. Mr. Forsythe, 45, will report to Kim Cocklin, Chief Executive Officer, and will be a member of the company's Management Committee. Although Atmos Energy is not a party to any employment agreement with Mr. Forsythe, he will receive an annual base salary of $375,000. Mr. Forsythe will also be eligible to participate in all other applicable incentive, benefit and deferred compensation plans offered by the company to its senior officers.

In addition, Atmos Energy will enter into a change in control severance agreement with Mr. Forsythe to provide certain severance benefits to him in the event of the termination of his employment within three years following a change in control of the company. The agreement will provide that in the case of such termination of employment, the company will pay Mr. Forsythe a lump sum severance payment equal to 2.5 times his total compensation, comprised of his annual base salary and "average bonus," as such term is defined in the agreement. In addition, Mr. Forsythe will receive all medical, dental, vision, and any other health benefits which qualify for continuation coverage under Internal Revenue Code Section 4980B ("COBRA coverage"), for a period of 18 months from the date of his termination.

In the event of such termination of employment, the company will also pay Mr. Forsythe a lump sum payment generally equal to the actuarially equivalent sum of the value of (a) an additional three (3) years of age and service credits payable under the Pension Account Plan; (b) an additional three (3) years of company matching contributions under the Retirement Savings Plan; (c) the cost to the company of providing COBRA coverage benefits to Mr. Forsythe for an additional 18-month period and (d) the cost to the company of providing accident and life insurance as well as disability benefits for three (3) years following the date of his termination.

However, if Mr. Forsythe is terminated by the company for "cause" (as defined in the agreement), or if his employment is terminated by retirement, death, or disability, the agreement will provide that the company will not be obligated to pay the severance benefits to Mr. Forsythe. The agreement will further provide that if Mr. Forsythe voluntarily terminates his employment except for "constructive termination" (as defined in the agreement), the company will not be obligated to pay him the severance benefits. A form of such change in control severance agreement has been previously filed with the Commission as Exhibit 10.3(a) to Form 10-K for the fiscal year ended September 30, 2016.

A copy of the news release announcing this management change is filed herewith as Exhibit 99.3.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
10.1	Separation Agreement and General Release entered into by Atmos Energy Corporation and Louis P. Gregory dated January 12, 2017
10.2	Separation Agreement and General Release entered into by Atmos Energy Corporation and Bret J. Eckert dated January 17, 2017
99.1	News Release issued by Atmos Energy Corporation dated January 19, 2017
99.2	News Release issued by Atmos Energy Corporation dated January 19, 2017
99.3	News Release issued by Atmos Energy Corporation dated January 19, 2017

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: January 19, 2017

By: /s/ KIM R. COCKLIN
Kim R. Cocklin
Chief Executive Officer

INDEX TO EXHIBITS

Exhibit Number	Description
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99.1	News Release issued by Atmos Energy Corporation dated January 19, 2017
99.2	News Release issued by Atmos Energy Corporation dated January 19, 2017
99.3	News Release issued by Atmos Energy Corporation dated January 19, 2017

Exhibit 10.1

SEPARATION AGREEMENT AND GENERAL RELEASE

This SEPARATION AND RELEASE AGREEMENT ("Agreement") is an agreement between Atmos Energy Corporation (including its affiliates, successors and assigns, "Atmos Energy"), and Louis P. Gregory (the "Executive"). The "Effective Date" of this Agreement shall be the 8 th day after this Agreement has been signed by Executive and the expiration of the cancellation period described in paragraph 13.

In consideration of the mutual agreements contained herein, the parties agree as follows:

1. Employment Separation . Executive's employment with Atmos Energy as Senior Vice President, General Counsel and Corporate Secretary will end as of February 1, 2017 ("Retirement Date").

2. Separation Pay and Benefits . Subject to this Agreement becoming effective and irrevocable, Atmos Energy agrees to provide Executive the following separation benefits, which Executive acknowledges he would not otherwise receive.

a. Separation Payment . Atmos Energy will pay Executive a Separation Payment of $2,200,000.00 less required taxes and customary withholding.

b. Withholding and Taxes . Executive understands and agrees that payments made under this Agreement will be subject to required taxes and customary withholdings and shall be paid on the later of the Retirement Date or Effective Date, by wire transfer of immediately available funds to an account designated by Executive. Except as set forth below, Executive assumes full responsibility to state and federal taxing authorities for any tax consequences, including interest and penalties, regarding employee or income taxes arising out of the payments to him set forth in this Agreement and agrees to indemnify Atmos Energy, its officers, directors, employees, subsidiary companies, successors, assigns, representatives and agents for any and all investigations or liabilities imposed by any taxing authority due to Executive's failure to properly report and pay any such taxes when due. Atmos Energy agrees to indemnify Executive in the event it shall be determined that any payment, distribution, or benefits of any type by Atmos Energy to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), is subject to the tax imposed by Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") or any interest or penalties with respect to such tax (such tax, together with any such interest and penalties, are collectively referred to as the "409A Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including additional taxes under said Section 409A, and any interest and penalties imposed with respect to any such taxes) imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the 409A Tax imposed upon the Total Payments. The Company shall pay the Gross-Up Payment to Executive at least ten (10) business days prior to the due date of any applicable tax return required to be filed by Executive and relating to the Total Payments or the Gross-Up Payment.

3. Coordination with SERP and Other Benefits . The Parties agree that Executive does not waive any rights or claims to benefits available under the Atmos Energy Corporation

Supplemental Executive Retirement Plan (SERP), the Retirement Savings Plan (RSP), the 1998 Long-Term Incentive Plan (LTIP), the Pension Account Plan (PAP) the Retiree Medical Plan for Retirees and Disabled Employees of Atmos Energy Corporation (RMP) or the Time Off Policy (PTO). With the exception of the SERP, RSP, LTIP, PAP, RMP and PTO, it is expressly understood that the Separation Payment includes full and complete satisfaction of all amounts due to Executive as a result of his employment with the Company and the separation therefrom.

4. Cooperation . Executive agrees, upon Atmos Energy's reasonable request, to cooperate in any investigations and/or litigations, claims, or other disputed matters regarding events that occurred during Executive's employment with Atmos Energy. Executive will be entitled to indemnity by Atmos Energy with respect to any claims asserted against Executive in the future by any third party in accordance with the terms and extent of any indemnity obligations in effect at the time to any former officer. If Atmos Energy requests Executive's assistance under this paragraph 4, Atmos Energy will compensate Executive at the rate of $500 per hour and will reimburse Executive for any reasonable out-of-pocket expenses incurred by Executive in the performance of his obligations under this paragraph 4. The obligations of Executive set forth in this paragraph 4 will terminate two (2) years after the Effective Date.

5. Mutual Release . There are various local, state, and federal statutory and common laws that may apply and/or relate to Executive's employment with Atmos Energy. Executive understands that, among other things, these laws prohibit employment discrimination on the basis of age, color, race, gender, sexual reference/orientation, marital status, national origin, mental or physical disability, religious affiliation, veteran status, or other protected classification, and that these laws are enforced through the courts and agencies such as the Equal Employment Opportunity Commission (EEOC), Department of Labor, and state human rights, wage and hour and fair employment practices agencies.

Such laws include, but are not limited to, federal and state wage and hour laws, including the Fair Labor Standards Act (FLSA), federal and state whistleblower laws, federal and state leave laws, including the Family and Medical Leave Act (FMLA), federal and state anti-discrimination and other laws, including Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, as amended (ADEA), the Employee Retirement Income Security Act, 29 U.S.C. 100l, et seq. (ERISA) (excluding COBRA), 42 U.S.C. Section 1981, the Worker Adjustment and Retraining Notification (WARN) Act, the Equal Pay Act, the Americans with Disabilities Act (ADA), the Vietnam Era Veterans Readjustment Assistance Act, the Fair Credit Reporting Act, the Occupational Safety and Health Act (OSHA), the Sarbanes-Oxley Act of 2002 (SOX) and any other federal or state employment laws, as each may be amended from time to time.

By signing this Agreement, Executive releases Atmos Energy, and its respective directors, officers, representatives, agents and employees, and any of Atmos Energy's successors or predecessors, affiliates, or related companies (collectively referred to as "Releasees") from any and all claims, known or unknown, including claims for attorneys' fees and costs with respect to, or arising out of, Executive's employment or termination of employment with Atmos Energy. In so doing, Executive agrees to give up any rights he may have under any laws that may apply to his employment or termination of employment with Atmos Energy except those described in paragraph 6 below.

Executive understands that he is giving up all statutory, common law or contract claims and rights, including those that Executive is not currently aware of and those not mentioned in this Agreement, up to and through the date that Executive signs and delivers this Agreement to Atmos Energy. Executive acknowledges and agrees that Atmos Energy has fully satisfied any and all obligations owed to him arising out of his employment with or termination from Atmos Energy, and no further sums or benefits are owed to him by Atmos Energy or by any of the other Releasees at any time.

Atmos Energy, in return for Executive signing this Agreement, hereby mutually releases, acquits and forever discharges Executive from any and all claims, known or unknown, including claims for attorneys' fees and costs with respect to, or arising out of, Executive's employment or termination of employment with Atmos Energy. Atmos Energy understands that Atmos Energy is giving up all statutory, common law or contract claims and rights, including those that Atmos Energy is not currently aware of and those not mentioned in this Agreement, up to and through the date that Executive signs and delivers this Agreement to Atmos Energy. Atmos Energy acknowledges and agrees that Executive has fully satisfied any and all obligations owed to Atmos Energy arising out of Executive's employment with or termination from Atmos Energy.

6. Activities Not Covered . Executive understands that this Agreement does not prohibit or prevent Executive from filing a charge or participating, testifying or assisting in investigations, hearings or other proceedings conducted by the EEOC, the NLRB, or a similar agency enforcing federal, state or local anti-discrimination laws. However, to the maximum extent provided by law, Executive does give up all rights to recover or receive individual damages, money, or other personal benefits as a result of such charge, investigation or proceeding.

Nothing in this Agreement prohibits Executive from a) reporting possible violations of law (including securities laws) to any government agency, including to the U.S. Congress, Department of Justice, Securities and Exchange Commission or Inspector General; b) making disclosures protected under federal whistleblower laws; or c) otherwise fully participating in any federal whistleblower programs.

7. Agreement Not to Sue . Executive agrees not to sue Atmos Energy with respect to claims Executive has released in this Agreement. If Executive does, Executive agrees to pay Atmos Energy's reasonable legal fees to the extent permitted by law. Atmos Energy agrees not to sue Executive with respect to claims Atmos Energy has released in this Agreement. If Atmos Energy does, Atmos Energy agrees to pay Executive's reasonable legal fees to the extent permitted by law.

8. Non-Admission . This Agreement shall not in any way be construed as an admission by either Party of any acts of wrongdoing, violation of any statute, law or legal or contractual right. Atmos Energy and Executive acknowledge that each has willingly entered into this Agreement.

9. Review by Counsel . Executive acknowledges that he is advised to discuss this Agreement and the effect of same with legal counsel of his own choosing and at his own expense, that he has had a reasonable time to review this Agreement that he fully understands all the provisions of the Agreement and is voluntarily entering into this Agreement.

10. Confidential and Privileged Information . Executive understands that after Retirement Date, Executive will continue to be bound by his professional and other obligations and promises to the Company. Within five (5) days after the later of the Retirement Date or Effective Date, Executive shall deliver to Atmos Energy all originals and copies of non-public documents, notes, memoranda or any other written materials that relate or refer to Atmos Energy.

Executive will not disclose to any third party attorney-client privileged information or non-public Company information. Attorney-client privileged information may never be disclosed absent a written waiver of the privilege by Atmos Energy as to the specific communications. Executive further promises that he will not disclose Atmos Energy's confidential information including, financial, legal or business information. The Executive agrees that all documents, records, techniques, business secrets, price and route information, business strategy and other information, whether in electronic form, hardcopy or other format, which have come into Executive's possession from time to time during his employment by Atmos Energy is deemed to be confidential and proprietary to Atmos Energy. Executive understands that this paragraph shall not apply to information that is known in the industry or disclosed by Atmos Energy or is required to be disclosed by valid legal process, provided, however, that prior to any such disclosure, if reasonably practicable, the Executive must first notify Atmos Energy and cooperate with Atmos Energy (at Atmos Energy's expense) in seeking a protective order.

11. Enforceability of Agreement . In the event that any one or more of the provisions contained in this Agreement shall for any reason be held to be unenforceable under the applicable law, the rest of the Agreement shall continue to apply.

12. Other Agreements . If any provision of any agreement, plan, policy, or other written document between or relating to Executive and Atmos Energy conflicts with any express provision of this Agreement, the provision of this Agreement will control. In deciding to sign this Agreement, Executive is not relying on any statements or promises except those found in this Agreement.

13. Time to Consider and Cancel . Executive understands that, pursuant to the Older Workers Benefit Protection Act of 1990, (OWBPA), Executive has the right to consult an attorney at his own expense before signing this Agreement, and Atmos Energy has advised Executive to consult an attorney; Executive has at least twenty-one days from the date Executive received this Agreement to consider the Agreement before signing it. Executive may change his mind and cancel the Agreement within seven calendar days after signing it, and the Agreement shall not go into effect until then. Executive agrees that any modifications, material or otherwise, made to this Agreement, do not restart or affect in any manner the original up to twenty-one day consideration period. If Executive decides to cancel this Agreement, Executive understands that Atmos Energy must receive written notice of Executive's decision directed to the Chief Executive Officer's attention before the seven-day period expires.

14. Governing Law . This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas.

15. Executive's Heirs, etc . This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors,

heirs, distributes, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder as if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms hereof to his designee, or if there is no such designee, to his estate.

16. Publicity . The Parties will consult with each other prior to issuing any publication or press release of any nature with respect to this Agreement and shall not make or issue any such publication or press release prior to such consultation and without the prior written consent of the other Party except to the extent, but only to such extent, that, in the opinion of the Party issuing such publication or press release, such announcement or statement may be required by law, any listing agreement with any securities exchange or any securities exchange regulation.

17. Counterparts . This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement shall be deemed performable by all Parties in Dallas County, Texas and the construction and enforcement of this Agreement shall be governed by Texas law without regard to its conflicts of law rules.

BY SIGNING BELOW, EXECUTIVE ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT, HAS HAD THE OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF HIS CHOICE, UNDERSTANDS IT, AND IS VOLUNTARILY ENTERING INTO IT. **READ THIS AGREEMENT CAREFULLY. IT CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.**

Each of the Parties has caused this Agreement to be executed as of the day and year indicated below.

Atmos Energy Corporation

By: /s/ KIM R. COCKLIN Date: 1/12/2017
Name: Kim R. Cocklin
Title: Chief Executive Officer

By: /s/ LOUIS P. GREGORY Date: 1/12/2017
Louis P. Gregory

Exhibit 10.2

SEPARATION AGREEMENT AND GENERAL RELEASE

This SEPARATION AND RELEASE AGREEMENT ("Agreement") is an agreement between Atmos Energy Corporation (including its affiliates, successors and assigns, "Atmos Energy"), and Bret J. Eckert (the "Executive"). The "Effective Date" of this Agreement shall be the 8 th day after this Agreement has been signed by Executive and the expiration of the cancellation period described in paragraph 13.

In consideration of the mutual agreements contained herein, the parties agree as follows:

1. Employment Separation **.** Executive's employment with Atmos Energy as Senior Vice President and Chief Financial Officer will end as of February 1, 2017 ("Separation Date").

2. Separation Pay and Benefits **.** Subject to this Agreement becoming effective and irrevocable, Atmos Energy agrees to provide Executive the following separation benefits, which Executive acknowledges he would not otherwise receive.

a. Separation Payment . Atmos Energy will pay Executive a Separation Payment of $2,600,000.00 less required taxes and customary withholding.

b. COBRA Continuation . If Executive elects COBRA continuation coverage under the Atmos Energy medical plan, then Atmos Energy agrees to pay the same portion of Executive's premiums for such coverage as the portion of said premiums that Atmos Energy is paying for active employees of Atmos Energy until the earlier of: (i) 18 months following the Separation Date, (ii) the date Executive becomes eligible for coverage under the medical plan of another employer of Executive, regardless of whether Executive elects to be covered by such medical plan, or (iii) the date Executive's continuation coverage under the Atmos Energy medical plan otherwise terminates. Thereafter, if Executive is eligible and wishes to continue his continuation coverage and the maximum applicable continuation coverage period has not expired, Executive may continue such coverage, provided, however, Executive shall be solely responsible for payment of the entire premium for such coverage.

c. Financial Planning . Executive will be entitled to the Atmos Energy Financial Planning Benefit for tax years 2016 and 2017.

d. Outplacement . Atmos Energy will provide Executive with participation in the Atmos Energy's outplacement program for a period of six months free of charge.

e. Withholding and Taxes . Executive understands and agrees that all payments made under this Agreement will be subject to required taxes and customary withholdings and shall be paid on the later of the Separation Date or Effective Date, by wire transfer of immediately available funds to an account designated by Executive. Except as set forth below, Executive assumes full responsibility to state and federal taxing authorities for any tax consequences, including interest and penalties, regarding employee or income taxes arising out of the payments to him set forth in this Agreement. Executive further agrees to indemnify Atmos Energy, its officers, directors, agents, employees, subsidiary companies, successors, assigns, representatives and agents for any and all investigations or liabilities imposed by any taxing authority due to Executive's failure to properly report and pay any taxes due.

3. Coordination with SERP and Other Benefits . The Parties agree that Executive does not waive any rights or claims to benefits available under the Atmos Energy Corporation Supplemental Executive Retirement Plan (SERP), the Atmos Energy Retirement Savings Plan (RSP) and the Time Off Policy (PTO). With the exception of the SERP, RSP, and PTO, it is expressly understood that the Separation Payment includes full and complete satisfaction of all amounts due to Executive as a result of his employment with the Company and the separation therefrom.

4. Cooperation . Executive agrees, upon Atmos Energy's reasonable request, to cooperate in any investigations and/or litigations, claims, or other disputed matters regarding events that occurred during Executive's employment with Atmos Energy. Executive will be entitled to indemnity by Atmos Energy with respect to any claims asserted against Executive in the future by any third party in accordance with the terms and extent of any indemnity obligations in effect at the time to any former officer. If Atmos Energy requests Executive's assistance under this paragraph 4, Atmos Energy will compensate Executive at the rate of $500 per hour and will reimburse Executive for any reasonable out-of-pocket expenses incurred by Executive in the performance of his obligations under this paragraph 4. The obligations of Executive set forth in this paragraph 4 will terminate two (2) years after the Effective Date.

5. Mutual Release . There are various local, state, and federal statutory and common laws that may apply and/or relate to Executive's employment with Atmos Energy. Executive understands that, among other things, these laws prohibit employment discrimination on the basis of age, color, race, gender, sexual reference/orientation, marital status, national origin, mental or physical disability, religious affiliation, veteran status, or other protected classification, and that these laws are enforced through the courts and agencies such as the Equal Employment Opportunity Commission (EEOC), Department of Labor, and state human rights, wage and hour and fair employment practices agencies.

Such laws include, but are not limited to, federal and state wage and hour laws, including the Fair Labor Standards Act (FLSA), federal and state whistleblower laws, federal and state leave laws, including the Family and Medical Leave Act (FMLA), federal and state anti-discrimination and other laws, including Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, as amended (ADEA), the Employee Retirement Income Security Act, 29 U.S.C. 100l, et seq. (ERISA) (excluding COBRA), 42 U.S.C. Section 1981, the Worker Adjustment and Retraining Notification (WARN) Act, the Equal Pay Act, the Americans with Disabilities Act (ADA), the Vietnam Era Veterans Readjustment Assistance Act, the Fair Credit Reporting Act, the Occupational Safety and Health Act (OSHA), the Sarbanes-Oxley Act of 2002 (SOX) and any other federal or state employment laws, as each may be amended from time to time.

By signing this Agreement, Executive releases Atmos Energy, and its respective directors, officers, representatives, agents and employees, and any of Atmos Energy's successors or predecessors, affiliates, or related companies (collectively referred to as "Releasees") from any and all claims, known or unknown, including claims for attorneys' fees and costs with respect to, or arising out of, Executive's employment or termination of employment with

Atmos Energy. In so doing, Executive agrees to give up any rights he may have under any laws that may apply to his employment or termination of employment with Atmos Energy except those described in paragraph 3, above, and paragraph 6 below.

Executive understands that he is giving up all statutory, common law or contract claims and rights, including those that Executive is not currently aware of and those not mentioned in this Agreement, up to and through the date that Executive signs and delivers this Agreement to Atmos Energy. Executive acknowledges and agrees that Atmos Energy has fully satisfied any and all obligations owed to him arising out of his employment with or termination from Atmos Energy, and no further sums or benefits are owed to him by Atmos Energy or by any of the other Releasees at any time.

Atmos Energy, in return for Executive signing this Agreement, hereby mutually releases, acquits and forever discharges Executive from any and all claims, known or unknown, including claims for attorneys' fees and costs with respect to, or arising out of, Executive's employment or termination of employment with Atmos Energy. Atmos Energy understands that Atmos Energy is giving up all statutory, common law or contract claims and rights, including those that Atmos Energy is not currently aware of and those not mentioned in this Agreement, up to and through the date that Executive signs and delivers this Agreement to Atmos Energy. Atmos Energy acknowledges and agrees that Executive has fully satisfied any and all obligations owed to Atmos Energy arising out of Executive's employment with or termination from Atmos Energy.

6. Activities Not Covered . Executive understands that this Agreement does not prohibit or prevent Executive from filing a charge or participating, testifying or assisting in investigations, hearings or other proceedings conducted by the EEOC, the NLRB, or a similar agency enforcing federal, state or local anti-discrimination laws. However, to the maximum extent provided by law, Executive does give up all rights to recover or receive individual damages, money, or other personal benefits as a result of such charge, investigation or proceeding.

Nothing in this Agreement prohibits Executive from a) reporting possible violations of law (including securities laws) to any government agency, including to the U.S. Congress, Department of Justice, Securities and Exchange Commission or Inspector General; b) making disclosures protected under federal whistleblower laws; or c) otherwise fully participating in any federal whistleblower programs.

7. Agreement Not to Sue . Executive agrees not to sue Atmos Energy with respect to claims Executive has released in this Agreement. If Executive does, Executive agrees to pay Atmos Energy's reasonable legal fees to the extent permitted by law. Atmos Energy agrees not to sue Executive with respect to claims Atmos Energy has released in this Agreement. If Atmos Energy does, Atmos Energy agrees to pay Executive's reasonable legal fees to the extent permitted by law.

8. Non-Admission . This Agreement shall not in any way be construed as an admission by either Party of any acts of wrongdoing, violation of any statute, law or legal or contractual right. Atmos Energy and Executive acknowledge that each has willingly entered into this Agreement.

9. Review by Counsel . Executive acknowledges that he is advised to discuss this Agreement and the effect of same with legal counsel of his own choosing and at his own expense,

that he has had a reasonable time to review this Agreement that he fully understands all the provisions of the Agreement and is voluntarily entering into this Agreement.

10. Confidential and Privileged Information. Executive understands that after the Separation Date, Executive will continue to be bound by his professional and other obligations and promises to the Company. Within five (5) days after the later of the Separation Date or Effective Date, Executive shall deliver to Atmos Energy all originals and copies of non-public documents, notes, memoranda or any other written materials that relate or refer to Atmos Energy.

Executive will not disclose to any third party attorney-client privileged information or non-public Company information. Attorney-client privileged information may never be disclosed absent a written waiver of the privilege by Atmos Energy as to the specific communications. Executive further promises that he will not disclose Atmos Energy's confidential information including, financial, legal or business information. The Executive agrees that all documents, records, techniques, business secrets, price and route information, business strategy and other information, whether in electronic form, hardcopy or other format, which have come into Executive's possession from time to time during his employment by Atmos Energy is deemed to be confidential and proprietary to Atmos Energy. Executive understands that this paragraph shall not apply to information that is known in the industry or disclosed by Atmos Energy or is required to be disclosed by valid legal process, provided, however, that prior to any such disclosure, if reasonably practicable, the Executive must first notify Atmos Energy and cooperate with Atmos Energy (at Atmos Energy's expense) in seeking a protective order.

11. Enforceability of Agreement. In the event that any one or more of the provisions contained in this Agreement shall for any reason be held to be unenforceable under the applicable law, the rest of the Agreement shall continue to apply.

12. Other Agreements. If any provision of any agreement, plan, policy, or other written document between or relating to Executive and Atmos Energy conflicts with any express provision of this Agreement, the provision of this Agreement will control. In deciding to sign this Agreement, Executive is not relying on any statements or promises except those found in this Agreement.

13. Time to Consider and Cancel. Executive understands that, pursuant to the Older Workers Benefit Protection Act of 1990, (OWBPA), Executive has the right to consult an attorney at his own expense before signing this Agreement, and Atmos Energy has advised Executive to consult an attorney; Executive has at least twenty-one days from the date Executive received this Agreement to consider the Agreement before signing it. Executive may change his mind and cancel the Agreement within seven calendar days after signing it, and the Agreement shall not go into effect until then. Executive agrees that any modifications, material or otherwise, made to this Agreement, do not restart or affect in any manner the original up to twenty-one day consideration period. If Executive decides to cancel this Agreement, Executive understands that Atmos Energy must receive written notice of Executive's decision directed to the General Counsel's attention before the seven-day period expires.

14. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas.

15. Executive's Heirs, etc . This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributes, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder as if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms hereof to his designee, or if there is no such designee, to his estate.

16. Publicity . The Parties will consult with each other prior to issuing any publication or press release of any nature with respect to this Agreement and shall not make or issue any such publication or press release prior to such consultation and without the prior written consent of the other Party except to the extent, but only to such extent, that, in the opinion of the Party issuing such publication or press release, such announcement or statement may be required by law, any listing agreement with any securities exchange or any securities exchange regulation.

17. Counterparts . This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement shall be deemed performable by all Parties in Dallas County, Texas and the construction and enforcement of this Agreement shall be governed by Texas law without regard to its conflicts of law rules.

BY SIGNING BELOW, EXECUTIVE ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT, HAS HAD THE OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF HIS CHOICE, UNDERSTANDS IT, AND IS VOLUNTARILY ENTERING INTO IT. **READ THIS AGREEMENT CAREFULLY. IT CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.**

Each of the Parties has caused this Agreement to be executed as of the day and year indicated below.

Atmos Energy Corporation

By: /s/ KIM R. COCKLIN Date: 1/17/2017
Name: Kim R. Cocklin
Title: Chief Executive Officer

By: /s/ BRET J. ECKERT Date: 1/17/2017
Bret J. Eckert

CASE NO. 2018-00281
FR 16(7)(p)
ATTACHMENT 2

Exhibit 99.1

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Announces the Retirement of
Senior Vice President and General Counsel Louis P. Gregory

DALLAS (January 19, 2017)—Atmos Energy Corporation (NYSE: ATO) today announced that effective February 1, 2017, Louis P. Gregory, Senior Vice President, General Counsel and Corporate Secretary is retiring.

"During Louis' tenure on the executive management team, the Legal Department became an integral and value-added part of the business and helped the company achieve new levels of success," said Kim Cocklin, Chief Executive Officer.

Gregory joined Atmos Energy on September 5, 2000, as Senior Vice President and General Counsel and added the position of Corporate Secretary in 2012. "Louis made many valuable contributions to the company, chief among them his significant leadership during the nearly $2.0 billion acquisition of the Mid-Tex and Atmos Pipeline Texas Divisions, a transaction that closed in record time and transformed our company," said Robert W. Best, Chairman of the Board of Directors. "He has always led with integrity, high ethical standards and great dedication," Best concluded.

Gregory's successor will be named at a later date.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest, fully regulated, natural-gas-only distributor, 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. For more information, visit www.atmosenergy.com.

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Exhibit 99.2

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Corporation Announces Departure of Bret J. Eckert as Senior Vice President and Chief Financial Officer

Christopher T. Forsythe to Succeed Eckert

DALLAS (January 19, 2017)—Atmos Energy Corporation (NYSE: ATO) today announced that Bret J. Eckert will be leaving the company as Senior Vice President and Chief Financial Officer to pursue other opportunities, effective February 1, 2017. Christopher T. Forsythe, Vice President and Controller, will succeed him.

"Since joining the company in 2012, Bret has been an outstanding contributor to Atmos Energy through his leadership and guidance," said Robert W. Best, Chairman of the Board of Directors. "The past five years resulted in unprecedented growth for the company and Bret was an integral contributor to our success."

"Through Bret's exceptional leadership, he advanced our strategic direction and message, while strengthening the balance sheet, reducing risk and delivering consistent, sustainable growth to our shareholders," added Kim Cocklin, Chief Executive Officer. "We are very appreciative of his service to Atmos Energy and wish him all the best in his future endeavors."

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest natural-gas-only distributor, 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. For more information, visit www.atmosenergy.com.

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Exhibit 99.3

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Corporation Names Christopher T. Forsythe Chief Financial Officer

DALLAS (January 19, 2017)—Atmos Energy Corporation (NYSE: ATO) today announced that Christopher T. Forsythe, Vice President and Controller, has been promoted by the Board of Directors to Senior Vice President and CFO, effective February 1, 2017. He will report directly to Kim Cocklin, Chief Executive Officer, and serve on the company's Management Committee.

"We are extremely fortunate to have someone with Chris' talent and background. Chris has been with the company for over 13 years in many leadership roles, ready to provide a seamless transition as the company's Chief Financial Officer," said Kim Cocklin, Chief Executive Officer. "He will broaden and complement our senior management team, remaining focused on preserving and strengthening our sound financial health."

Forsythe, 45, joined Atmos Energy in June 2003 and was promoted to Director of Financial Reporting in September 2003, having previously worked as a Senior Audit Manager for PricewaterhouseCoopers LLP. He was promoted to his current position in 2009. Forsythe is a graduate of Baylor University with Bachelors of Business Administration degrees in Accounting and Management Information Systems. He is a member of the Texas Society of Certified Public Accountants.

About Atmos Energy

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CASE NO. 2018-00281
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

February 7, 2017
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 Tuesday, February 7, 2017, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the 2017 fiscal year first quarter, which ended December 31, 2016, and that certain of its officers would discuss such financial results in a conference call on Wednesday, February 8, 2017 at 8:00 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 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release dated February 7, 2017 (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: February 7, 2017

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated February 7, 2017 (furnished under Item 2.02)

CASE NO. 2018-00281
FR 16(7)(p)
ATTACHMENT 2

Exhibit 99.1

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2017 First Quarter; Reaffirms Fiscal 2017 Guidance

DALLAS (February 7, 2017) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2017 first quarter ended December 31, 2016 .

- Fiscal 2017 first quarter consolidated net income was $125.0 million , or $1.19 per diluted share, compared with consolidated net income of $102.9 million , or $1.00 per diluted share in the prior-year quarter.

- Fiscal 2017 first quarter net income from continuing operations was $114.0 million , or $1.08 per diluted share, and income from discontinued operations was $11.0 million , or $0.11 per diluted share. In the prior-year quarter, net income from continuing operations was $101.5 million , or $0.99 per diluted share, and income from discontinued operations was $1.3 million , or $0.01 per diluted share.

- The company's Board of Directors has declared a quarterly dividend of $0.45 per common share. The indicated annual dividend for fiscal 2017 is $1.80, which represents a 7.1 percent increase over fiscal 2016.

“Our first quarter results reflect the positive execution of our growth strategy,” said Kim Cocklin, Chief Executive Officer of Atmos Energy Corporation. “Ongoing capital investments made to our infrastructure have enhanced the safe and reliable delivery of natural gas to our customers and provided a steady return to shareholders. In addition, we are pleased that Atmos Energy has become a fully regulated, pure-play natural gas utility after closing on the sale of our nonregulated natural gas marketing business in January. Fiscal 2017 earnings from continuing operations are still expected to range from between $3.45 and $3.65 per diluted share,” Cocklin concluded.

Results for the Three Months Ended December 31, 2016

Distribution gross profit increased $23.8 million to $359.3 million for the three months ended December 31, 2016 , compared with $335.5 million in the prior-year period. Gross profit reflects a net $15.9 million increase in rates, primarily in the Mid-Tex, Louisiana and West Texas Divisions. In addition, transportation gross profit primarily in the Kentucky/Mid-States and West Texas

Divisions increased $2.0 million. Finally, customer growth primarily in the Mid-Tex Division contributed an incremental $1.7 million in gross profit.

Pipeline and storage gross profit increased $10.6 million to $109.6 million for the three months ended December 31, 2016 , compared with $99.0 million in the prior-year period. This increase primarily is attributable to a $10.8 million increase in revenue from the Gas Reliability Infrastructure Program (GRIP) filings approved in fiscal 2016.

Continuing operation and maintenance expense for the three months ended December 31, 2016 , was $124.9 million , compared with $119.8 million for the prior-year period. This increase was primarily driven by increased pipeline maintenance spending.

In January 2017, the company completed the sale of its natural gas marketing business. Accordingly, the results of operations for the divested business have been presented as discontinued operations. Net income from discontinued operations increased $9.7 million to $11.0 million for the three months ended December 31, 2016 , compared with $1.3 million in the prior-year period. The increase largely reflects the recognition of a net $6.6 million noncash gain from unwinding hedge accounting for certain of the natural gas marketing business's financial positions as a result of the sale.

Capital expenditures increased to $298.0 million for the three months ended December 31, 2016 , compared with $290.4 million in the prior-year quarter driven by a planned increase in spending for infrastructure replacements and enhancements.

For the three months ended December 31, 2016 , the company generated operating cash flow of $117.0 million , a $46.8 million increase compared with the three months ended December 31, 2015 . The year-over-year increase primarily reflects favorable deferred gas cost recoveries attributable to higher sales volumes than in the prior-year quarter.

The debt capitalization ratio at December 31, 2016 was 48.7 percent , compared with 48.5 percent at September 30, 2016 and 49.5 percent at December 31, 2015 . At December 31, 2016 , there was $940.7 million of short-term debt outstanding, compared with $829.8 million at September 30, 2016 and $763.2 million at December 31, 2015 . Short-term debt balances fluctuate due to the seasonal nature of the natural gas business and the timing of spending year over year.

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 continues to expect fiscal 2017 earnings from continuing operations to be in the range of $3.45 to $3.65 per diluted share. Net income from continuing operations is expected to be in the range of $365 million to $390 million. Capital expenditures for fiscal 2017 are expected to range between $1.1 billion and $1.25 billion.

Conference Call to be Webcast February 8, 2017

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2017 first quarter financial results on Wednesday, February 8, 2017 , at 8:00 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, Mike Haefner, President and Chief Operating Officer and Chris Forsythe, 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

Senior Management Changes
On January 19, 2017, Atmos Energy announced the departure of Bret J. Eckert, Senior Vice President and Chief Financial Officer, effective February 1, 2017 and the appointment of Christopher T. Forsythe, Vice President and Controller, to succeed him, also effective February 1, 2017.

On January 19, 2017, Atmos Energy also announced the retirement of Louis P. Gregory, Senior Vice President, General Counsel and Corporate Secretary, effective February 1, 2017. Gregory's successor will be named at a later date.

On November 30, 2016, Atmos Energy announced two promotions to its senior management team, effective January 1, 2017. Kevin Akers, President of the Kentucky/Mid-States Division was promoted to Senior Vice President, Safety and Enterprise Services and Matt Robbins was promoted from Vice President, Human Resources to Senior Vice President, Human Resources.

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, 2016 . 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 the country's largest natural-gas-only distributor, 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. For more information, visit www.atmosenergy.com .

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income (000s except per share)	Three Months Ended December 31 2016	2015
Gross Profit:		
Distribution segment	$ 359,310	$ 335,452
Pipeline and storage segment	109,597	98,975
Intersegment eliminations	(44)	—
Gross profit	468,863	434,427
Operation and maintenance expense	124,938	119,828
Depreciation and amortization	76,958	70,656
Taxes, other than income	57,049	51,214
Total operating expenses	258,945	241,698
Operating income	209,918	192,729
Miscellaneous expense	(994)	(879)
Interest charges	31,030	29,537
Income from continuing operations before income taxes	177,894	162,313
Income tax expense	63,856	60,767
Income from continuing operations	114,038	101,546
Income from discontinued operations, net of tax	10,994	1,315
Net Income	$ 125,032	$ 102,861
Basic and diluted net income per share		
Income per share from continuing operations	$ 1.08	$ 0.99
Income per share from discontinued operations	0.11	0.01
Net income per share - basic and diluted	$ 1.19	$ 1.00
Cash dividends per share	$ 0.45	$ 0.42
Basic and diluted weighted average shares outstanding	105,284	102,713

Summary Net Income by Segment (000s)	Three Months Ended December 31 2016	2015
Distribution	$ 85,364	$ 73,936
Pipeline and storage	28,674	27,610
Income from continuing operations	114,038	101,546
Income from discontinued operations, net of tax	10,994	1,315
Consolidated net income	$ 125,032	$ 102,861

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	December 31, 2016	September 30, 2016
Net property, plant and equipment	$ 8,552,962	$ 8,268,606
Cash and cash equivalents	44,624	47,534
Accounts receivable, net	458,813	215,880
Gas stored underground	163,763	179,070
Current assets of disposal group classified as held for sale	235,482	151,117
Other current assets	76,750	88,085
Total current assets	979,432	681,686
Goodwill	729,673	726,962
Noncurrent assets of disposal group classified as held for sale	—	28,616
Deferred charges and other assets	317,088	305,019
	$ 10,579,155	$ 10,010,889
Shareholders' equity	$ 3,698,975	$ 3,463,059
Long-term debt	2,314,199	2,188,779
Total capitalization	6,013,174	5,651,838
Accounts payable and accrued liabilities	268,647	196,485
Current liabilities of disposal group classified as held for sale	109,298	72,900
Other current liabilities	381,123	439,085
Short-term debt	940,747	829,811
Current maturities of long-term debt	250,000	250,000
Total current liabilities	1,949,815	1,788,281
Deferred income taxes	1,725,433	1,603,056
Noncurrent liabilities of disposal group classified as held for sale	—	316
Deferred credits and other liabilities	890,733	967,398
	$ 10,579,155	$ 10,010,889

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Three Months Ended December 31 2016	2015
Cash flows from operating activities		
Net income	$ 125,032	$ 102,861
Depreciation and amortization	77,143	71,239
Deferred income taxes	67,241	59,299
Discontinued cash flow hedging for natural gas marketing commodity contracts	(10,579)	—
Other	4,842	3,471
Changes in assets and liabilities	(146,716)	(166,729)
Net cash provided by operating activities	116,963	70,141
Cash flows from investing activities		
Capital expenditures	(297,962)	(290,412)
Acquisition	(85,714)	—
Available-for-sale securities activities, net	(10,263)	(2,263)
Other, net	1,802	2,382
Net cash used in investing activities	(392,137)	(290,293)
Cash flows from financing activities		
Net increase in short-term debt	110,936	305,309
Proceeds from issuance of long-term debt, net of discount	125,000	—
Net proceeds from equity offering	49,400	—
Issuance of common stock through stock purchase and employee retirement plans	8,998	8,729
Interest rate agreements cash collateral	25,670	—
Cash dividends paid	(47,740)	(43,636)
Net cash provided by financing activities	272,264	270,402
Net increase (decrease) in cash and cash equivalents	(2,910)	50,250
Cash and cash equivalents at beginning of period	47,534	28,653
Cash and cash equivalents at end of period	$ 44,624	$ 78,903

Statistics	Three Months Ended December 31 2016	2015
Consolidated distribution throughput (MMcf as metered)	110,605	104,465
Consolidated pipeline and storage transportation volumes (MMcf)	134,976	129,159
Distribution meters in service	3,202,106	3,167,702
Distribution average cost of gas	$ 5.31	$ 4.35

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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

February 7, 2017
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.

(a) On February 7, 2017, Richard M. Thomas, director, capital markets for Atmos Energy, was appointed by the Board of Directors as vice president and controller, effective February 8, 2017. Mr. Thomas, 36, joined Atmos Energy in June 2013. Before joining the company, he served as assistant controller for Tuesday Morning Corporation from November 2012 to June 2013. Additionally, Mr. Thomas was a senior manager with Ernst & Young, LLP in the firm’s audit and business advisory services group at the time he left the firm in November 2012, where he began his career upon graduation from Texas A&M University in June 2003. Although Atmos Energy is not a party to any employment agreement with Mr. Thomas, he will be eligible to participate in all applicable incentive, benefit, change in control and other executive compensation plans offered by the company to its corporate officers. Mr. Thomas has not received any grant or award under any company plan, contract or arrangement in connection with his appointment.

(b) On February 8, 2017, following the conclusion of the company's 2017 annual meeting of shareholders, Thomas C. Meredith retired from the company's board of directors in accordance with the board's mandatory retirement policy. Dr. Meredith has served the company as a board member since 1995. In connection with Dr. Meredith's retirement from the board, he also simultaneously retired as chair of the Work Session/Annual Meeting Committee and a member of the Executive, Human Resources, and Nominating and Corporate Governance Committees of the board. A copy of the news release announcing the retirement of Dr. Meredith from the board is filed herewith as Exhibit 99.1.

Item 5.07. Submission of Matters to a Vote of Security Holders.

At the company’s 2017 annual meeting of shareholders on February 8, 2017, of the 105,094,734 total shares of common stock outstanding and entitled to vote, a total of 95,306,389 shares were represented, constituting a 90.7% quorum. The final results for each of the matters submitted to a vote of our shareholders at the annual meeting are as follows:

***Proposal No. 1* :** All of the board’s nominees for director were elected by our shareholders to serve until the company’s 2018 annual meeting of shareholders or until their respective successors are elected and qualified, with the vote totals as set forth in the table below:

Nominee	For	Against	Abstain	Broker Non-Votes
Robert W. Best	80,126,881	587,177	119,569	14,472,762
Kim R. Cocklin	80,312,015	382,726	138,886	14,472,762
Kelly H. Compton	80,356,062	338,175	139,390	14,472,762
Richard W. Douglas	80,389,609	312,775	131,243	14,472,762
Ruben E. Esquivel	80,331,227	361,893	140,507	14,472,762
Rafael G. Garza	80,426,010	272,326	135,291	14,472,762
Richard K. Gordon	79,967,570	731,624	134,433	14,472,762
Robert C. Grable	80,441,672	260,038	131,917	14,472,762
Michael E. Haefner	80,199,833	488,002	145,792	14,472,762
Nancy K. Quinn	80,122,728	583,935	126,964	14,472,762
Richard A. Sampson	80,444,150	253,323	136,154	14,472,762
Stephen R. Springer	80,290,955	411,113	131,559	14,472,762
Richard Ware II	71,717,290	8,983,684	132,653	14,472,762

Proposal No. 2 **:** The appointment of Ernst & Young LLP as the company's independent registered public accounting firm for fiscal 2017 was ratified by our shareholders, with the vote totals as set forth in the table below:

For	Against	Abstain	Broker Non-Votes
94,258,010	875,528	172,851	-0-

Proposal No. 3: Our shareholders approved, on an advisory (non-binding) basis, the compensation of our named executive officers for fiscal 2016, with the vote totals as set forth in the table below:

For	Against	Abstain	Broker Non-Votes
76,005,137	4,007,631	820,859	14,472,762

Item 8.01. Other Events.

On February 8, 2017, the independent directors of the company's board designated director Richard K. Gordon, chair of the Human Resources Committee, as Lead Director.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release issued by Atmos Energy Corporation dated February 9, 2017

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: February 10, 2017

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release issued by Atmos Energy Corporation dated February 9, 2017

Exhibit 99.1

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Announces Retirement of Meredith from Board of Directo rs

DALLAS (February 9, 2017)—Atmos Energy Corporation announced today that Dr. Thomas C. Meredith has retired from the company's board of directors, effective after the company's annual meeting of shareholders held on February 8, 2017.

Dr. Meredith joined the board of directors in 1995 and has served as chairman of its Work Session/Annual Meeting Committee since 2010. He has also served as a member of the Audit, Executive, Human Resources and Nominating and Corporate Governance Committees during his tenure on the board. The board has benefited greatly from Dr. Meredith's professional background as well as his leadership experience through his roles as an administrative and financial consultant to university boards and presidents, Commissioner of the Mississippi Institutions of Higher Learning, Chancellor of the University System of Georgia, Chancellor of the University of Alabama System, and President of Western Kentucky University.

"Tom Meredith has been a dedicated member of our board and has provided tremendous leadership, invaluable counsel and steady guidance for over 20 years during periods of significant change for our company," said Bob Best, chairman of the board of Atmos Energy.

"Dr. Meredith has invested considerable time, effort and energy in helping us achieve a clear vision and strategic direction for the growth of our company," Best said. "We are sincerely grateful to him and appreciate his many contributions as well as his friendship and support. We wish him all the best."

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest natural-gas-only distributor, 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. For more information, visit www.atmosenergy.com .

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CASE NO. 2018-00281
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

March 24, 2017
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 8.01 Other Events.

The following updates the description of our common stock filed on Form 8-A pursuant to the Securities Exchange Act of 1934, as amended.

General

Our authorized capital stock consists of 200,000,000 shares of common stock, no par value, of which 105,274,535 shares were outstanding on March 24, 2017. Each of our shares of common stock is entitled to one vote on all matters voted upon by shareholders. Our shareholders do not have cumulative voting rights. Our issued and outstanding shares of common stock are fully paid and nonassessable. There are no redemption or sinking fund provisions applicable to the shares of our common stock, and such shares are not entitled to any preemptive rights. Since we are incorporated in both Texas and Virginia, we must comply with the laws of both states when issuing shares of our common stock.

Holders of our shares of common stock are entitled to receive such dividends as may be declared from time to time by our board of directors from our assets legally available for the payment of dividends and, upon our liquidation, a pro rata share of all of our assets available for distribution to our shareholders.

American Stock Transfer & Trust Company is the registrar and transfer agent for our common stock.

Charter and Bylaws Provisions

Some provisions of our articles of incorporation and bylaws may be deemed to have an “anti-takeover” effect. The following description of these provisions is only a summary, and we refer you to our articles of incorporation and bylaws for more information. Our articles of incorporation and bylaws are included as exhibits to our annual reports on Form 10-K filed with the Securities and Exchange Commission (“SEC”).

Cumulative Voting. Our articles of incorporation prohibit cumulative voting. In general, in the absence of cumulative voting, one or more persons who hold a majority of our outstanding shares can elect all of the directors who are subject to election at any meeting of shareholders.

Removal of Directors. Our articles of incorporation and bylaws also provide that our directors may be removed only for cause and upon the affirmative vote of the holders of at least 75 percent of the shares then entitled to vote at an election of directors.

Fair Price Provisions. Article VII of our articles of incorporation provides certain “Fair Price Provisions” for our shareholders. Under Article VII, a merger, consolidation, sale of assets, share exchange, recapitalization or other similar transaction, between us or a company controlled by or under common control with us and any individual, corporation or other entity which owns or controls 10 percent or more of our voting capital stock, would be required to satisfy the condition that the aggregate consideration per share to be received in the transaction for each class of our voting capital stock be at least equal to the highest per share price, or equivalent price for any different classes or series of stock, paid by the 10 percent shareholder in acquiring any of its holdings of our stock. If a proposed transaction with a 10 percent shareholder does not meet this condition, then the transaction must be approved by the holders of at least 75 percent of the outstanding shares of voting capital stock held by our shareholders other than the 10 percent shareholder, unless a majority of the directors who were members of our board immediately prior to the time the 10 percent shareholder involved in the proposed transaction became a 10 percent shareholder have either:

- expressly approved in advance the acquisition of the outstanding shares of our voting capital stock that caused the 10 percent shareholder to become a 10 percen t shareholder; or

- approved the transaction either in advance of or subsequent to the 10 percent shareholder becoming a 10 percent shareholder.

The provisions of Article VII may not be amended, altered, changed, or repealed except by the affirmative vote of at least 75 percent of the votes entitled to be cast thereon at a meeting of our shareholders duly called for consideration of such amendment, alteration, change, or repeal. In addition, if there is a 10 percent shareholder, such action must also be approved by the affirmative vote of at least 75 percent of the outstanding shares of our voting capital stock held by the shareholders other than the 10 percent shareholder.

Shareholder Proposals and Director Nominations. Our shareholders can submit shareholder proposals and nominate candidates for the board of directors if the shareholders follow the advance notice procedures described in our bylaws.

Shareholder proposals (other than those sought to be included in our proxy statement) must be submitted to our corporate secretary at least 60 days, but not more than 85 days, before the annual meeting; provided, however, that if less than 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 our corporate secretary no later than the close of business on the 25th day following the day on which such notice of the date of the annual meeting was provided or such public disclosure was made. The notice must include a description of the proposal, the shareholder's name and address and the number of shares held, and all other information which would be required to be included in a proxy statement filed with the SEC if the shareholder were a participant in a solicitation subject to the SEC's proxy rules. To be included in our proxy statement for an annual meeting, our corporate secretary must receive the proposal at least 120 days prior to the anniversary of the date we mailed the proxy statement for the prior year's annual meeting.

To nominate directors, shareholders must submit a written notice to our corporate secretary at least 60 days, but not more than 85 days, before a scheduled meeting; provided, however, that if less than 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 our corporate secretary no later than the close of business on the 25th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. The notice must include the name and address of the shareholder and of the shareholder's nominee, the number of shares held by the shareholder, a representation that the shareholder is a holder of record of common stock entitled to vote at the meeting, and that the shareholder intends to appear in person or by proxy to nominate the persons specified in the notice, a description of any arrangements between the shareholder and the shareholder's nominee, information about the shareholder's nominee required by the SEC and the written consent of the shareholder's nominee to serve as a director.

Shareholder proposals and director nominations that are late or that do not include all required information may be rejected. This could prevent shareholders from bringing certain matters before an annual or special meeting or making nominations for directors.

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: March 28, 2017

By: /s/ PHILLIP L. ALLBRITTEN
Phillip L. Allbritten
Associate General Counsel and
Assistant Corporate Secretary

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

April 12, 2017
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 8.01. Other Events

Atmos Energy Corporation, a Texas and Virginia corporation ("Atmos Energy" or the "Company"), has filed this Current Report on Form 8-K (the "Form 8-K") to provide a recast of the presentation of our consolidated financial statements filed with the Securities and Exchange Commission ("SEC") in the Company's Annual Report on Form 10-K for the year ended September 30, 2016, filed on November 14, 2016 (the "Fiscal 2016 Form 10-K") to reflect changes in the Company's reportable segments which took effect on December 1, 2016 and the presentation of the Company's nonregulated natural gas marketing business as discontinued operations.

As disclosed in our Quarterly Report on Form 10-Q for the period ended December 31, 2016 ("First Quarter Fiscal 2017 Form 10-Q"), effective January 1, 2017, we closed the sale of all the equity interests of Atmos Energy Marketing, LLC ("AEM") to CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy Inc. Upon the closing of that sale, Atmos Energy fully exited the nonregulated natural gas marketing business. Following the announcement of the sale of AEM, Atmos Energy revised the information used by our chief operating decision maker to manage the Company. Effective December 1, 2016, we have been managing and reviewing our consolidated operations through the following three reportable segments: (i) Distribution, (ii) Pipeline and Storage and (iii) Natural Gas Marketing (comprised solely of our discontinued natural gas marketing operations) instead of the following reportable segments prior to that time: (i) Regulated Distribution, (ii) Regulated Pipeline and (iii) Nonregulated. The Company also began to report under the new reporting structure effective with the filing of our First Quarter Fiscal 2017 Form 10-Q. Further, as a result of the sale, we presented the results of AEM as discontinued operations as of December 31, 2016. The following items of our Fiscal 2016 Form 10-K and related exhibits have been recast to reflect the segment changes and discontinued operations presentation described above, to the extent applicable, and are filed as exhibits to this Form 8-K and incorporated herein by reference:

- Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges
- Exhibit 99.1
    - Item 1. Business
    - Item 2. Properties
    - Item 6. Selected Financial Data
    - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
    - Item 7A. Quantitative and Qualitative Disclosures About Market Risk
    - Item 8. Financial Statements and Supplementary Data
- Exhibit 101.INS - XBRL Instance Document
- Exhibit 101.SCH - XBRL Taxonomy Extension Schema
- Exhibit 101.CAL - XBRL Taxonomy Extension Calculation Linkbase
- Exhibit 101.DEF - XBRL Taxonomy Extension Definition Linkbase
- Exhibit 101.LAB - XBRL Taxonomy Extension Label Linkbase
- Exhibit 101.PRE - XBRL Taxonomy Extension Presentation Linkbase

The change in segments and presentation of discontinued operations had no impact on the Company's historical consolidated financial position, results of operations or cash flows, as reflected in the recast consolidated financial statements contained in Exhibit 99.1 to this Form 8-K. The recast consolidated financial statements also do not represent a restatement of previously issued consolidated financial statements. No attempt has been made in this Form 8-K, and it should not be read, to modify or update disclosures as presented in the Fiscal 2016 Form 10-K to reflect events or occurrences after November 14, 2016, the date of the filing of the Fiscal 2016 Form 10-K, except for Note 15-Discontinued Operations, which has been substituted for the former Note 15-Subsequent Events, which appeared in Item 8 to the Fiscal 2016 Form 10-K as filed, or except as may be otherwise specifically provided in Exhibit 99.1 to this Form 8-K.

Accordingly, this Form 8-K (including Exhibit 99.1) should be read in conjunction with the Fiscal 2016 Form 10-K and the Company's filings made with the SEC subsequent to the filing of the Fiscal 2016 Form 10-K, including the First Quarter Fiscal 2017 Form 10-Q, in which the retrospective application of the Company’s new segments was presented for the quarterly periods ended December 31, 2016 and 2015. The Company is filing this Form 8-K so that the information in our annual financial statements for the fiscal years prior to fiscal 2017, which have been or may be incorporated by reference in any document that the Company has filed or may file from time to time with the SEC, would reflect the Company’s realigned reportable segments and discontinued operations presentation.

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The statements contained in this Current Report on Form 8-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 and capital 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 natural gas 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. Because forward-looking statements involve risks and uncertainties, we caution that there are important factors, in addition to those listed above, that may cause actual results to differ materially from those contained in the forward-looking statements. For a detailed discussion of those factors, see Part I, Item 1A. Risk Factors in our Fiscal 2016 Form 10-K filed with the SEC on November 14, 2016.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Description
12	Computation of Ratio of Earnings to Fixed Charges
23.1	Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP
99.1	Business, Properties, Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures About Market Risk, Financial Statements and Supplementary Data of Atmos Energy Corporation (Part I, Items 1 and 2, and Part II, Items 6, 7, 7A and 8 of our Annual Report on Form 10-K for the year ended September 30, 2016)
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 Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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: April 12, 2017

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
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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 Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

CASE NO. 2018-00281
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

May 3, 2017
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)

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□ 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, May 3, 2017, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the 2017 fiscal year second quarter, which ended March 31, 2017, and that certain of its officers would discuss such financial results in a conference call on Thursday, May 4, 2017 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 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release dated May 3, 2017 (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: May 3, 2017

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated May 3, 2017 (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 2017 Second Quarter and Six Months; Reaffirms Fiscal 2017 Guidance

DALLAS (May 3, 2017) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2017 second quarter and six months ended March 31, 2017 .

- Fiscal 2017 second quarter consolidated net income was $164.7 million , or $1.55 per diluted share, compared with consolidated net income of $141.8 million , or $1.38 per diluted share in the prior-year quarter.
- Fiscal 2017 second quarter net income from continuing operations was $162.0 million , or $1.52 per diluted share. In the prior-year quarter, net income from continuing operations was $143.0 million , or $1.39 per diluted share, and the net loss from discontinued operations was $1.2 million , or $0.01 per diluted share.
- The company recognized a net gain on the sale of discontinued operations of $2.7 million , or $0.03 per diluted share in the current-year quarter, upon completion of the sale of Atmos Energy Marketing, LLC in January 2017.
- The company's Board of Directors has declared a quarterly dividend of $0.45 per common share. The indicated annual dividend for fiscal 2017 is $1.80, which represents a 7.1 percent increase over fiscal 2016.

For the six months ended March 31, 2017 , net income from continuing operations was $276.1 million or $2.61 per diluted share, compared with net income from continuing operations of $244.5 million , or $2.38 per diluted share for the same period last year. Net income from discontinued operations for the six months ended March 31, 2017 , was $13.7 million , or $0.13 per diluted share, including the gain on sale, compared with net income from discontinued operations of $0.1 million in the prior-year period.

"Our solid financial performance in the second quarter reflects the continued execution of our growth strategy, coupled with weather mechanisms which effectively insulated us during a period of warmer than normal weather," said Kim Cocklin, chief executive officer of Atmos Energy Corporation. "Our results reflect the significant capital investments we have made in our infrastructure to safely and reliably deliver natural gas to our 3.2 million customers. For fiscal

2017, we remain on track to meet earnings from continuing operations of between $3.45 and $3.65 per diluted share," Cocklin concluded.

Results for the Three Months Ended March 31, 2017

Distribution gross profit, which is defined as operating revenues less purchased gas cost, increased $37.9 million to $449.4 million for the three months ended March 31, 2017 , compared with $411.5 million in the prior-year quarter. Gross profit reflects a net $29.5 million increase in rates, primarily in the Mid-Tex, Mississippi and Louisiana Divisions. In addition, customer growth primarily in the Mid-Tex and Tennessee service areas contributed an incremental $2.5 million in gross profit. These increases were partially offset by a net $0.6 million decline in consumption primarily due to weather that was 23 percent warmer than the prior-year quarter, before adjusting for weather normalization mechanisms.

Pipeline and storage gross profit, which is defined as operating revenues less purchased gas cost, increased $10.0 million to $111.2 million for the three months ended March 31, 2017 , compared with $101.2 million in the prior-year quarter. This increase is primarily the result of a $10.8 million increase in revenues from the Gas Reliability Infrastructure Program (GRIP) filing approved in 2016.

Continuing operation and maintenance expense for the three months ended March 31, 2017 , was $132.2 million , compared with $127.9 million for the prior-year quarter. The $4.3 million quarter-over-quarter increase was primarily driven by higher employee-related costs.

Results for the Six Months Ended March 31, 2017

Distribution gross profit increased $61.9 million to $808.8 million for the six months ended March 31, 2017 , compared with $746.9 million in the prior-year period. Gross profit reflects a net $46.6 million increase in rates, primarily in the Mid-Tex, Louisiana and Mississippi Divisions. Customer growth primarily in the Mid-Tex Division contributed an incremental $4.2 million in gross profit. Revenue-related taxes primarily in the Mid-Tex and West Texas Divisions increased gross profit by $3.8 million. Transportation gross profit primarily in the Kentucky/Mid-States and West Texas Divisions increased $2.7 million, period over period. These increases were partially offset by a net $1.0 million decline in consumption primarily due to weather that was 12 percent warmer than the prior-year period, before adjusting for weather normalization mechanisms.

Pipeline and storage gross profit increased $20.6 million to $220.8 million for the six months ended March 31, 2017 , compared with $200.2 million in the prior-year period. This increase primarily is attributable to a $21.5 million increase in revenue from the GRIP filings approved in fiscal 2016.

Continuing operation and maintenance expense for the six months ended March 31, 2017 , was $257.2 million , compared with $247.7 million for the prior-year period. This $9.5 million increase was primarily driven by higher employee-related costs and increased pipeline maintenance spending.

In January 2017, the company completed the sale of its natural gas marketing business. Net income from discontinued operations was $13.7 million for the six months ended March 31, 2017 , compared with $0.1 million in the prior–year period. The increase largely reflects the recognition of a net $6.6 million noncash gain in the first quarter of fiscal 2017 from unwinding

hedge accounting for certain of the natural gas marketing business's financial positions as a result of the sale and the $2.7 million gain recognized on the sale.

Capital expenditures increased $23.4 million to $559.4 million for the six months ended March 31, 2017 , compared with $536.0 million in the prior-year period, driven by a planned increase in spending for infrastructure replacements and enhancements.

For the six months ended March 31, 2017 , the company generated operating cash flow of $552.0 million , a $99.0 million increase compared with the six months ended March 31, 2016 . The year-over-year increase primarily reflects the positive cash effect of successful rate case outcomes achieved in fiscal 2016 and changes in working capital.

The debt capitalization ratio at March 31, 2017 was 45.8 percent , compared with 48.5 percent at September 30, 2016 and 47.8 percent at March 31, 2016 . At March 31, 2017 , there was $670.6 million of short-term debt outstanding, compared with $829.8 million at September 30, 2016 and $626.9 million at March 31, 2016 . Short-term debt balances fluctuate due to the seasonal nature of the natural gas business and the timing of spending year over year.

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 continues to expect fiscal 2017 earnings from continuing operations to be in the range of $3.45 to $3.65 per diluted share. Net income from continuing operations is still expected to be in the range of $365 million to $390 million. Capital expenditures for fiscal 2017 are still expected to range between $1.1 billion and $1.25 billion.

Conference Call to be Webcast May 4, 2017

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2017 second quarter financial results on Thursday, May 4, 2017 , at 10:00 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, Mike Haefner, President and Chief Operating Officer and Chris Forsythe, 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

Board Retirement

On February 9, 2017, Atmos Energy announced the retirement of Dr. Thomas C. Meredith from the company's Board of Directors, effective February 8, 2017.

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, 2016 , and in the company's Quarterly Report on Form 10-Q for the three months ended December 31, 2016. 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 the country's largest natural-gas-only distributor, 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. For more information, visit www.atmosenergy.com .

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income (000s except per share)	Three Months Ended March 31 2017	Three Months Ended March 31 2016
Gross Profit:		
Distribution segment	$ 449,445	$ 411,456
Pipeline and storage segment	111,247	101,228
Intersegment eliminations	—	—
Gross profit	560,692	512,684
Operation and maintenance expense	132,239	127,857
Depreciation and amortization	77,667	71,391
Taxes, other than income	65,614	61,780
Total operating expenses	275,520	261,028
Operating income	285,172	251,656
Miscellaneous income (expense)	833	(329)
Interest charges	26,944	27,559
Income from continuing operations before income taxes	259,061	223,768
Income tax expense	97,049	80,765
Income from continuing operations	162,012	143,003
Loss from discontinued operations, net of tax	—	(1,193)
Gain on sale of discontinued operations, net of tax	2,716	—
Net Income	$ 164,728	$ 141,810
Basic and diluted net income per share		
Income per share from continuing operations	$ 1.52	$ 1.39
Income (loss) per share from discontinued operations	0.03	(0.01)
Net income per share - basic and diluted	$ 1.55	$ 1.38
Cash dividends per share	$ 0.45	$ 0.42
Basic and diluted weighted average shares outstanding	105,935	102,946

Summary Net Income (Loss) by Segment (000s)	Three Months Ended March 31 2017	Three Months Ended March 31 2016
Distribution	$ 131,145	$ 115,080
Pipeline and storage	30,867	27,923
Net income from continuing operations	162,012	143,003
Net income from discontinued operations	2,716	(1,193)
Net Income	$ 164,728	$ 141,810

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Statements of Income (000s except per share)	Six Months Ended March 31 2017	Six Months Ended March 31 2016
Gross Profit:		
Distribution	$ 808,755	$ 746,908
Pipeline and Storage	220,844	200,203
Intersegment eliminations	(44)	—
Gross profit	1,029,555	947,111
Operation and maintenance expense	257,177	247,685
Depreciation and amortization	154,625	142,047
Taxes, other than income	122,663	112,994
Total operating expenses	534,465	502,726
Operating income	495,090	444,385
Miscellaneous expense	(161)	(1,208)
Interest charges	57,974	57,096
Income from continuing operations before income taxes	436,955	386,081
Income tax expense	160,905	141,532
Income from continuing operations	276,050	244,549
Income from discontinued operations, net of tax	10,994	122
Gain on sale of discontinued operations, net of tax	2,716	—
Net Income	$ 289,760	$ 244,671
Basic and diluted earnings per share		
Income per share from continuing operations	$ 2.61	$ 2.38
Income per share from discontinued operations	0.13	—
Net income per share - basic and diluted	$ 2.74	$ 2.38
Cash dividends per share	$ 0.90	$ 0.84
Basic and diluted weighted average shares outstanding	105,610	102,837

Summary Net Income by Segment (000s)	Six Months Ended March 31 2017	Six Months Ended March 31 2016
Distribution	$ 216,509	$ 189,016
Pipeline and Storage	59,541	55,533
Net income from continuing operations	276,050	244,549
Net income from discontinued operations	13,710	122
Net income	$ 289,760	$ 244,671

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Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	March 31, 2017	September 30, 2016
Net property, plant and equipment	$ 8,738,487	$ 8,268,606
Cash and cash equivalents	45,403	47,534
Accounts receivable, net	336,637	215,880
Gas stored underground	120,026	179,070
Current assets of disposal group classified as held for sale	—	151,117
Other current assets	61,018	88,085
Total current assets	563,084	681,686
Goodwill	729,673	726,962
Noncurrent assets of disposal group classified as held for sale	—	28,616
Deferred charges and other assets	330,222	305,019
	$ 10,361,466 &##160;	$ 10,010,889
Shareholders' equity	$ 3,834,864	$ 3,463,059
Long-term debt	2,314,620	2,188,779
Total capitalization	6,149,484	5,651,838
Accounts payable and accrued liabilities	185,212	196,485
Current liabilities of disposal group classified as held for sale	—	72,900
Other current liabilities	390,253	439,085
Short-term debt	670,607	829,811
Current maturities of long-term debt	250,000	250,000
Total current liabilities	1,496,072	1,788,281
Deferred income taxes	1,810,160	1,603,056
Noncurrent liabilities of disposal group classified as held for sale	—	316
Deferred credits and other liabilities	905,750	967,398
	$ 10,361,466	$ 10,010,889

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Six Months Ended March 31 2017	Six Months Ended March 31 2016
Cash flows from operating activities		
Net income	$ 289,760	$ 244,671
Depreciation and amortization	154,810	143,211
Deferred income taxes	148,657	132,456
Gain on sale of discontinued operations	(12,931)	—
Discontinued cash flow hedging for natural gas marketing commodity contracts	(10,579)	—
Other	10,391	8,771
Changes in assets and liabilities	(28,105)	(76,154)
Net cash provided by operating activities	552,003	452,955
Cash flows from investing activities		
Capital expenditures	(559,385)	(536,004)
Acquisition	(85,714)	—
Proceeds from the sale of discontinued operations	133,560	—
Available-for-sale securities activities, net	(8,918)	(2,117)
Other, net	3,787	4,597
Net cash used in investing activities	(516,670)	(533,524)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(159,204)	169,002
Proceeds from issuance of long-term debt, net of discount	125,000	—
Net proceeds from equity offering	49,400	—
Issuance of common stock through stock purchase and employee retirement plans	16,984	17,641
Interest rate agreements cash collateral	25,670	—
Cash dividends paid	(95,314)	(86,809)
Net cash provided by (used in) financing activities	(37,464)	99,834
Net increase (decrease) in cash and cash equivalents	(2,131)	19,265
Cash and cash equivalents at beginning of period	47,534	28,653
Cash and cash equivalents at end of period	$ 45,403	$ 47,918

Statistics	Three Months Ended March 31 2017	Three Months Ended March 31 2016	Six Months Ended March 31 2017	Six Months Ended March 31 2016
Consolidated distribution throughput (MMcf as metered)	137,669	157,047	248,274	261,512
Consolidated pipeline and storage transportation volumes (MMcf)	131,151	115,040	266,127	244,199
Distribution meters in service	3,208,532	3,176,716	3,208,532	3,176,716
Distribution average cost of gas	$ 5.25	$ 3.87	$ 5.28	$ 4.05

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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

June 5, 2017
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))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01. Other Events.

On June 5, 2017, Atmos Energy Corporation ("Atmos Energy") entered into an underwriting agreement (the "Underwriting Agreement") with BNP Paribas Securities Corp., Credit Agricole Securities (USA) Inc., J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, as representatives of the several underwriters named in Schedule I thereto, with respect to the offering and sale in an underwritten public offering (the "Offering") by Atmos Energy of $500 million aggregate principal amount of its 3.000% Senior Notes due 2027 (the "2027 Notes"), with a yield to maturity of 3.032% and an effective yield to maturity of 3.115%, after giving effect to related fees and original issuance discount; and $250 million aggregate principal amount of its 4.125% Senior Notes due 2044 (the "new 2044 Notes"), with a re-offer yield of 3.889% and an effective yield to maturity of 4.394%, after giving effect to related fees and the settlement of interest rate swaps (together with the 2027 Notes, the "Notes"). The new 2044 Notes constitute an additional issuance by Atmos Energy of the $500 million aggregate principal amount of the 4.125% Senior Notes due 2044 previously issued by Atmos Energy on October 15, 2014. The Offering has been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a registration statement on Form S-3 (Registration No. 333-210424) of Atmos Energy (the "Registration Statement") and the prospectus supplement dated June 5, 2017, which was filed with the Securities and Exchange Commission pursuant to Rule 424(b) of the Securities Act on June 7, 2017. Legal opinions related to the Registration Statement are also filed herewith as Exhibits 5.1 and 5.2.

Atmos Energy expects to receive net proceeds, after the underwriting discount and estimated offering expenses, of approximately $752 million. The Offering is expected to close on or about June 8, 2017, subject to customary closing conditions.

The Notes will be issued pursuant to an indenture dated March 26, 2009 (the "Indenture") between Atmos Energy and U.S. Bank National Association, as trustee (the "Trustee"), to be modified by an Officers' Certificate setting forth the terms of the Notes (the "Officers' Certificate"), to be dated June 8, 2017 and delivered to the Trustee pursuant to Section 301 of the Indenture. The 2027 Notes and the new 2044 Notes will each be represented by a global security, forms of which are filed as exhibits hereto. The form of Officers' Certificate and the Underwriting Agreement are each also filed as an exhibit hereto.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

Exhibit Number	Description
1.1	Underwriting Agreement dated as of June 5, 2017
4.1	Form of Officers' Certificate, to be dated June 8, 2017
4.2	Form of Global Security for 3.000 Senior Notes due 2027
4.3	Form of Global Security for 4.125% Senior Notes due 2044 (incorporated by reference to Exhibit 4.2 to Atmos Energy's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 9, 2014)
5.1	Opinion of Gibson, Dunn & Crutcher LLP
5.2	Opinion of Hunton & Williams LLP
23.1	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1)
23.2	Consent of Hunton & Williams LLP (included in Exhibit 5.2)

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: June 8, 2017

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

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23.2	Consent of Hunton & Williams LLP (included in Exhibit 5.2)

Exhibit 1.1

ATMOS ENERGY CORPORATION

$500,000,000 3.000% Senior Notes due 2027
$250,000,000 4.125% Senior Notes due 2044

UNDERWRITING AGREEMENT

June 5, 2017

BNP PARIBAS SECURITIES CORP.
CREDIT AGRICOLE SECURITIES (USA) INC.
J.P. MORGAN SECURITIES LLC
WELLS FARGO SECURITIES, LLC

As Representatives of the several
Underwriters named in Schedule I attached hereto

c/o Wells Fargo Securities, LLC
550 South Tryon Street
Charlotte, NC 28202

Ladies and Gentlemen:

Atmos Energy Corporation, a Texas and Virginia corporation (the " **Company** "), proposes to sell $500,000,000 aggregate principal amount of the Company's 3.000% Senior Notes due 2027 (the "2027 Notes") and $250,000,000 aggregate principal amount of the Company's 4.125% Senior Notes due 2044 (the "2044 Notes") on the terms and conditions stated herein (the 2027 Notes and the 2044 Notes, the " **Securities** "). This is to confirm the agreement concerning the purchase of the Securities from the Company by the Underwriters for whom BNP Paribas Securities Corp., Credit Agricole Securities (USA) Inc., J.P. Morgan Securities LLC, and Wells Fargo Securities, LLC are acting as representatives (the " **Representatives** "). The Securities are to be issued pursuant to an indenture, dated as of March 26, 2009 (the " **Indenture** ") between the Company and U.S. Bank National Association, as trustee (the " **Trustee** ") and an officers' certificate to be dated as of June 8, 2017 pursuant to Section 301 of the Indenture (the " **Section 301 Officers' Certificate** "). The Company has previously issued $500,000,000 aggregate principal amount of 4.125% Senior Notes due 2044 (such $500,000,000 aggregate principal amount, the "Existing 2044 Notes") under the Indenture. The 2044 Notes constitute an additional issuance of 4.125% Senior Notes due 2044 under the Indenture. Except as otherwise disclosed in the Pricing Disclosure Package and the Prospectus (each as defined below), the 2044 Notes will have terms identical to the Existing 2044 Notes and will be treated as a single series of debt securities for all purposes under the Indenture. The Securities and the Indenture are more fully described in the Prospectus (defined below).

1. *Representations, Warranties and Agreements of the Company* . The Company represents, warrants and agrees that:

(a) A registration statement on Form S-3 (File No. 333-210424), including a base prospectus relating to the Securities (i) has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the " **Securities Act** "), and the rules and regulations (the " **Rules and Regulations** ") of the Securities and Exchange Commission (the " **Commission** ") thereunder; (ii) has been filed with the Commission under the Securities Act; and (iii) is effective under the Securities Act. Copies of the Registration Statement (as defined below) have been delivered by the Company to you as the Representatives of the Underwriters. As used in this Agreement:

(i) " **Applicable Time** " means 4:10 p.m. (New York City time) on the date of this Agreement;

(ii) " **Effective Date** " means any date as of which any part of the Registration Statement became effective under the Securities Act in accordance with the Rules and Regulations;

(iii) " **General Use Issuer Free Writing Prospectus** " means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors;

(iv) " **Issuer Free Writing Prospectus** " means any "free writing prospectus" (as defined in Rule 405 of the Rules and Regulations) prepared by or on behalf of the Company or used or referred to by the Company in connection with the offering of the Securities;

(v) " **Preliminary Prospectus** " means the base prospectus included in the Registration Statement, together with any preliminary prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations;

(vi) " **Pricing Disclosure Package** " means, as of the Applicable Time, the most recent Preliminary Prospectus, together with any General Use Issuer Free Writing Prospectus specified in Schedule II to this Agreement filed or used by or on behalf of the Company on or before the Applicable Time as permitted by this Agreement;

(vii) " **Prospectus** " means the base prospectus included in the Registration Statement, together with the final prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations; and

(viii) " **Registration Statement** " means, the registration statement described above, as amended as of the Effective Date, including the Prospectus and all exhibits to such registration statement and any document incorporated by reference therein.

Any reference in this Agreement to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Securities Act as of the Effective Date of the Registration Statement or the date of such Preliminary Prospectus or the Prospectus, as the case may be. Any reference to the " **most recent Preliminary Prospectus** " shall be deemed to refer to the base prospectus included in the Registration Statement, together with the latest preliminary prospectus supplement relating to the Securities filed with the Commission pursuant to

Rule 424(b) prior to or on the date hereof (including, for purposes hereof, any documents incorporated by reference therein prior to or on the date hereof). Any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any document filed under the Securities Exchange Act of 1934, as amended (the " **Exchange Act** "), after the date of such Preliminary Prospectus or the Prospectus, as the case may be, and incorporated by reference in such Preliminary Prospectus or the Prospectus, as the case may be; and any reference to any amendment to the Registration Statement shall be deemed to include any annual report of the Company on Form 10-K filed with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act after the Effective Date that is incorporated by reference in the Registration Statement.

(b) The Commission has not issued any stop order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or suspending the effectiveness of the Registration Statement, and no proceeding or examination for such purpose or pursuant to Section 8A of the Securities Act against the Company or related to the offering of the Securities has been instituted or, to the knowledge of the Company, threatened by the Commission. The Commission has not notified the Company of any objection to the use of the form of the Registration Statement.

(c) At the time of filing the Registration Statement and, if applicable, at the time of the most recent amendment thereto for purposes of complying with Section 10(a)(3) of the Securities Act, the Company was a "well-known seasoned issuer" (as defined in Rule 405 of the Rules and Regulations) eligible to use Form S-3 for the offering of the Securities, including not having been an "ineligible issuer" (as defined in Rule 405 of the Rules and Regulations) at any such time. The Registration Statement is an "automatic shelf registration statement" (as defined in Rule 405 of the Rules and Regulations) and was filed not earlier than the date that is three years prior to the Delivery Date (as defined in Section 4).

(d) The Registration Statement conformed and will conform in all material respects on the Effective Date and on the Delivery Date, and any amendment to the Registration Statement filed after the date hereof will conform in all material respects when filed, to the requirements of the Securities Act and the Rules and Regulations. The Preliminary Prospectus conformed, and the Prospectus will conform, in all material respects when filed with the Commission pursuant to Rule 424(b) and on the Delivery Date to the requirements of the Securities Act and the Rules and Regulations. The documents incorporated by reference in any Preliminary Prospectus or the Prospectus conformed, and any further documents so incorporated will conform, when filed with the Commission, in all material respects to the requirements of the Exchange Act, the Securities Act or the Trust Indenture Act of 1939, as amended (the " **Trust Indenture Act** "), as applicable, and the rules and regulations of the Commission thereunder.

(e) The Registration Statement did not, as of the Effective Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Registration Statement in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 8(e) .

(f) The Prospectus will not, as of its date and on the Delivery Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Prospectus in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 8(e) .

(g) The documents incorporated by reference in any Preliminary Prospectus or the Prospectus did not, and any further documents filed and incorporated by reference therein will not, when filed with the Commission, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. There are no contracts or documents which are required to be described in the Registration Statement, the Prospectus or the documents incorporated by reference therein or to be filed as exhibits thereto which have not been so described and filed as required.

(h) The Pricing Disclosure Package did not, as of the Applicable Time, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Pricing Disclosure Package in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 8(e) .

(i) Each Issuer Free Writing Prospectus (or any Non-Prospectus Road Show (as defined below)), when considered together with the Pricing Disclosure Package as of the Applicable Time, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) Each Issuer Free Writing Prospectus conformed or will conform in all material respects to the requirements of the Securities Act and the Rules and Regulations on the date of first use, and the Company has complied with any filing requirements applicable to such Issuer Free Writing Prospectus pursuant to the Securities Act and the Rules and Regulations. Each Issuer Free Writing Prospectus does not and will not conflict with the information contained in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus. The Company has not made any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Representatives. The Company has retained in accordance with the Rules and Regulations all Issuer Free Writing Prospectuses that were not required to be filed pursuant to the Rules and Regulations.

(k) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Texas and the Commonwealth of Virginia and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the most recent Preliminary Prospectus and to enter into and perform its obligations under this Agreement, the Indenture and the Securities; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a material adverse change, or a development known to the Company involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs, management or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a " **Material Adverse Effect** ").

(l) Each "significant subsidiary" (as such term is defined in Rule 405 under the Securities Act) of the Company (each a " **Subsidiary** " and, collectively, the " **Subsidiaries** "), if any, (a) has been duly organized and is validly existing as an entity in good standing under the laws of the jurisdiction of its formation, (b) has corporate or limited liability company power and authority, as applicable, to own, lease and operate its properties and to conduct its business as described in the most recent Preliminary Prospectus, and (c) is duly qualified as a foreign entity to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except in the cases of clauses (b) and (c) where the failure to have such power and authority or to so qualify or to be in good standing would not result in a Material Adverse Effect. The only Subsidiaries of the Company are the subsidiaries listed on Schedule IV and the Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed on Schedule III .

(m) The authorized, issued and outstanding capital stock of the Company is as set forth in the most recent Preliminary Prospectus and the Prospectus under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to reservations, agreements, acquisitions or employee benefit plans each referred to in the most recent Preliminary Prospectus and the Prospectus or pursuant to the exercise of options or share unit awards, each referred to in the most recent Preliminary Prospectus and the Prospectus). The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company was issued in violation of the preemptive or other similar rights of any securityholder of the Company.

(n) All of the issued and outstanding capital stock or limited liability company membership interests, as the case may be, of each Subsidiary have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity except for such liens, encumbrances, equities or claims as would not, in the aggregate, reasonably be expected to have a Material Adverse Effect; none of the outstanding shares of capital stock or limited liability company membership interests, as the case may be, of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary.

(o) The Indenture has been duly qualified under the Trust Indenture Act. The Indenture has been duly authorized, executed and delivered by the Company and constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally and by equitable principles of general applicability, regardless of whether such enforceability is considered in a proceeding at equity or at law. At the Delivery Date, the Section 301 Officers' Certificate will have been duly authorized, executed and delivered by the Company.

(p) The Securities have been duly authorized by the Company and, at the Delivery Date, will have been duly executed by the Company and, when authenticated, issued and delivered in the manner provided for in the Indenture and delivered against payment of the purchase price therefor as provided in this Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally and by equitable principles of general applicability, regardless of whether such enforceability is considered in a proceeding at equity or at law, and will be in the form contemplated by the Pricing Disclosure Package, the Prospectus, the Indenture and the Section 301 Officers' Certificate, and will be entitled to the benefits of the Indenture.

(q) The Securities and the Indenture will conform in all material respects to the respective statements relating thereto contained in the Pricing Disclosure Package and the Prospectus and will be in substantially the respective forms filed or incorporated by reference, on or prior to the Delivery Date, as exhibits to the Registration Statement.

(r) The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly and validly authorized, executed and delivered by the Company.

(s) Neither the Company nor any of its subsidiaries is in violation of its charter, bylaws or other organizational documents or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (collectively, " **Agreements and Instruments** ") except for such defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement, the Indenture, the Securities and any other agreement or instrument entered into or issued or to be entered into or issued by the Company in connection with the consummation of the transactions contemplated in each of the most recent Preliminary Prospectus and the Prospectus (including the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described in each of the most recent Preliminary Prospectus and the Prospectus under the caption "Use of Proceeds") and compliance by the Company with its obligations hereunder and thereunder have been duly authorized by all necessary corporate or other action on the part of the Company and any of the subsidiaries and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges, encumbrances or a Repayment Event that would not result in a Material Adverse Effect), nor will such action result in any violation of (i) the provisions of the charter, bylaws or other organizational documents of the Company or any subsidiary or (ii) any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any subsidiary or any of their assets, properties or operations except, with respect to (ii), as would not result in a Material Adverse Effect. As used herein, a " **Repayment Event** " means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right, whether with or without giving of notice or passage of time or both, to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any subsidiary.

(t) No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

(u) There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending against, or, to the knowledge of the Company, threatened against or affecting the Company or any of its subsidiaries, which is required to be disclosed in the most recent Preliminary Prospectus (other than as disclosed therein), or which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to affect the properties, assets or operations of the Company and its subsidiaries, except what does not result in a Material Adverse Effect, or the consummation of the transactions contemplated in this Agreement or the performance by the Company and its subsidiaries of its obligations hereunder.

(v) The Company and each of its Subsidiaries own or possess or have the right to use, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, " **Intellectual Property** ") necessary to carry on the business now operated by them the absence of which would have a Material Adverse Effect, and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement, conflict, invalidity or inadequacy would result in a Material Adverse Effect.

(w) There have been issued and, at the Applicable Time and the Delivery Date, there shall be in full force and effect orders or authorizations of the regulatory authorities of the States of Colorado, Kentucky and Virginia, authorizing the issuance and sale of the Securities on terms herein set forth or contemplated, and no other filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions contemplated by this Agreement, including the due execution, delivery or performance of the Indenture and the issuance of the Securities by the Company, except such as have been already obtained or as may be required under the Securities Act or the Rules and Regulations or such consents, approvals, authorizations, orders and registrations or qualifications as may be required by the Financial Industry Regulatory Authority, Inc. (" **FINRA** ") and under applicable state securities or blue sky laws.

(x) The Company and its subsidiaries possess such permits, licenses, approvals, consents, and other authorizations (collectively, " **Governmental Licenses** ") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, except where the failure to do so would not have a Material Adverse Effect; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, would result in a Material Adverse Effect.

(y) There are no persons or entities with registration rights or other similar rights to have any securities registered under the Registration Statement who have not properly waived such rights in connection with the securities registered pursuant to the Registration Statement and in connection with this offering of Securities.

(z) The Company and its subsidiaries have good title to all real property owned by the Company and its subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (a) are described in the most recent Preliminary Prospectus or (b) would not singly or in the aggregate have a Material Adverse Effect. All of the leases and subleases of the Company and its subsidiaries under which the Company or any of its subsidiaries holds properties described in the most recent Preliminary Prospectus are in full force and effect, except as would not result in a Material Adverse Effect.

(aa) The Company has not sold or issued any securities that would be integrated with the offering of the Securities contemplated by this Agreement pursuant to the Securities Act, the Rules and Regulations or the interpretations thereof by the Commission.

(bb) The financial statements of the Company included or incorporated by reference in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, together with the related schedules and notes, present fairly in all material respects the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles (" **GAAP** ") applied on a consistent basis throughout the periods involved. The supporting schedules, if any, included in the Registration Statement and incorporated by reference in the most recent Preliminary Prospectus and the Prospectus with respect to the Company, when considered in relation to the financial statements taken as a whole, present fairly, in all material respects in accordance with GAAP, the financial information set forth therein. The selected financial data and the summary financial information included or incorporated by reference in the most recent Preliminary Prospectus and the Prospectus present fairly, in all material respects, the information shown therein and have been compiled on a basis consistent with that of the audited financial statements of the Company.

(cc) Ernst & Young LLP, who have audited financial statements and supporting schedules of the Company and its consolidated subsidiaries incorporated by reference in the most recent Preliminary Prospectus and in the Registration Statement, whose report is incorporated by reference in the most recent Preliminary Prospectus and in the Registration Statement, who have audited the Company's internal control over financial reporting and who have delivered the initial letter referred to in Section 7(g) hereof, are independent registered public accountants as required by the Securities Act and the Rules and Regulations.

(dd) The interactive data in the eXtensible Business Reporting Language incorporated by reference in the Registration Statement fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto.

(ee) The Company and each of its subsidiaries are not, and as of the Delivery Date and upon the issuance and sale of the Securities and the application of the proceeds therefrom as described under "Use of Proceeds" in the most recent Preliminary Prospectus and the Prospectus, none of them will be, (i) an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the " **Investment Company Act** "), and the rules and regulations of the Commission thereunder or (ii) a "business development company" (as defined in Section 2(a)(48) of the Investment Company Act).

(ff) (i) Each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Security Act of 1974, as amended (" **ERISA** ")) for which the Company or any member of its "Controlled Group" (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414(b) or (c) of the Internal Revenue Code of 1986, as amended (the " **Code** ")) would have any liability (each a " **Plan** ") has been maintained in compliance in all respects with its terms and with the requirements of all applicable statutes, rules and regulations including ERISA and the Code except where failure to do so would not have a Material Adverse Effect; (ii) with respect to each Plan subject to Title IV of ERISA (a) no "reportable event" (within the meaning of Section 4043 (c) of ERISA) has occurred or is reasonably expected to occur that would result in a Material Adverse Effect, (b) no "accumulated funding deficiency" (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived, has occurred or is reasonably expected to occur that would result in a Material Adverse Effect, (c) the fair market value of the assets under each Plan exceeds the actuarial present value of the benefits accrued under such Plan (determined based on those assumptions used to fund such Plan) except where failure to do so would not have a Material Adverse Effect, and (d) neither the Company nor any member of its Controlled Group has incurred, or reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the Pension Benefit Guaranty Corporation in the ordinary course and without default) in respect of a Plan (including a "multiemployer plan", within the meaning of Section 4001(c)(3) of ERISA) that would result in a Material Adverse Effect; and (iii) each Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service as to its qualified status and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification that would result in a Material Adverse Effect.

(gg) The Company is in compliance, in all material respects, with the provisions of the Sarbanes-Oxley Act of 2002 to the extent currently applicable.

(hh) The Company and each of its subsidiaries have filed all federal, state and local income and franchise tax returns required to be filed through the date hereof and have paid all taxes due thereon, except such as are being contested in good faith by appropriate proceedings or where the failure to do so would not have a Material Adverse Effect, and no tax deficiency has been determined adversely to the Company or any of its subsidiaries which has had, and the Company does not have any knowledge of any tax deficiency which would have, a Material Adverse Effect.

(ii) The Company and its subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

(jj) Except as would not result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, permit, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, " **Hazardous Materials** ") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, " **Environmental Laws** "), (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or, to the knowledge of the Company, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries, and (D) there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws, except as disclosed in the Preliminary Prospectus.

(kk) The Company maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) that complies with the requirements of the Exchange Act and has been designed by the Company's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

The Company's internal control over financial reporting is effective and the Company is not aware of any material weaknesses in its internal control over financial reporting. Since the date of the latest audited financial statements included or incorporated by reference in the most recent Preliminary Prospectus, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Exchange Act) that comply with the requirements of the Exchange Act and such disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the Company and its subsidiaries that is required to be disclosed in the reports the Company files, furnishes, submits or otherwise provides to the Commission under the Exchange Act is made known to the Company's principal executive officer and principal financial officer by others within those entities in such a manner as to allow timely decisions regarding the required disclosure; such disclosure controls and procedures are effective.

(ll) The Company has not distributed and, prior to the later to occur of the Delivery Date and completion of the distribution of the Securities, will not distribute any offering material in connection with the offering and sale of the Securities other than any Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus to which the Representatives have consented.

(mm) Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment to any foreign or domestic government official or employee, including of any government-owned or controlled entity, 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; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(nn) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable money laundering statutes of all jurisdictions where the Company or any of its subsidiaries conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the " **Anti-Money Laundering Laws** "), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(oo) Neither the Company nor any of its subsidiaries, nor, to the knowledge of the Company, any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries is currently subject to any sanctions administered or enforced by the U.S. government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury (" **OFAC** ") or the U.S. Department of State and including, without limitation, the designation as a "specially designated national" or "blocked person") (collectively, " **Sanctions** "); and the Company will not directly or indirectly use the proceeds of the offering of the Securities hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is subject to Sanctions, or (ii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions. Neither the Company nor any of its subsidiaries have any operations or transact any business outside of the United States. All of the proceeds from the offering will be used in the United States.

(pp) Any certificate signed by any officer of the Company and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by the Company, as to matters covered thereby on the date of such certificate, to each Underwriter.

2. *Purchase of the Securities by the Underwriters* . On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to sell $500,000,000 aggregate principal amount of 2027 Notes and $250,000,000 aggregate principal amount of 2044 Notes to the several Underwriters, and each of the Underwriters, severally and not jointly, agrees to purchase from the Company, at a purchase price of 99.075% of the aggregate principal amount of the 2027 Notes, and 103.032% of the aggregate principal amount plus the pre-issuance accrued and unpaid interest from April 15, 2017 of $1,518,229.17 (if settlement occurs on June 8, 2017) of the 2044 Notes, of the aggregate principal amount of such Securities set forth opposite that Underwriter's name in Schedule I hereto, plus any additional principal amount of such Securities that such Underwriter may become obligated to purchase pursuant to Section 9 of this Agreement.

The Company shall not be obligated to deliver any of the Securities to be delivered on the Delivery Date, except upon payment for all such Securities to be purchased on such Delivery Date as provided herein.

3. *Offering of Securities by the Underwriters* . Upon authorization by the Representatives of the release of the Securities, the several Underwriters propose to offer the Securities for sale upon the terms and conditions to be set forth in the Prospectus.

4. *Delivery of and Payment for the Securities* . Delivery of the Securities by the Company and payment for the Securities by the several Underwriters shall be made at 10:00 A.M., New York City time, on the third full business day following the date of this Agreement or at such other date or place as shall be determined by agreement between the Representatives and the Company. This date and time is referred to as the " **Delivery Date** ." Delivery of the Securities shall be made to the Representatives for the account of each Underwriter against payment by the several Underwriters through the Representatives of the respective aggregate purchase prices, as set forth in Section 2 hereof, of the Securities being sold by the Company to or upon the order of the Company by wire transfer in immediately available funds to the accounts specified by the Company. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. The Company shall deliver the Securities through the facilities of the Depository Trust Company (" **DTC** ") unless the Representatives shall otherwise instruct.

The Securities to be purchased by the Underwriters shall be in such denominations ($2,000 or integral multiples of $1,000 in excess thereof) and registered in such names as the Representatives may request in writing prior to the Delivery Date. The Securities will be made available in New York City for examination by the Underwriters not later than 10:00 A.M., New York City time, on the last business day prior to the Delivery Date.

5. *Further Agreements of the Company and the Underwriters* .

(a) The Company agrees:

(i) To prepare the Prospectus in a form reasonably approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Securities Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement; to make no further amendment or any supplement to the Registration Statement or the Prospectus prior to the Delivery Date except as provided herein; to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment or supplement to the Registration Statement or the Prospectus has been filed and to furnish the Representatives with copies thereof; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Securities; to advise the Representatives, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding or examination for any such purpose or pursuant to Section 8A of the Securities Act against the Company or related to the offering of the Securities, of any notice from the Commission objecting to the use of the form of the Registration Statement or any post-effective amendment thereto or of any request by the Commission for the amending or supplementing of the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(ii) To prepare a final term sheet (the " **Final Term Sheet** ") reflecting the final terms of the Securities as set forth in Exhibit A to this Agreement, in form and substance satisfactory to the Representatives, and shall file such Final Term Sheet as an Issuer Free Writing Prospectus pursuant to Rule 433 prior to the close of business two business days after the date hereof; *provided that* the Company shall furnish the Representatives with copies of any such Final Term Sheet a reasonable amount of time prior to such proposed filing and will not use or file any such document to which the Representatives or counsel to the Underwriters shall reasonably object;

(iii) To pay the applicable Commission filing fees relating to the Securities within the time required by Rule 456 (b)(1);

(iv) To furnish promptly upon request to counsel for the Underwriters a signed copy of the Registration Statement as originally filed with the Commission, and each amendment thereto filed with the Commission, including all consents and exhibits filed therewith;

(v) To deliver promptly to the Representatives such number of the following documents as the Representatives shall reasonably request: (A) conformed copies of the Registration Statement as originally filed with the Commission and each amendment thereto (in each case excluding exhibits other than this Agreement and the computation of per share earnings), (B) each Preliminary Prospectus, the Prospectus and any amendment or supplement thereto, (C) any Issuer Free Writing Prospectus and (D) any document incorporated by reference in any Preliminary Prospectus or the Prospectus; and, if the delivery of a prospectus is required at any time after the date hereof in connection with the offering or sale of the Securities or any other securities relating thereto and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Securities Act or the Exchange Act, to notify the Representatives and, upon the Representatives' request, to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Representatives may from time to time reasonably request of an amended or supplemented Prospectus that will correct such statement or omission or effect such compliance;

(vi) To file promptly with the Commission any amendment or supplement to the Registration Statement or the Prospectus that may, in the judgment of the Company or the Representatives, be required by the Securities Act or requested by the Commission;

(vii) Prior to filing with the Commission any amendment or supplement to the Registration Statement or the Prospectus, any document incorporated by reference in the Prospectus or any amendment to any document incorporated by reference in the Prospectus, to furnish a copy thereof to the Representatives and counsel for the Underwriters and obtain the consent (not to be unreasonably withheld) of the Representatives to the filing;

(viii) Not to make any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Representatives;

(ix) To retain in accordance with the Rules and Regulations all Issuer Free Writing Prospectuses not required to be filed pursuant to the Rules and Regulations and to comply with any filing requirements applicable to all Issuer Free Writing Prospectuses pursuant to the Securities Act and the Rules and Regulations; and if at any time after the date hereof any events shall have occurred as a result of which any Issuer Free Writing Prospectus, as then amended or supplemented, would conflict with the information in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or, if for any other reason it shall be necessary to amend or supplement any Issuer Free Writing Prospectus, to notify the Representatives and, upon the Representatives' request, to file such document and to prepare and furnish without charge to each Underwriter as many copies as the Representatives may from time to time reasonably request of an amended or supplemented Issuer Free Writing Prospectus that will correct such conflict, statement or omission or effect such compliance;

(x) As soon as practicable, to make generally available to the Company's security holders an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act and the Rules and Regulations;

(xi) Promptly from time to time to take such action to qualify the Securities for offering and sale under the securities laws of such jurisdictions as the Representatives may reasonably request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Securities; *provided* that in connection therewith the Company shall not be required to (i) qualify as a foreign corporation in any jurisdiction in which it would not otherwise be required to so qualify, (ii) take any action that would subject it to service of process in any such jurisdiction or (iii) subject itself to taxation in any jurisdiction in which it would not otherwise be subject;

(xii) During the period from the date hereof to the Delivery Date, without the prior written consent of the Representatives, the Company agrees not to directly or indirectly, issue, sell, offer or contract to sell, grant any option for the sale of, or otherwise transfer or dispose of, any debt securities issued or guaranteed by the Company other than commercial paper backstopped by the Company's existing credit agreement;

(xiii) To apply the net proceeds from the sale of the Securities being sold by the Company as set forth in the Pricing Disclosure Package;

(xiv) To take all reasonable action necessary to enable Standard & Poor's Rating Services, a division of S&P Global Inc. (" **S&P** ") and Moody's Investors Service Inc. (" **Moody's** ") to provide their respective credit ratings of the Securities; and

(xv) To cooperate with the Underwriters and use its best efforts to permit the Securities to be eligible for clearance and settlement through the facilities of DTC.

(b) Each Underwriter severally agrees that such Underwriter shall not include any "issuer information" (as defined in Rule 433) in any "free writing prospectus" (as defined in Rule 405) (other than a free writing prospectus that is not required to be filed by the Company pursuant to Rule 433 under the Securities Act) used or referred to by such Underwriter without the prior consent of the Company (any such issuer information with respect to whose use the Company has given its consent, " **Permitted Issuer Information** "); *provided* that (i) no such consent shall be required with respect to any such issuer information contained in any document filed by the Company with the Commission prior to the use of such free writing prospectus and (ii) "issuer information," as used in this Section 5(b), shall not be deemed to include information prepared by or on behalf of such Underwriter on the basis of or derived from issuer information; *provided* , further, that prior to the filing with the Commission of the Final Term Sheet in accordance with Section 5(a)(ii) , the Underwriters are authorized to use the information with respect to the final terms of the Securities in communications conveying information relating to the offering to investors.

6. *Expenses* . The Company agrees, whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, to pay all costs, expenses, fees and taxes incident to and in connection with (a) the preparation, authorization, issuance, sale and delivery of the Securities and any stamp duties or other taxes payable in that connection; (b) the preparation, printing and filing under the Securities Act of the Registration Statement (including any exhibits thereto), any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus and any amendment or supplement thereto; (c) the distribution of the Registration Statement (including any exhibits thereto), any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus and any amendment or supplement thereto, or any document incorporated by reference therein, all as provided in this Agreement; (d) the production and distribution of this Agreement, the Indenture, the Securities, any supplemental agreement among Underwriters, and any other related documents in connection with the offering, purchase, sale and delivery of the Securities; (e) the filing fees incident to, and the reasonable fees and disbursements of counsel to the Underwriters in connection with, the review, if any, by FINRA of the terms of the sale of the Securities; (f) the qualification of the Securities under the securities laws of the several jurisdictions as provided in Section 5(a)(xi) and the preparation, printing and distribution of a Blue Sky Memorandum (including related reasonable fees and expenses of counsel to the Underwriters); (g) the investor presentations on any "road show" undertaken in connection with the marketing of the Securities, including, without limitation, expenses associated with any electronic road show, travel and lodging expenses of the representatives and officers of the Company and the cost of any aircraft chartered; (h) any fees payable in connection with the rating of the Securities; (i) the reasonable fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee, in connection

with the Indenture and the Securities; and (j) all other costs and expenses incident to the performance of the obligations of the Company; *provided* that, except as provided in this Section 6 and Sections 8 and 11, the Underwriters shall pay their own costs and expenses, including the costs and expenses of their counsel, any transfer taxes on the Securities which they may sell and the expenses of advertising any offering of the Securities made by the Underwriters.

7. *Conditions of Underwriters' Obligations* . The respective obligations of the Underwriters hereunder are subject to the accuracy, when made and on the Delivery Date, of the representations and warranties of the Company contained herein, to the performance by the Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) The Prospectus shall have been timely filed with the Commission in accordance with Section 5(a)(i) ; the Company shall have complied with all filing requirements applicable to any Issuer Free Writing Prospectus, including the Final Term Sheet and any Issuer Free Writing Prospectus used or referred to after the date hereof; no stop order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus shall have been issued and no proceeding or examination for such purpose or pursuant to Section 8A of the Securities Act against the Company or related to the offering of the Securities shall have been initiated or, to the knowledge of the Company, threatened by the Commission; any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with; and the Commission shall not have notified the Company of any objection to the use of the form of the Registration Statement.

(b) Gibson, Dunn & Crutcher LLP, as counsel to the Company, shall have furnished to the Representatives its written opinion and letter, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives.

(c) Hunton & Williams LLP, as Virginia counsel to the Company, shall have furnished to the Representatives its written opinion, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, substantially to the effect set forth in Exhibit B-1 .

(d) Phillip L. Allbritten, as Associate General Counsel to the Company, shall have furnished to the Representatives his written opinion and letter, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, substantially to the effect set forth in Exhibit B-2 .

(e) The Trustee shall have received opinion letters, dated such Delivery Date, from Gibson, Dunn & Crutcher LLP and Hunton & Williams LLP, as the Trustee may reasonably require.

(f) The Representatives shall have received from Shearman & Sterling LLP, counsel for the Underwriters, such opinion or opinions, dated such Delivery Date, as the Underwriters may reasonably require.

(g) At the time of execution of this Agreement, the Representatives shall have received from Ernst & Young LLP a letter, in form and substance satisfactory to the Representatives, addressed to the Underwriters and dated the date hereof (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, and (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the most recent Preliminary Prospectus, as of a date not more than three days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(h) With respect to the letter of Ernst & Young LLP referred to in the preceding paragraph and delivered to the Representatives concurrently with the execution of this Agreement (the " **initial letter** "), the Company shall have furnished to the Representatives a letter (the " **bring-down letter** ") of such accountants, addressed to the Underwriters and dated such Delivery Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than three days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letter and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(i) The Company shall have furnished to the Representatives a certificate, dated such Delivery Date, of its Chief Executive Officer or its Chief Financial Officer stating that:

> (i) The representations, warranties and agreements of the Company in Section 1 are true and correct on and as of such Delivery Date, and the Company has complied with all its agreements contained herein and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such Delivery Date;
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> (ii) No stop order suspending the effectiveness of the Registration Statement has been issued; no proceedings or examination for that purpose or pursuant to Section 8A of the Securities Act against the Company or related to the offering of the Securities have been instituted or, to the knowledge of such officers, threatened; and the Commission has not notified the Company of any objection to the use of the form of the Registration Statement or any post-effective amendment thereto; and
>
> (iii) There has been no material adverse change, or a development known to the Company involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs, management or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business.

(j) There has not been any change, or any development known to the Company involving a prospective change, in the condition, financial or otherwise, or in the earnings, business affairs, management or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, the effect of which is, in the judgment of the Representatives, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus; and subsequent to the execution and delivery of this Agreement (i) no downgrading shall have occurred in the rating or indicative rating accorded the Company's debt securities by any "nationally recognized statistical rating organization" (as such term is defined in Section 3(a)(62) of the Exchange Act;), and (ii) no such organization shall have publicly announced that it has placed the Company under surveillance or review, with possible negative implications, for its rating or indicative rating of any of the Company's debt securities.

(k) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange or in the over-the-counter market, or trading in any securities of the Company on any exchange or in the over-the-counter market, shall have been suspended or materially limited or the settlement of such trading generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by federal or New York, Texas or Virginia authorities or there shall have occurred any material disruption in commercial banking, securities settlement or clearance services in the United States, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States, or (iv) such a material adverse change in general economic, political or financial conditions, including, without limitation, as a result of terrorist activities after the date hereof (or the effect of international conditions on the financial markets in the United States shall be such), in the case of each of the foregoing subsections (i) through (iv) , as to make it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the public offering, sale or delivery of the Securities being delivered on such Delivery Date on the terms and in the manner contemplated in the Pricing Disclosure Package and the Prospectus.

(l) Counsel for the Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Securities as herein contemplated shall be reasonably satisfactory in form and substance to the Representatives and counsel for the Underwriters.

(m) All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

8. *Indemnification and Contribution* .

(a) The Company shall indemnify and hold harmless each Underwriter, its directors, officers, agents, affiliates and employees and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Securities), to which that Underwriter, director, officer, agent, affiliate, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) any Preliminary Prospectus, the Registration Statement, the Prospectus or in any amendment or supplement thereto, (B) any Issuer Free Writing Prospectus or in any amendment or supplement thereto, (C) any Permitted Issuer Information used or referred to in any "free writing prospectus" (as defined in Rule 405) permitted by Section 5(b) hereof used or referred to by any Underwriter or (D) any "road show" (as defined in Rule 433) not constituting an Issuer Free Writing Prospectus (a " **Non-Prospectus Road Show** "), or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Permitted Issuer Information or any Non-Prospectus Road Show, any material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse each Underwriter and each such director, officer, employee, agent, affiliate or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Underwriter, director, officer, employee, agent, affiliate or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; *provided* , *however* , that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any such amendment or supplement thereto or in any Permitted Issuer Information or any Non-Prospectus Road Show, in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein, which information consists solely of the information specified in Section 8(e) . The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to any Underwriter or to any director, officer, employee, agent, affiliate or controlling person of that Underwriter.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Company, its directors, officers, agents and employees, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, claim, damage, liability or expense (including reasonable attorney's fees and expenses relating to investigating or defending or preparing to defend), joint or several, or any action in respect thereof, to which the Company, or any such director, officer, employee, agent, affiliate or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Non-Prospectus Road Show, or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Non-Prospectus Road Show, any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representatives by or on behalf of that Underwriter specifically for inclusion therein, which information is limited to the information set forth in Section 8 (e) . The foregoing indemnity agreement is in addition to any liability that any Underwriter may otherwise have to the Company, or any such director, officer, employee, agent, affiliate or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8 , notify the indemnifying party in writing of the claim or the commencement of that action; *provided* , *however* , that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and, *provided* , *further* , that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8 . If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; *provided* , *however* , that the indemnified party shall have the right to employ such other counsel as the indemnified party may deem necessary, and the indemnifying party shall bear the reasonable legal or other expenses of such other counsel if (i) the indemnifying party shall have agreed; (ii) the indemnifying party has failed within a reasonable time to assume the defense of and retain counsel reasonably satisfactory to the indemnified party; or (iii) the named parties in any such proceeding (including any impleaded parties) include both the indemnified party and the indemnifying party, and representation of both sets of parties by the same counsel would be inappropriate due to actual or potential differing interests between them; *provided* , *further* , *however* , that the indemnifying party shall not, in connection with any one such claim or action or separate but substantially similar or related claims or actions in the same jurisdiction, arising out of the same general allegations or circumstances, be liable for the legal or other expenses of more than one separate firm of attorneys (in addition to local counsel) for all of the indemnified parties, which firm shall be designated in writing by the Company or the Representatives, as applicable, and that all such legal or other expenses shall be reimbursed as they are incurred. No indemnifying party shall (i) without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, provided that such unconditional release may be subject to parallel release by a claimant or plaintiff of such indemnified party, and does not include any findings of fact or admissions of fault or culpability as to the indemnified party, or (ii) be liable for any settlement of any such action effected without its written consent, but if settled with the consent of the indemnifying party or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other, from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Underwriters, on the other, with respect to the statements or omissions that resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other, with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Securities purchased under this Agreement (before deducting expenses) received by the Company, as set forth in the table on the cover page of the Prospectus, on the one hand, and the total underwriting discounts and commissions received by the Underwriters with respect to the aggregate principal amount of Securities purchased under this Agreement, as set forth in the table on the cover page of the Prospectus, on the other hand. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section (d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section (d) shall be deemed to include, for purposes of this Section (d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action. Notwithstanding the provisions of this Section (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the net proceeds from the sale of the Securities underwritten by it exceeds the amount of any damages that such Underwriter has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section (d) are several in proportion to their respective underwriting obligations and not joint.

(e) The Underwriters severally confirm and the Company acknowledges and agrees that the statements regarding the concession and reallowance figures and the paragraph relating to stabilization by the Underwriters appearing under the caption "Underwriting" in the most recent Preliminary Prospectus and the Prospectus constitute the only information concerning such Underwriters furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Non-Prospectus Road Show.

9. *Defaulting Underwriters*. If, on the Delivery Date, any Underwriter shall fail or refuse to purchase the principal amount of Securities agreed to be purchased by such Underwriter hereunder, the remaining non-defaulting Underwriters shall be obligated to purchase the principal amount of Securities that the defaulting Underwriter agreed but failed to purchase on such Delivery Date in the respective proportions which the principal amount of Securities set forth opposite the name of each remaining non-defaulting Underwriter in Schedule I hereto bears to the aggregate principal amount of Securities set forth opposite the names of all the remaining non-defaulting Underwriters in Schedule I hereto; *provided*, *however*, that the remaining non-defaulting Underwriters shall not be obligated to purchase any of the Securities on such Delivery Date if the aggregate principal amount of Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase on such date exceeds 9.09% of the aggregate principal amount of Securities to be purchased on such Delivery Date, and any remaining non-defaulting Underwriter shall not be obligated to purchase more than 110% of the principal amount of Securities that it agreed to purchase on such Delivery Date pursuant to the terms of Section 2. If the foregoing maximums are exceeded, the remaining non-defaulting Underwriters, or those other underwriters satisfactory to the Representatives who so agree, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all the Securities to be purchased on such Delivery Date. If the remaining Underwriters or other underwriters satisfactory to the Representatives do not elect to purchase the Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase on such Delivery Date, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company, except that the Company will continue to be liable for the payment of expenses to the extent set forth in, and subject to the terms of, Sections 6 and 11. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule I hereto that, pursuant to this Section 9, purchases Securities that a defaulting Underwriter agreed but failed to purchase.

Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company for damages caused by its default. If other Underwriters are obligated or agree to purchase the Securities of a defaulting or withdrawing Underwriter, either the Representatives or the Company may postpone the Delivery Date for up to seven full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement, the Prospectus or in any other document or arrangement.

10. *Termination.* The obligations of the Underwriters hereunder may be terminated by the Representatives by notice given to and received by the Company prior to delivery of and payment for the Securities if, prior to that time, any of the events described in Sections 7(j) and 7(k) shall have occurred.

11. *Reimbursement of Underwriters ' Expenses* . If the Company shall fail to tender the Securities for delivery to the Underwriters by reason of any failure, refusal or inability on the part of the Company to perform any agreement on its part to be performed, or if any other condition to the Underwriters' obligations hereunder required to be fulfilled by the Company is not fulfilled for any reason, the Company will reimburse the Underwriters for all reasonable out-of-pocket expenses (including reasonable fees and disbursements of counsel) incurred by the Underwriters in connection with this Agreement and the proposed purchase of the Securities, and upon demand the Company shall pay the full amount thereof to the Representatives.

12. *Research Analyst Independence.* The Company acknowledges that the Underwriters' research analysts and research departments are required to be independent from their respective investment banking divisions and are subject to certain regulations and internal policies, and that such Underwriters' research analysts may hold views and make statements or investment recommendations and/or publish research reports with respect to the Company and/or the offering that differ from the views of their respective investment banking divisions. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Underwriters with respect to any conflict of interest that may arise from the fact that the views expressed by their independent research analysts and research departments may be different from or inconsistent with the views or advice communicated to the Company by such Underwriters' investment banking divisions. The Company acknowledges that each of the Underwriters is a full service securities firm and as such from time to time, subject to applicable securities laws, may effect transactions for its own account or the account of its customers and hold long or short positions in debt or equity securities of the companies that may be the subject of the transactions contemplated by this Agreement.

13. *No Fiduciary Duty* . The Company acknowledges and agrees that in connection with this offering, sale of the Securities or any other services the Underwriters may be deemed to be providing hereunder, notwithstanding any preexisting relationship, advisory or otherwise, between the parties or any oral representations or assurances previously or subsequently made by the Underwriters: (i) no fiduciary or agency relationships between the Company and any other person, on the one hand, and the Underwriters, on the other, exist; (ii) the Underwriters are not acting as advisors, expert or otherwise, to the Company, including, without limitation, with respect to the determination of the public offering price of the Securities, and such relationship between the Company on the one hand, and the Underwriters, on the other, is entirely and solely commercial, based on arms-length negotiations; (iii) any duties and obligations that the Underwriters may have to the Company shall be limited to those duties and obligations specifically stated herein; and (iv) the Underwriters and their respective affiliates may have interests that differ from those of the Company. The Company hereby waives any claims that the Company may have against the Underwriters with respect to any breach of fiduciary duty in connection with this offering.

14. *Notices, Etc* . All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Underwriters, shall be delivered or sent by mail or facsimile transmission to the Representatives at BNP Paribas Securities Corp. at 787 Seventh Avenue, New York, NY 10019, Credit Agricole Securities (USA) Inc. at 1301 Avenue of the Americas, New York, NY 10019, J.P. Morgan Securities LLC at 383 Madison Avenue, New York, NY, 10179, Investment

Grade Syndicate Desk—3rd floor, new.york.syndicate@bnpparibas.com and Wells Fargo Securities, LLC at 550 South Tryon Street, 5th Floor, Charlotte, NC 28202, Attention: Transaction Management, Facsimile: 704-410-0326, with a copy to Shearman & Sterling LLP, 599 Lexington Avenue, New York, NY 10021, Attention: Lisa L. Jacobs (Fax: (646) 848-7678); or

(b) if to the Company, shall be delivered or sent by mail or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: General Counsel (Fax: (972) 855-3080).

Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Underwriters by the Representatives.

15. *Persons Entitled to Benefit of Agreement* . This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company, any controlling person referred to herein, the other indemnitees referred to herein and their respective successors and assigns, all as and to the extent provided in this Agreement, and no other person shall acquire or have any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. The term "successors and assigns" shall not include a purchaser of Securities from any Underwriter merely because of such purchase.

16. *Survival.* The respective indemnities, representations, warranties and agreements of the Company and the Underwriters contained in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Securities and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

17. *Definition of the Term "Business Day . "* For purposes of this Agreement " **business day** " means each Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

18. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

19. *Counterparts.* This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

20. *Headings.* The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

21. *Patriot Act.* In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

If the foregoing correctly sets forth the agreement among the Company and the Underwriters, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

ATMOS ENERGY CORPORATION

By: /s/ Christopher T. Forsynthe
Name: Christopher T. Forsythe
Title: Senior Vice President and Chief Financial Officer

Signature Page to the Underwriting Agreement

Accepted, as of the date first above written:

BNP P ARIBAS S ECURITIES C ORP .
C REDIT A GRICOLE S ECURITIES (USA) I NC .
J.P. M ORGAN S ECURITIES LLC,
W ELLS F ARGO S ECURITIES , LLC
Acting on behalf of themselves and as the
Representatives of the several Underwriters

BNP P ARIBAS S ECURITIES C ORP .

By: /s/ Richard Murphy
Name: Richard Murphy
Title: Managing Director

C REDIT A GRICOLE S ECURITIES (USA) I NC .

By: /s/ Mike Kendtrot
Name: Mike Kendrot
Title: Managing Director

J.P. M ORGAN S ECURITIES LLC

By: /s/ Som Bhattacharyya
Name: Som Bhattacharyya
Title: Executive Director

W ELLS F ARGO S ECURITIES , LLC

By: /s/ Carolyn Hurley
Name: Carolyn Hurley
Title: Director

Signature Page to the Underwriting Agreement

SCHEDULE I

Underwriters	Principal Amount of 2027 Notes
BNP Paribas Securities Corp.	$ 68,750,000
Credit Agricole Securities (USA) Inc.	68,750,000
J.P. Morgan Securities LLC	68,750,000
Wells Fargo Securities, LLC	68,750,000
Mizuho Securities USA LLC	45,000,000
MUFG Securities Americas Inc.	45,000,000
U.S. Bancorp Investments, Inc.	45,000,000
BB&T Capital Markets, a division of BB&T Securities, LLC	22,500,000
CIBC World Markets Corp.	22,500,000
Regions Securities LLC	22,500,000
TD Securities (USA) LLC	22,500,000
Total	$500,000,000

Underwriters	Principal Amount of 2044 Notes
BNP Paribas Securities Corp.	$ 34,375,000
Credit Agricole Securities (USA) Inc.	34,375,000
J.P. Morgan Securities LLC	34,375,000
Wells Fargo Securities, LLC	34,375,000
Mizuho Securities USA LLC	22,500,000
MUFG Securities Americas Inc.	22,500,000
U.S. Bancorp Investments, Inc.	22,500,000
BB&T Capital Markets, a division of BB&T Securities, LLC	11,250,000
CIBC World Markets Corp.	11,250,000
Regions Securities LLC	11,250,000
TD Securities (USA) LLC	11,250,000
Total	$250,000,000

SCHEDULE II

GENERAL USE ISSUER FREE WRITING PROSPECTUS

The General Use Issuer Free Writing Prospectus(es) included in the Disclosure Package includes each of the following:

1. Final Term Sheet dated June 5, 2017, a copy of which is attached as Exhibit A to this Agreement substantially in the form filed with the Commission.

SCHEDULE III

LIST OF ALL SUBSIDIARIES

Atmos Energy Holdings, Inc.
Atmos Energy Louisiana Industrial Gas, LLC
Atmos Energy Services, LLC
Atmos Exploration and Production, Inc.
Atmos Gathering Company, LLC
Atmos Pipeline and Storage, LLC
Atmos Power Systems, Inc.
Blue Flame Insurance Services, Ltd
Egasco, LLC
Fort Necessity Gas Storage, LLC
Phoenix Gas Gathering Company
Trans Louisiana Gas Pipeline, Inc.
Trans Louisiana Gas Storage, Inc.
UCG Storage, Inc.
WKG Storage, Inc.

SCHEDULE IV

LIST OF SIGNIFICANT SUBSIDIARIES

None.

EXHIBIT A

Filed Pursuant to Rule 433 under the Securities Act of 1933
Registration Statement No. 333-210424
Issuer Free Writing Prospectus, dated June 5, 2017

ATMOS ENERGY CORPORATION
3.000% Senior Notes due 2027
4.125% Senior Notes due 2044

This Free Writing Prospectus relates only to the 3.000% Senior Notes due 2027 and 4.125% Senior Notes due 2044 of Atmos Energy Corporation and should be read together with the Preliminary Prospectus Supplement dated June 5, 2017 relating to the 3.000% Senior Notes due 2027 and 4.125% Senior Notes due 2044.

3.000% Senior Notes due 2027

Issuer:	Atmos Energy Corporation
Security Description:	Senior Unsecured Notes
Principal Amount:	$500,000,000
Maturity Date:	June 15, 2027
Trade Date:	June 5, 2017
Settlement Date (T+3):	June 8, 2017
Interest Payment Dates:	Semi-annually in arrears on June 15 and December 15, beginning December 15, 2017
Coupon:	3.000%
Benchmark Treasury:	2.375% due May 15, 2027
Benchmark Treasury Price / Yield:	101-23 / 2.182%
Spread to Benchmark Treasury:	+85 basis points
Yield to Maturity:	3.032%
Public Offering Price:	99.725% of principal amount plus accrued interest from the Settlement Date
Net Proceeds (Before Expenses) to Issuer:	$495,375,000 (99.075%)
Optional Redemption Provisions:	The Notes may be redeemed, at the option of Atmos Energy Corporation, at any time in whole or from time to time in part. Prior to March 15, 2027, the redemption price will be equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the

	remaining scheduled payments of principal and interest on the Notes to be redeemed discounted, on a semi-annual basis, at the make-whole call, plus, in each case, accrued interest to the date of redemption. At any time on or after March 15, 2027, the redemption price will be equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest, if any, to the redemption date.
Make-Whole Call :	Make whole call at T+15 basis points
CUSIP/ISIN:	049560 AN5 / US049560AN51
Joint Book-Running Managers:	BNP Paribas Securities Corp. Credit Agricole Securities (USA) Inc. J.P. Morgan Securities LLC Wells Fargo Securities, LLC Mizuho Securities USA LLC MUFG Securities Americas Inc. U.S. Bancorp Investments, Inc.
Co-Managers:	BB&T Capital Markets, a division of BB&T Securities, LLC CIBC World Markets Corp. Regions Securities LLC TD Securities (USA) LLC

Exhibit A-2

4.125% Senior Notes due 2044

Issuer:	Atmos Energy Corporation
Security Description:	Senior Unsecured Notes
Principal Amount:	$250,000,000 (for an aggregate outstanding principal amount of $750,000,000, together with the $500,000,000 principal amount of the 4.125% Senior Notes due 2044 originally issued on October 15, 2014)
Maturity Date:	October 15, 2044
Trade Date:	June 5, 2017
Settlement Date (T+3):	June 8, 2017
Interest Payment Dates:	Semi-annually in arrears on April 15 and October 15, beginning October 15, 2017. The interest payment on October 15, 2017 will include accrued interest from, and including, April 15, 2017.
Coupon:	4.125%
Benchmark Treasury:	3.000% due February 15, 2047
Benchmark Treasury Price / Yield:	103-06+ / 2.839%
Spread to Benchmark Treasury:	+105 basis points
Re-Offer Yield:	3.889%
Public Offering Price:	103.907%, plus accrued interest from April 15, 2017
Accrued Interest Payable to Issuer:	$1,518,229.17 accrued from, and including, April 15, 2017 to but excluding anticipated date of settlement, June 8, 2017
Net Proceeds (Before Expenses and Accrued Interest) to Issuer:	$257,580,000 (103.032%)
Optional Redemption Provisions:	The 2044 Notes may be redeemed, at the option of Atmos Energy Corporation, at any time in whole or from time to time in part. Prior to April 15, 2044, the redemption price will be equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 2044 Notes to be redeemed discounted, on a semi-annual basis, at the make-whole call, plus,

	in each case, accrued interest to the date of redemption. At any time on or after April 15, 2044, the redemption price will be equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest, if any, to the redemption date.
Make-Whole Call:	Make whole call at T+15 basis points
CUSIP/ISIN:	049560 AM7 / US049560AM78
Joint Book-Running Managers:	BNP Paribas Securities Corp. Credit Agricole Securities (USA) Inc. J.P. Morgan Securities LLC Wells Fargo Securities, LLC Mizuho Securities USA LLC MUFG Securities Americas Inc. U.S. Bancorp Investments, Inc.
Co-Managers:	BB&T Capital Markets, a division of BB&T Securities, LLC CIBC World Markets Corp. Regions Securities LLC TD Securities (USA) LLC

Atmos Energy Corporation has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about Atmos Energy Corporation and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by contacting BNP Paribas Securities Corp. at 1-800-854-5674, Credit Agricole Securities (USA) Inc. at 1-866-807-6030, J.P. Morgan Securities LLC at 1-212-834-4533 or Wells Fargo Securities, LLC at 1-800-645-3751.

Exhibit A-4

EXHIBIT B-1

FORM OF OPINION OF VIRGINIA COUNSEL TO THE COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 7(c)

1. The Company is validly existing as a corporation in good standing under the laws of the Commonwealth of Virginia.

2. The Company has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Preliminary Prospectus and the Prospectus and to enter into and perform its obligations under the Underwriting Agreement (including without limitation, issuing the Securities), the Indenture (as modified by the Section 301 Officers' Certificate) and the Securities.

3. Each of the Underwriting Agreement, Indenture and the Section 301 Officers' Certificate has been duly authorized, executed and delivered by the Company.

4. The Securities have been duly authorized, executed and delivered by the Company.

Such counsel is aware that this opinion will be relied upon by U.S. Bank National Association, as Trustee under, and in connection with the transactions contemplated by the Indenture.

* * *

In rendering such opinion, such counsel may state that its opinion is limited to the Federal laws of the United States and the laws of the Commonwealth of Virginia.

EXHIBIT B-2

FORM OF OPINIONS AND LETTER OF ASSOCIATE GENERAL COUNSEL OF THE COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 7(d)

1. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Texas and the Commonwealth of Virginia.

2. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

3. The information in the Registration Statement under Item 15, to the extent that it constitutes matters of law, summaries of legal matters or legal conclusions, has been reviewed by me and is correct in all material respects.

4. The authorized, issued and outstanding capital stock of the Company is as set forth in the most recent Preliminary Prospectus and the Prospectus under the caption “Capitalization” (except for subsequent issuances, if any, pursuant to reservations, agreements or employee benefit plans referred to in the most recent Preliminary Prospectus and the Prospectus, or pursuant to the exercise of options or share unit awards referred to in the most recent Preliminary Prospectus and the Prospectus, or pursuant to the Company’s Equity Distribution Agreement, dated as of March 28, 2016); the shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; and none of the outstanding shares of capital stock of the Company was issued in violation of the preemptive or other similar rights of any security holder of the Company.

5. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

6. Each of the Securities and the Indenture has been duly authorized, executed and delivered by the Company. The Section 301 Officers’ Certificate has been duly authorized by the Company and duly executed and delivered by two officers of the Company.

7. The documents incorporated by reference in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus (other than financial statements and schedules and other information of an accounting or financial nature included or incorporated by reference therein, as to which I express no opinion or belief), when they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations under the Exchange Act.

8. To the best of my knowledge, there is no pending or threatened action, suit, proceeding, inquiry or investigation, to which the Company or any subsidiary is a party, or to which the property of the Company or any subsidiary is subject, before or brought by any court

or governmental agency or body, domestic or foreign, which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to have a material effect on the properties or assets thereof or the consummation of the transactions contemplated in the Underwriting Agreement or the performance by the Company of its obligations thereunder, or which is required to be described in the most recent Preliminary Prospectus and the Prospectus that is not described as required.

9. The information in (a) the most recent Preliminary Prospectus and the Prospectus under "Business – Other Regulation," "Description of the Notes," or "Description of Debt Securities," (b) Exhibit 99.1 to the Current Report on Form 8-K filed on April 12, 2017 (the "Recast 8-K"), the following sections under "Item 1. – Business:" "Natural Gas Marketing Segment Overview," "Overview," "Recent Ratemaking Activity," "Annual Formula Rate Mechanisms," "Rate Case Filings," "Other Ratemaking Activity," or "Other Regulation," (c) the Annual Report on Form 10-K for the fiscal year ended September 30, 2016 under "Item 3. – Legal Proceedings," (d) the Quarterly Reports on Form 10-Q for the quarterly periods ended December 31, 2016 and March 31, 2017 (the "Q1 10-Q," and the "Q2 10-Q," respectively) under Part II "Item 1. – Legal Proceedings," and (d) "Note 11. – Commitments and Contingencies" to the Company's consolidated financial statements included in the Recast 8-K or "Note 9. – Commitments and Contingencies" to the Company's condensed consolidated financial statements included in the Q1 10-Q and the Q2 10-Q, to the extent that it constitutes matters of law, summaries of legal matters, the Company's articles of incorporation and bylaws or legal proceedings, or legal conclusions, has been reviewed by me and is correct in all material respects.

10. All descriptions in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus of contracts and other documents to which the Company or its subsidiaries are a party are accurate in all material respects; to the best of my knowledge, there are no franchises, contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto, and the descriptions thereof or references thereto are correct in all material respects.

11. To the best of my knowledge, (i) neither the Company nor any subsidiary is in violation of its charter, bylaws or other organizational document and (ii) no default by the Company or any subsidiary exists in the due performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument that is described or referred to in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus or filed or incorporated by reference as an exhibit to the Registration Statement, except with respect to (ii) above, for such defaults that would not result in a Material Adverse Effect.

12. There have been issued and, as of the date hereof, are in full force and effect orders or authorizations of the regulatory authorities of Colorado, Kentucky and Virginia authorizing the issuance and sale of the Securities by the Company on the terms set forth or contemplated in the Underwriting Agreement and the Indenture; and no other filing

with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency, domestic or foreign (other than under the Securities Act, the Exchange Act and the Rules and Regulations, which have been obtained, or as may be required under the securities or blue sky laws of the various states, as to which I express no opinion), is necessary or required in connection with the due authorization, execution and delivery of the Underwriting Agreement, the Indenture or the Securities, or for the offering, issuance, sale or delivery of the Securities by the Company pursuant to the Underwriting Agreement.

13. The execution, delivery and performance of the Underwriting Agreement, the Indenture and the Securities by the Company and the consummation of the transactions contemplated in the Underwriting Agreement and the Indenture and in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus (including the issuance and sale of the Securities by the Company and the use of the proceeds from the sale of the Securities as described in the Prospectus under the caption “Use of Proceeds”) and compliance by the Company with its obligations under the Underwriting Agreement, the Indenture and the Securities do not and will not, whether with or without the giving of notice or lapse of time or both, violate or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or any other agreement or instrument, known to me, to which the Company or any subsidiary is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (except for such violations, breaches or defaults or liens, charges or encumbrances that would not have a Material Adverse Effect), nor will such action result in any violation of the provisions of the articles of incorporation or bylaws of the Company or the charter, bylaws or other organizational documents of any subsidiary, or any applicable law, statute, rule, regulation, judgment, order, writ or decree, known to me, of any government, government instrumentality or court, domestic or foreign, binding on the Company or any subsidiary or any of their respective properties, assets or operations. I express no opinion in this paragraph regarding federal or state securities laws.

Except for the financial statements and related notes and schedules and other information of an accounting or financial nature included or incorporated by reference therein, as to which I express no opinion or belief, no facts have come to my attention that led me to believe: (a) that the Registration Statement, at the time it became effective (which shall have the meaning set forth in Rule 158(c) of the Rules and Regulations) or the Prospectus, as of its date, were not appropriately responsive in all material respects to the requirements of the Securities Act and the Rules and Regulations; or (b)(i) that the Registration Statement, at the time it became effective, contained a untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) that the Pricing Disclosure Package, as of the Applicable Time, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or (iii) that the Prospectus, as of its date or the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

* * *

Exhibit B-2-3

In rendering such opinion, such counsel may state that his opinion is limited to the Federal laws of the United States, the laws of the State of Texas and the Virginia Stock Corporation Act.

Exhibit 4.1

ATMOS ENERGY CORPORATION

Officers' Certificate Pursuant to Section 301 of the Indenture

June 8, 2017

Each of the undersigned, Christopher T. Forsythe, Senior Vice President and Chief Financial Officer, and Phillip L. Allbritten, Associate General Counsel and Assistant Corporate Secretary of Atmos Energy Corporation (the "Company") certifies, pursuant to the authority delegated to each of them, as an officer of the Company, pursuant to the resolutions adopted by the board of directors of the Company (the "Board") on May 2, 2017 (copies of which resolutions are attached hereto as Exhibit I), that pursuant to Section 301 of the Indenture dated as of March 26, 2009 (the "Indenture") between the Company and U.S. Bank National Association, as trustee (the "Trustee"), the series of debt securities of the Company described herein are hereby established with the following terms and provisions (unless otherwise defined herein, capitalized terms used herein have the meaning given thereto in the Indenture):

1. The titles of the series of securities to be issued are the 3.000% Senior Notes due 2027 (the "2027 Notes") and the 4.125% Senior Notes due 2044 (the "additional 2044 Notes"). The additional 2044 Notes are an additional issuance of the Company's 4.125% Senior Notes due 2044 originally issued on October 15, 2014 (the additional 2044 Notes, together with the previously issued 4.125% Senior Notes due 2044, the "2044 Notes;" and the 2027 Notes, together with the additional 2044 Notes, the "Notes").

2. The Notes are unsubordinated and will rank equally with all of the Company's other unsecured and unsubordinated debt. Subordinated debt will rank junior to the Notes and the Company's other senior debt.

3. Prior to the issuance of the additional 2044 Notes, there are $500,000,000 aggregate principal amount of 2044 Notes outstanding under the Indenture. The aggregate principal amount of the additional 2044 Notes that initially may be issued under the Indenture, in connection with the Underwriting Agreement, dated as of June 5, 2017, among the Company and certain underwriters named therein (the "Underwriting Agreement"), is $250,000,000, and the Stated Maturity of the 2044 Notes is October 15, 2044. The additional 2044 Notes shall be offered to the public at a price representing 103.907% of their principal amount.

4. The aggregate principal amount of the 2027 Notes that initially may be issued under the Indenture, in connection with the Underwriting Agreement, is $500,000,000, and the Stated Maturity of the 2027 Notes is June 15, 2027. The 2027 Notes shall be offered to the public at a price representing 99.725% of their principal amount.

5. The additional 2044 Notes shall bear interest at the rate of 4.125% per annum. Interest on the additional 2044 Notes will be payable in arrears on April 15 and October 15 of each year (each, a "2044 Notes Interest Payment Date"), beginning October 15, 2017. Interest payable on each 2044 Notes Interest Payment Date will

include interest accrued from and including April 15, 2017, or from and including the most recent 2044 Notes Interest Payment Date to which interest has been paid or duly provided for, as the case may be, to but excluding such 2044 Notes Interest Payment Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The interest so payable, and punctually paid or duly provided for, on any 2044 Notes Interest Payment Date will, as provided in the Indenture, be paid to the Holder in whose name the 2044 Notes are registered at the close of business on the April 1 or October 1 (whether or not a Business Day) preceding the respective 2044 Notes Interest Payment Date. The payment of any Defaulted Interest on the 2044 Notes shall be payable to the Holders of the 2044 Notes on a Special Record Date established therefor pursuant to the Indenture, or shall be paid at any time in any other lawful manner, all as more fully provided in the Indenture.

6. The 2027 Notes shall bear interest at the rate of 3.000% per annum. Interest on the 2027 Notes will be payable in arrears on June 15 and December 15 of each year (each, a "2027 Notes Interest Payment Date"), beginning December 15, 2017. Interest payable on each 2027 Notes Interest Payment Date will include interest accrued from and including June 8, 2017, or from and including the most recent 2027 Notes Interest Payment Date to which interest has been paid or duly provided for, as the case may be, to but excluding such 2027 Notes Interest Payment Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The interest so payable, and punctually paid or duly provided for, on any 2027 Notes Interest Payment Date will, as provided in the Indenture, be paid to the Holder in whose name the 2027 Notes are registered at the close of business on the June 1 or December 1 (whether or not a Business Day) preceding the respective 2027 Notes Interest Payment Date. The payment of any Defaulted Interest on the 2027 Notes shall be payable to the Holders of the 2027 Notes on a Special Record Date established therefor pursuant to the Indenture, or shall be paid at any time in any other lawful manner, all as more fully provided in the Indenture.

7. Payment of the principal of (and premium, if any) and interest on the Notes will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, the City of New York, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. So long as the Notes remain in book-entry form, all payments of principal and interest will be made by the Company in immediately available funds.

8. The Company may redeem the 2044 Notes prior to maturity at its option, at any time in whole or from time to time in part. Prior to April 15, 2044, the Redemption Price with respect to the 2044 Notes shall be equal to the greater of:

(a) 100% of the principal amount of the 2044 Notes to be redeemed, and

(b) as determined by the Quotation Agent (as defined below), the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal and interest on the 2044 Notes to be redeemed discounted to the Redemption Date on a semi-annual basis assuming a 360-day year consisting of twelve 30-day months at the Adjusted Treasury Rate (as defined below) plus 15 basis points; plus, in each case, accrued and unpaid interest on the principal amount of 2044 Notes being redeemed to the Redemption Date.

At any time on or after April 15, 2044, the Redemption Price with respect to the 2044 Notes shall be equal to 100% of the principal amount of the 2044 Notes to be redeemed, plus accrued and unpaid interest thereon to the Redemption Date.

9. The Company may redeem the 2027 Notes prior to maturity at its option, at any time in whole or from time to time in part. Prior to March 15, 2027, the Redemption Price with respect to the 2027 Notes shall be equal to the greater of:

(a) 100% of the principal amount of the 2027 Notes to be redeemed, and

(b) as determined by the Quotation Agent (as defined below), the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal and interest on the 2027 Notes to be redeemed that would be due if the 2027 Notes matured on the Par Call Date (as defined below), discounted to the Redemption Date on a semi-annual basis assuming a 360-day year consisting of twelve 30-day months at the Adjusted Treasury Rate (as defined below) plus 15 basis points; plus, in each case, accrued and unpaid interest on the principal amount of 2027 Notes being redeemed to the Redemption Date.

At any time on or after March 15, 2027, the Redemption Price with respect to the 2027 Notes shall be equal to 100% of the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest thereon to the Redemption Date.

"Adjusted Treasury Rate" means, for any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date;

"Comparable Treasury Issue" means, with respect to a series of Notes, the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes of such series to be redeemed (assuming, with respect to the 2027 Notes, that they matured on the Par Call Date) that would be used, at the time of a selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes of such series to be redeemed;

"Comparable Treasury Price" means, for any Redemption Date, the average of the Reference Treasury Dealer Quotations for that Redemption Date;

"Par Call Date" means, with respect to the 2027 notes, March 15, 2027;

"Primary Treasury Dealer" means a primary U.S. government securities dealer in New York City;

"Quotation Agent" means the Reference Treasury Dealer appointed by the Company to act as a quotation agent;

"Reference Treasury Dealer" means: (i) with respect to the 2044 Notes (A) Merrill Lynch, Pierce, Fenner & Smith Incorporated and any Primary Treasury Dealer selected by each of Credit Agricole Securities (USA) Inc. and Wells Fargo Securities, LLC, and any of such parties' successors, and (B) any other Primary Treasury Dealer selected by the Company; and (ii) with respect to the 2027 Notes, each of BNP Paribas Securities Corp., J.P. Morgan Securities LLC, and Wells Fargo Securities, LLC, and their respective successors; *provided, however* , that with respect to a series of Notes, if any of the entities listed above for such series ceases to be a Primary Treasury Dealer, the Company will substitute therefor another Primary Treasury Dealer for such series of Notes;

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed, in each case, as a percentage of its principal amount) quoted in writing to the Trustee at 5:00 p.m., Eastern time by such Reference Treasury Dealer on the third Business Day preceding such Redemption Date; and

"Remaining Scheduled Payments" means, with respect to each Note to be redeemed, the remaining scheduled payments of the principal and interest on such Note that would be due after the related Redemption Date but for such redemption; provided, however, that if such Redemption Date is not a 2044 Notes Interest Payment Date with respect to the additional 2044 Notes or a 2027 Notes Interest Payment Date with respect to the 2027 Notes, the amount of the next succeeding scheduled interest payment on such Note will be reduced by the amount of interest accrued on such Note to such Redemption Date.

10. In the case of a partial redemption of the Notes of a series, the Notes to be redeemed shall be selected by the Trustee from the outstanding Notes of such series not previously called for redemption, in the case of the 2027 Notes, in accordance with the procedures of the Depository and, in the case of the 2044 Notes, by such method as the Trustee shall deem fair and appropriate (or, in the case of Notes issued in global form, by such method as the Depository may require), and, in each case, which may provide for the selection for redemption of portions of the principal of the Notes of such series. A partial redemption shall not reduce the portion of the principal amount of a Note not redeemed to a principal amount of less than $2,000. Notice of any redemption will be mailed by first class mail at least 30 days but not more than 60 days before the Redemption Date to each Holder of the Notes of the series to be redeemed at its registered address. If any Notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount of the Notes of the series to be redeemed. A new Note in a principal amount equal to the unredeemed portion of the Note will be issued in the name of the Holder of the Note upon surrender for cancellation of the original Note. Unless the Company defaults in payment of the Redemption Price, on and after the Redemption Date, interest will cease to accrue on the Notes or the portions of the Notes called for redemption.

11. Section 703 of the Indenture is replaced with the following in its entirety for purposes of the Notes only:

The Company shall:

(1) file with the Trustee, within 30 days after the Company has filed the same with the Commission, unless such reports are available on the Commission's EDGAR filing system (or any successor thereto), copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of such Sections, then the Company shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit to all Holders, as their names and addresses appear in the Security Register, within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in TIA Section 313(c), such summaries of any information, documents and reports required to be filed by the Company pursuant to Subsections (1) and (2) of this Section 703 as may be required by rules and regulations prescribed from time to time by the Commission.

12. The Company has no obligation to redeem, purchase or repay the Notes pursuant to any mandatory redemption or sinking fund or analogous provisions or at the option of the Holder thereof.

13. The entire principal amount of the Notes of a series shall be payable upon declaration of acceleration of the Maturity of the Notes of such series pursuant to the Indenture.

14. The defeasance and covenant defeasance provisions of Article Fourteen of the Indenture shall apply to the Notes.

15. The Trustee, the initial Paying Agent and the initial Security Registrar for the Notes shall be U.S. Bank National Association. The Security Register for the Notes shall be initially maintained at, and the place where such Notes may be surrendered for registration of transfer or exchange shall be, the Trustee's Corporate Trust Office located at 1349 West Peachtree Street, Suite 1050, Atlanta, Georgia 30309.

16. The additional 2044 Notes will be issued in registered permanent global form and each evidenced by a global security (a "Global Security") in substantially the form attached hereto as Exhibit II-A , and the 2027 Notes will be issued in registered permanent global form and each evidenced by a Global Security in substantially the form attached hereto as Exhibit II-B , with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Indenture, and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of the Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto, or with any rules of any securities exchange or to conform to general usage, all as may be determined by the officers executing each such Global Security, as evidenced by their execution of such Global Security. The beneficial owners of interests in each of the Global Securities may exchange such interests for the applicable series of Notes in certificated form (the "Definitive Notes") only in limited circumstances as provided in the Indenture. In the event that Definitive Notes are issued in exchange for a Global Security, the form of certificate evidencing each Definitive Note shall be in substantially the form of the applicable attached Global Security, with such changes as are necessary to evidence the applicable series of Notes in definitive form rather than as a Global Security. The Company initially appoints DTC to act as Depository with respect to the Notes.

17. The Notes are issuable in denominations of $2,000 and any integral multiples of $1,000 in excess thereof.

18. The Events of Default set forth in the Indenture shall apply to the Notes.

19. The Company will not pay Additional Amounts on the Notes held by any Holder who is not a United States person in respect of any tax, assessment or governmental charge withheld or deducted.

20. The Company may, at any time, without the consent of the Holders of the Notes of a series, create and issue additional securities having the same ranking, interest rate, maturity and other terms as the Notes of such series. Any such additional securities shall be consolidated and form the same series of the Notes of such series having the same terms as to status, redemption and otherwise as the Notes of such series under the Indenture.

Each of us further certifies that the form and terms of the Notes as established in this certificate have been established pursuant to Section 301 of the Indenture and comply with the Indenture.

[Signature page follows]

IN WITNESS WHEREOF, I have executed this certificate as of the date first written above.

By: ______________________________
Name: Christopher T. Forsythe
Title: Senior Vice President and
Chief Financial Officer

IN WITNESS WHEREOF, I have executed this certificate as of the date first written above.

By: ______________________________
Name: Phillip L. Allbritten
Title: Associate General Counsel and
Assistant Corporate Secretary

Officer's Certificate Pursuant to Section 301 of the Indenture

Exhibit 4.2

FORM OF NOTE

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

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND SUCH CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO., OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

ATMOS ENERGY CORPORATION

3.000% Senior Notes due 2027

No. 1

CUSIP NO. 049560 AN5
ISIN NO. US049560AN51

Atmos Energy Corporation, a Texas and Virginia corporation (herein called the “Company”, which term includes any successor entity under the Indenture, hereinafter defined), for value received, hereby promises to pay to Cede & Co. or registered assigns the principal sum of FIVE HUNDRED MILLION DOLLARS ($500,000,000) on June 15, 2027 (the “Maturity Date”), at the office or agency of the Company referred to below, and to pay interest thereon from June 8, 2017, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually in arrears on June 15 and December 15 in each year (each, an “Interest Payment Date”), beginning December 15, 2017 at 3.000% per annum until the principal hereof is paid or duly provided for.

Any payment of principal or interest required to be made on a day that is not a Business Day need not be made on such day, but may be made on the next succeeding Business Day with the same force and effect as if made on such day and no interest shall accrue as a result of such delayed payment. Interest payable on each Interest Payment Date will include interest accrued from and including June 8, 2017, or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, as the case may be, to but excluding such Interest Payment Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the person (the "Holder") in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the June 1 and December 1 (whether or not a Business Day) next preceding such Interest Payment Date (a "Regular Record Date"). Any such interest not so punctually paid or duly provided for ("Defaulted Interest") will forthwith cease to be payable to the Holder on such Regular Record Date and either may be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a special record date (the "Special Record Date") for the payment of such Defaulted Interest to be fixed by the Trustee (referred to herein), notice whereof shall be given to the Holder of this Security not less than ten days prior to such Special Record Date, or may be paid at any time in any other lawful manner, all as more fully provided in the Indenture.

For purposes of this Security, "Business Day" means any day that, in the city of the principal Corporate Trust Office of the Trustee and in the City of New York, is neither a Saturday, Sunday, or legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, the City of New York, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. So long as this Security remains in book-entry form, all payments of principal and interest will be made by the Company in immediately available funds.

Unless the certificate of authentication hereon has been duly executed by the Trustee by manual signature, this Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

This Security is one of a duly authorized issue of securities of the Company, designated as the 3.000% Senior Notes due 2027 (the "Securities"), issued under an Indenture dated as of March 26, 2009, as it may be supplemented from time to time (referred to herein as the "Indenture"), between the Company and U.S. Bank National Association, as trustee (referred to herein as the "Trustee", which term includes any successor trustee under the Indenture with respect to the series of which this Security is a part). A reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered, except as otherwise provided herein.

The Securities are initially limited to $500,000,000 aggregate principal amount. The Company may, at any time, without the consent of the Holders of the Securities, create and issue additional securities having the same ranking, interest rate, maturity and other terms as the Securities. Any such additional securities shall be consolidated and form the same series of the Securities having the same terms as to status, redemption and otherwise as the Securities under the Indenture.

Events of Default . If an Event of Default shall occur and be continuing, the principal of all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

Optional Redemption . The Securities will be redeemable prior to maturity at the Company's option, at any time in whole or from time to time in part. Prior to March 15, 2027, the Redemption Price will be equal to the greater of:

(a) 100% of the principal amount of the Securities to be redeemed, and

(b) as determined by the Quotation Agent, the sum of the present values of the Remaining Scheduled Payments of principal and interest on the Securities to be redeemed that would be due if the Securities matured on March 15, 2027, discounted to the Redemption Date on a semi-annual basis assuming a 360-day year consisting of twelve 30-day months at the Adjusted Treasury Rate plus 15 basis points;

plus, in each case, accrued and unpaid interest on the principal amount of Securities being redeemed to the Redemption Date.

At any time on or after March 15, 2027, the Redemption Price will be equal to 100% of the principal amount of the Securities to be redeemed, plus accrued and unpaid interest thereon to the Redemption Date.

"Adjusted Treasury Rate" means, for any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Securities to be redeemed, assuming the securities matured on March 15, 2027, that would be used, at the time of a selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities to be redeemed.

"Comparable Treasury Price" means, for any Redemption Date, the Reference Treasury Dealer Quotation for that Redemption Date.

"Quotation Agent" means the Reference Treasury Dealer appointed by the Company to act as a quotation agent.

"Reference Treasury Dealer" means each of BNP Paribas Securities Corp., J.P. Morgan Securities LLC, and Wells Fargo Securities, LLC, and their respective successors; provided, however, if any of the foregoing ceases to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed, in each case, as a percentage of its principal amount) quoted in writing to the Trustee at 5:00 p.m., Eastern time by such Reference Treasury Dealer on the third Business Day preceding such Redemption Date.

"Remaining Scheduled Payments" means, with respect to each Security to be redeemed, the remaining scheduled payments of the principal and interest on such Security that would be due after the related Redemption Date but for such redemption; provided, however, that if such Redemption Date is not an Interest Payment Date, the amount of the next succeeding scheduled interest payment on such Security will be reduced by the amount of interest accrued on such Security to such Redemption Date.

In the event that less than all of the Securities are to be redeemed at any time, selection of such Securities for redemption will be made by The Depository Trust Company ("DTC") during any period the Securities are issued in the form of a global security registered in the name of DTC or a nominee thereof; *provided that* during any period the Securities are issued in certificated form, the selection of such Securities for redemption will be made by the Trustee by lot or by such other method as the Trustee in its sole discretion shall deem fair and appropriate (or, in the case of Securities issued in global form, by such method as the depositary may require) and which may provide for the selection for redemption of portions of the principal of the Securities. A partial redemption shall not reduce the portion of the principal amount of a Security not redeemed to a principal amount of less than $2,000. Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days before the Redemption Date, to each Holder of Securities to be redeemed, at its address as shown in the Security Register. If the Securities are to be redeemed in part only, the notice of redemption that relates to such Securities shall state the portion of the principal amount thereof to be redeemed. A new Security in a principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon surrender for cancellation of the original Security. On and after the Redemption Date, interest will cease to accrue on Securities or portions thereof called for redemption unless the Company defaults in the payment of the Redemption Price.

Sinking Fund . This Security does not have the benefit of any sinking fund obligations.

Modification and Waivers; Obligations of the Company Absolute . The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities. Certain limited amendments may be effected under the Indenture at any time by the Company and the Trustee without the consent of any Holders of the Securities. Certain other amendments affecting the Securities may only be effected under the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of not less than a majority in principal amount of the Securities at the time Outstanding, on behalf of the Holders of all Outstanding Securities, to waive compliance by the Company with certain provisions of the Indenture affecting the Securities. Furthermore, provisions in the Indenture permit the Holders of not less than a majority in principal amount of the Outstanding Securities to waive on behalf of all of the Holders of all Outstanding Securities certain past defaults under the Indenture in respect of the Securities and their consequences. Any such consent or waiver by or on behalf of the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

Defeasance and Covenant Defeasance . The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Company represented by this Security and (b) certain restrictive covenants and the related Defaults and Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Security.

Authorized Denominations . The Securities are issuable only in registered form, without coupons, in minimum denominations of $2,000 and any integral multiple of $1,000 in excess thereof.

Registration of Transfer or Exchange . As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable on the Security Register of the Company, upon surrender of this Security for registration of transfer at the office or agency of the Company, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. At the date of the original issuance of this Security such office or agency of the Company is maintained by U.S. Bank National Association, 1349 West Peachtree Street, Suite 1050, Atlanta, Georgia 30309.

As provided in the Indenture and subject to certain limitations therein set forth, the Securities are exchangeable for a like aggregate principal amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any registration of transfer or exchange or redemption of Securities, but the Company may require payment of a sum sufficient to pay all documentary, stamp or similar issue or transfer taxes or other governmental charges payable in connection with any registration of transfer or exchange.

Prior to the time of due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

Defined Terms . All capitalized terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Governing Laws . This Security and the Indenture shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles that would apply any other law.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

ATMOS ENERGY CORPORATION

By: ______________________________

Name: Christopher T. Forsythe
Title: Senior Vice President and Chief Financial Officer

Attest:

By: ______________________________

Name: Phillip L Allbritten
Title: Associate General Counsel and Assistant Corporate Secretary

2027 Note

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

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

Dated: June 8, 2017

U.S. Bank National Association,
as Trustee

By: ______________________________
Authorized Officer

2027 Note

ASSIGNMENT FORM

To assign this Security, fill in the form below:

(I) or (we) assign and transfer this Security to

____

(Insert assignee’s social security or tax I.D. no.)

____

____

____

____

(Print or type assignee’s name, address and zip code)

and irrevocably appoint ____
______________________agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date: ______&nnbsp;_________Signature: ____
(sign exactly as name appears on the other side of this Security)

Signature guaranteed by: ______________________________

Exhibit 5.1

GIBSON DUNN

Gibson, Dunn & Crutcher LLP

200 Park Avenue
New York, NY 10166-0193
Tel 212.351.4000

Client: 03896-00052

June 8, 2017

Atmos Energy Corporation
1800 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240

Re: Atmos Energy Corporation Registration Statement on Form S-3 (File No. 333-210424)

Ladies and Gentlemen:

We have acted as counsel to Atmos Energy Corporation, a corporation incorporated under the laws of Texas and Virginia (the " Company "), in connection with the preparation and filing with the Securities and Exchange Commission (the " Commission ") of a Registration Statement on Form S-3, file no. 333-210424 (the " Registration Statement "), under the Securities Act of 1933, as amended (the " Securities Act "), the prospectus included therein, the prospectus supplement, dated June 5, 2017, filed with the Commission on June 7, 2017 pursuant to Rule 424(b) of the Securities Act (the " Prospectus Supplement "), and the offering by the Company pursuant thereto of $500,000,000 aggregate principal amount of the Company's 3.000% Senior Notes due 2027 (the " 2027 Notes ") and $250,000,000 aggregate principal amount of the Company's 4.125% Senior Notes due 2044 (together with the 2027 Notes, the " Notes ") .

The Notes will be issued pursuant to the Indenture dated as of March 26, 2009 (the " Base Indenture "), between the Company and U.S. Bank National Association, as trustee (the " Trustee "), and an Officers' Certificate (the " Section 301 Officers' Certificate ") to be delivered to the Trustee pursuant to Section 301 of the Base Indenture (the Base Indenture, as modified by the Section 301 Officers' Certificate in respect of the Notes, is referred to herein as the " Indenture "). In connection with the issuance of the Notes, the Company has entered into an Underwriting Agreement dated as of June 5, 2017 (the " Underwriting Agreement ") with the representatives of the underwriters named therein (the " Underwriters "). The Indenture, the Underwriting Agreement and the Notes are referred to collectively as the " Note Documents ."

In arriving at the opinions expressed below, we have examined originals, or copies certified or otherwise identified to our satisfaction as being true and complete copies of the originals, of the Base Indenture, the form of Section 301 Officers' Certificate, the form of Notes, the Underwriting Agreement and such other documents, corporate records, certificates of officers of the Company and of public officials and other instruments as we have deemed necessary or advisable to enable us to render these opinions. In our examination, we have

GIBSON DUNN

assumed, without independent investigation, the genuineness of all signatures, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies. As to any facts material to these opinions, we have relied to the extent we deemed appropriate and without independent investigation upon statements and representations of officers and other representatives of the Company and others.

Based upon the foregoing, and subject to the assumptions, exceptions, qualifications and limitations set forth herein, we are of the opinion that the Notes, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Underwriters in accordance with the terms of the Underwriting Agreement, will be legal, valid and binding obligations of the Company.

The opinions expressed above are subject to the following additional exceptions, qualifications, limitations and assumptions:

A. We render no opinion herein as to matters involving the laws of any jurisdiction other than the State of New York and to the extent relevant for our opinions herein, the Texas Business Organizations Code. This opinion is limited to the effect of the current state of the laws of the State of New York and the Texas Business Organizations Code and the facts as they currently exist. We express no opinion regarding any federal or state laws or regulations related to the regulation of utilities. We assume no obligation to revise or supplement this opinion in the event of future changes in such laws or the interpretations thereof or such facts.

B. We note that the Company is incorporated in the State of Texas and in the Commonwealth of Virginia and we have assumed, without independent investigation, that the Company is a validly existing corporation in good standing under the laws of the Commonwealth of Virginia and that under the laws of the Commonwealth of Virginia: (i) the Company has all requisite power to execute, deliver and perform its obligations under the Note Documents, (ii) the execution and delivery of such documents by the Company and the performance of its obligations thereunder have been duly authorized by all necessary corporate action and do not violate any law, regulation, order, judgment or decree applicable to the Company and (iii) that such documents will be duly executed and delivered by the Company. We understand that you are receiving an opinion of Virginia counsel as to matters relating to Virginia law.

C. The opinions above are subject to (i) the effect of any bankruptcy, insolvency, reorganization, moratorium, arrangement or similar laws affecting the rights and remedies of creditors' generally, including without limitation the effect of statutory or other laws regarding fraudulent transfers or preferential transfers and (ii) general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance, injunctive relief or other equitable remedies regardless of whether enforceability is considered in a proceeding in equity or at law.

GIBSON DUNN

June 8, 2017
Page 3

D. We express no opinion regarding the effectiveness of (i) any waiver of stay, extension or usury laws or of unknown future rights or (ii) provisions relating to indemnification, exculpation or contribution, to the extent such provisions may be held unenforceable as contrary to public policy or federal or state securities laws.

We consent to the filing of this opinion as an exhibit to the Registration Statement, and we further consent to the use of our name under the caption “Legal Matters” in the Registration Statement and the Prospectus Supplement. In giving these consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Gibson, Dunn & Crutcher LLP

Exhibit 5.2

HUNTON & WILLIAMS

HUNTON & WILLIAMS LLP
RIVERFRONT PLAZA, EAST TOWER
951 EAST BYRD STREET
RICHMOND, VIRGINIA 23219-4074

TEL 804 • 788 • 8200
FAX 804 • 788 • 8218

FILE NO: 51645.000001

June 8, 2017

Atmos Energy Corporation
1800 Three Lincoln Centre
Dallas, Texas 75240

Atmos Energy Corporation
Public Offering of 3.000% Senior Notes due 2027 and
4.125% Senior Notes due 2044

Ladies and Gentlemen:

We have acted as special Virginia counsel to Atmos Energy Corporation, a Texas and Virginia corporation (the "Company"), for the purpose of providing this opinion in connection with the Company's issuance and sale of $500 million of the Company's 3.000% Senior Notes due 2027 (the "2027 Notes") and $250 million of the Company's 4.125% Senior Notes due 2044 (the "2044 Notes," and together with the 2027 Notes, the "Securities").

The Securities are being issued pursuant to an indenture, dated as of March 26, 2009 (the "Indenture"), between the Company and U.S. Bank National Association, as trustee (the "Trustee"), and an officers' certificate, dated as of June 8, 2017 pursuant to Section 301 of the Indenture (the "Section 301 Officers' Certificate"). The Securities are being offered and sold as described in the prospectus, dated March 28, 2016 (the "Base Prospectus"), contained in the Registration Statement on Form S-3 (Registration No. 333-210424) (the "Registration Statement") filed by the Company with the Securities and Exchange Commission (the "Commission") on March 28, 2016 pursuant to the Securities Act of 1933, as amended (the "Act"), and the prospectus supplement thereto, dated June 5, 2017 (together with the Base Prospectus, the "Prospectus").

This opinion is being furnished in accordance with the requirements of Item 16 of Form S-3 and Item 601(b)(5)(i) of Regulation S-K promulgated under the Act.

HUNTON & WILLIAMS

Atmos Energy Corporation
June 8, 2017
Page 2

In connection with this opinion letter, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such corporate records of the Company, certificates of corporate officers of the Company and public officials and such other documents as we have deemed necessary for the purposes of rendering this opinion, including, among other things:

(i) an executed copy of the Underwriting Agreement;

(ii) a copy of the Indenture;

(iii) an executed copy of the Section 301 Officers' Certificate

(iv) the Preliminary Prospectus;

(v) the Prospectus;

(vi) executed copies of the certificates representing the Securities;

(vii) a certificate of an Officer of the Company, dated June 8, 2017, to which the following documents are attached or incorporated by reference:

a) the Company's Restated Articles of Incorporation, as amended through the date hereof;

b) the Company's Amended and Restated Bylaws, as amended through the date hereof; and

c) a copy of the resolutions of the Company's Board of Directors, adopted on May 3, 2017; and

(viii) a certificate issued by the Clerk of the State Corporation Commission of the Commonwealth of Virginia on the date hereof, to the effect that the Company is existing under the laws of the Commonwealth of Virginia and in good standing.

For purposes of the opinions expressed below, we have assumed (i) the authenticity of all documents submitted to us as originals, (ii) the conformity to the originals of all documents submitted to us as certified, photostatic or electronic copies and the authenticity of the originals thereof, (iii) the accuracy, completeness and authenticity of all corporate records and other information made available to us by the Company, (iv) the legal capacity of natural persons, (v) the genuineness of all signatures not witnessed by us and (vi) the due authorization, execution and delivery of all documents by all parties and the validity, binding effect and enforceability thereof on such parties (other than the authorization, execution and delivery of documents by the Company).

HUNTON& WILLIAMS

Atmos Energy Corporation
June 8, 2017
Page 3

As to factual matters, including the execution and delivery of the Indenture and the Securities by officers of the Company, we have relied upon representations included in the Agreement, upon the accuracy of the certificates and other comparable documents of officers and representatives of the Company, upon statements made to us in discussions with management and upon certificates of public officials. Except as otherwise expressly indicated, we have not undertaken any independent investigation of factual matters.

We do not purport to express an opinion on any laws other than those of the Commonwealth of Virginia.

Based upon the foregoing and such other information and documents as we have considered necessary for the purposes hereof, and subject to the assumptions, qualifications and limitations stated herein, we are of the opinion that:

1. The Company is validly existing as a corporation in good standing under the laws of the Commonwealth of Virginia.

2. The Company has all requisite corporate power to execute, deliver and perform its obligations under the Indenture, the Section 301 Officers' Certificate and the Securities, and the execution and delivery of such documents by the Company and the performance of its obligations thereunder have been duly authorized by all necessary corporate action and do not violate any law or regulation of the Commonwealth of Virginia or any order, judgment or decree of any court, regulatory body, administrative agency or governmental body of the Commonwealth of Virginia applicable to the Company.

We hereby consent to (a) the filing of this opinion with the Commission as an exhibit to the Company's Current Report on Form 8-K filed the date hereof, (b) the incorporation by reference of this opinion into the Registration Statement and (c) the reference to our firm under the heading "Legal Matters" in the Prospectus. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the Act and the rules and regulations of the Commission promulgated thereunder.

HUNTON& WILLIAMS

This opinion letter is rendered as of the date hereof, and we disclaim any obligation to advise you of facts, circumstances, events or developments that hereafter may be brought to our attention and that may alter, affect or modify the opinions expressed herein. Our opinions are expressly limited to the matters set forth above and we render no opinions, whether by implication or otherwise, as to any other matters relating to the Company or the Securities.

Very truly yours,

/s/ Hunton & Williams LLP

CASE NO. 2018-00281
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**

August 2, 2017
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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On Wednesday, August 2, 2017, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the 2017 fiscal year third quarter, which ended June 30, 2017, and that certain of its officers would discuss such financial results in a conference call on Thursday, August 3, 2017 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 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release dated August 2, 2017 (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: August 2, 2017

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated August 2, 2017 (furnished under Item 2.02)

CASE NO. 2018-00281
FR 16(7)(p)
ATTACHMENT 2

Exhibit 99.1

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2017 Third Quarter and Nine Months; Tightens Fiscal 2017 Guidance

DALLAS (August 2, 2017) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2017 third quarter and nine months ended June 30, 2017 .

- Fiscal 2017 third quarter consolidated net income was $70.8 million , or $0.67 per diluted share, compared with consolidated net income of $71.2 million , or $0.69 per diluted share in the prior-year quarter.

- Fiscal 2017 third quarter net income from continuing operations was $70.8 million , or $0.67 per diluted share. In the prior-year quarter, net income from continuing operations was $66.1 million , or $0.64 per diluted share.

- The company now expects fiscal 2017 earnings from continuing operations to be in the middle of the tightened range of $3.55 to $3.63 per diluted share.

- The company's Board of Directors has declared a quarterly dividend of $0.45 per common share. The indicated annual dividend for fiscal 2017 is $1.80, which represents a 7.1 percent increase over fiscal 2016.

For the nine months ended June 30, 2017 , net income from continuing operations was $346.9 million or $3.27 per diluted share, compared with net income from continuing operations of $310.7 million , or $3.01 per diluted share for the same period last year.

“Our regulatory framework is paramount to our success in becoming the nation’s safest utility,” said Kim Cocklin, chief executive officer of Atmos Energy Corporation. “Timely recovery of our infrastructure investments provides for the efficient conversion of rate base growth to earnings growth. Now that our most significant rate activities have been concluded, we expect fiscal 2017 earnings from continuing operations to be in the middle of our tightened range of $3.55 to $3.63 per diluted share,” Cocklin concluded.

Results for the Three Months Ended June 30, 2017

Distribution gross profit increased $19.0 million to $296.3 million for the three months ended June 30, 2017 , compared with $277.3 million in the prior-year quarter. Gross profit reflects a net $13.7 million increase in rates, primarily in the Mid-Tex, West Texas, Louisiana and Mississippi Divisions. In addition, consumption increased a net $1.8 million, despite weather that was 19 percent warmer than the prior-year quarter and customer growth, primarily in the Mid-Tex Division, contributed an incremental $1.1 million in gross profit.

Pipeline and storage gross profit increased $1.7 million to $116.0 million for the three months ended June 30, 2017 , compared with $114.3 million in the prior-year quarter. This increase is primarily the result of higher through system revenue of $1.3 million, largely related to incremental throughput on the Enlink Pipeline, which was acquired in the first quarter of fiscal 2017, and higher basis spreads due to increased production in the Permian Basin.

Continuing operation and maintenance expense for the three months ended June 30, 2017 , was $128.7 million , compared with $131.4 million for the prior-year quarter. The $2.7 million quarter-over-quarter decrease was primarily driven by lower legal expenses.

Results for the Nine Months Ended June 30, 2017

Distribution gross profit increased $80.8 million to $1,105.0 million for the nine months ended June 30, 2017 , compared with $1,024.2 million in the prior-year period. Gross profit reflects a net $59.0 million increase in rates, primarily in the Mid-Tex, Louisiana and Mississippi Divisions. Customer growth, primarily in the Mid-Tex Division, contributed an incremental $5.4 million in gross profit. Transportation gross profit, primarily in the Kentucky/Mid-States, Mid-Tex and West Texas Divisions, increased $4.2 million, period over period. Revenue-related taxes, primarily in the Mid-Tex and West Texas Divisions, increased gross profit by $3.8 million. In addition, net consumption increased $2.1 million, despite weather that was 12 percent warmer than the prior-year period.

Pipeline and storage gross profit increased $22.4 million to $336.9 million for the nine months ended June 30, 2017 , compared with $314.5 million in the prior-year period. This increase primarily is attributable to a $22.1 million increase in revenue from the GRIP filings approved in fiscal 2016.

Continuing operation and maintenance expense for the nine months ended June 30, 2017 , was $385.9 million , compared with $379.1 million for the prior-year period. This $6.8 million increase was primarily driven by higher employee-related costs and increased pipeline maintenance spending.

In January 2017, the company completed the sale of its natural gas marketing business. Net income from discontinued operations was $13.7 million for the nine months ended June 30, 2017 , compared with $5.2 million in the prior–year period. The increase largely reflects the recognition of a net $6.6 million noncash gain in the first quarter of fiscal 2017 from unwinding hedge accounting for certain of the natural gas marketing business's financial positions as a result of the sale and a $2.7 million gain recognized on the sale in the second fiscal quarter.

Capital expenditures increased $22.4 million to $812.1 million for the nine months ended June 30, 2017 , compared with $789.7 million in the prior-year period, driven by a planned increase in spending for infrastructure replacements and enhancements.

For the nine months ended June 30, 2017 , the company generated operating cash flow of $745.6 million , a $115.6 million increase compared with the nine months ended June 30, 2016 . The year-over-year increase primarily reflects the positive cash effect of successful rate case outcomes achieved in fiscal 2016 and changes in working capital, primarily the recovery of deferred purchased gas cost.

The debt capitalization ratio at June 30, 2017 was 46.0 percent , compared with 48.5 percent at September 30, 2016 and 47.3 percent at June 30, 2016 . At June 30, 2017 , there was $258.6 million of short-term debt outstanding, compared with $829.8 million at September 30, 2016 and $670.5 million at June 30, 2016 . On June 8, 2017, the company completed a public offering of $500 million of 3.00% senior unsecured notes due 2027 and $250 million of 4.125% senior unsecured notes due 2044. The net proceeds of approximately $753 million were used to repay $250 million 6.35% senior unsecured notes at maturity on June 15, 2017 and for general corporate purposes, including the repayment of commercial paper.

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 now expects fiscal 2017 earnings from continuing operations to be in the tightened range of $3.55 to $3.63 per diluted share. Net income from continuing operations is now expected to be in the range of $375 million to $385 million. Capital expenditures for fiscal 2017 are still expected to range between $1.1 billion and $1.25 billion.

Conference Call to be Webcast August 3, 2017

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2017 third quarter financial results on Thursday, August 3, 2017 , at 10:00 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, Mike Haefner, President and Chief Operating Officer and Chris Forsythe, 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.

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 credit and 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, 2016 , and in the company's Quarterly Report on Form 10-Q for the three and six months ended March 31, 2017. 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.

Non-GAAP Financial Measure

The historical financial information in this news release utilizes a certain financial measure that is not presented in accordance with generally accepted accounting principles (GAAP). Specifically, the company uses gross profit, defined as operating revenues less purchased gas cost, to discuss and analyze its financial performance. Its operations are affected by the cost of natural gas, which is passed through to its customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees, along with hedging settlements. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, the company believes gross profit, a non-GAAP financial measure defined as operating revenues less purchased gas cost, is a better indicator of its financial performance than operating revenues as it provides a useful and more relevant measure to analyze its financial performance.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest fully-regulated, natural-gas-only distributor, 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. For more information, visit www.atmosenergy.com .

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income	Three Months Ended June 30	
(000s except per share)	2017	2016
Gross Profit:		
Distribution segment	$ 296,293	$ 277,336
Pipeline and storage segment	116,032	114,293
Intersegment eliminations	—	—
Gross profit	412,325	391,629
Operation and maintenance expense	128,690	131,388
Depreciation and amortization	80,023	72,880
Taxes, other than income	62,948	58,965
Total operating expenses	271,661	263,233
Operating income	140,664	128,396
Miscellaneous income (expense)	(289)	1,118
Interest charges	28,498	27,679
Income from continuing operations before income taxes	111,877	101,835
Income tax expense	41,069	35,692
Income from continuing operations	70,808	66,143
Income from discontinued operations, net of tax	—	5,050
Net Income	$ 70,808	$ 71,193
Basic and diluted net income per share		
Income per share from continuing operations	$ 0.67	$ 0.64
Income per share from discontinued operations	—	0.05
Net income per share - basic and diluted	$ 0.67	$ 0.69
Cash dividends per share	$ 0.45	$ 0.42
Basic and diluted weighted average shares outstanding	106,364	103,750

Summary Net Income by Segment (000s)	Three Months Ended June 30 2017	Three Months Ended June 30 2016
Distribution	$ 36,514	$ 30,361
Pipeline and storage	34,294	35,782
Net income from continuing operations	70,808	66,143
Net income from discontinued operations	—	5,050
Net Income	$ 70,808	$ 71,193

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Statements of Income (000s except per share)	Nine Months Ended June 30 2017	Nine Months Ended June 30 2016
Gross Profit:		
Distribution	$ 1,105,048	$ 1,024,244
Pipeline and Storage	336,876	314,496
Intersegment eliminations	(44)	—
Gross profit	1,441,880	1,338,740
Operation and maintenance expense	385,867	379,073
Depreciation and amortization	234,648	214,927
Taxes, other than income	185,611	171,959
Total operating expenses	806,126	765,959
Operating income	635,754	572,781
Miscellaneous expense	(450)	(90)
Interest charges	86,472	84,775
Income from continuing operations before income taxes	548,832	487,916
Income tax expense	201,974	177,224
Income from continuing operations	346,858	310,692
Income from discontinued operations, net of tax	10,994	5,172
Gain on sale of discontinued operations, net of tax	2,716	—
Net Income	$ 360,568	$ 315,864
Basic and diluted earnings per share		
Income per share from continuing operations	$ 3.27	$ 3.01
Income per share from discontinued operations	0.13	0.05
Net income per share - basic and diluted	$ 3.40	$ 3.06
Cash dividends per share	$ 1.35	$ 1.26
Basic and diluted weighted average shares outstanding	105,862	103,137

Summary Net Income by Segment (000s)	Nine Months Ended June 30 2017	Nine Months Ended June 30 2016
Distribution	$ 253,023	$ 219,377
Pipeline and Storage	93,835	91,315
Net income from continuing operations	346,858	310,692
Net income from discontinued operations	13,710	5,172
Net income	$ 360,568	$ 315,864

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	June 30, 2017	September 30, 2016
Net property, plant and equipment	$ 8,924,381	$ 8,268,606
Cash and cash equivalents	69,777	47,534
Accounts receivable, net	250,224	215,880
Gas stored underground	151,656	179,070
Current assets of disposal group classified as held for sale	—	151,117
Other current assets	62,725	88,085
Total current assets	534,382	681,686
Goodwill	729,673	726,962
Noncurrent assets of disposal group classified as held for sale	—	28,616
Deferred charges and other assets	310,339	305,019
	$ 10,498,775	$ 10,010,889
Shareholders' equity	$ 3,901,710	$ 3,463,059
Long-term debt	3,066,734	2,188,779
Total capitalization	6,968,444	5,651,838
Accounts payable and accrued liabilities	164,365	196,485
Current liabilities of disposal group classified as held for sale	—	72,900
Other current liabilities	322,721	439,085
Short-term debt	258,573	829,811
Current maturities of long-term debt	—	250,000
Total current liabilities	745,659	1,788,281
Deferred income taxes	1,853,564	1,603,056
Noncurrent liabilities of disposal group classified as held for sale	—	316
Deferred credits and other liabilities	931,108	967,398
	$ 10,498,775	$ 10,010,889

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Nine Months Ended June 30 2017	2016
Cash flows from operating activities		
Net income	$ 360,568	$ 315,864
Depreciation and amortization	234,833	216,670
Deferred income taxes	188,256	171,042
Gain on sale of discontinued operations	(12,931)	—
Discontinued cash flow hedging for natural gas marketing commodity contracts	(10,579)	—
Other	14,892	14,430
Changes in assets and liabilities	(29,478)	(88,060)
Net cash provided by operating activities	745,561	629,946
Cash flows from investing activities		
Capital expenditures	(812,148)	(789,688)
Acquisition	(86,128)	—
Proceeds from the sale of discontinued operations	140,253	—
Available-for-sale securities activities, net	(14,329)	558
Use tax refund	18,562	—
Other, net	6,435	5,731
Net cash used in investing activities	(747,355)	(783,399)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(571,238)	212,539
Proceeds from issuance of long-term debt, net of premium/discount	884,911	—
Net proceeds from equity offering	98,755	98,660
Issuance of common stock through stock purchase and employee retirement plans	22,673	26,500
Settlement of interest rate agreements	(36,996)	—
Interest rate agreements cash collateral	25,670	(16,330)
Repayment of long-term debt	(250,000)	—
Cash dividends paid	(143,075)	(130,363)
Debt issuance costs	(6,663)	—
Net cash provided by financing activities	24,037	191,006
Net increase in cash and cash equivalents	22,243	37,553
Cash and cash equivalents at beginning of period	47,534	28,653
Cash and cash equivalents at end of period	$ 69,777	$ 66,206

Statistics	Three Months Ended June 30 2017	2016	Nine Months Ended June 30 2017	2016
Consolidated distribution throughput (MMcf as metered)	76,281	69,456	324,555	330,968
Consolidated pipeline and storage transportation volumes (MMcf)	159,023	128,881	425,150	373,080
Distribution meters in service	3,213,853	3,179,726	3,213,853	3,179,726

Distribution average cost of gas	$ 4.60	$ 3.78	$ 5.14	$ 4.01

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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

August 2, 2017
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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

As reported in its news release issued August 2, 2017, Michael E. Haefner, 57, currently President and Chief Operating Officer of Atmos Energy Corporation ("Atmos Energy or the "Company"), has been appointed by the Company's Board of Directors as President and Chief Executive Officer of Atmos Energy, effective October 1, 2017. Mr. Haefner has served as President and Chief Operating Officer of the Company since October 2015, after having served as Executive Vice President from January 2015 through September 2015, and as Senior Vice President, Human Resources from June 2008 through December 2014. Kim R. Cocklin, 66, currently Chief Executive Officer of the Company, has been appointed as Executive Chairman of the Board, also effective October 1, 2017. Bob Best, 70, who has served as Chairman of the Board since March 1997, will continue to serve on the Board.

Although Atmos Energy is not a party to any employment agreement with Mr. Haefner, beginning October 1, 2017, in connection with his promotion, he will receive an increase in annual base salary from $650,000 to $850,000, with 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. In addition, beginning October 1, 2017, Mr. Cocklin's annual base salary will be reduced from $1,004,500 to $850,000 and he will also continue his participation in all applicable benefit plans offered by Atmos Energy to our senior officers.

A copy of the news release issued on August 2, 2017 announcing these management changes is filed herewith as Exhibit 99.1.

Item 8.01. Other Events.

As reported in its news release issued August 7, 2017, Karen E. Hartsfield, Senior Attorney of the Company, has been appointed by the Company's Board of Directors as Senior Vice President, General Counsel and Corporate Secretary of Atmos Energy, effective August 7, 2017. Ms. Hartsfield has served as a Senior Attorney since she joined the Company in June 2015, after having served in private practice for 19 years, most recently as Managing Partner of Jackson Lewis LLP in its Dallas office from July 2013 to June 2015. Prior to joining Jackson Lewis as a partner in January 2009, Ms. Hartsfield was a partner with Baker Botts LLP in Dallas.

A copy of the news release issued on August 7, 2017 announcing her appointment is filed herewith as Exhibit 99.2.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release issued by Atmos Energy Corporation dated August 2, 2017
99.2	News Release issued by Atmos Energy Corporation dated August 7, 2017

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: August 8, 2017

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release issued by Atmos Energy Corporation dated August 2, 2017
99.2	News Release issued by Atmos Energy Corporation dated August 7, 2017

Exhibit 99.1

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Corporation Names
Haefner as President and Chief Executive Officer;
Cocklin named Executive Chairman

DALLAS (August 2, 2017)—Atmos Energy Corporation (NYSE: ATO) today announced that its Board of Directors has appointed Michael E. Haefner, currently President and Chief Operating Officer, to the position of President and Chief Executive Officer, effective October 1, 2017. In addition, the Board has appointed Kim R. Cocklin, currently Chief Executive Officer, to the position of Executive Chairman of the Board of Directors, effective October 1, 2017. Robert W. Best, currently Chairman of the Board of Directors, will continue to serve as a Director on the Board after October 1, 2017.

The Board has planned for this succession for several years, initially appointing Haefner as Executive Vice President, effective October 1, 2014, and then promoting him to President and Chief Operating Officer on October 1, 2015. Haefner, 57, joined Atmos Energy in 2008 as Senior Vice President of Human Resources after serving in leadership positions at Sabre Holdings Corporation, American Airlines and Eastman Kodak. Mike has a bachelor's degree in mathematics from St. John Fisher College in Rochester, New York and a master's degree in computer science from the State University of New York at Buffalo.

"The Atmos Board has always made leadership development and executive succession planning one of its most salient priorities," said Cocklin. "Mike has built a strong management team and the Board has every confidence that the Company will continue to grow and thrive under Mike's leadership."

"We have a great Company and I look forward to continuing to work with Kim, our Board of Directors, our leadership team and the over 4,700 committed and dedicated employees to add to our strong foundation and future success," said Haefner.

Bob Best served as Chairman and Chief Executive Officer from 1997 to October 1, 2010, when he assumed the sole title of Chairman of the Board. "We are deeply indebted to Bob for his charismatic leadership, for leading the Company's growth from 700,000 customers to over 3,000,000 customers and for coaching and mentoring most of the senior leaders in the Company," said Cocklin. "Bob created an employee focused, high performance culture and he will continue to be an important and instrumental part of the Company as a member of the Board of Directors."

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest fully-regulated, natural-gas-only distributor, 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. For more information, visit www.atmosenergy.com .

CASE NO. 2018-00281
FR 16(7)(p)
ATTACHMENT 2

Exhibit 99.2

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Corporation Promotes Karen E. Hartsfield to Senior Vice President, General Counsel and Corporate Secretary

DALLAS (August 7, 2017)—Atmos Energy Corporation (NYSE: ATO) today announced that its Board of Directors has appointed Karen E. Hartsfield, currently Senior Attorney, to the position of Senior Vice President, General Counsel and Corporate Secretary, effective immediately. Hartsfield will also serve on the company's Management Committee.

Hartsfield, 47, joined Atmos Energy in 2015 after having served in private practice for 19 years, most recently as Managing Partner for Jackson Lewis L.L.P. in Dallas, Texas. Prior to joining Jackson Lewis, she served as a partner for the Dallas office of Baker Botts L.L.P.

"Atmos Energy is fortunate to have Karen assume this important senior leadership role for the Company," said Kim Cocklin, Chief Executive Officer of Atmos Energy Corporation. "She brings a strong leadership background, legal experience and acumen and has exceptional communication skills, making this a natural step for her to lead the Atmos legal team."

Hartsfield received a bachelor's degree from William and Mary and her law degree from the University of Texas.

About Atmos Energy

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CASE NO. 2018-00281
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

November 8, 2017
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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

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Item 2.02. Results of Operations and Financial Condition.

On Wednesday, November 8, 2017, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the fourth quarter and full 2017 fiscal year, which ended September 30, 2017, and that certain of its officers would discuss such financial results in a conference call on Thursday, November 9, 2017 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 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release dated November 8, 2017 (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 8, 2017

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated November 8, 2017 (furnished under Item 2.02)

Exhibit 99.1

ATMOS energy

News Release

Analysts and Media Contact:
Jennifer Hills (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2017 and Initiates Fiscal 2018 Guidance; Raises Dividend 7.8 Percent

DALLAS (November 8, 2017) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its 2017 fiscal year and fourth quarter ended September 30, 2017 .

- Fiscal 2017 consolidated net income was $396.4 million , or $3.73 per diluted share, compared with consolidated net income of $350.1 million , or $3.38 per diluted share in the prior year.
- Fiscal 2017 net income from continuing operations was $382.7 million or $3.60 per diluted share, compared with net income from continuing operations of $345.5 million , or $3.33 per diluted share for the same period last year.
- Fiscal 2017 net income from discontinued operations was $13.7 million, or $0.13 per diluted share, compared with net income from discontinued operations of $4.6 million , or $0.05 per diluted share in the prior year.
- Capital expenditures were $1.14 billion for the year ended September 30, 2017 , with approximately 80 percent of that spending related to system safety and reliability investments.
- Atmos Energy expects fiscal 2018 earnings to be in the range of $3.75 to $3.95 per diluted share. Capital expenditures are expected to be in the range of $1.3 billion to $1.4 billion in fiscal 2018.
- The company's Board of Directors has declared a quarterly dividend of $0.485 per common share. The indicated annual dividend for fiscal 2018 is $1.94, which represents a 7.8 percent increase over fiscal 2017.

For the quarter ended September 30, 2017 , net income from continuing operations was $35.9 million , or $0.34 per diluted share, compared with net income from continuing operations of $ 34.9 million , or $0.33 per diluted share for the same quarter last year.

“Our business strategy continues to deliver solid results,” said Mike Haefner, president and chief executive officer of Atmos Energy Corporation. “Once again our employees have gone above and beyond to deliver value to our customers, communities, and investors. The financial strength of the company and quality of our team sustain our ongoing investments in system safety, reliability, growth, and expansion while providing an attractive return to shareholders. We are well-positioned to continue delivering annual earnings per share growth in the six to eight percent range," Haefner concluded.

Results for the Fiscal Year Ended September 30, 2017

Distribution gross profit increased $98.5 million to $1,379.7 million for the year ended September 30, 2017 , compared with $1,281.2 million in the prior year. Gross profit reflects a net $72.4 million increase in rates, primarily in the Mid-Tex, Louisiana, Mississippi and Kentucky/Mid-States Divisions. Customer growth, primarily in the Mid-Tex Division, contributed an incremental $5.8 million in gross profit. Transportation gross profit, primarily in the Kentucky/Mid-States and Mid-Tex Divisions, increased $5.8 million year over year. In addition, net consumption increased $2.9 million, despite weather that was 12 percent warmer than the prior year.

Pipeline and storage gross profit increased $27.2 million to $454.5 million for the year ended September 30, 2017 , compared with $427.3 million in the prior year. This increase is primarily attributable to a $24.6 million increase in rates from the approved 2016 GRIP filings and the rate case finalized in August 2017.

Continuing operation and maintenance expense for the year ended September 30, 2017 , was $546.8 million , compared with $538.6 million in the prior year. This $8.2 million increase was primarily driven by higher employee-related costs.

Interest charges for the year ended September 30, 2017 were $120.2 million, compared with $114.8 million in the prior year. The $5.4 million increase was primarily driven by an increase in long-term debt compared to the prior year.

In January 2017, the company completed the sale of its natural gas marketing business. Net income from discontinued operations was $13.7 million for the year ended September 30, 2017 , compared with $4.6 million in the prior year. The increase largely reflects the recognition of a net $6.6 million noncash gain in the first quarter of fiscal 2017 from unwinding hedge accounting for certain of the natural gas marketing business's financial positions as a result of the sale and a $2.7 million gain recognized on the sale in the second fiscal quarter.

Capital expenditures increased $50.1 million to $1,137.1 million for the year ended September 30, 2017 , compared with $1,087.0 million in the prior year, driven by a planned increase in spending for infrastructure replacements and enhancements.

For the year ended September 30, 2017 , the company generated operating cash flow of $867.1 million , a $72.1 million increase compared with the year ended September 30, 2016 . The year-over-year increase primarily reflects the positive cash effect of successful rate case outcomes achieved in fiscal 2016.

The equity capitalization ratio at September 30, 2017 was 52.6% , compared with 51.5% at September 30, 2016 . At September 30, 2017 , there was $447.7 million of short-term debt outstanding, compared with $829.8 million at September 30, 2016 . On June 8, 2017, the company completed a public offering of $500 million of 3.00% senior unsecured notes due 2027 and $250 million of 4.125% senior unsecured notes due 2044. The net proceeds of approximately $753 million were used to repay $250 million of 6.35% senior unsecured

notes at maturity on June 15, 2017 and for general corporate purposes, including the repayment of commercial paper.

Results for the Quarter Ended September 30, 2017

Distribution gross profit increased $17.7 million to $274.7 million for the three months ended September 30, 2017 , compared with $257.0 million in the prior-year quarter. Gross profit reflects a net $13.3 million increase in rates, primarily in the Mid-Tex, Louisiana, West Texas, Mississippi and Kentucky/Mid-States Divisions. Transportation gross profit, primarily in the Kentucky/Mid-States and Mid-Tex Divisions, increased $1.7 million.

Pipeline and storage gross profit increased $4.8 million to $117.6 million for the three months ended September 30, 2017 , compared with $112.8 million in the prior-year quarter. This increase is primarily the result of higher through system revenue, largely related to incremental throughput on the Enlink Pipeline, which was acquired in the first quarter of fiscal 2017, and higher basis spreads due to increased production in the Permian Basin.

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 2018 earnings to be in the range of $3.75 to $3.95 per diluted share. Capital expenditures for fiscal 2018 are expected to range between $1.3 billion and $1.4 billion.

Conference Call to be Webcast November 9, 2017

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2017 financial results on Thursday, November 9, 2017 , at 10:00 a.m. Eastern Time. The domestic telephone number is 877-485-3107 and the international telephone number is 201-689-8427. Mike Haefner, President and Chief Executive Officer and Chris Forsythe, 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

On October 11, 2017, Atmos Energy announced that Susan Giles would retire and Jennifer Hills would succeed her as Vice President, Investor Relations, effective November 1, 2017.

On August 7, 2017, Atmos Energy announced that Karen E. Hartsfield, Senior Attorney had been appointed by the Board of Directors as Senior Vice President, General Counsel and Corporate Secretary, and would serve on the company’s Management Committee.

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 credit and 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, 2016 , and in the company's Quarterly Report on Form 10-Q for the three and nine months ended June 30, 2017. 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.

Non-GAAP Financial Measure

The historical financial information in this news release utilizes a certain financial measure that is not presented in accordance with generally accepted accounting principles (GAAP). Specifically, the company uses gross profit, defined as operating revenues less purchased gas cost, to discuss and analyze its financial performance. Its operations are affected by the cost of natural gas, which is passed through to its customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees, along with hedging settlements. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, the company believes gross profit, a non-GAAP financial measure defined as operating revenues less purchased gas cost, is a better indicator of its financial performance than operating revenues as it provides a useful and more relevant measure to analyze its financial performance.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest fully-regulated, natural-gas-only distributor, 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. For more information, visit www.atmosenergy.com .

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income (000s except per share)	Year Ended September 30 2017	2016
Gross Profit:		
Distribution	$ 1,379,719	$ 1,281,202
Pipeline and storage	454,524	427,254
Intersegment eliminations	(44)	—
Gross profit	1,834,199	1,708,456
Operation and maintenance expense	546,798	538,592
Depreciation and amortization	319,448	290,791
Taxes, other than income	240,407	221,843
Total operating expenses	1,106,653	1,051,226
Operating income	727,546	657,230
Miscellaneous expense	(3,270)	(234)
Interest charges	120,182	114,812
Income from continuing operations before income taxes	604,094	542,184
Income tax expense	221,383	196,642
Income from continuing operations	382,711	345,542
Income from discontinued operations, net of tax	10,994	4,562
Gain on sale of discontinued operations, net of tax	2,716	—
Net Income	$ 396,421	$ 350,104
Basic and diluted earnings per share		
Income per share from continuing operations	$ 3.60	$ 3.33
Income per share from discontinued operations	0.13	0.05
Net income per share - basic and diluted	$ 3.73	$ 3.38
Cash dividends per share	$ 1.80	$ 1.68
Basic and diluted weighted average shares outstanding	106,100	103,524

Summary Net Income by Segment (000s)	Year Ended September 30 2017	2016
Distribution	$ 268,369	$ 233,830
Pipeline and storage	114,342	111,712
Net income from continuing operations	382,711	345,542
Net income from discontinued operations	13,710	4,562
Net income	$ 396,421	$ 350,104

CASE NO. 2018-00281
FR 16(7)(p)
ATTACHMENT 2

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Statements of Income (000s except per share)	Three Months Ended September 30 2017	 2016
Gross Profit:		
Distribution segment	$ 274,671	$ 256,958
Pipeline and storage segment	117,648	112,758
Intersegment eliminations	—	—
Gross profit	392,319	369,716
Operation and maintenance expense	160,931	159,519
Depreciation and amortization	84,800	75,864
Taxes, other than income	54,796	49,884
Total operating expenses	300,527	285,267
Operating income	91,792	84,449
Miscellaneous expense	(2,820)	(144)
Interest charges	33,710	30,037
Income from continuing operations before income taxes	55,262	54,268
Income tax expense	19,409	19,418
Income from continuing operations	35,853	34,850
Loss from discontinued operations, net of tax	—	(610)
Net Income	$ 35,853	$ 34,240
Basic and diluted net income per share		
Income per share from continuing operations	$ 0.34	$ 0.33
Income per share from discontinued operations	—	—
Net income per share - basic and diluted	$ 0.34	$ 0.33
Cash dividends per share	$ 0.45	$ 0.42
Basic and diluted weighted average shares outstanding	106,814	104,687

Summary Net Income (Loss) by Segment (000s)	Three Months Ended September 30 2017	 2016
Distribution	$ 15,346	$ 14,453
Pipeline and storage	20,507	20,397
Net income from continuing operations	35,853	34,850
Net loss from discontinued operations	—	(610)
Net Income	$ 35,853	$ 34,240

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	September 30, 2017	September 30, 2016
Net property, plant and equipment	$ 9,259,182	$ 8,268,606
Cash and cash equivalents	26,409	47,534
Accounts receivable, net	222,263	215,880
Gas stored underground	184,653	179,070
Current assets of disposal group classified as held for sale	—	151,117
Other current assets	106,321	88,085
Total current assets	539,646	681,686
Goodwill	730,132	726,962
Noncurrent assets of disposal group classified as held for sale	—	28,616
Deferred charges and other assets	220,636	305,019
	$ 10,749,596	$ 10,010,889
Shareholders' equity	$ 3,898,666	$ 3,463,059
Long-term debt	3,067,045	2,188,779
Total capitalization	6,965,711	5,651,838
Accounts payable and accrued liabilities	233,050	196,485
Current liabilities of disposal group classified as held for sale	—	72,900
Other current liabilities	332,648	439,085
Short-term debt	447,745	829,811
Current maturities of long-term debt	—	250,000
Total current liabilities	1,013,443	1,788,281
Deferred income taxes	1,878,699	1,603,056
Noncurrent liabilities of disposal group classified as held for sale	—	316
Deferred credits and other liabilities	891,743	967,398
	$ 10,749,596	$ 10,010,889

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows	Year Ended September 30	
(000s)	2017	2016
Cash flows from operating activities		
Net income	$ 396,421	$ 350,104
Depreciation and amortization	319,633	293,096
Deferred income taxes	227,183	193,556
Gain on sale of discontinued operations	(12,931)	—
Discontinued cash flow hedging for natural gas marketing commodity contracts	(10,579)	—
Other	20,630	21,446
Changes in assets and liabilities	(73,267)	(63,212)
Net cash provided by operating activities	867,090	794,990
Cash flows from investing activities		
Capital expenditures	(1,137,089)	(1,086,950)
Acquisition	(86,128)	—
Proceeds from the sale of discontinued operations	140,253	—
Available-for-sale securities activities, net	(12,473)	758
Use tax refund	29,790	—
Other, net	9,341	6,460
Net cash used in investing activities	(1,056,306)	(1,079,732)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(382,066)	371,884
Proceeds from issuance of long-term debt, net of premium/discount	884,911	—
Net proceeds from equity offering	98,755	98,574
Issuance of common stock through stock purchase and employee retirement plans	26,523	34,278
Settlement of interest rate agreements	(36,996)	—
Interest rate agreements cash collateral	25,670	(25,670)
Repayment of long-term debt	(250,000)	—
Cash dividends paid	(191,931)	(175,126)
Debt issuance costs	(6,775)	(317)
Net cash provided by financing activities	168,091	303,623
Net increase (decrease) in cash and cash equivalents	(21,125)	18,881
Cash and cash equivalents at beginning of period	47,534	28,653
Cash and cash equivalents at end of period	$ 26,409	$ 47,534

Statistics	Three Months Ended September 30		Year Ended September 30	
	2017	2016	2017	2016
Consolidated distribution throughput (MMcf as metered)	63,810	61,060	388,365	392,028
Consolidated pipeline and storage transportation volumes (MMcf)	171,029	132,223	596,179	505,303
Distribution meters in service	3,221,405	3,185,865	3,221,405	3,185,865

Distribution average cost of gas	$	5.16	$	4.72	$	5.14	$	4.09

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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 14, 2017
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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 1.01. Entry into a Material Definitive Agreement.

On November 14, 2017, Atmos Energy Corporation ("Atmos Energy") entered into an equity distribution agreement (the "Equity Distribution Agreement") with Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, and J.P. Morgan Securities LLC (the "Managers") with respect to the offering and sale from time to time through the Managers, as Atmos Energy's sales agents, of shares of Atmos Energy's common stock, no par value, having an aggregate offering price of up to $500,000,000 (the "Shares"). Sales of the Shares, if any, will be made by means of ordinary brokers' transactions through the facilities of the New York Stock Exchange at market prices, in block transactions or as otherwise agreed between Atmos Energy and the Managers. Under the terms of the Agreement, Atmos Energy may also sell Shares from time to time to a Manager as principal for its own account at a price to be agreed upon at the time of sale. The Agreement provides that each Manager, when it is acting as Atmos Energy's sales agent, will be entitled to a commission of 1.0% of the gross offering proceeds of the Shares sold through such Manager. Atmos Energy has 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 Atmos Energy's automatic shelf registration statement on Form S-3 filed with the Securities and Exchange Commission on March 28, 2016 (Registration No. 333-210424).

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory investment management, investment research, principal investment, hedging, financing and brokerage activities. In the ordinary course of business, certain of the Managers or their respective affiliates have provided and may in the future provide commercial, financial advisory or investment banking services for Atmos Energy and its subsidiaries for which they have received or will receive customary compensation. For example, affiliates of certain of the Managers are lenders under Atmos Energy's revolving credit facilities and dealers under Atmos Energy's commercial paper program. To the extent Atmos Energy uses the proceeds from the offering to repay any indebtedness under its revolving credit facilities or commercial paper program, such affiliates of certain Managers will receive a portion of the proceeds from the offering.

The summary of the Equity Distribution Agreement in this report does not purport to be complete and is qualified by reference to the full text of the Equity Distribution Agreement, a copy of which is filed as Exhibit 1.1 to this Current Report on Form 8-K, and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

Exhibit Number	Description
1.1	Equity Distribution Agreement, dated as of November 14, 2017, among Atmos Energy Corporation, Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, and J.P. Morgan Securities LLC.
5.1	Opinion of Gibson, Dunn & Crutcher LLP.
5.2	Opinion of Hunton & Williams LLP.
23.1	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1).
23.2	Consent of Hunton & Williams LLP (included in Exhibit 5.2).

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 14, 2017

By: /s/ KAREN E. HARTSFIELD
Karen E. Hartsfield
Senior Vice President, General Counsel
and Corporate Secretary

Exhibit 1.1

ATMOS ENERGY CORPORATION

$500,000,000
Common Stock
(no par value per share)

EQUITY DISTRIBUTION AGREEMENT

November 14, 2017

Goldman Sachs & Co. LLC
200 West Street
New York, New York 10282

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
One Bryant Park
New York, New York 10036

Morgan Stanley & Co. LLC
1585 Broadway
New York, New York 10036

J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

Ladies and Gentlemen:

Atmos Energy Corporation, a Texas and Virginia corporation (the " *Company* "), confirms its agreement (this " *Agreement* ") with Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC (each, a " *Manager* " and collectively, the " *Managers* "), as follows:

SECTION 1. Description of Securities . The Company proposes to issue and sell through or to the Managers, as sales agents and/or principals, shares of the Company's common stock, no par value per share (the " *Common Stock* "), having an aggregate offering price of up to $500,000,000 (the " *Shares* "), from time to time during the term of this Agreement and on the terms set forth in Section 3 of this Agreement. For purposes of selling the Shares through the Managers, the Company hereby appoints the Managers as exclusive agents of the Company for the purpose of soliciting purchases of the Shares from the Company pursuant to this Agreement and each Manager agrees to use its reasonable efforts to solicit purchases of the Shares on the terms and subject to the conditions stated herein. The Company hereby reserves the right to issue and sell shares of Common Stock other than through or to the Managers during the term of this Agreement on terms that it deems appropriate.

SECTION 2. Representations and Warranties of the Company . The Company represents and warrants to and agrees with each of the Managers that:

(a) An automatic registration statement on Form S-3ASR (File No. 333-210424) (the " *registration statement* ") has heretofore become, and is, effective under the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively called the " *Act* "); the registration statement and the Prospectus Supplement (as defined below) set forth the terms of an offering, sale and plan of distribution of shares of the Common Stock and/or other securities of the Company and contains or incorporates therein by reference additional information concerning the Company and its business; no stop order of the Securities and Exchange Commission (the " *Commission* ") preventing or suspending the use of any Basic Prospectus (as defined below), the Prospectus Supplement, the Prospectus (as defined below) or any Issuer Free Writing Prospectus (as defined below), or the effectiveness of the Registration Statement (as defined below), has been issued, and no proceeding for that purpose has been initiated or threatened by the Commission. Except where the context otherwise requires, " *Registration Statement* ," as used herein, means the registration statement, as amended at the time of such registration statement's effectiveness for purposes of Section 11 of the Act (the " *Effective Time* "), as such section applies to each Manager, including (i) all documents filed as a part thereof or incorporated or deemed to be incorporated by reference therein, (ii) any information contained or incorporated by reference in a prospectus filed with the Commission pursuant to Rule 424(b) under the Act, to the extent such information is deemed, pursuant to Rule 430B or Rule 430C under the Act, to be part of the registration statement at the Effective Time, and (iii) any registration statement filed to register the offer and sale of Shares pursuant to Rule 462(b) under the Act. Except where the context otherwise requires, " *Basic Prospectus* ," as used herein, means the base prospectus filed as part of each Registration Statement, together with any amendments or supplements thereto as of the date of this Agreement. Except where the context otherwise requires, " *Prospectus Supplement* ," as used herein, means the final prospectus supplement, relating to the Shares, filed by the Company with the Commission pursuant to Rule 424(b) under the Act on or before the second business day after the date hereof (or such earlier time as may be required under the Act), in the form furnished by the Company to each Manager in connection with the offering of the Shares. Except where the context otherwise requires, " *Prospectus* ," as used herein, means the Prospectus Supplement together with the Basic Prospectus attached to or used with the Prospectus Supplement. " *Permitted Free Writing Prospectuses* ," as used herein, means the documents listed on Annex A attached hereto. Any reference herein to the registration statement, the Registration Statement, any Basic Prospectus, the Prospectus Supplement, the Prospectus or any Permitted Free Writing Prospectus shall be deemed to refer to and include the documents, if any, incorporated by reference, or deemed to be incorporated by reference, therein (the " *Incorporated Documents* "), including, unless the context otherwise requires, the documents, if any, filed as exhibits to such Incorporated Documents. Any reference herein to the terms " *amend* ," " *amendment* " or " *supplement* " with respect to the Registration Statement, any Basic Prospectus, the Prospectus Supplement, the Prospectus or any Permitted Free Writing Prospectus shall be deemed to refer to and include the filing of any document under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively, the " *Exchange Act* ") on or after the initial effective date of the Registration Statement, or the date of such Basic Prospectus, the Prospectus Supplement, the Prospectus or such Permitted Free Writing Prospectus, as the case may be, and deemed to be incorporated therein by reference.

(b) (i) At the respective times the Registration Statement and each amendment thereto became effective, at each deemed effective date with respect to the Managers pursuant to Rule 430B(f)(2) under the Act, as of the time of each sale of Shares pursuant to this Agreement (each, a " *Time of Sale* ") and Settlement Date (as defined below), if any, and at all times during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, the Registration Statement complied and will comply in all material respects with the requirements of the Act and the rules and regulations under the Act; (ii) the Basic Prospectus complied or will comply, at the time it was or will be filed with the Commission, complies as of the date hereof (if filed with the Commission on or prior to the date hereof) and will comply, as of each Time of Sale, if any, and at all times during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, in all material respects with the rules and regulations under the Act; (iii) each of the Prospectus Supplement and the Prospectus will comply, as of the date that it is filed with the Commission, the date of the Prospectus Supplement, as of each Time of Sale and Settlement Date, if any, and at all times during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, in all material respects with the rules and regulations under the Act; (iv) the Incorporated Documents, when they were filed with the Commission, conformed in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission thereunder, and any further Incorporated Documents so filed and incorporated by reference, when they are filed with the Commission, will conform in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; and (iv) each Permitted Free Writing Prospectus complied in all material respects with the Act and has been filed or will be filed in accordance with the Act (to the extent required thereby).

(c) (i) at the Effective Time with respect to the Registration Statement and each amendment thereto, the Registration Statement did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) as of each Time of Sale, the Prospectus (as amended and supplemented at such Time of Sale) and any Permitted Free Writing Prospectus, considered together (collectively, the " *General Disclosure Package* "), did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (iii) as of its date and at any Settlement Date, the Prospectus did not and will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* , *however* , that this representation and warranty shall not apply to any statement or omission made in reliance upon and in conformity with information furnished in writing to the Company by the Managers expressly for use in the Prospectus or in the General Disclosure Package, which information is specified in Section 6(b).

(d) Each Permitted Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Shares or until any earlier date that the Company notified or notifies the Managers, did not, does not and will not include any material information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the Prospectus; any electronic roadshow relating to the offering of the Shares, when considered together with the General Disclosure Package, as of the Time of Sale, did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) Other than the Basic Prospectus, the Prospectus and any document not constituting a prospectus pursuant to Section 2(a)(10)(a) of the Act or Rule 134 under the Act, the Company (including its agents and representatives, other than the Managers) has not prepared, made, used, authorized, approved or referred to and will not prepare, make, use, authorize, approve or refer to any “written communication” (as defined in Rule 405 under the Act) that constitutes an offer to sell or solicitation of an offer to buy any Shares required to be filed with the Commission without the Managers’ consent (each such communication by the Company or its agents and representatives being referred to herein as a “ *Issuer Free Writing Prospectus* ”), other than any Permitted Free Writing Prospectus.

(f) (A) (i) At the time of filing the Registration Statement, (ii) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the Exchange Act or form of prospectus), and (iii) at the time the Company or any person acting on its behalf (within the meaning, for this clause only, of Rule 163(c)) made any offer relating to the Securities in reliance on the exemption of Rule 163 under the Act, the Company was not an “ineligible issuer” as defined in Rule 405 of the Act; and (B) at the time of filing of the Registration Statement, at the earliest time thereafter that the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Act) of the Shares and at the date hereof, the Company was not and is not an “ineligible issuer” as defined in Rule 405 under the Act.

(g) To the extent that the Registration Statement is not available for the sales of the Shares as contemplated by this Agreement or the Company is not a “well known seasoned issuer” as defined in Rule 405 or otherwise is unable to make the representations set forth in Section 2(f) at any time when such representations are required, the Company shall file a new registration statement with respect to any additional shares of Common Stock necessary to complete such sales of the Shares and shall cause such registration statement to become effective as promptly as practicable. After the effectiveness of any such registration statement, all references to "Registration Statement" included in this Agreement shall be deemed to include such new registration statement, including all documents incorporated by reference therein pursuant to Item 12 of Form S-3, and all references to "Basic Prospectus" included in this Agreement shall be deemed to include the final form of prospectus, including all documents incorporated therein by reference, included in any such registration statement at the time such registration statement became effective.

(h) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Texas and the Commonwealth of Virginia and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a material adverse change, or a development known to the Company involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs, management or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a " *Material Adverse Effect* ").

(i) Each "significant subsidiary" (as such term is defined in Rule 405 of the Act) of the Company (each a " *Subsidiary* " and, collectively, the " *Subsidiaries* "), if any, (a) has been duly organized and is validly existing as an entity in good standing under the laws of the jurisdiction of its formation, (b) has corporate or limited liability company power and authority, as applicable, to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and (c) is duly qualified as a foreign entity to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except in the cases of clauses (b) and (c) where the failure to have such power and authority or to so qualify or to be in good standing would not result in a Material Adverse Effect. The only Subsidiaries of the Company are the subsidiaries listed on Schedule I , and the Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed on Schedule II .

(j) The Company has an authorized, issued and outstanding capitalization as set forth in the Registration Statement (except for subsequent issuances, if any, pursuant to reservations, agreements, acquisitions or employee benefit plans each referred to in the Registration Statement or pursuant to the exercise of options or share unit awards, each referred to in the Registration Statement); and all of the issued shares of capital stock, including the Common Stock, of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company were issued in violation of the preemptive or other similar rights of any securityholder of the Company; the Company's Common Stock has been registered pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange (the " *NYSE* "), and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock from the NYSE, nor has the Company received any notification that the Commission or the NYSE is contemplating terminating such registration or listing.

(k) All of the issued and outstanding capital stock or limited liability company membership interests, as the case may be, of each Subsidiary have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity except for such liens, encumbrances, equities or claims as would not, in the aggregate, reasonably be expected to have a Material Adverse Effect; none of the outstanding shares of capital stock or limited liability company membership interests, as the case may be, of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary.

(l) The Shares have been duly authorized by the Company and reserved for issuance by the Company, and, when issued and delivered and paid for as provided herein, will be duly and validly issued, will be fully paid and non-assessable and will conform in all material respects to the descriptions thereof in the Registration Statement, any Basic Prospectus, the Prospectus or any Permitted Free Writing Prospectus; and the issuance of the Shares will not be subject to preemptive or similar rights.

(m) The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly and validly authorized, executed and delivered by the Company.

(n) Neither the Company nor any of its subsidiaries is in violation of its charter, bylaws or other organizational documents or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (collectively, " *Agreements and Instruments* ") except for such defaults that would not result in a Material Adverse Effect; and (i) the execution, delivery and performance of this Agreement and any other agreement or instrument entered into or issued or to be entered into or issued by the Company in connection with the consummation of the transactions contemplated in the Registration Statement and the Prospectus (including the issuance and sale of the Shares and the use of the proceeds from the sale of the Shares as described in the

Registration Statement and the Prospectus under the caption “Use of Proceeds”) and (ii) compliance by the Company with its obligations hereunder and thereunder have been duly authorized by all necessary corporate or other action on the part of the Company and any of the subsidiaries and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges, encumbrances or a Repayment Event that would not result in a Material Adverse Effect), nor will such action result in any violation of (y) the provisions of the charter, bylaws or other organizational documents of the Company or any subsidiary or (z) any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any subsidiary or any of their assets, properties or operations except, with respect to (z), as would not result in a Material Adverse Effect. As used herein, a “ *Repayment Event* ” means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder’s behalf) the right, whether with or without giving of notice or passage of time or both, to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any subsidiary.

(o) No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any subsidiary’s principal suppliers, manufacturers, customers or contractors, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

(p) There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending against, or, to the knowledge of the Company, threatened against or affecting the Company or any of its subsidiaries, which is required to be disclosed in the Basic Prospectus or Prospectus (other than as disclosed therein), or which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to affect the properties, assets or operations of the Company and its subsidiaries, except what does not result in a Material Adverse Effect, or the consummation of the transactions contemplated in this Agreement or the performance by the Company and its subsidiaries of its obligations hereunder.

(q) The Company and each of its Subsidiaries own or possess or have the right to use, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, “ *Intellectual Property* ”) necessary to carry on the business now operated by them the absence of which would have a Material Adverse Effect, and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement, conflict, invalidity or inadequacy would result in a Material Adverse Effect.

(r) The Company has not entered into any other sales agency or distribution agreements or similar arrangements with any agent or other representative in respect of the Shares or any at the market offerings of Common Stock in accordance with Rule 415(a)(4) of the Act that remain in force.

(s) There have been issued and, at each Time of Sale, Settlement Date and Representation Date (as defined below), as the case may be, there shall be in full force and effect orders or authorizations of the regulatory authorities of the States of Colorado, Kentucky and Virginia authorizing the issuance and sale of the Shares on terms herein set forth or contemplated, and no other consent, approval, authorization, order, license, registration or qualification of or with any court or governmental or regulatory authority is required for the execution, delivery and performance by the Company of this Agreement, the issuance and sale of the Shares and the consummation of the transactions contemplated by this Agreement, except for the registration of the Shares under the Act and such consents, approvals, authorizations, orders and registrations or qualifications as may be required by the Financial Industry Regulatory Authority, Inc. and under applicable state securities laws in connection with the purchase and distribution of the Shares by the Managers.

(t) The Company and its subsidiaries possess such permits, licenses, approvals, consents, and other authorizations (collectively, " *Governmental Licenses* ") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, except where the failure to do so would not have a Material Adverse Effect; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, would result in a Material Adverse Effect.

(u) There are no persons or entities with registration rights or other similar rights to have any securities registered under the Registration Statement who have not properly waived such rights in connection with the securities registered pursuant to the Registration Statement and in connection with this offering of Shares.

(v) The Company and its subsidiaries have good title to all real property owned by the Company and its subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (a) are described in the Registration Statement or the Prospectus or (b) would not singly or in the aggregate have a Material Adverse Effect. All of the leases and subleases of the Company and its subsidiaries under which the Company or any of its subsidiaries holds properties described in the Registration Statement and the Prospectus are in full force and effect, except as would not result in a Material Adverse Effect.

(w) The Company has not sold or issued any securities that would be integrated with the offering of the Shares contemplated by this Agreement pursuant to the Act or the interpretations thereof by the Commission.

(x) The financial statements of the Company included or incorporated by reference in the Registration Statement and the Prospectus, together with the related schedules and notes, present fairly in all material respects the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles (" *GAAP* ") applied on a consistent basis throughout the periods involved. The supporting schedules, if any, included in the Registration Statement and incorporated by reference in the Prospectus with respect to the Company, when considered in relation to the financial statements taken as a whole, present fairly, in all material respects in accordance with GAAP, the financial information set forth therein. The selected financial data and the summary financial information included or incorporated by reference in the Registration Statement and the Prospectus present fairly, in all material respects, the information shown therein and have been compiled on a basis consistent with that of the audited financial statements of the Company.

(y) Ernst & Young LLP, who have audited financial statements and supporting schedules of the Company and its consolidated subsidiaries incorporated by reference in the Registration Statement and the Prospectus, whose report is incorporated by reference in the Registration Statement and the Prospectus, who have audited the Company's internal control over financial reporting and who have delivered the initial letter referred to in Section 5(g) hereof, are independent registered public accountants as required by the Act.

(z) The interactive data in the eXtensible Business Reporting Language incorporated by reference in the Registration Statement fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto.

(aa) The Company and each of its subsidiaries are not, and as of each Time of Sale and Settlement Date, if any, and upon the application of the proceeds therefrom as described under “Use of Proceeds” in the Registration Statement and the Prospectus, none of them will be, (i) an “investment company” or an entity “controlled” by an “investment company” as such terms are defined in the Investment Company Act of 1940, as amended (the “ *Investment Company Act* ”) and the rules and regulations of the Commission thereunder or (ii) a “business development company” (as defined in Section 2(a)(48) of the Investment Company Act).

(bb) (i) Each “employee benefit plan” (within the meaning of Section 3(3) of the Employee Retirement Security Act of 1974, as amended (“ *ERISA* ”)) for which the Company or any member of its “Controlled Group” (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414(b) or (c) of the Internal Revenue Code of 1986, as amended (the “ *Code* ”)) would have any liability (each a “ *Plan* ”) has been maintained in compliance in all respects with its terms and with the requirements of all applicable statutes, rules and regulations including ERISA and the Code except where failure to do so would not have a Material Adverse Effect; (ii) with respect to each Plan subject to Title IV of ERISA (a) no “reportable event” (within the meaning of Section 4043(c) of ERISA) has occurred or is reasonably expected to occur that would result in a Material Adverse Effect, (b) no “accumulated funding deficiency” (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived, has occurred or is reasonably expected to occur that would result in a Material Adverse Effect, (c) the fair market value of the assets under each Plan exceeds the actuarial present value of the benefits accrued under such Plan (determined based on those assumptions used to fund such Plan) except where failure to do so would not have a Material Adverse Effect, and (d) neither the Company nor any member of its Controlled Group has incurred, or reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the Pension Benefit Guaranty Corporation in the ordinary course and without default) in respect of a Plan (including a “multiemployer plan” within the meaning of Section 4001(c)(3) of ERISA) that would result in a Material Adverse Effect; and (iii) each Plan that is intended to be qualified under Section 401 (a) of the Code has received a favorable determination letter from the Internal Revenue Service as to its qualified status and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification that would result in a Material Adverse Effect.

(cc) The Company is in compliance, in all material respects, with the provisions of the Sarbanes-Oxley Act of 2002 to the extent currently applicable.

(dd) The Company and each of its subsidiaries have filed all federal, state and local income and franchise tax returns required to be filed through the date hereof and have paid all taxes due thereon, except such as are being contested in good faith by appropriate proceedings or where the failure to do so would not have a Material Adverse Effect, and no tax deficiency has been determined adversely to the Company or any of its subsidiaries that has had, and the Company does not have any knowledge of any tax deficiency that would have, a Material Adverse Effect.

(ee) The Company and its subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

(ff) Except as would not result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, permit, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, " *Hazardous Materials* ") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, " *Environmental Laws* "); (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements; (C) there are no pending or, to the knowledge of the Company, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries; and (D) there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws, except as disclosed in the Prospectus.

(gg) The Company maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) that complies with the requirements of the Exchange Act and has been designed by the Company's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting is effective and the Company is not aware of any material weaknesses in its internal control over financial reporting. Since the date of the latest audited financial statements included or incorporated by reference in the most recent Preliminary Prospectus, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Exchange Act) that comply with the requirements of the Exchange Act and such disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the Company and its subsidiaries that is required to be disclosed in the reports the Company files, furnishes, submits or otherwise provides to the Commission under the Exchange Act is made known to the Company's principal executive officer and principal financial officer by others within those entities in such a manner as to allow timely decisions regarding the required disclosure; such disclosure controls and procedures are effective.

(hh) Any certificate signed by any officer of the Company and delivered to the Managers or counsel for the Managers in connection with the distribution of the Shares shall be deemed a representation and warranty by the Company, as to matters covered thereby on the date of such certificate, to each Manager.

(ii) Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment to any foreign or domestic government official or employee, including of any government-owned or controlled entity, 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; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(jj) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable money laundering statutes of all jurisdictions where the Company or any of its subsidiaries conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the " *Anti-Money Laundering Laws* "), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(kk) Neither the Company nor any of its subsidiaries, nor, to the knowledge of the Company, any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries is currently subject to any sanctions administered or enforced by the U.S. government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State and including, without limitation, the designation as a "specially designated national" or "blocked person"), (collectively, " *Sanctions* "); and the Company will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is subject to Sanctions, or (ii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions. Neither the Company nor any of its subsidiaries have any operations or transact any business outside of the United States. All of the proceeds from the offering will be used in the United States.

(ll) The Common Stock is an "actively-traded security" excepted from the requirements of Rule 101 of Regulation M under the Exchange Act by subsection (c)(1) of such rule.

(mm) Except pursuant to this Agreement, neither the Company nor any of its subsidiaries has incurred any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(nn) Neither the Company nor any of its subsidiaries nor, to the best of the Company's knowledge, any of their respective directors, officers, affiliates or controlling persons has taken, directly or indirectly, any action designed, or which has constituted or might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

SECTION 3. Sale and Delivery of Securities . (a) On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company and each of the Managers agree that the Company may from time to time seek to sell Shares through the Managers, acting as sales agents, or directly to the Managers acting as principals, as follows:

(i) The Company may submit to a Manager its orders (including any price, time or size limits or other customary parameters or conditions) to sell Shares on any Trading Day (as defined below) in a form and manner as mutually agreed to by the Company and such Manager; *provided, however* , that the Company will only submit its orders to one of the Managers on a single Trading Day. As used herein, " *Trading Day* " shall mean any trading day on the NYSE.

(ii) Subject to the terms and conditions hereof, each Manager shall use its reasonable efforts to execute any Company order submitted to it hereunder to sell Shares and with respect to which such Manager has agreed to act as sales agent. The Company acknowledges and agrees that (A) there can be no assurance that any Manager will be successful in selling the Shares, (B) a Manager will incur no liability or obligation to the Company or any other person or entity if it does not sell Shares for any reason other than a failure by such Manager to use its reasonable efforts consistent with its normal trading and sales practices and applicable law and regulations to sell such Shares as required under this Agreement, and (C) Managers shall be under no obligation to purchase Shares on a principal basis pursuant to this Agreement, except as otherwise specifically agreed by the Managers and the Company.

(iii) The Company shall not authorize the issuance and sale of, and the Managers shall not sell as sales agents, any Share at a price lower than the minimum price therefor designated from time to time by the Company and notified to the Managers in writing, which price shall be at least that which has been duly authorized by the Company. In addition, the Company or any Manager may, upon notice to the other party hereto by telephone (confirmed promptly by email or facsimile), suspend an offering of the Shares with respect to which such Manager is acting as sales agent; *provided, however* , that such suspension or termination shall not affect or impair the parties' respective obligations with respect to the Shares sold hereunder prior to the giving of such notice. No sale of Shares under this Agreement shall occur after March 28, 2019, unless the Company provides to the Managers written evidence satisfactory to them that it has authorized sales to be made after that date.

(iv) Each of the Managers hereby covenants and agrees to sell the Shares on behalf of the Company only as permitted by the Act and the applicable securities laws and regulations of any jurisdiction.

(v) The compensation to the Managers for sales of the Shares with respect to which each Manager acts as sales agent hereunder shall be equal to 1.0% of the gross offering proceeds of the Shares sold by such Manager pursuant to this Agreement. The Company may sell Shares to the Managers as principals at a price agreed upon at the relevant Time of Sale. Any compensation or commission due and payable to any Manager hereunder with respect to any sale of Shares during a calendar month shall be paid by the Company to such Manager in arrears on the first Trading Day of following calendar month, by wire or internal bank transfer of same day funds to an account designated by such Manager.

(vi) Settlement for sales of the Shares pursuant to this Agreement will occur on the second Trading Day (or such earlier day as is industry practice for regular-way trading or is otherwise permitted by Rule 15(c)6-1 under the Exchange Act, as amended at the time of such settlement) following the date on which such sales are made (each such day, a " *Settlement Date* "). On each Settlement Date, the Shares sold through or to a Manager for settlement on such date shall be issued and delivered by the Company to such Manager against payment of the gross proceeds from the sale of such Shares. Settlement for all such Shares shall be effected by free delivery of the Shares by the Company or its transfer agent to such Manager's or its designee's account (provided the Manager shall have given the Company written notice of such designee prior to the Settlement Date) at The Depository Trust Company through its Deposit and Withdrawal at Custodian System or by such other means of delivery as may be mutually agreed upon by the parties hereto which in all cases shall be freely tradable, transferable, registered shares in good deliverable form, in return for payments in same day funds delivered to the account designated by the Company. If the Company or its transfer agent (if applicable) shall default on its obligation to deliver the Shares on any Settlement Date, the Company shall (A) hold such Manager harmless against any loss, claim, damage, or expense (including reasonable legal fees and expenses), as incurred, arising out of or in connection with such default by the Company and (B) pay such Manager any commission, discount or other compensation to which it would otherwise be entitled absent such default.

(vii) If acting as sales agent hereunder, a Manager shall provide written confirmation (which may be by facsimile or email) to the Company following the close of trading on the NYSE each day in which the Shares are sold under this Agreement setting forth (A) the amount of the Shares sold on such day and the gross offering proceeds received from such sale and (B) the commission payable by the Company to such Manager with respect to such sales.

(viii) At each Time of Sale, Settlement Date and Representation Date (as defined below), the Company shall be deemed to have affirmed each representation and warranty contained in this Agreement as if such representation and warranty were made as of such date but modified to incorporate the disclosures contained in the Registration Statement and the Prospectus, in each case as amended or supplemented as of such date. Any obligation of a Manager to use its reasonable efforts to sell the Shares on behalf of the Company as sales agent shall be subject to the continuing accuracy of the representations and warranties of the Company herein (as modified in the manner described above), to the performance by the Company of its obligations hereunder and to the continuing satisfaction of the additional conditions specified in Section 5 of this Agreement.

(ix) If any party has reason to believe that the exemptive provisions set forth in Rule 101(c)(1) of Regulation M under the Exchange Act are not satisfied with respect to the Shares, it shall promptly notify the other party and sales of the Shares under this Agreement shall be suspended until that or other exemptive provisions have been satisfied in the judgment of each party.

SECTION 4. Covenants of the Company . The Company agrees with each of the Managers:

(a) To make no amendment or any supplement to the Registration Statement, any Basic Prospectus or the Prospectus after the date of this Agreement and during the period in which a prospectus relating to the Shares is required to be delivered under the Act (whether physically or through compliance with Rule 172 under the Act or any similar rule), prior to having furnished the Managers with a copy of the proposed form thereof and given the Managers a reasonable opportunity to review the same (other than any report filed under the Exchange Act or any prospectus supplement relating to the offering of securities other than Common Stock); to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus Supplement and for so long as the delivery of a prospectus relating to the Shares is required to be delivered under the Act (whether physically or through compliance with Rule 172 under the Act or any similar rule); and during such same period to advise the Managers, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Basic Prospectus, the Prospectus or any Permitted Free Writing Prospectus has been filed or electronically transmitted for filing, of the issuance of any stop order by the Commission, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement, the Basic Prospectus, the Prospectus or any Permitted Free Writing Prospectus or for additional information; and, in the event of the issuance of any such stop order or of any order preventing or suspending the use of any prospectus relating to the Shares or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal.

(b) To furnish the Managers with copies of the Registration Statement (excluding exhibits) and copies of the Prospectus (or the Prospectus as amended or supplemented) in such quantities as the Managers may from time to time reasonably request; and if, after the date of this Agreement and during the period in which a prospectus relating to the Shares is required to be delivered under the Act (whether physically or through compliance with Rule 172 under the Act or any similar rule), either (i) any event shall have occurred as a result of which the Prospectus would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (ii) for any other reason it shall be necessary during such same period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference into the Prospectus in order to comply with the Act or the Exchange Act, to notify the Managers promptly to suspend solicitation of purchases of the Shares and forthwith upon receipt of such notice, each Manager shall suspend its solicitation of purchases of the Shares and shall cease using the Prospectus (provided that the Company's furnishing to the Managers of its schedule of ordinary course blackout periods shall constitute "notice" for purposes of this subclause 4(b)(ii) with respect to filings that trigger such ordinary course blackout periods); and if the Company shall decide to amend or supplement the Registration Statement or the Prospectus, it will promptly advise the Managers by telephone (with confirmation in writing) and will promptly prepare and file with the Commission an amendment or supplement to the Registration Statement or the Prospectus which will correct such statement or omission or effect such compliance, will advise the Managers when the Managers are free to resume such solicitation and will prepare and furnish to the Managers as many copies as the Managers may reasonably request of such amendment or supplement; and in case the Managers are required to deliver under the Act (whether physically or through compliance with Rule 172 under the Act or any similar rule), a prospectus relating to the Shares after the nine-month period referred to in Section 10(a)(3) of the Act, or after the time a post-effective amendment to the Registration Statement is required pursuant to Item 512(a) of Regulation S-K under the Act, upon the request of the Managers, and at its own expense, to prepare and deliver to the Managers as many copies as the Managers may request of an amended Registration Statement or amended or supplemented prospectus complying with Item 512(a) of Regulation S-K or Section 10(a)(3) of the Act, as the case may be. The requirements to furnish documents to the Managers in this subsection may be met by filing such documents with the Commission, unless otherwise required by law.

(c) Promptly from time to time to take such action as the Managers may reasonably request in order to qualify the Shares for offering and sale under the securities laws of such states as the Managers may request and to continue such qualifications in effect so long as necessary under such laws for the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation to do business, or to file a general consent to service of process in any jurisdiction.

(d) To make generally available to its security holders as soon as practicable, but in any event no later than eighteen months after the effective date of the Registration Statement (as such date is defined in Rule 158(c) under the Act), an earnings statement of the Company and its consolidated subsidiaries complying with Rule 158 under the Act and covering a period of at least twelve consecutive months beginning after such effective date.

(e) To pay or cause to be paid all costs and expenses incident to the performance of its obligations hereunder, including the cost of all qualifications of the Shares under state securities laws (including reasonable fees and disbursements of counsel to the Managers in connection with such qualifications and with legal investment surveys), any costs relating to the listing of the Shares on the NYSE and the cost of printing this Agreement and the reasonable documented out-of-pocket expenses of the Managers, including the reasonable fees, disbursements and expenses of counsel for the Managers in connection with this Agreement and the Registration Statement and ongoing services in connection with the transactions contemplated hereunder (it being understood that, except as provided in this subsection (e), the Managers will pay all of their own costs and expenses, including the cost of printing any Agreement among Managers, if applicable).

(f) To use its commercially reasonable efforts to cause the Shares to be listed for trading on the NYSE and to maintain such listing.

(g) On the date hereof, upon the recommencement of the offering of the Shares under this Agreement following the termination of a suspension of sales hereunder, and each time that (i) the Registration Statement or the Prospectus shall be amended or supplemented (other than a prospectus supplement relating solely to the offering of securities other than the Shares), (ii) there is filed with the Commission any document incorporated by reference into the Prospectus (other than a Current Report on Form 8-K, unless any of the Managers shall otherwise reasonably request), (iii) the Shares are delivered to the Managers as principals on a Settlement Date, or (iv) such other date as the Managers reasonably request (the date hereof, such recommencement date and each such date referred to in (i), (ii), (iii) and (iv) above, a " *Representation Date* "), to furnish or cause to be furnished to the Managers forthwith a certificate dated and delivered the date of effectiveness of such amendment, the date of filing with the Commission of such supplement or other document, or the relevant Settlement Date, as the case may be, in form reasonably satisfactory to the Managers, to the effect that the statements contained in the certificate referred to in Section 5(h) of this Agreement which were last furnished to the Managers are true and correct at the time of such amendment, supplement, filing, or delivery, as the case may be, as though made at and as of such time (except that such statements shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such time) or, in lieu of such certificate, a certificate of the same tenor as the certificate referred to in said Section 5(h), modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such certificate.

(h) On the date hereof, upon the recommencement of the offering of the Shares under this Agreement following the termination of a suspension of sales hereunder, and at each Representation Date, the Company shall cause to be furnished to the Managers or counsel to the Managers a written opinion and negative assurance letter of the General Counsel of the Company, or other internal counsel of the Company satisfactory to the Managers, in their reasonable judgment (collectively, " *Company Counsel* "), dated as of such Representation Date, in form and substance satisfactory to the Managers in their reasonable judgment, to the effect set forth in Exhibit A hereto and modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such opinion; *provided* , *however* , that in lieu of such opinions for subsequent Representation Dates, counsel may furnish the Managers with a letter (a " *Reliance Letter* ") to the effect that the Managers may rely on a prior opinion delivered under this Section 4(h) to the same extent as if it were dated the date of such letter (except that statements in such prior opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented at such Representation Date).

(i) On the date hereof, upon the recommencement of the offering of the Shares under this Agreement following the termination of a suspension of sales hereunder, and at each Representation Date, Gibson, Dunn & Crutcher LLP, counsel to the Company, shall deliver a written opinion and negative assurance letter, dated as of such Representation Date, in form and substance reasonably satisfactory to the Managers and modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such opinion; *provided* , *however* , that in lieu of such opinions for subsequent Representation Dates, counsel may furnish the Managers with a Reliance Letter to the effect that the Managers may rely on a prior opinion delivered under this Section 4(i) to the same extent as if it were dated the date of such letter (except that statements in such prior opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented at such Representation Date).

(j) On the date hereof, upon the recommencement of the offering of the Shares under this Agreement following the termination of a suspension of sales hereunder, and at each Representation Date, Hunton & Williams LLP, as Virginia counsel for the Company, shall deliver a written opinion, dated as of such Representation Date, in form and substance reasonably satisfactory to the Managers, to the effect set forth in Exhibit B hereto and modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such opinion; *provided* , *however* , that in lieu of such opinions for subsequent Representation Dates, counsel may furnish the Managers with a Reliance Letter to the effect that the Managers may rely on a prior opinion delivered under this Section 4(j) to the same extent as if it were dated the date of such letter (except that statements in such prior opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented at such Representation Date).

(k) On the date hereof, upon the recommencement of the offering of the Shares under this Agreement following the termination of a suspension of sales hereunder, and at each date where (i) the Company shall file an annual report on Form 10-K or (ii) the Shares are delivered to the Managers as principals on a Settlement Date, Shearman & Sterling LLP, counsel to the Managers, shall deliver a written opinion and 10b-5 side letter, dated as of such Representation Date, in form and substance reasonably satisfactory to the Managers and modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such opinion; *provided* , *however* , that in lieu of such opinions for subsequent Representation Dates, counsel may furnish the Managers with a Reliance Letter to the effect that the Managers may rely on a prior opinion delivered under this Section 4(k) to the same extent as if it were dated the date of such letter (except that statements in such prior opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented at such Representation Date).

(l) On the date hereof, upon the recommencement of the offering of the Shares under this Agreement following the termination of a suspension of sales hereunder, if the Company has filed a current report on Form 8-K containing amended financial information with the Commission during the suspension period, and each time that (i) the Registration Statement or the Prospectus shall be amended or supplemented to include additional amended financial information, (ii) the Shares are delivered to the Managers as principals on a Settlement Date, (iii) the Company shall file an annual report on Form 10-K or quarterly report on Form 10-Q, (iv) there is filed with the Commission any document (other than an annual report on Form 10-K or quarterly report on Form 10-Q) incorporated by reference into the Prospectus which contains additional or amended financial information, or (v) on such other dates as may be reasonably requested by the Managers, to cause Ernst & Young LLP, or other independent accountants satisfactory to the Managers (the " *Accountants* "), forthwith to furnish the Managers a letter, dated the date of effectiveness of such amendment, the date of filing of such supplement or other document with the Commission, or the Settlement Date, as the case may be, in form and substance satisfactory to the Managers, (i) confirming that they are an independent registered public accounting firm within the meaning of the Act, the Exchange Act and the

Public Company Accounting Oversight Board, (ii) stating, as of such date, the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings (the first such letter, the " *Initial Comfort Letter* ") and (iii) updating the Initial Comfort Letter with any information that would have been included in the Initial Comfort Letter had it been given on such date and modified as necessary to relate to the Registration Statement and the Prospectus, as amended and supplemented to the date of such letter.

(m) The obligations of any party contained in Sections 4(g), 4(h), 4(i), 4(j), 4(k), and 4(l) may be satisfied by delivery on an alternative date, which certificates, opinions, and letters may be dated as of such alternative date; provided that such alternative date is mutually agreed upon by the Company and the Managers.

(n) The obligation to deliver or cause to be delivered the documents referred to in Sections 4(g), 4(h), 4(i), 4 (j), 4(k), and 4(l) shall be waived for any Representation Date occurring at a time at which no instruction by the Company to any Manager to sell Shares under this Agreement is in effect, which waiver shall continue until the earlier to occur of the date the Company delivers an instruction to any Manager to sell Shares pursuant to Section 3(a) hereof (which for such calendar quarter shall be considered a Representation Date) and the next occurring Representation Date for which no such waiver is made; *provided, however* , that the Company may elect, in its sole discretion, to deliver or cause to be delivered the documents referred to in Sections 4(g), 4(h), 4 (i), 4(j), 4(k), and 4(l) and thereby satisfy its obligations hereunder, notwithstanding the fact that no instruction by the Company to the Managers to sell Shares under this Agreement is in effect. Notwithstanding the foregoing, if the Company subsequently decides to sell Shares following a Representation Date when the Company relied on such waiver and did not deliver or cause to be delivered the documents referred to in Sections 4(g), 4(h), 4(i), 4(j), 4(k), and 4(l), then before the Company delivers an instruction pursuant to Section 3(a) or any Manager sells any Shares, the Company shall deliver or cause to be delivered documents of the same tenor as those referred to in Sections 5(c), 5(d), 5(e), 5(f), 5(g), and 5(h) of this Agreement.

(o) To make available its appropriate officers and to cause such officers to participate in a call with the Managers and their counsel on a quarterly basis, or otherwise as the Manager selling the Shares at such time may reasonably request; such call shall be for the purpose of updating the Managers' due diligence review of the Company in connection with the transactions contemplated hereby. The obligations set forth in the preceding sentence of this Section 4(o) shall be waived for any quarterly call that would otherwise occur but at which time a waiver as described in Section 4(n) hereof is in effect; *provided, however* , that the Company may elect, in its sole discretion, to conduct a quarterly call as set forth in the first sentence of this Section 4(o) and thereby satisfy its obligations hereunder, notwithstanding the fact that a waiver as described in Section 4(n) hereof is in effect. Notwithstanding the foregoing, if during the period that the provisions of this Section 4(o) are waived or calls are to be postponed by operation of the next sentence, a

Representation Date has occurred or a quarterly call set forth in the first sentence of this Section 4(o) would have occurred, it shall be a precondition to recommencing sales of Shares hereunder that the Company shall first make available its appropriate officers and to cause such officers to participate in a call with the Managers upon such Managers' request in the manner set forth in the first sentence of this Section 4(o). Additionally, if any call required by the first sentence of this Section 4(o) would otherwise be required by this Section 4(o) to be conducted during a period when the Company, in its sole discretion, determines that it is unable to sell Shares to the public because of the operation of a Company black-out period or because it may be in possession of material, non-public information that it is unwilling to disclose at the time, such call(s) shall be postponed until such time as the Company provides notice to the Managers that it has determined, in its sole discretion, that such black-out or postponement period has ended or has otherwise been terminated. Any suspension of the provisions of this Section 4(o) shall not affect the Company's obligations provided for elsewhere in this Agreement.

(p) To reserve and keep available at all times, free of preemptive rights, Shares for the purpose of enabling the Company to satisfy its obligations hereunder.

(q) That it consents to each Manager trading in the Common Stock for the Manager's own account and for the accounts of its clients at the same time as sales of the Shares occur pursuant to this Agreement.

(r) If, to the knowledge of the Company, any condition set forth in Section 5(a) or 5(i) of this Agreement shall not have been satisfied on the applicable Settlement Date, to offer to any person who has agreed to purchase the Shares from the Company as the result of an offer to purchase solicited by the Managers the right to refuse to purchase and pay for such Shares.

(s) That each acceptance by the Company of an offer to purchase the Shares hereunder shall be deemed to be an affirmation to the Managers that the representations and warranties of the Company contained in or made pursuant to this Agreement are true and correct as of the date of such acceptance as though made at and as of such date, and an undertaking that such representations and warranties will be true and correct as of the Settlement Date for the Shares relating to such acceptance as though made at and as of such date (except that such representations and warranties shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented relating to such Shares).

(t) To comply with the requirements of Rule 433 under the Act applicable to any "issuer free writing prospectus," as defined in such rule, including timely filing with the Commission where required, legending and record keeping.

SECTION 5. Conditions of Managers' Obligations . The obligations of each of the Managers hereunder with respect to any order submitted to a Manager by the Company to sell Shares or any agreement by a Manager to purchase Shares as principal are subject to the condition that (i) the representations and warranties on the part of the Company on the date hereof, and as of any Time of Sale and Settlement Date are true and correct, (ii) the performance by the Company of its obligations hereunder and (iii) the following additional conditions precedent.

(a) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; the Prospectus, any amendment or supplement thereto and each Permitted Free Writing Prospectus shall have been timely filed with the Commission under the Act (in the case of a Permitted Free Writing Prospectus, to the extent required by Rule 433 under the Act); and all requests for additional information on the part of the Commission shall have been complied with or otherwise satisfied.

(b) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall not have occurred any material adverse change, or any development involving a prospective material adverse change, in or affecting particularly the business or assets of the Company and its subsidiaries considered as a whole, or any material adverse change in the financial position or results of operations of the Company and its subsidiaries considered as a whole, otherwise than as set forth or contemplated in the Registration Statement and the Prospectus, which in any such case makes it impracticable or inadvisable in the reasonable judgment of the Managers to proceed with the public offering, sale, delivery or purchase of the Shares on the terms and in the manner contemplated by this Agreement.

(c) The Company shall furnish to the Managers, at every date specified in Section 4(h) of this Agreement, opinions of Company Counsel, addressed to the Managers, required to be delivered pursuant to Section 4(h).

(d) The Managers shall have received, at every date specified in Section 4(i) of this Agreement, the favorable opinions of Gibson, Dunn & Crutcher LLP, counsel to the Company, required to be delivered pursuant to Section 4(i).

(e) The Managers shall have received, at every date specified in Section 4(j) of this Agreement, the favorable opinions of Hunton & Williams LLP, as Virginia counsel for the Company, required to be delivered pursuant to Section 4(j).

(f) The Managers shall have received, at every date specified in Section 4(k) of this Agreement, the favorable opinions of Shearman & Sterling LLP, counsel to the Managers, required to be delivered pursuant to Section 4(k).

(g) At the dates specified in Section 4(l) of this Agreement, the Managers shall have received from the Accountants the comfort letters required to be delivered pursuant to Section 4(l).

(h) The Company will deliver to the Managers a certificate, dated as of and delivered on each Representation Date, to the effect that (i) the representations and warranties of the Company contained in this Agreement are true and correct on and as of such Representation Date as though made at and as of such Representation Date; (ii) the Company has duly performed, in all material respects, all obligations required to be performed by it pursuant to the terms of this Agreement at or prior to such Representation Date; (iii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been initiated or, to the knowledge of the Company, threatened by the Commission, the Prospectus Supplement and each Permitted Free Writing Prospectus have been timely filed with the Commission under the Act (in the case of a Permitted Free Writing Prospectus, to the extent required by Rule 433 under the Act), and all requests for additional information on the part of the Commission have been complied with or otherwise satisfied; and (iv) there has been no material adverse change, or a development known to the Company involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs, management or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business.

(i) All filings with the Commission required by Rule 424 under the Act to have been filed by each Time of Sale or related Settlement Date shall have been made within the applicable time period prescribed for such filing by Rule 424 (without reliance on Rule 424(b)(8)).

(j) The Shares shall have been approved for listing on the NYSE, subject only to notice of issuance at or prior to the Settlement Date.

(k) The Common Stock shall be an “actively-traded security” excepted from the requirements of Rule 101 of Regulation M under the Exchange Act by subsection (c)(1) of such rule.

SECTION 6. Indemnification and Contribution .

(a) *Indemnification of the Managers* . The Company agrees to indemnify and hold harmless each Manager, its affiliates, directors, officers and employees and each person, if any, who controls such Manager within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, reasonable legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred), joint or several, that arise out of, or are based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, not misleading, (ii) or any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto), any Permitted Free Writing Prospectus, any “issuer information” filed or required to be filed pursuant to Rule 433(d) under the Act, any road show as defined in Rule 433(h) under the Act (a “road show”) or any General Disclosure Package (including any General Disclosure Package that has subsequently been amended), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to any Manager furnished to the Company in writing by such Manager expressly for use therein, it being understood and agreed that the only such information furnished by any Manager consists of the information described as such in subsection (b) below.

(b) *Indemnification of the Company* . Each Manager agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers, its affiliates, its employees and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act to the same extent as the indemnity set forth in paragraph (a) above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to such Manager furnished to the Company in writing by such Manager expressly for use in the Registration Statement, the Prospectus (or any amendment or supplement thereto), any Permitted Free Writing Prospectus, any road show or any General Disclosure Package (including any General Disclosure Package that has subsequently been amended), it being understood and agreed upon that the only such information furnished by any Manager consists of the following information in the Prospectus: the 11 th paragraph under the caption “Plan of Distribution.”

(c) *Notice and Procedures* . If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnification may be sought pursuant to either paragraph (a) or (b) above, such person (the “ *Indemnified Person* ”) shall promptly notify the person against whom such indemnification may be sought (the “ *Indemnifying Person* ”) in writing; provided that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under paragraph (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided, further, that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have to an Indemnified Person otherwise than under paragraph (a) or (b) above. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof, the Indemnifying Person shall retain counsel reasonably satisfactory to the Indemnified Person (who shall not, without the consent of the Indemnified Person, be counsel to the Indemnifying Person) to represent the Indemnified Person in such proceeding and shall pay the reasonable fees and expenses of such counsel related to such proceeding, as incurred. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the

Indemnified Person shall have mutually agreed to the contrary; (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person; (iii) the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Indemnifying Person; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interest between them. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be paid or reimbursed as they are incurred. Any such separate firm for any Manager, its affiliates, directors and officers and any control persons of such Manager shall be designated in writing by such Manager and any such separate firm for the Company, its directors, its officers who signed the Registration Statement and any control persons of the Company shall be designated in writing by the Company. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement or judgment. No Indemnifying Person shall, without the written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (x) includes an unconditional release of such Indemnified Person, in form and substance reasonably satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(d) *Contribution* . If the indemnification provided for in paragraphs (a) and (b) above is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Managers on the other, from the offering of the Shares or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company, on the one hand, and the Managers on the other, in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Managers on the other, shall be deemed to be in the same respective proportions as the net proceeds (before deducting expenses) received by the Company from the sale of the Shares bear to the total commissions received by the Managers, in each case as determined by this Agreement. The relative fault of the Company, on the one hand, and the Managers on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Managers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) *Limitation on Liability* . The Company and the Managers agree that it would not be just and equitable if contribution pursuant to paragraph (d) above were determined by pro rata allocation (even if the Managers were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Person in connection with any such action or claim. Notwithstanding the provisions of paragraphs (d) and (e), in no event shall a Manager be required to contribute any amount in excess of the amount by which the total commissions received by such Manager pursuant to this Agreement exceeds the amount of any damages that such Manager has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Managers' obligations to contribute pursuant to paragraphs (d) and (e) are several in proportion to their respective purchase obligations hereunder and not joint.

(f) *Non-Exclusive Remedies* . The remedies provided for in paragraphs (a) through (e) of this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Person at law or in equity.

SECTION 7. Representations and Agreements to Survive Delivery . The respective indemnities, agreements, representations, warranties and other statements of the Company and the Managers, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Managers or any controlling person of the Managers, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

SECTION 8. Termination .

(a) The Company shall have the right, by giving written notice as hereinafter specified, to terminate the provisions of this Agreement relating to offers and sales of Shares in its sole discretion at any time. Any such termination shall be without liability of any party to any other party except that (i) if the Shares have been sold through the Managers for the Company, then Sections 3(a)(vi), 3(a)(vii) and 4(f) of this Agreement shall remain in full force and effect with respect to and to the extent of such Shares sold, (ii) with respect to any pending sale through the Managers for the Company, the obligations of the Company, including in respect of compensation of the Managers, shall remain in full force and effect notwithstanding the termination, and (iii) Sections 4(e), 6 and 7 of this Agreement shall remain in full force and effect notwithstanding such termination.

(b) Each Manager shall have the right, by giving written notice as hereinafter specified, to terminate the provisions of this Agreement relating to the offers and sales of Shares by such Manager in its sole discretion at any time. Any such termination shall be without liability of any party to any other party except that the provisions of Section 4(e), Section 6 and Section 7 of this Agreement shall remain in full force and effect notwithstanding such termination.

(c) This Agreement shall remain in full force and effect unless terminated pursuant to Sections 8(a) or (b) above or otherwise by mutual agreement of the parties; *provided* that any such termination by mutual agreement shall in all cases be deemed to provide that Section 4(e), Section 6 and Section 7 shall remain in full force and effect.

(d) Any termination of this Agreement shall be effective on the date specified in such notice of termination; *provided* that such termination shall not be effective until the receipt of such notice by the Managers or the Company, as the case may be. If such termination shall occur prior to the Settlement Date for any sale of the Shares, such sale shall settle in accordance with the provisions of Section 3(a)(vi) of this Agreement.

SECTION 9. Notices . Except as otherwise herein provided, all statements, requests, notices and agreements under this Agreement shall be in writing and delivered by hand, overnight courier, mail, telex or facsimile and, if to the Managers, shall be sufficient in all respects if delivered or sent to Goldman Sachs & Co. LLC, 200 West Street, New York, New York 10282, Attention: Registration Department; Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Bryant Park, New York, New York 10036, Attention: Thomas J. Opladen (Facsimile: (646) 855-3073), with a copy to ECM Legal (Facsimile: (212) 230-8730); Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department; and J.P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179, Attention: Adam Rosenbluth; and, if to the Company, it shall be sufficient in all respects if delivered or sent to the address of the Company set forth in the Registration Statement, Attention: General Counsel, Facsimile No. (972)-855-3080. Each party to this Agreement may change such address for notices by sending to the parties to this Agreement written notice of a new address for such purpose.

SECTION 10. Parties at Interest . The Agreement herein set forth has been made solely for the benefit of the Managers and the Company and to the extent provided in Section 6 of this Agreement the controlling persons, directors and officers referred to in such section, and their respective successors, assigns, heirs, personal representatives and executors and administrators. No other person, partnership, association or corporation (including a purchaser, as such purchaser, from the Managers) shall acquire or have any right under or by virtue of this Agreement.

SECTION 11. No Fiduciary Relationship . The Company hereby acknowledges that each Manager is acting solely as sales agent and/or principal in connection with the purchase and sale of the Company's securities. The Company acknowledges and agrees that each Manager is acting solely in the capacity of an arm's length contractual counterparty to the Company with respect to the offering of any Shares contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, the Company or any other person. Additionally, each Manager is not advising the Company or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Manager has advised or is advising the Company on other matters). Each Manager advises that such Manager and its affiliates are engaged in a broad range of securities and financial services and that it or its affiliates may enter into contractual relationships with purchasers or potential purchasers of the Company's securities and that some of these services or relationships may involve interests that differ from those of the Company and need not be disclosed to the Company, unless otherwise required by law. The Company has consulted with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and each Manager shall have no responsibility or liability to the Company or any other person with respect thereto. Any review by each of the Managers of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of such Manager and shall not be on behalf of the Company. The Company waives, to the fullest extent permitted by law, any claims it may have against any of the Managers for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that each of the Managers shall have no liability (whether direct or indirect) to the Company in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Company, including stockholders, employees or creditors of the Company.

SECTION 12. Entire Agreement . This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and the Managers with respect to the subject matter hereof.

SECTION 13. Law; Construction . This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 14. Headings . The Section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

SECTION 15. Waiver of Jury Trial . The Company and the Managers hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

SECTION 16. Counterparts. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

SECTION 17. Successors and Assigns. This Agreement shall be binding upon, and inure solely to the benefit of, the Managers, the Company and, to the extent provided in Sections 6 and 7 hereof, the officers and directors of the Company and each person who controls the Company or the Managers, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. Notwithstanding the foregoing, this Agreement shall inure to the benefit of and be binding upon BofAML Securities, Inc. as an assignee of Merrill Lynch, Pierce Fenner & Smith Incorporated without the prior written consent of any party. No purchaser of any of the Shares from the Managers shall be deemed a successor or assign by reason merely of such purchase.

[SIGNATURE PAGES FOLLOW]

If the foregoing correctly sets forth the understanding between the Company and the Managers, please so indicate in the space provided below for that purpose, whereupon this Agreement and your acceptance shall constitute a binding agreement between the Company and the Managers. Alternatively, the execution of this Agreement by the Company and its acceptance by or on behalf of the Managers may be evidenced by an exchange of facsimile or other electronic transmission or other written communications.

Very truly yours,

ATMOS ENERGY CORPORATION

By: /s/ CHRISTOPHER T. FORSYTHE
Name: Christopher T. Forsythe
Title: Senior Vice President and Chief Financial Officer

Signature Page to Equity Distribution Agreement

ACCEPTED as of the date
first above written

GOLDMAN SACHS & CO. LLC

By: /s/ DANIEL YOUNG
Name: Daniel Young
Title: Managing Director

Signature Page to Equity Distribution Agreement

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: /s/ SACHIN AGGARWAL
Name: Sachin Aggarwal
Title: Managing Director

Signature Page to Equity Distribution Agreement

MORGAN STANLEY & CO. LLC

By: /s/ JAMES WATTS
Name: James Watts
Title: Vice President

Signature Page to Equity Distribution Agreement

J.P. MORGAN SECURITIES LLC

By: /s/ ADAM S. ROSENBLUTH
Name: Adam S. Rosenbluth
Title: Executive Director

Signature Page to Equity Distribution Agreement

Schedule I

SIGNIFICANT SUBSIDIARIES

None.

Schedule II

LIST OF ALL SUBSIDIARIES

Atmos Energy Holdings, Inc.
Atmos Energy Louisiana Industrial Gas, LLC
Atmos Energy Services, LLC
Atmos Exploration and Production, Inc.
Atmos Gathering Company, LLC
Atmos Pipeline and Storage, LLC
Atmos Power Systems, Inc.
Blue Flame Insurance Services, LTD
Egasco, LLC
Fort Necessity Gas Storage, LLC
Phoenix Gas Gathering Company
Trans Louisiana Gas Pipeline, Inc.
Trans Louisiana Gas Storage, Inc.
UCG Storage, Inc.
WKG Storage, Inc.

EXHIBIT A

FORM OF OPINIONS AND LETTER OF GENERAL COUNSEL OF THE COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 4(H)

1. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Texas and the Commonwealth of Virginia.

2. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

3. The information in the Registration Statement under Item 15, to the extent that it constitutes matters of law, summaries of legal matters or legal conclusions, has been reviewed by me and is correct in all material respects.

4. The Company has an authorized, issued and outstanding capitalization as set forth in the Prospectus (except for subsequent issuances, if any, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectus or pursuant to the exercise of options or vesting of share unit awards referred to in the Prospectus); the shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; and none of the outstanding shares of capital stock of the Company was issued in violation of the preemptive or other similar rights of any securityholder of the Company; the Company's Common Stock has been registered pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange (the "NYSE"), and the Company has taken no action designed to, or likely to have the effect of, terminating such registration or listing, nor has the Company received any notification that the Commission or the NYSE is contemplating terminating such registration or listing.

5. The Equity Distribution Agreement has been duly authorized, executed and delivered by the Company.

6. The Shares have been duly authorized and, when issued and delivered and paid for as provided in the Equity Distribution Agreement, will be duly and validly issued and will be fully paid and nonassessable. The issuance of the Shares is not subject to any preemptive or similar rights.

7.The documents incorporated by reference in the Registration Statement and the Prospectus (other than financial statements and schedules and other information of an accounting or financial nature included or incorporated by reference therein, as to which I express no opinion or belief), when they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations under the Exchange Act.

8. To the best of my knowledge, there is no pending or threatened action, suit, proceeding, inquiry or investigation, to which the Company or any subsidiary is a party, or to which the property of the Company or any subsidiary is subject, before or brought by any court or governmental agency or body, domestic or foreign, which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to have a Material Adverse Effect on the properties or assets thereof or the consummation of the transactions contemplated in the Equity Distribution Agreement or the performance by the Company of its obligations thereunder, or which is required to be described in the Prospectus that is not described as required.

9. The information in (a) the Prospectus under "Business – Other Regulation" and "Description of Common Stock," (b) the Annual Report on Form 10-K for the fiscal year ended September 30, 2017 (the "10-K") under "Item 1. – Business – Ratemaking Activity," under "Item 1. – Business – Other Regulation" or under "Item 3. – Legal Proceedings" and (c) "Note 11. – Commitments and Contingencies" to the Company's consolidated financial statements included in the 10-K, to the extent that it constitutes matters of law, summaries of legal matters, the Company's articles of incorporation and bylaws or legal proceedings, or legal conclusions, has been reviewed by me and is correct in all material respects.

10. All descriptions in the Registration Statement and the Prospectus of contracts and other documents to which the Company or its subsidiaries are a party are accurate in all material respects; to the best of my knowledge, there are no franchises, contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement or the Prospectus or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto, and the descriptions thereof or references thereto are correct in all material respects.

11. To the best of my knowledge, (i) neither the Company nor any subsidiary is in violation of its charter, bylaws or other organizational document and (ii) no default by the Company or any subsidiary exists in the due performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument that is described or referred to in the Registration Statement or the Prospectus or filed or incorporated by reference as an exhibit to the Registration Statement or the Prospectus, except with respect to (ii) above, for such defaults that would not result in a Material Adverse Effect.

12. There have been issued and, as of the date hereof, are in full force and effect orders or authorizations of the regulatory authorities of the States of Colorado, Kentucky and Virginia authorizing the issuance and sale of the Shares by the Company on the terms set forth or contemplated in the Equity Distribution Agreement; and no other filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency, domestic or foreign (other than under the Act and the Exchange Act, which have been obtained, or as may be required under the securities or blue sky laws of the various states, as to which I express no opinion), is necessary or required in connection with the due authorization, execution and delivery of the Equity Distribution Agreement, or for the offering, issuance, sale or delivery of the Shares by the Company pursuant to the Equity Distribution Agreement.

13. The execution, delivery and performance of the Equity Distribution Agreement by the Company and the consummation of the transactions contemplated in the Equity Distribution Agreement and the Registration Statement and the Prospectus (including the issuance and sale of the Shares and the use of the proceeds from the sale of the Securities as described in the Prospectus under the caption "Use of Proceeds") and compliance by the Company with its obligations under the Equity Distribution Agreement do not and will not, whether with or without the giving of notice or lapse of time or both, violate or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or any other agreement or instrument, known to me, to which the Company or any subsidiary is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (except for such violations, breaches or defaults or liens, charges or encumbrances that would not have a Material Adverse Effect), nor will such action result in any violation of the provisions of the articles of incorporation or bylaws of the Company or the charter, bylaws or other organizational documents of any subsidiary, or any applicable law, statute, rule, regulation, judgment, order, writ or decree, known to me, of any government, government instrumentality or court, domestic or foreign, binding on the Company or any subsidiary or any of their respective properties, assets or operations. I express no opinion in this paragraph regarding federal or state securities laws.

Except for the financial statements and related notes and schedules and other information of an accounting or financial nature included or incorporated by reference therein, as to which I express no opinion or belief, no facts have come to my attention that led me to believe: (a) that the Registration Statement, at the time it became effective (which shall have the meaning set forth in Rule 158(c) of the Act) or the Prospectus, as of its date, were not appropriately responsive in all material respects to the requirements of the Act; or (b)(i) that the Registration Statement, at the time it became effective, contained a untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) that the Prospectus, as of its date or the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Exhibit B

FORM OF OPINION OF VIRGINIA COUNSEL TO THE COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 4(J)

1. The Company is validly existing as a corporation in good standing under the laws of the Commonwealth of Virginia.

2. The Company has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the Basic Prospectus and the Prospectus and to enter into and perform its obligations under the Equity Distribution Agreement (including, without limitation, issuing the Shares).

3. The Equity Distribution Agreement has been duly authorized, executed and delivered by the Company.

4. The execution and delivery of the Equity Distribution Agreement do not, and the consummation of the transactions contemplated by the Equity Distribution Agreement will not, violate the Articles of Incorporation, the Bylaws or any law or regulation of the Commonwealth of Virginia or any order, judgment or decree of any court, regulatory body, administrative agency or governmental body of the Commonwealth of Virginia applicable to the Company.

5. Assuming that all offers and sales of the Shares will (a) comply with the “ATM Offering Limit,” “Minimum Offering Price” and “Pricing Formula” and (b) be completed on or prior to the “Offering Deadline,” each as set forth in the Authorizing Resolutions, when issued and delivered in accordance with the terms and conditions set forth in the Equity Distribution Agreement, the Shares will have been duly authorized, validly issued, fully paid and nonassessable.

Annex A

PERMITTED FREE WRITING PROSPECTUSES

None.

Exhibit 5.1

[LETTERHEAD OF GIBSON, DUNN & CRUTCHER LLP]

November 14, 2017

Atmos Energy Corporation
1800 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240

Re: *Atmos Energy Corporation*
Registration Statement on Form S-3 (File No. 333-210424)

Ladies and Gentlemen:

We have examined the Registration Statement on Form S-3, File No. 333-210424, (the " Registration Statement "), of Atmos Energy Corporation, a corporation incorporated under the laws of Texas and Virginia (the " Company "), filed with the Securities and Exchange Commission (the " Commission ") pursuant to the Securities Act of 1933, as amended (the " Securities Act "), in connection with the offering by the Company of shares of the Company's common stock, no par value per share (the " Common Stock "), having an aggregate offering price to the public of up to $500,000,000 (the " Shares "). The Shares will be issued pursuant to that certain Equity Distribution Agreement dated as of November 14, 2017 (the " Equity Distribution Agreement ") among the Company and the Managers named therein.

In arriving at the opinion expressed below, we have examined originals, or copies certified or otherwise identified to our satisfaction as being true and complete copies of the originals, of specimen Common Stock certificates and such other documents, corporate records, certificates of officers of the Company and of public officials and other instruments as we have deemed necessary or advisable to enable us to render the opinions set forth below. In our examination, we have assumed without independent investigation the genuineness of all signatures, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies.

November 14, 2017
Page 2

Based upon the foregoing, and subject to the assumptions, exceptions, qualifications and limitations set forth herein, we are of the opinion that the Shares, when issued against payment therefor in accordance with the Equity Distribution Agreement, will be validly issued, fully paid and non-assessable.

The opinions expressed above are subject to the following additional exceptions, qualifications, limitations and assumptions:

A. The effectiveness of the Registration Statement under the Securities Act will not have been terminated or rescinded.

B. We render no opinion herein as to matters involving any laws other than the Texas For-Profit Corporation Law. This opinion is limited to the effect of the current state of the Texas For-Profit Corporation Law and the facts as they currently exist. We express no opinion regarding any federal or state laws or regulations related to the regulation of utilities. We assume no obligation to revise or supplement this opinion in the event of future changes in such laws or the interpretations thereof or such facts.

C. We note that the Company is incorporated in the State of Texas and in the Commonwealth of Virginia and that you are receiving an opinion of Virginia counsel as to matters relating to Virginia law.

D. All offers and sales of the Shares will (i) comply with the minimum offering price limitation and the pricing formula set forth in the authorization of the offering and sale of the Shares by the Company's Board of Directors and (ii) be completed on or prior to March 28, 2019 unless an extension to such date is authorized by the Company.

We consent to the filing of this opinion as an exhibit to the Registration Statement, and we further consent to the use of our name under the caption " Legal Matters " in the Registration Statement and the prospectus that forms a part thereof. In giving these consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission.

Very truly yours,

/s/ Gibson, Dunn & Crutcher LLP

Exhibit 5.2

HUNTON & WILLIAMS

HUNTON & WILLIAMS LLP
RIVERFRONT PLAZA, EAST TOWER
951 EAST BYRD STREET
RICHMOND, VIRGINIA 23219-4074

TEL 804 • 788 • 8200
FAX 804 • 788 • 8218

FILE NO: 51645.000001

November 14, 2017

Atmos Energy Corporation
1800 Three Lincoln Centre
Dallas, Texas 75240

Atmos Energy Corporation
Public Offering of up to $500,000,000 Aggregate Offering Price of Common Stock

Ladies and Gentlemen:

We have acted as special Virginia counsel for Atmos Energy Corporation, a Texas and Virginia corporation (the "Company"), in connection with the Company's offering and sale of the Company's common stock, no par value per share (the "Common Stock"), having an aggregate offering price of up to $500,000,000 (the "Shares").

The Shares are being offered and sold as described in the prospectus, dated March 28, 2016 (the "Base Prospectus"), contained in the Registration Statement on Form S-3 (the "Registration Statement") filed by the Company on March 28, 2016 with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Securities Act"), the Registration Statement, and the prospectus supplement thereto, dated November 14, 2017 (the "Prospectus Supplement," and, together with the Base Prospectus, the "Prospectus").

This opinion letter is being furnished in accordance with the requirements of Item 16 of Form S-3 and Item 601(b)(5)(i) of Regulation S-K promulgated under the Securities Act.

In connection with this opinion letter, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such corporate records of the Company, certificates of corporate officers of the Company and public officials and such other documents as we have deemed necessary for the purposes of rendering this opinion, including, among other things, (i) the Virginia Restated Articles of Incorporation (the "Articles of Incorporation") and the Amended and Restated Bylaws (the "Bylaws") of the Company, each as amended through the date hereof, (ii) a certificate issued by the State Corporation Commission of the Commonwealth of Virginia on the date hereof, to the effect that the Company is existing under the laws of the Commonwealth of Virginia and in good standing, (iii) resolutions of the Board of Directors of the Company adopted at meetings held on August 5, 2015, February 2, 2016 and September 21, 2017 (the "Authorizing Resolutions"), (iv) the Registration Statement, (v) the Prospectus, (vi) an executed copy of the

HUNTON& WILLIAMS

Equity Distribution Agreement, dated November 14, 2017 (the "Equity Distribution Agreement"), among the Company and Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC and (vii) and a specimen stock certificate representing the Common Stock.

For purposes of the opinions expressed below, we have assumed (i) the authenticity of all documents submitted to us as originals, (ii) the conformity to the originals of all documents submitted to us as certified, photostatic or electronic copies and the authenticity of the originals thereof, (iii) the legal capacity of natural persons, (iv) the genuineness of all signatures not witnessed by us and (v) the due authorization, execution and delivery of all documents by all parties and the validity, binding effect and enforceability thereof on such parties (other than the authorization, execution and delivery of documents by the Company).

As to factual matters, we have relied upon, and assumed the accuracy of, representations included in the documents submitted to us, upon certificates of officers of the Company and upon certificates of public officials. Except as otherwise expressly indicated, we have not undertaken any independent investigation of factual matters.

We do not purport to express an opinion on any laws other than those of the Commonwealth of Virginia. We express no opinion as to the effect of the laws of the State of Texas on the issuance, payment and nonassessability of the Shares.

Based upon the foregoing and such other information and documents as we have considered necessary for the purposes hereof, and subject to the assumptions, qualifications and limitations stated herein, we are of the opinion that (subject to compliance with the pertinent provisions of the Securities Act, and to compliance with such securities or "blue sky" laws of any jurisdiction as may be applicable):

1. The Company is validly existing as a corporation in good standing under the laws of the Commonwealth of Virginia.

2. Assuming that all offers and sales of the Shares will (a) comply with the "ATM Offering Limit," "Minimum Offering Price" and "Pricing Formula" and (b) be completed on or prior to the "Offering Deadline," each as set forth in the Authorizing Resolutions, when issued and delivered in accordance with the terms and conditions set forth in the Equity Distribution Agreement, the Shares will have been duly authorized, validly issued, fully paid and nonassessable.

HUNTON & WILLIAMS

Atmos Energy Corporation
November 14, 2017
Page 3

We hereby consent to the filing of this opinion letter with the Commission as Exhibit 5.2 to the Registration Statement and to the reference to our firm under the heading "Legal Matters" in the Base Prospectus, which is part of the Registration Statement, and the Prospectus Supplement. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

This opinion letter is rendered as of the date hereof, and we disclaim any obligation to advise you of facts, circumstances, events or developments that hereafter may be brought to our attention and that may alter, affect or modify the opinions expressed herein. Our opinions are expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters relating to the Company or the Shares.

Very truly yours,

/s/ Hunton & Williams LLP

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 28, 2017
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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01. Regulation FD Disclosure.

On November 28, 2017, Atmos Energy Corporation ("Atmos Energy") issued a press release announcing the Offering (as defined below) and a press release announcing that it had priced the Offering. Copies of these press releases are furnished and attached as Exhibits 99.1 and 99.2 hereto and are incorporated herein by reference.

The information furnished is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, is not subject to the liabilities of that section and is not deemed incorporated by reference in any filing under the Securities Act.

Item 8.01. Other Events.

On November 28, 2017, Atmos Energy entered into an underwriting agreement (the "Underwriting Agreement") with Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC (the "Underwriters"), with respect to the offering and sale in an underwritten public offering (the "Offering") by the Underwriters of 4,558,404 shares of Atmos Energy's common stock, no par value. The Underwriting Agreement is filed herewith as Exhibit 1.1.

The Offering has been registered under the Securities Act pursuant to a registration statement on Form S-3 (Registration No. 333-210424) of Atmos Energy (the "Registration Statement"), and a prospectus supplement dated November 28, 2017, which was filed with the Securities and Exchange Commission pursuant to Rule 424(b) of the Securities Act on November 30, 2017. Legal opinions related to the Registration Statement are also filed herewith as Exhibits 5.1 and 5.2. At the closing of the Offering on December 1, 2017, Atmos Energy will receive net proceeds, after offering expenses, of approximately $395 million.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

Exhibit Number	Description
1.1	Underwriting Agreement dated as of November 28, 2017
5.1	Opinion of Gibson, Dunn & Crutcher LLP
5.2	Opinion of Hunton & Williams LLP
23.1	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1)
23.2	Consent of Hunton & Williams LLP (included in Exhibit 5.2)
99.1	Press Release dated as of November 28, 2017
99.2	Press Release dated as of November 28, 2017

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: December 1, 2017

By: /s/ KAREN E. HARTSFIELD
Karen E. Hartsfield
Senior Vice President, General Counsel and Corporate Secretary

Exhibit 1.1

Execution Version

ATMOS ENERGY CORPORATION

4,558,404 Shares of Common Stock

Underwriting Agreement

November 28, 2017

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
One Bryant Park
New York, New York 10036

J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

Ladies and Gentlemen:

Atmos Energy Corporation, a Texas and Virginia corporation (the " Company "), proposes to issue and sell to the several underwriters listed in Schedule I hereto (the " Underwriters ") an aggregate of 4,558,404 shares of common stock, no par value, of the Company (the " Shares "). The shares of common stock of the Company to be outstanding after giving effect to the sale of the Shares are referred to herein as the " Stock ."

The Company hereby confirms its agreement with the several Underwriters concerning the purchase and sale of the Shares, as follows:

1. Registration Statement . The Company has prepared and filed with the Securities and Exchange Commission (the " Commission ") under the Securities Act of 1933, as amended, and the rules and regulations (" Rules and Regulations ") of the Commission thereunder (collectively, the " Securities Act "), a registration statement (File No. 333-210424), including a prospectus, relating to the Shares. Such registration statement, as amended at the time it became effective, including the information, if any, deemed pursuant to Rule 430B under the Securities Act to be part of the registration statement at the time of its effectiveness (" Rule 430 Information "), is referred to herein as the " Registration Statement ." As used in this underwriting agreement (this " Agreement "):

(a) " Applicable Time " means 6:30 P.M., New York City time, on November 28, 2017;

(b) " Effective Date " means any date as of which any part of the Registration Statement became effective under the Securities Act in accordance with the Rules and Regulations;

(c) " General Use Issuer Free Writing Prospectus " means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors as evidenced by its being so specified in Annex A to this Agreement;

(d) " Issuer Free Writing Prospectus " means any "free writing prospectus" (as defined in Rule 405 of the Rules and Regulations) prepared by or on behalf of the Company or used or referred to by the Company in connection with the offering of the Shares;

(e) " Preliminary Prospectus " means the base prospectus included in the Registration Statement together with any preliminary prospectus supplement relating to the Shares filed with the Commission pursuant to Rule 424(b) of the Securities Act;

(f) " Pricing Disclosure Package " means, as of the Applicable Time, the most recent Preliminary Prospectus dated November 28, 2017 together with any General Use Issuer Free Writing Prospectus filed or used by or on behalf of the Company on or before the Applicable Time as permitted by this Agreement and the information, if any, included on Exhibit D hereto; and

(g) " Prospectus " means the base prospectus included in the Registration Statement together with the final prospectus supplement relating to the Shares filed with the Commission pursuant to Rule 424(b) of the Securities Act.

Any reference in this Agreement to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Securities Act, as of the effective date of the Registration Statement or the date of such Preliminary Prospectus or the Prospectus, as the case may be. Any reference to the "most recent Preliminary Prospectus" shall be deemed to refer to the base prospectus included in the Registration Statement, together with the latest preliminary prospectus supplement relating to the Shares filed with the Commission pursuant to Rule 424(b) prior to or on the date hereof (including, for purposes hereof, any documents incorporated by reference therein prior to or on the date hereof). Any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any document filed under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (the " Exchange Act "), after the date of such Preliminary Prospectus or the Prospectus, as the case may be, and incorporated by reference in such Preliminary Prospectus or the Prospectus, as the case may be; and any reference to any amendment to the Registration Statement shall be deemed to include any annual report of the Company on Form 10-K filed with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act after the Effective Date that is incorporated by reference in the Registration Statement.

2. Purchase of the Shares by the Underwriters .

(a) The Company agrees to issue and sell the Shares to the several Underwriters as provided in this Agreement, and each Underwriter, on the basis of the representations, warranties and agreements set forth herein and subject to the conditions set forth herein, agrees, severally and not jointly, to purchase from the Company the respective number of Shares set forth opposite such Underwriter's name in Schedule I hereto at a price per share of $86.79 (the " Purchase Price ").

(b) The Company understands that the Underwriters intend to make a public offering of the Shares as soon after the effectiveness of this Agreement as in the judgment of the Underwriters is advisable, and initially to offer the Shares on the terms set forth in the Prospectus. The Company acknowledges and agrees that the Underwriters may offer and sell Shares to or through any affiliate of an Underwriter.

(c) Payment for the Shares shall be made by wire transfer in immediately available funds to the account specified by the Company to the Underwriters in the case of the Shares, at the offices of Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10012 at 10:00 A.M., New York City time, on December 1, 2017, or at such other time or place on the same or such other date, not later than the fifth business day thereafter, as the Underwriters and the Company may agree upon in writing. The time and date of such payment for the Shares is referred to herein as the " Closing Date ."

Payment for the Shares to be purchased on the Closing Date shall be made against delivery to the Underwriters for their respective accounts of the Shares to be purchased on the Closing Date with any transfer taxes payable in connection with the sale of such Shares duly paid by the Company. Delivery of the Shares shall be made through the facilities of The Depository Trust Company (" DTC ") unless the Underwriters shall otherwise instruct.

(d) The Company acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Company with respect to the offering of Shares contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Company or any other person. Additionally, none of the Underwriters is advising the Company or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Company shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Company with respect thereto. Any review by the Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Company.

3. Representations and Warranties of the Company . The Company represents and warrants to each Underwriter that:

(a) The Registration Statement (i) has been prepared by the Company in conformity with the requirements of the Securities Act and the Rules and Regulations; (ii) has been filed with the Commission under the Securities Act; and (iii) is effective under the Securities Act. Copies of the Registration Statement have been delivered by the Company to the Underwriters.

(b) The Commission has not issued any stop order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or suspending the effectiveness of the Registration Statement, and no proceeding or examination for such purpose or pursuant to Section 8A of the Securities Act against the Company or related to the offering of the Shares has been instituted or, to the knowledge of the Company, threatened by the Commission. The Commission has not notified the Company of any objection to the use of the form of the Registration Statement.

(c) At the time of filing the Registration Statement and, if applicable, at the time of the most recent amendment thereto for purposes of complying with Section 10(a)(3) of the Securities Act, the Company was a "well-known seasoned issuer" (as defined in Rule 405 of the Rules and Regulations) eligible to use Form S-3 for the offering of the Shares, including not having been an "ineligible issuer" (as defined in Rule 405 of the Rules and Regulations) at any such time. The Registration Statement is an "automatic shelf registration statement" (as defined in Rule 405 of the Rules and Regulations) and was filed not earlier than the date that is three years prior to the Closing Date.

(d) The Registration Statement conformed in all material respects on the Effective Date and will conform in all material respects on the Closing Date and any amendment to the Registration Statement filed after the date hereof will conform in all material respects when filed to the requirements of the Securities Act and the Rules and Regulations. The Preliminary Prospectus conformed, and the Prospectus will conform, in all material respects when filed with the Commission pursuant to Rule 424(b) and on the Closing Date to the requirements of the Securities Act and the Rules and Regulations. The documents incorporated by reference in any Preliminary Prospectus or the Prospectus conformed, and any further documents so incorporated will conform, when filed with the Commission, in all material respects, to the requirements of the Exchange Act or the Securities Act, as applicable, and the rules and regulations of the Commission thereunder.

(e) The Registration Statement did not, as of the Effective Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided that no representation or warranty is made as to information contained in or omitted from the Registration Statement in reliance upon and in conformity with written information furnished to the Company by the Underwriters specifically for inclusion therein, which information is specified in Section 7(b).

(f) The Prospectus will not, as of its date and on the Closing Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that no representation or warranty is made as to information contained in or omitted from the Prospectus in reliance upon and in conformity with written information furnished to the Company by the Underwriters specifically for inclusion therein, which information is specified in Section 7(b).

(g) The documents incorporated by reference in any Preliminary Prospectus or the Prospectus did not, and any further documents filed and incorporated by reference therein will not, when filed with the Commission, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. There are no contracts or documents that are required to be described in the Registration Statement, the Prospectus or the documents incorporated by reference therein or to be filed as exhibits thereto that have not been so described and filed as required.

(h) The Pricing Disclosure Package did not, as of the Applicable Time, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that no representation or warranty is made as to information contained in or omitted from the Pricing Disclosure Package in reliance upon and in conformity with written information furnished to the Company by the Underwriters specifically for inclusion therein, which information is specified in Section 7(b).

(i) Each Issuer Free Writing Prospectus (including, without limitation, any road show that is a free writing prospectus under Rule 433), when considered together with the Pricing Disclosure Package as of the Applicable Time, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) Each Issuer Free Writing Prospectus conformed or will conform in all material respects to the requirements of the Securities Act and the Rules and Regulations on the date of first use, and the Company has complied with any filing requirements applicable to such Issuer Free Writing Prospectus pursuant to the Securities Act and the Rules and Regulations. Each Issuer Free Writing Prospectus does not and will not conflict with the information contained in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus. The Company has not made any offer relating to the Shares that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Underwriters. The Company has retained in accordance with the Rules and Regulations all Issuer Free Writing Prospectuses that were not required to be filed pursuant to the Rules and Regulations.

(k) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Texas and the Commonwealth of Virginia and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the most recent Preliminary Prospectus and to enter into and perform its obligations under this Agreement; and the

Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a material adverse change, or a development known to the Company involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs, management or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a " Material Adverse Effect ").

(l) Each "significant subsidiary" (as such term is defined in Rule 405 of the Securities Act) of the Company (each a " Subsidiary " and, collectively, the "Subsidiaries"), if any, (a) has been duly organized and is validly existing as an entity in good standing under the laws of the jurisdiction of its formation, (b) has corporate or limited liability company power and authority, as applicable, to own, lease and operate its properties and to conduct its business as described in the most recent Preliminary Prospectus and (c) is duly qualified as a foreign entity to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except in the cases of clauses (b) and (c) where the failure to have such power and authority or to so qualify or to be in good standing would not result in a Material Adverse Effect. The only Subsidiaries of the Company are the subsidiaries listed on Schedule II, and the Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed on Schedule III.

(m) The authorized, issued and outstanding capital stock of the Company is as set forth in the most recent Preliminary Prospectus and the Prospectus (except for subsequent issuances, if any, pursuant to reservations, agreements, acquisitions or employee benefit plans each referred to in the most recent Preliminary Prospectus and the Prospectus or pursuant to the exercise of options or share unit awards, each referred to in the most recent Preliminary Prospectus and the Prospectus). The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company were issued in violation of the preemptive or other similar rights of any securityholder of the Company.

(n) All of the issued and outstanding capital stock or limited liability company membership interests, as the case may be, of each Subsidiary have been duly authorized and validly issued, are fully paid and non assessable and are owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity except for such liens, encumbrances, equities or claims as would not, in the aggregate, reasonably be expected to have a Material Adverse Effect; none of the outstanding shares of capital stock or limited liability company membership interests, as the case may be, of any Subsidiary were issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary.

(o) The Shares to be issued and sold by the Company hereunder have been duly authorized and, when issued and delivered and paid for as provided herein, will be duly and validly issued, will be fully paid and non-assessable and will conform in all material respects to the descriptions thereof in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and the issuance of the Shares is not subject to any preemptive or similar rights.

(p) The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly and validly authorized, executed and delivered by the Company.

(q) Neither the Company nor any of its subsidiaries is in violation of its charter, bylaws or other organizational documents or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (collectively, " Agreements and Instruments ") except for such defaults that would not result in a Material Adverse Effect; and (i) the execution, delivery and performance of this Agreement and any other agreement or instrument entered into or issued or to be entered into or issued by the Company in connection with the consummation of the transactions contemplated in each of the most recent Preliminary Prospectus and the Prospectus (including the issuance and sale of the Shares and the use of the proceeds from the sale of the Shares as described in each of the most recent Preliminary Prospectus and the Prospectus under the caption "Use of Proceeds") and (ii) compliance by the Company with its obligations hereunder and thereunder have been duly authorized by all necessary corporate or other action on the part of the Company and any of the subsidiaries and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges, encumbrances or a Repayment Event that would not result in a Material Adverse Effect), nor will such action result in any violation of (y) the provisions of the charter, bylaws or other organizational documents of the Company or any subsidiary or (z) any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any subsidiary or any of their assets, properties or operations except, with respect to (z), as would not result in a Material Adverse Effect. As used herein, a " Repayment Event " means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right, whether with or without giving of notice or passage of time or both, to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any subsidiary.

(r) No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

(s) There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending against, or, to the knowledge of the Company, threatened against or affecting the Company or any of its subsidiaries, which is required to be disclosed in the most recent Preliminary Prospectus (other than as disclosed therein), or which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to affect the properties, assets or operations of the Company and its subsidiaries, except what does not result in a Material Adverse Effect, or the consummation of the transactions contemplated in this Agreement or the performance by the Company and its subsidiaries of its obligations hereunder.

(t) The Company and each of its Subsidiaries own or possess or have the right to use, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, " Intellectual Property ") necessary to carry on the business now operated by them the absence of which would have a Material Adverse Effect, and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement, conflict, invalidity or inadequacy would result in a Material Adverse Effect.

(u) There have been issued and, at the Applicable Time and the Closing Date, there shall be in full force and effect orders or authorizations of the regulatory authorities of the states of Colorado, Kentucky and Virginia authorizing the issuance and sale of the Shares on terms herein set forth or contemplated, and no other consent, approval, authorization, order, license, registration or qualification of or with any court or governmental or regulatory authority is required for the execution, delivery and performance by the Company of this Agreement, the issuance and sale of the Shares and the consummation of the transactions contemplated by this Agreement, except for the registration of the Shares under the Securities Act and such consents, approvals, authorizations, orders and registrations or qualifications as may be required by the Financial Industry Regulatory Authority, Inc. (" FINRA ") and under applicable state securities laws in connection with the purchase and distribution of the Shares by the Underwriters.

(v) The Company and its subsidiaries possess such permits, licenses, approvals, consents, and other authorizations (collectively, " Governmental Licenses ") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, except where the failure to do so would not have a Material Adverse Effect; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, would result in a Material Adverse Effect.

(w) There are no persons or entities with registration rights or other similar rights to have any securities registered under the Registration Statement who have not properly waived such rights in connection with the securities registered pursuant to the Registration Statement and in connection with this offering of Shares.

(x) The Company and its subsidiaries have good title to all real property owned by the Company and its subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (a) are described in the most recent Preliminary Prospectus or (b) would not singly or in the aggregate have a Material Adverse Effect. All of the leases and subleases of the Company and its subsidiaries under which the Company or any of its subsidiaries holds properties described in the most recent Preliminary Prospectus are in full force and effect, except as would not result in a Material Adverse Effect.

(y) The Company has not sold or issued any securities that would be integrated with the offering of the Shares contemplated by this Agreement pursuant to the Securities Act, the Rules and Regulations or the interpretations thereof by the Commission.

(z) The financial statements of the Company included or incorporated by reference in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, together with the related schedules and notes, present fairly in all material respects the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles

(" GAAP ") applied on a consistent basis throughout the periods involved. The supporting schedules, if any, included in the Registration Statement and incorporated by reference in the most recent Preliminary Prospectus and the Prospectus with respect to the Company, when considered in relation to the financial statements taken as a whole, present fairly, in all material respects in accordance with GAAP, the financial information set forth therein. The selected financial data and the summary financial information included or incorporated by reference in the most recent Preliminary Prospectus and the Prospectus present fairly, in all material respects, the information shown therein and have been compiled on a basis consistent with that of the audited financial statements of the Company.

(aa) Ernst & Young LLP, who have audited financial statements and supporting schedules of the Company and its consolidated subsidiaries incorporated by reference in the most recent Preliminary Prospectus and in the Registration Statement, whose report is incorporated by reference in the most recent Preliminary Prospectus and in the Registration Statement, who have audited the Company's internal control over financial reporting and who have delivered the initial letter referred to in Section 6(f) hereof, are independent registered public accountants as required by the Securities Act and the Rules and Regulations.

(bb) The interactive data in the eXtensible Business Reporting Language incorporated by reference in the Registration Statement fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto.

(cc) None of the Company or any of its subsidiaries are, or as of the Closing Date and upon the issuance and sale of the Shares and the application of the proceeds therefrom as described under "Use of Proceeds" in the most recent Preliminary Prospectus and the Prospectus, will be, (i) an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the " Investment Company Act ") and the rules and regulations of the Commission thereunder or (ii) a "business development company" (as defined in Section 2(a)(48) of the Investment Company Act).

(dd) (i) Each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Security Act of 1974, as amended (" ERISA ")) for which the Company or any member of its " Controlled Group " (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414(b) or (c) of the Internal Revenue Code of 1986, as amended (the " Code ")) would have any liability (each a " Plan ") has been maintained in compliance in all respects with its terms and with the requirements of all applicable statutes, rules and regulations including ERISA and the Code except where failure to do so would not have a Material Adverse Effect; (ii) with respect to each Plan subject to Title IV of ERISA (a) no "reportable event" (within the meaning of Section 4043(c) of ERISA) has occurred or is reasonably expected to occur that would result in a Material Adverse Effect, (b) no "accumulated funding deficiency" (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived, has occurred or is reasonably expected to occur that would result in a Material Adverse Effect, (c) the fair market value of the assets under each Plan exceeds the actuarial present value of the benefits accrued under such Plan (determined based on those assumptions used to fund such Plan) except where failure to do so would not have a Material Adverse Effect, and (d) neither the Company nor any member of its Controlled Group has incurred, or reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the Pension Benefit Guaranty Corporation in the ordinary course and without default) in respect of a Plan (including a "multiemployer plan" within the meaning of Section 4001(c)(3) of ERISA) that would result in a Material Adverse Effect; and (iii) each Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service as to its qualified status and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification that would result in a Material Adverse Effect.

(ee) The Company is in compliance, in all material respects, with the provisions of the Sarbanes-Oxley Act of 2002 to the extent currently applicable.

(ff) The Company and each of its subsidiaries have filed all federal, state and local income and franchise tax returns required to be filed through the date hereof and have paid all taxes due thereon, except such as are being contested in good faith by appropriate proceedings or where the failure to do so would not have a Material Adverse Effect, and no tax deficiency has been determined adversely to the Company or any of its subsidiaries that has had, and the Company does not have any knowledge of any tax deficiency that would have, a Material Adverse Effect.

(gg) The Company and its subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

(hh) Except as would not result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, permit, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, " Hazardous Materials ") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, " Environmental Laws "); (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements; (C) there are no pending or, to the knowledge of the Company, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries; and (D) there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws, except as disclosed in the Preliminary Prospectus.

(ii) The Company maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) that complies with the requirements of the Exchange Act and has been designed by the Company's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting is effective and the Company is not aware of any material weaknesses in its internal control over financial reporting. Since the date of the latest audited financial statements included or incorporated by reference in the most recent Preliminary Prospectus, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Exchange Act) that comply with the requirements of the Exchange Act and such disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the Company and its subsidiaries that is required to be disclosed in the reports the Company files, furnishes, submits or otherwise provides to the Commission under the Exchange Act is made known to the Company's principal executive officer and principal financial officer by others within those entities in such a manner as to allow timely decisions regarding the required disclosure; such disclosure controls and procedures are effective.

(jj) The Company has not distributed and, prior to the latest to occur of the Closing Date or completion of the distribution of the Shares, will not distribute any offering material in connection with the offering and sale of the Shares other than any Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus to which the Underwriters have consented in accordance with Section 3(j) or 4(c).

(kk) Any certificate signed by any officer of the Company and delivered to the Underwriters or counsel for the Underwriters in connection with the offering of the Shares shall be deemed a representation and warranty by the Company, as to matters covered thereby on the date of such certificate, to each Underwriter.

(ll) Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment to any foreign or domestic government official or employee, including of any government-owned or controlled entity, 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; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(mm) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable money laundering statutes of all jurisdictions where the Company or any of its subsidiaries conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the " Anti-Money Laundering Laws "), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(nn) Neither the Company nor any of its subsidiaries, nor, to the knowledge of the Company, any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries is currently subject to any sanctions administered or enforced by the U.S. government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State and including, without limitation, the designation as a "specially designated national" or "blocked person"), (collectively, " Sanctions "); and the Company will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is subject to Sanctions, or (ii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions. Neither the Company nor any of its subsidiaries have any operations or transact any business outside of the United States. All of the proceeds from the offering will be used in the United States.

4. Further Agreements of the Company . The Company covenants and agrees with each Underwriter that:

(a) *Required Filings.* The Company will file the final Prospectus with the Commission within the time periods specified by Rule 424(b) and Rule 430B under the Securities Act, will file any Issuer Free Writing Prospectus to the extent required by Rule 433 under the Securities Act; will file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Shares. The Company will pay the registration fee for this offering within the time period required by Rule 456(b)(1) under the Securities Act (without giving effect to the proviso therein) and in any event prior to the Closing Date.

(b) *Delivery of Copies.* The Company will deliver, without charge, to the Underwriters, such number of the following documents as the Underwriters shall reasonably request (i) copies of the Registration Statement as originally filed and each amendment thereto, in each case including all exhibits and consents filed therewith and documents incorporated by reference therein; and (ii) during the Prospectus Delivery Period (as defined below), copies of the Prospectus (including all amendments and supplements thereto and documents incorporated by reference therein and each Issuer Free Writing Prospectus). As used herein, the term " Prospectus Delivery Period " means such period of time after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters a prospectus relating to the Shares is required by law to be delivered (or required to be delivered but for Rule 172 under the Securities Act) in connection with sales of the Shares by any Underwriter or dealer.

(c) *Amendments or Supplements, Issuer Free Writing Prospectuses.* During the Prospectus Delivery Period, before preparing, using, authorizing, approving, referring to or filing any Issuer Free Writing Prospectus and before filing any amendment or supplement to the Registration Statement or the Prospectus, the Company will furnish to the Underwriters and counsel for the Underwriters a copy of the proposed Issuer Free Writing Prospectus, amendment or supplement for review and will not prepare, use, authorize, approve, refer to or file any such Issuer Free Writing Prospectus or file any such proposed amendment or supplement to which the Underwriters reasonably object.

(d) *Notice to the Underwriters.* The Company will advise the Underwriters promptly, and confirm such advice in writing, (i) when any amendment to the Registration Statement has been filed or becomes effective; (ii) when any supplement to the Prospectus or any Issuer Free Writing Prospectus or any amendment to the Prospectus has been filed or distributed; (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or the receipt of any comments from the Commission relating to the Registration Statement or any other request by the Commission for any additional information; (iv) of the issuance by the Commission of any order suspending the effectiveness of the Registration Statement or preventing or suspending the use of any Preliminary Prospectus, any of the Pricing Disclosure Package or the Prospectus or the initiation or threatening of any proceeding for that purpose or pursuant to Section 8A of the Securities Act; (v) of the occurrence of any event or development within the Prospectus Delivery Period as a result of which the Prospectus, any of the Pricing Disclosure Package or any Issuer Free Writing Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances existing when the Prospectus, the Pricing Disclosure Package or any such Issuer Free Writing Prospectus is delivered to a purchaser, not misleading; (vi) of the receipt by the Company of any notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Securities Act; and (vii) of the receipt by the Company of any notice with respect to any suspension of the qualification of the Shares for offer and sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and the Company will use its best efforts to prevent the issuance of any such order suspending the effectiveness of the Registration Statement, preventing or suspending the use of any Preliminary Prospectus, any of the Pricing Disclosure Package or the Prospectus or suspending any such qualification of the Shares and, if any such order is issued, will obtain as soon as possible the withdrawal thereof.

(e) *Ongoing Compliance.* (1) If during the Prospectus Delivery Period (i) any event or development shall occur or condition shall exist as a result of which the Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, not misleading or (ii) it is necessary to amend or supplement the Prospectus to comply with law, the Company will immediately notify the Underwriters thereof and forthwith prepare and, subject to paragraph (c) above, file with the Commission and furnish to the Underwriters and such dealers as the Underwriters may designate such amendments or supplements to the Prospectus (or any document to be filed with the Commission and incorporated by reference therein) as may be necessary so that the statements in the Prospectus as so amended or supplemented (or any document to be filed with the Commission and incorporated by reference therein) will not, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus will comply with law, and (2) if at any time prior to the Closing Date, (i) any event or development shall occur or condition shall exist as a result of which the Pricing Disclosure Package as then amended or supplemented, would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances existing when the Pricing Disclosure Package is delivered to a purchaser, not misleading, or (ii) it is necessary to amend or supplement the Pricing Disclosure Package to comply with law, the Company will immediately notify the Underwriters thereof and forthwith prepare and, subject to paragraph (c) above, file with the Commission (to the extent required) and furnish to the Underwriters and such dealers as the Underwriters may designate such amendments or supplements to the Pricing Disclosure Package (or any document to be filed with the Commission and incorporated by reference therein) as may be necessary so that the statements in the Pricing Disclosure Package as so amended or supplemented will not, in the light of the circumstances existing when the Pricing Disclosure Package is delivered to a purchaser, be misleading or so that the Pricing Disclosure Package will comply with law.

(f) *Blue Sky Compliance.* The Company will qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Underwriters shall reasonably request and will continue such qualifications in effect so long as required for distribution of the Shares; provided that the Company shall not be required to (i) qualify as a foreign corporation or other entity or as a dealer in securities in any such jurisdiction where it would not otherwise be required to so qualify, (ii) file any general consent to service of process in any such jurisdiction or (iii) subject itself to taxation in any such jurisdiction if it is not otherwise so subject.

(g) *Clear Market.* For a period of 90 days after the date of the Prospectus, the Company will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file with the Commission a registration statement under the Securities Act relating to, any shares of Stock or any securities convertible into or exercisable or exchangeable for Stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Stock or such other securities, in cash or otherwise, without the prior written consent of the Underwriters, other than (A) the Shares to be sold hereunder; (B) any shares of Stock issued upon the exercise of options granted under Company Stock Plans or upon the vesting of restricted stock units granted under Company Stock Plans and the Company's Retirement Savings Plan and Trust; (C) the grant of restricted stock unit awards under Company Stock Plans; and (D) the issuance of shares of Stock pursuant to the Company's Direct Stock Purchase Plan. For the purposes of this Agreement, " Company Stock Plans " means any stock option plans or other equity incentive plans of the Company and its subsidiaries as such plans are in effect on the date of this Agreement.

(h) *Use of Proceeds* . The Company will apply the net proceeds from the sale of the Shares as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus under the heading "Use of Proceeds."

(i) *No Stabilization.* The Company will not take, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Stock.

(j) *Reports* . During the Prospectus Delivery Period, the Company will furnish to the Underwriters, as soon as they are available, copies of all reports or other communications (financial or other) furnished to holders of the Shares, and copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange or automatic quotation system; provided the Company will be deemed to have furnished such reports and financial statements to the Underwriters to the extent they are filed on the Commission's Electronic Data Gathering, Analysis, and Retrieval system.

5. Certain Agreements of the Underwriters . Each Underwriter hereby represents and agrees that:

(a) It has not used, authorized use of, referred to or participated in the planning for use of, and will not use, authorize use of, refer to or participate in the planning for use of, any "free writing prospectus," as defined in Rule 405 under the Securities Act (which term includes use of any written information furnished to the Commission by the Company and not incorporated by reference into the Registration Statement and any press release issued by the Company) other than (i) a free writing prospectus that contains no "issuer information" (as defined in Rule 433(h)(2) under the Securities Act) that was not included (including through incorporation by reference) in the Preliminary Prospectus or a previously filed Issuer Free Writing Prospectus, (ii) any Issuer Free Writing Prospectus listed on Annex A or prepared pursuant to Section 3(j) or Section 4(c) above (including any electronic road show), or (iii) any free writing prospectus prepared by such Underwriter and approved by the Company in advance in writing (each such free writing prospectus referred to in clauses (i) or (iii), an " Underwriter Free Writing Prospectus ").

(b) It is not subject to any pending proceeding under Section 8A of the Securities Act with respect to the offering (and will promptly notify the Company if any such proceeding against it is initiated during the Prospectus Delivery Period).

6. Conditions of Underwriters' Obligations. The obligation of each Underwriter to purchase the Shares on the Closing Date as provided herein is subject to the performance by the Company of its covenants and other obligations hereunder and to the following additional conditions:

(a) *Registration Compliance; No Stop Order* . No order suspending the effectiveness of the Registration Statement shall be in effect, and no proceeding for such purpose, pursuant to Rule 401(g)(2) or pursuant to Section 8A under the Securities Act shall be pending before or threatened by the Commission; the Prospectus and each Issuer Free Writing Prospectus shall have been timely filed with the Commission under the Securities Act (in the case of an Issuer Free Writing Prospectus, to the extent required by Rule 433 under the Securities Act) and in accordance with Section 4(a) hereof; and all requests by the Commission for additional information shall have been complied with to the reasonable satisfaction of the Underwriters.

(b) *Representations and Warranties.* The representations and warranties of the Company contained herein shall be true and correct on the date hereof and on and as of the Closing Date; and the statements of the Company and its officers made in any certificates delivered pursuant to this Agreement shall be true and correct on and as of the Closing Date.

(c) *No Downgrade.* Subsequent to the earlier of (A) the Applicable Time and (B) the execution and delivery of this Agreement, if there are any debt securities of the Company or any of its subsidiaries that are rated by a "nationally recognized statistical rating organization," as such term is defined under Section 3(a)(62) under the Exchange Act, (i) no downgrading shall have occurred in the rating accorded any such debt securities, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications for its rating of any such debt securities.

(d) *No Material Adverse Change.* There has not been any change, or any development known to the Company involving a prospective change, in the condition, financial or otherwise, or in the earnings, business affairs, management or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, the effect of which is, in the judgment of the Underwriters, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered on the Closing Date on the terms and in the manner contemplated in the Prospectus.

(e) *Officer's Certificate.* The Underwriters shall have received on and as of the Closing Date a certificate of the chief executive officer or chief financial officer of the Company stating that:

i. the representations, warranties and agreements of the Company in this Agreement are true and correct, and the Company has complied with all its agreements contained herein and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date;

ii. no stop order suspending the effectiveness of the Registration Statement has been issued; no proceedings or examination for that purpose or pursuant to Section 8A of the Securities Act against the Company or related to the offering of the Shares have been instituted or, to the knowledge of such officers, threatened; and the Commission has not notified the Company of any objection to the use of the form of the Registration Statement or any post-effective amendment thereto; and

iii. there has been no material adverse change, or a development known to the Company involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs, management or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business.

(f) *Comfort Letters.* On the date of this Agreement and on the Closing Date, Ernst & Young LLP shall have furnished to the Underwriters, at the request of the Company, letters, dated the respective dates of delivery thereof and addressed to the Underwriters, in form and substance reasonably satisfactory to the Underwriters, containing statements and information of the type customarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus; provided, that the letter delivered on the Closing Date shall use a "cut-off" date no more than three business days prior to the Closing Date.

(g) *Opinion and 10b-5 Statement of Outside Counsel for the Company* . Gibson, Dunn & Crutcher LLP, counsel for the Company, shall have furnished to the Underwriters, at the request of the Company, their written opinion and 10b-5 statement, dated the Closing Date and addressed to the Underwriters, in form and substance reasonably satisfactory to the Underwriters.

(h) *Opinion and 10b-5 Statement of In-house Counsel for the Company* . The General Counsel of the Company shall have furnished to the Underwriters, at the request of the Company, his or her written opinion and 10b-5 statement, dated the Closing Date and addressed to the Underwriters, in form and substance reasonably satisfactory to the Underwriters, to the effect set forth in Exhibit A hereto.

(i) *Opinion of Virginia Counsel for the Company* . Hunton & Williams LLP, as Virginia counsel for the Company, shall have furnished to the Underwriters, at the request of the Company, their written opinion, dated the Closing Date and addressed to the Underwriters, in form and substance reasonably satisfactory to the Underwriters, to the effect set forth in Exhibit B hereto.

(j) *Opinion and 10b-5 Statement of Counsel for the Underwriters* . The Underwriters shall have received on and as of the Closing Date an opinion and 10b-5 statement of Shearman & Sterling LLP, counsel for the Underwriters, with respect to such matters as the Underwriters may reasonably request, and such counsel shall have received such documents and information as they may reasonably request to enable them to pass upon such matters.

(k) *No Legal Impediment to Issuance* . No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any federal, state or foreign governmental or regulatory authority that would, as of the Closing Date, prevent the issuance or sale of the Shares; and no injunction or order of any federal, state or foreign court shall have been issued that would, as of the Closing Date, prevent the issuance or sale of the Shares.

(l) *Good Standing* . The Underwriters shall have received on and as of the Closing Date satisfactory evidence of the good standing of the Company in its jurisdictions of organization and its good standing as a foreign entity in such other jurisdictions as the Underwriters may reasonably request, in each case in writing or any standard form of telecommunication from the appropriate governmental authorities of such jurisdictions.

(m) *Exchange Listing* . The Shares to be delivered on the Closing Date shall have been approved for listing on the New York Stock Exchange, subject to official notice of issuance.

(n) *Lock-up Agreements* . The “lock-up” agreements, each substantially in the form of Exhibit C hereto, between you and the executive officers and directors of the Company relating to sales and certain other dispositions of shares of Stock or certain other securities, delivered to you on or before the date hereof, shall be full force and effect on the Closing Date.

(o) *Additional Documents* . On or prior to the Closing Date, the Company shall have furnished to the Underwriters such further certificates and documents as the Underwriters may reasonably request.

All opinions, letters, certificates and evidence mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

7. Indemnification and Contribution .

(a) *Indemnification of the Underwriters.* The Company agrees to indemnify and hold harmless each Underwriter, its affiliates, directors, officers and employees and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, reasonable legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred), joint or several, that arise out of, or are based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, not misleading, (ii) or any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto), any Issuer Free Writing Prospectus, any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Securities Act, any road show as defined in Rule 433(h) under the Securities Act (a "road show") or any Pricing Disclosure Package (including any Pricing Disclosure Package that has subsequently been amended), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to any Underwriter furnished to the Company in writing by such Underwriter expressly for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in subsection (b) below.

(b) *Indemnification of the Company.* Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers, its affiliates, its employees and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the indemnity set forth in paragraph (a) above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to such Underwriter furnished to the Company in writing by such Underwriter expressly for use in the Registration Statement, the Prospectus (or any amendment or supplement thereto), any Issuer Free Writing Prospectus, any road show or any Pricing Disclosure Package (including any Pricing Disclosure Package that has subsequently been amended), it being understood and agreed upon that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter: the fourth paragraph and the seventh paragraph, each under the caption "Underwriting."

(c) *Notice and Procedures.* If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnification may be sought pursuant to either paragraph (a) or (b) above, such person (the " Indemnified Person ") shall promptly notify the person against whom such indemnification may be sought (the " Indemnifying Person ") in writing; provided that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under paragraph (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided , further , that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have to an Indemnified Person otherwise than under paragraph (a) or (b) above. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof, the Indemnifying Person shall retain counsel reasonably satisfactory to the Indemnified Person (who shall not, without the consent of the Indemnified Person, be counsel to the Indemnifying Person) to represent the Indemnified Person in such proceeding and shall pay the reasonable fees and expenses of such counsel related to such proceeding, as incurred. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary; (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person; (iii) the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Indemnifying Person; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interest between them. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be paid or reimbursed as they are incurred. Any such separate firm for any Underwriter, its affiliates, directors and officers and any control persons of such Underwriter shall be designated in writing by the Underwriters and any such separate firm for the Company, its directors, its officers who signed the Registration Statement and any control persons of the Company shall be designated in writing by the Company. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement or judgment. No Indemnifying Person shall, without the written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (x) includes an unconditional release of such Indemnified Person, in form and substance reasonably satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(d) *Contribution.* If the indemnification provided for in paragraphs (a) and (b) above is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters on the other, from the offering of the Shares or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company, on the one hand, and the Underwriters on the other, in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters on the other, shall be deemed to be in the same respective proportions as the net proceeds (before deducting expenses) received by the Company from the sale of the Shares and the total underwriting discounts and commissions received by the Underwriters in connection therewith, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate offering price of the Shares. The relative fault of the Company, on the one hand, and the Underwriters on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) *Limitation on Liability.* The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to paragraph (d) above were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Person in connection with any such action or claim. Notwithstanding the provisions of paragraphs (d) and (e), in no event shall an Underwriter be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by such Underwriter with respect to the offering of the Shares exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to paragraphs (d) and (e) are several in proportion to their respective purchase obligations hereunder and not joint.

(f) *Non-Exclusive Remedies.* The remedies provided for in paragraphs (a) through (e) of this Section 7 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Person at law or in equity.

8. Effectiveness of Agreement . This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

9. Termination . The obligations of the Underwriters hereunder may be terminated by the Underwriters by notice given to and received by the Company prior to delivery of and payment for the Shares if subsequent to the execution and delivery of this Agreement there shall have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange or in the over-the-counter market, or trading in any securities of the Company on any exchange or in the over-the-counter market, shall have been suspended or materially limited or the settlement of such trading generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by federal or New York, Texas or Virginia authorities or there shall have occurred any material disruption in commercial banking, securities settlement or clearance services in the United States, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions, including, without limitation, as a result of terrorist activities after the date hereof (or the effect of international conditions on the financial markets in the United States shall be such), in the case of each of the foregoing subsections (i) through (iv) , as to make it, in the judgment of the Underwriters, impracticable or inadvisable to proceed with the public offering, sale or delivery of the Shares being delivered on the Closing Date on the terms and in the manner contemplated in the Pricing Disclosure Package and the Prospectus.

10. Defaulting Underwriter .

(a) If, on the Closing Date, any Underwriter defaults on its obligation to purchase the Shares that it has agreed to purchase hereunder on such date, the non-defaulting Underwriters may in their discretion arrange for the purchase of such Shares by other persons satisfactory to the Company on the terms contained in this Agreement. If, within 36 hours after any such default by any Underwriter, the non-defaulting Underwriters do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of 36 hours within which to procure other persons satisfactory to the non-defaulting Underwriters to purchase such Shares on such terms. If other persons become obligated or agree to purchase the Shares of a defaulting Underwriter, either the non-defaulting Underwriters or the Company may postpone the Closing Date for up to five full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement and the Prospectus or in any other document or arrangement, and the Company agrees to promptly prepare any amendment or supplement to the Registration Statement and the Prospectus that effects any such changes. As used in this Agreement, the term " Underwriter " includes, for all purposes of this Agreement unless the context otherwise requires, any person not listed in Schedule I hereto that, pursuant to this Section 10, purchases Shares that a defaulting Underwriter agreed but failed to purchase.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters and the Company as provided in paragraph (a) above, the aggregate number of Shares that remain unpurchased on the Closing Date does not exceed one-eleventh of the aggregate number of Shares to be purchased on such date, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of Shares that such Underwriter agreed to purchase hereunder on such date plus such Underwriter's pro rata share (based on the number of Shares that such Underwriter agreed to purchase on such date) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters and the Company as provided in paragraph (a) above, the aggregate number of Shares that remain unpurchased on the Closing Date exceeds one-eleventh of the aggregate number of Shares to be purchased on such date, or if the Company shall not exercise the right described in paragraph (b) above, then this Agreement shall terminate without liability on the part of the non-defaulting Underwriters. Any termination of this Agreement pursuant to this Section 10 shall be without liability on the part of the Company, except that the Company will continue to be liable for the payment of expenses as set forth in Section 11 hereof and except that the provisions of Section 7 hereof shall not terminate and shall remain in effect.

(d) Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company or any non-defaulting Underwriter for damages caused by its default.

11. Payment of Expenses .

(a) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company will pay or cause to be paid upon demand all costs and expenses incident to the performance of its obligations hereunder, including without limitation, (i) the costs incident to the authorization, issuance, sale, preparation and delivery of the Shares and any taxes payable in that connection; (ii) the costs incident to the preparation, printing and filing under the Securities Act of the Registration Statement, the Preliminary Prospectus, any Issuer Free Writing Prospectus, any Pricing Disclosure Package and the Prospectus (including all exhibits, amendments and supplements thereto) and the distribution thereof; (iii) the fees and expenses of the Company's counsel and independent accountants; (iv) the fees and expenses incurred in connection with the registration or qualification and determination of eligibility for investment of the Shares under the state or foreign securities or blue sky laws of such jurisdictions as the Underwriters may designate and the preparation, printing and distribution of a Blue Sky Memorandum (including the related reasonable fees and expenses of counsel for the Underwriters); (v) the cost of preparing stock certificates; (vi) the costs and charges of any transfer agent and any registrar; (vii) all expenses and application fees incurred in connection with any filing with, and clearance of the offering by, FINRA; (viii) all expenses incurred by the Company in connection with any "road show" presentation to potential investors and (ix) all expenses and application fees related to the listing of the Shares on the New York Stock Exchange.

(b) If (i) this Agreement is terminated pursuant to Section 9, (ii) the Company for any reason fails to tender the Shares for delivery to the Underwriters or (iii) the Underwriters decline to purchase the Shares for any reason permitted under this Agreement, the Company agrees to reimburse the Underwriters for all out-of-pocket costs and expenses (including the reasonable fees and expenses of their counsel) reasonably incurred by the Underwriters in connection with this Agreement and the offering contemplated hereby.

(c) Except as otherwise expressly provided in Section 7 of this Agreement and this Section 11, the Underwriters shall pay their own costs and expenses, including the costs and expenses of their counsel, any transfer taxes on the Shares which they may sell and the expenses of advertising any offering of the Shares made by the Underwriters.

12. Persons Entitled to Benefit of Agreement . This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and any controlling persons referred to in Section 7 hereof. Nothing in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. No purchaser of Shares from any Underwriter shall be deemed to be a successor merely by reason of such purchase.

13. Survival . The respective indemnities, rights of contribution, representations, warranties and agreements of the Company and the Underwriters contained in this Agreement or made by or on behalf of the Company or the Underwriters pursuant to this Agreement or any certificate delivered pursuant hereto shall survive the delivery of and payment for the Shares and shall remain in full force and effect, regardless of any termination of this Agreement or any investigation made by or on behalf of the Company or the Underwriters.

14. Certain Defined Terms . For purposes of this Agreement, (a) except where otherwise expressly provided, the term "affiliate" has the meaning set forth in Rule 405 under the Securities Act; (b) the term "business day" means any day other than a day on which banks are permitted or required to be closed in New York City; and (c) the term "subsidiary" has the meaning set forth in Rule 405 under the Securities Act.

15. Miscellaneous .

(a) *Patriot Act* . In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the underwriters to properly identify their respective clients.

(b) *Notices* . All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted and confirmed by any standard form of telecommunication. Notices to the Underwriters shall be given to Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Bryant Park, New York, New York 10036, Attention: Syndicate Department (Facsimile: (646) 855-3073), with a copy to: ECM Legal (Facsimile: (212) 230-8730) and to J.P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179, Attention: Equity Syndicate Desk (Facsimile: (212) 622-8358). Notices to the Company shall be delivered or sent by mail or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: General Counsel (Fax: (972) 855-3080).

(c) *Governing Law.* This Agreement and any claim, controversy or dispute arising under or related to this Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such state.

(d) *Counterparts.* This Agreement may be signed in counterparts (which may include counterparts delivered by any standard form of telecommunication), each of which shall be an original and all of which together shall constitute one and the same instrument.

(e) *Amendments or Waivers.* No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

(f) *Headings.* The headings herein are included for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing is in accordance with your understanding, please indicate your acceptance of this Agreement by signing in the space provided below.

Very truly yours,

ATMOS ENERGY CORPORATION

By: /s/ Christopher T. Forsythe
Name: Christopher T. Forsythe
Title: Senior Vice President and Chief Financial Officer

Signature Page to Underwriting Agreement

Accepted: As of the date first written above

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: /s/ Sachin Aggarwal
Name: Sachin Aggarwal
Title: Managing Director

J.P. MORGAN SECURITIES LLC

By: /s/ Carly Roddy
Name: Carly Roddy
Title: Vice President

Signature Page to Underwriting Agreement

SCHEDULE I

Underwriters	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	2,279,202
J.P. Morgan Securities LLC	2,279,202
Total	4,558,404

SCHEDULE II

SIGNIFICANT SUBSIDIARIES

None.

SCHEDULE III

LIST OF ALL SUBSIDIARIES

Atmos Energy Holdings, Inc.
Atmos Energy Louisiana Industrial Gas, LLC
Atmos Energy Services, LLC
Atmos Exploration and Production, Inc.
Atmos Gathering Company, LLC
Atmos Pipeline and Storage, LLC
Atmos Power Systems, Inc.
Blue Flame Insurance Services, LTD
Egasco, LLC
Fort Necessity Gas Storage, LLC
Phoenix Gas Gathering Company
Trans Louisiana Gas Pipeline, Inc.
Trans Louisiana Gas Storage, Inc.
UCG Storage, Inc.
WKG Storage, Inc.

ANNEX A

a. **Pricing Disclosure Package**

None.

EXHIBIT A

FORM OF OPINIONS AND LETTER OF GENERAL COUNSEL OF THE COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 6(h)

1. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Texas and the Commonwealth of Virginia.

2. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

3. The information in the Registration Statement under Item 15, to the extent that it constitutes matters of law, summaries of legal matters or legal conclusions, has been reviewed by me and is correct in all material respects.

4. The authorized, issued and outstanding capital stock of the Company is as set forth in the most recent Preliminary Prospectus and the Prospectus (except for subsequent issuances, if any, pursuant to reservations, agreements or employee benefit plans referred to in the most recent Preliminary Prospectus and the Prospectus or pursuant to the exercise of options or vesting of share unit awards referred to in the most recent Preliminary Prospectus and the Prospectus); the shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; and none of the outstanding shares of capital stock of the Company were issued in violation of the preemptive or other similar rights of any securityholder of the Company.

5. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

6. The Shares have been duly authorized and, when issued and delivered and paid for as provided in the Underwriting Agreement, will be duly and validly issued and will be fully paid and non-assessable. The issuance of the Shares is not subject to any preemptive or similar rights.

7. The documents incorporated by reference in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus (other than financial statements and schedules and other information of an accounting or financial nature included or incorporated by reference therein, as to which I express no opinion or belief), when they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations under the Exchange Act.

8. To the best of my knowledge, there is no pending or threatened action, suit, proceeding, inquiry or investigation, to which the Company or any subsidiary is a party, or to which the property of the Company or any subsidiary is subject, before or brought by any court or governmental agency or body, domestic or foreign, which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to have a Material Adverse Effect on the properties or assets thereof or the consummation of the transactions contemplated in the Underwriting Agreement or the performance by the Company of its obligations thereunder, or which is required to be described in the most recent Preliminary Prospectus and the Prospectus that is not described as required.

9. The information in (a) the most recent Preliminary Prospectus and the Prospectus under "Business – Other Regulation" and "Description of Common Stock," (b) the Annual Report on Form 10-K for the fiscal year ended September 30, 2017 (the "10-K") under "Item 1. – Business – Ratemaking Activity," under "Item 1. – Business – Other Regulation" or under "Item 3. – Legal Proceedings" and (c) "Note 11. – Commitments and Contingencies" to the Company's consolidated financial statements included in the 10-K, to the extent that it constitutes matters of law, summaries of legal matters, the Company's articles of incorporation and bylaws or legal proceedings, or legal conclusions, has been reviewed by me and is correct in all material respects.

10. All descriptions in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus of contracts and other documents to which the Company or its subsidiaries are a party are accurate in all material respects; to the best of my knowledge, there are no franchises, contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto, and the descriptions thereof or references thereto are correct in all material respects.

11. To the best of my knowledge, (i) neither the Company nor any subsidiary is in violation of its charter, bylaws or other organizational document and (ii) no default by the Company or any subsidiary exists in the due performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument that is described or referred to in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus or filed or incorporated by reference as an exhibit to the Registration Statement, except with respect to (ii) above, for such defaults that would not result in a Material Adverse Effect.

12. There have been issued and, as of the date hereof, are in full force and effect orders or authorizations of the regulatory authorities of the States of Colorado, Kentucky and Virginia authorizing the issuance and sale of the Shares by the Company on the terms set forth or contemplated in the Underwriting Agreement; and no other filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency, domestic or foreign (other than under the Securities Act, the Exchange Act and the Rules and Regulations, which have been obtained, or as may be required under the securities or blue sky laws of the various states, as to which I express no opinion), is necessary or required in connection with the due authorization, execution and delivery of the Underwriting Agreement, or for the offering, issuance, sale or delivery of the Shares by the Company pursuant to the Underwriting Agreement.

13. The execution, delivery and performance of the Underwriting Agreement by the Company and the consummation of the transactions contemplated in the Underwriting Agreement and the Registration Statement, the most recent Preliminary Prospectus and the Prospectus (including the issuance and sale of the Shares and the use of the proceeds from the sale of the Securities as described in each of the most recent Preliminary Prospectus and the Prospectus under the caption "Use of Proceeds") and compliance by the Company with its obligations under the Underwriting Agreement do not and will not, whether with or without the giving of notice or lapse of time or both, violate or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or any other agreement or instrument, known to me, to which the Company or any subsidiary is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (except for such violations, breaches or defaults or liens,

charges or encumbrances that would not have a Material Adverse Effect), nor will such action result in any violation of the provisions of the articles of incorporation or bylaws of the Company or the charter, bylaws or other organizational documents of any subsidiary, or any applicable law, statute, rule, regulation, judgment, order, writ or decree, known to me, of any government, government instrumentality or court, domestic or foreign, binding on the Company or any subsidiary or any of their respective properties, assets or operations. I express no opinion in this paragraph regarding federal or state securities laws.

Except for the financial statements and related notes and schedules and other information of an accounting or financial nature included or incorporated by reference therein, as to which I express no opinion or belief, no facts have come to my attention that led me to believe: (a) that the Registration Statement, at the time it became effective (which shall have the meaning set forth in Rule 158(c) of the Rules and Regulations) or the Prospectus, as of its date, were not appropriately responsive in all material respects to the requirements of the Securities Act and the Rules and Regulations; or (b)(i) that the Registration Statement, at the time it became effective, contained a untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) that the Pricing Disclosure Package, as of the Applicable Time, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or (iii) that the Prospectus, as of its date or the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

EXHIBIT B

FORM OF OPINION OF VIRGINIA COUNSEL TO THE COMPANY
TO BE DELIVERED PURSUANT TO
SECTION 6(i)

1. The Company is validly existing as a corporation in good standing under the laws of the Commonwealth of Virginia.

2. The Company has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Preliminary Prospectus and the Prospectus and to enter into and perform its obligations under the Underwriting Agreement (including, without limitation, issuing the Shares).

3. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

4. The execution and delivery of the Underwriting Agreement do not, and the consummation of the transactions contemplated by the Underwriting Agreement will not, violate the Articles of Incorporation, the Bylaws or any law or regulation of the Commonwealth of Virginia or any order, judgment or decree of any court, regulatory body, administrative agency or governmental body of the Commonwealth of Virginia applicable to the Company.

5. The Shares have been duly authorized, validly issued, fully paid and are non-assessable.

EXHIBIT C

FORM OF LOCK-UP AGREEMENT

[•], 2017

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
One Bryant Park
New York, New York 10036

J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

Re: ATMOS ENERGY CORPORATION – Public Offering

Ladies and Gentlemen:

The undersigned understands that you, as Underwriters, propose to enter into an underwriting agreement (the " Underwriting Agreement ") with Atmos Energy Corporation, a Texas and Virginia corporation (the " Company "), providing for the public offering (the " Public Offering ") by the several Underwriters named in Schedule I to the Underwriting Agreement (the " Underwriters "), of common stock of the Company (the " Securities "). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Underwriting Agreement.

In consideration of the Underwriters' agreement to purchase and make the Public Offering of the Securities, and for other good and valuable consideration receipt of which is hereby acknowledged, the undersigned hereby agrees that, without the prior written consent of the Underwriters, the undersigned will not, during the period ending 90 days after the date of the prospectus (the " Lock-Up Period ") relating to the Public Offering (the " Prospectus "), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock, no par value, of the Company (the " Common Stock ") or any securities convertible into or exercisable or exchangeable for Common Stock (including without limitation, Common Stock or such other securities which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission and securities which may be issued upon exercise of a stock option or warrant), or publicly disclose the intention to make any offer, sale, pledge or disposition, (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock or such other securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (3) make any demand for or exercise any right with respect to the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock, in each case other than (A) withholding of shares by the Company for the purpose of covering tax liabilities arising from or related to the vesting during the Lock-Up Period of restricted stock units awarded pursuant to the Company's existing equity compensation plans; or (B) transfers of shares of Common Stock as a bona fide gift or gifts, by will or the laws of intestacy, to family members (including to vehicles of which they are the beneficial owners), or pursuant to domestic relations or court orders; provided that in the case of any transfer or distribution pursuant to clause (B), each donee or distributee shall execute and deliver to the Underwriters a lock-up letter in the form of this paragraph;

and provided , further , that in the case of any transfer or distribution pursuant to clause (B), no filing by any party (donor, donee, transferor or transferee) under the Securities Exchange Act of 1934, as amended, or other public announcement shall be required or shall be made voluntarily in connection with such transfer or distribution (other than a filing on a Form 5 made after the expiration of the Lock-Up Period).

In furtherance of the foregoing, the Company, and any duly appointed transfer agent for the registration or transfer of the securities described herein, are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Letter Agreement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Letter Agreement. All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

The undersigned understands that, if the Underwriting Agreement does not become effective, or if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Common Stock to be sold thereunder, the undersigned shall be released from, all obligations under this Letter Agreement. The undersigned understands that the Underwriters are entering into the Underwriting Agreement and proceeding with the Public Offering in reliance upon this Letter Agreement.

This Letter Agreement and any claim, controversy or dispute arising under or related to this Letter Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

Very truly yours,

[NAME OF STOCKHOLDER]

By: ______________________________
Name:
Title:

Exhibit C - 3

EXHIBIT D

PRICING INFORMATION

Number of Shares offered: 4,558,404

Public offering price: variable

Exhibit 5.1

[Letterhead of Gibson, Dunn & Crutcher LLP]

December 1, 2017

Atmos Energy Corporation
1800 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240

Re: *Atmos Energy Corporation*
Registration Statement on Form S-3 (File No. 333-210424)

Ladies and Gentlemen:

We have examined the Registration Statement on Form S-3, File No. 333-210424, (the " Registration Statement "), of Atmos Energy Corporation, a corporation incorporated under the laws of Texas and Virginia (the " Company "), filed with the Securities and Exchange Commission (the " Commission ") pursuant to the Securities Act of 1933, as amended (the " Securities Act "), in connection with the offering by the Company of 4,558,404 shares of the Company's common stock, no par value per share (the " Shares ").

In arriving at the opinion expressed below, we have examined originals, or copies certified or otherwise identified to our satisfaction as being true and complete copies of the originals, of specimen Common Stock certificates and such other documents, corporate records, certificates of officers of the Company and of public officials and other instruments as we have deemed necessary or advisable to enable us to render the opinions set forth below. In our examination, we have assumed without independent investigation the genuineness of all signatures, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies.

Based upon the foregoing, and subject to the assumptions, exceptions, qualifications and limitations set forth herein, we are of the opinion that the Shares, when issued against payment therefor as set forth in the Registration Statement, will be validly issued, fully paid and non-assessable.

The opinions expressed above are subject to the following additional exceptions, qualifications, limitations and assumptions:

A. We render no opinion herein as to matters involving any laws other than the Texas For-Profit Corporation Law. This opinion is limited to the effect of the current state of the Texas For-Profit Corporation Law and the facts as they currently exist. We express no opinion regarding any federal or state laws or regulations related to the regulation of utilities. We assume no obligation to revise or supplement this opinion in the event of future changes in such laws or the interpretations thereof or such facts.

B. We note that the Company is incorporated in the State of Texas and in the Commonwealth of Virginia and that you are receiving an opinion of Virginia counsel as to matters relating to Virginia law.

We consent to the filing of this opinion as an exhibit to the Registration Statement, and we further consent to the use of our name under the caption " Legal Matters " in the Registration Statement and the prospectus that forms a part thereof. In giving these consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission.

Very truly yours,

/s/ Gibson, Dunn & Crutcher LLP

CASE NO. 2018-00281
FR 16(7)(p)
ATTACHMENT 2

Exhibit 5.2

HUNTON & WILLIAMS

HUNTON & WILLIAMS LLP
RIVERFRONT PLAZA, EAST TOWER
951 EAST BYRD STREET
RICHMOND, VIRGINIA 23219-4074

TEL 804 • 788 • 8200
FAX 804 • 788 • 8218

FILE NO: 51645.000001

December 1, 2017

Atmos Energy Corporation
1800 Three Lincoln Centre
Dallas, Texas 75240

Atmos Energy Corporation
Public Offering of 4,558,404 Shares of Common Stock

Ladies and Gentlemen:

We have acted as special Virginia counsel for Atmos Energy Corporation, a Texas and Virginia corporation (the "Company"), in connection with the Company's offering and sale of 4,558,404 shares (the "Shares") of the Company's common stock, no par value per share (the "Common Stock").

The Shares are being offered and sold as described in the prospectus, dated March 28, 2016 (the "Base Prospectus"), contained in the Registration Statement on Form S-3 (Registration No. 333-210424) (the "Registration Statement") filed by the Company on March 28, 2016 with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Securities Act"), the Registration Statement, and the prospectus supplement thereto, dated November 28, 2017 (the "Prospectus Supplement," and, together with the Base Prospectus, the "Prospectus").

This opinion letter is being furnished in accordance with the requirements of Item 16 of Form S-3 and Item 601(b)(5)(i) of Regulation S-K promulgated under the Securities Act.

In connection with this opinion letter, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such corporate records of the Company, certificates of corporate officers of the Company and public officials and such other documents as we have deemed necessary for the purposes of rendering this opinion letter, including, among other things, (i) the Virginia Restated Articles of Incorporation and the Amended and Restated Bylaws of the Company, each as amended through the date hereof, (ii) a certificate issued by the State Corporation Commission of the Commonwealth of Virginia on the date hereof, to the effect that the Company is existing under the laws of the Commonwealth of Virginia and in good standing, (iii) resolutions of the Board of Directors of the Company adopted at a meeting held on November 7, 2017, (iv) the Registration Statement, (v) the Prospectus, (vi) an executed copy of the Underwriting Agreement, dated November 28, 2017 (the "Underwriting Agreement"), among the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC and (vii) and a specimen stock certificate representing the Common Stock.

HUNTON& WILLIAMS

Atmos Energy Corporation
December 1, 2017
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For purposes of the opinions expressed below, we have assumed (i) the authenticity of all documents submitted to us as originals, (ii) the conformity to the originals of all documents submitted to us as certified, photostatic or electronic copies and the authenticity of the originals thereof, (iii) the legal capacity of natural persons, (iv) the genuineness of all signatures not witnessed by us and (v) the due authorization, execution and delivery of all documents by all parties and the validity, binding effect and enforceability thereof on such parties (other than the authorization, execution and delivery of documents by the Company).

As to factual matters, we have relied upon, and assumed the accuracy of, representations included in the documents submitted to us, upon certificates of officers of the Company and upon certificates of public officials. Except as otherwise expressly indicated, we have not undertaken any independent investigation of factual matters.

We do not purport to express an opinion on any laws other than those of the Commonwealth of Virginia. We express no opinion as to the effect of the laws of the State of Texas on the issuance, payment and nonassessability of the Shares.

Based upon the foregoing and such other information and documents as we have considered necessary for the purposes hereof, and subject to the assumptions, qualifications and limitations stated herein, we are of the opinion that (subject to compliance with the pertinent provisions of the Securities Act, and to compliance with such securities or "blue sky" laws of any jurisdiction as may be applicable):

1. The Company is validly existing as a corporation in good standing under the laws of the Commonwealth of Virginia.

2. The Shares have been duly authorized by the Company and are validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion letter with the Commission as Exhibit 5.2 to the Registration Statement and to the reference to our firm under the heading "Legal Matters" in the Base Prospectus, which is part of the Registration Statement, and the Prospectus Supplement. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

HUNTON& WILLIAMS

Atmos Energy Corporation
December 1, 2017
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This opinion letter is rendered as of the date hereof, and we disclaim any obligation to advise you of facts, circumstances, events or developments that hereafter may be brought to our attention and that may alter, affect or modify the opinions expressed herein. Our opinions are expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters relating to the Company or the Shares.

Very truly yours,

/s/ Hunton & Williams LLP

CASE NO. 2018-00281
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ATTACHMENT 2

Exhibit 99.1

News Release

Analysts and Media Contact:
Jennifer Hills (972) 855-3729

Atmos Energy Corporation Announces Public Offering of $400 Million of Shares of Common Stock

DALLAS (November 28, 2017)—Atmos Energy Corporation (NYSE: ATO) announced today that it plans to make a public offering of $400 million of shares of its common stock. BofA Merrill Lynch and J.P. Morgan are acting as underwriters for the offering and propose to offer the shares of common stock from time to time for sale in one or more transactions on the New York Stock Exchange, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices.

Atmos Energy intends to use the net proceeds from this offering to repay short-term debt under its commercial paper program, to fund capital spending primarily to enhance the safety and reliability of its system and for general corporate purposes. Atmos Energy believes that this offering will cover its anticipated equity capital raising needs for fiscal 2018.

This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make an offer, solicitation or sale in such jurisdiction. The public offering is being made pursuant to an effective shelf registration statement that has been filed with the Securities and Exchange Commission, or SEC. A preliminary prospectus supplement related to the offering will be filed with the SEC and will be available on the SEC's website at http://www.sec.gov . In addition, copies of the prospectus and preliminary prospectus supplement relating to the shares of common stock offered in the offering may be obtained when available by contacting any of the following underwriters:

BofA Merrill Lynch
Attention: Prospectus Department
NC1-004-03-43
200 North College Street
3rd Floor
Charlotte, North Carolina 28255-0001
Email: dg.prospectus_requests@baml.com

J.P. Morgan Securities LLC
c/o Broadridge Financial Solutions
1155 Long Island Avenue
Edgewood, New York 11717
Telephone: 866-803-9204
Email: prospectus-eq_fi@jpmchase.com

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 credit and 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, 2017. 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 the country's largest fully-regulated, natural-gas-only distributor, 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.

CASE NO. 2018-00281
FR 16(7)(p)
ATTACHMENT 2

Exhibit 99.2

News Release

Analysts and Media Contact:
Jennifer Hills (972) 855-3729

Atmos Energy Corporation Prices Common Stock Offering of 4,558,404 Shares

DALLAS (November 28, 2017)—Atmos Energy Corporation (NYSE: ATO) announced today that it has priced its public offering of 4,558,404 shares of its common stock for expected gross proceeds of approximately $400 million.

BofA Merrill Lynch and J.P. Morgan are acting as underwriters for the offering and propose to offer the shares of common stock from time to time for sale in one or more transactions on the New York Stock Exchange, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices.

Atmos Energy intends to use the net proceeds from this offering to repay short-term debt under its commercial paper program, to fund capital spending primarily to enhance the safety and reliability of its system and for general corporate purposes. Atmos Energy believes that this offering will cover its anticipated equity capital raising needs for fiscal 2018.

This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make an offer, solicitation or sale in such jurisdiction. The public offering is being made pursuant to an effective shelf registration statement that has been filed with the Securities and Exchange Commission, or SEC. A final prospectus supplement related to the offering will be filed with the SEC and will be available on the SEC's website at http://www.sec.gov. In addition, copies of the prospectus and final prospectus supplement relating to the shares of common stock offered in the offering may be obtained when available by contacting any of the following underwriters:

BofA Merrill Lynch
Attention: Prospectus Department
NC1-004-03-43
200 North College Street
3rd Floor
Charlotte, North Carolina 28255-0001
Email: dg.prospectus_requests@baml.com

J.P. Morgan Securities LLC
c/o Broadridge Financial Solutions
1155 Long Island Avenue
Edgewood, New York 11717
Telephone: 866-803-9204
Email: prospectus-eq_fi@jpmchase.com

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 credit and 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, 2017. 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

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CASE NO. 2018-00281
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

February 6, 2018
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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On Tuesday, February 6, 2018, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the 2018 fiscal year first quarter, which ended December 31, 2017, and that certain of its officers would discuss such financial results in a conference call on Wednesday, February 7, 2018 at 8 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 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release dated February 6, 2018 (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: February 6, 2018

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated February 6, 2018 (furnished under Item 2.02)

Exhibit 99.1

News Release

Analysts and Media Contact:
Jennifer Hills (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2018 First Quarter; Raises Fiscal 2018 Guidance

DALLAS (February 6, 2018) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its first quarter ended December 31, 2017 .

- Fiscal 2018 first quarter consolidated net income was $314.1 million , or $2.89 per diluted share, compared with consolidated net income of $125.0 million , or $1.19 per diluted share in the prior-year quarter.
- Adjusted net income from continuing operations was $152.2 million , or $1.40 per diluted share after excluding a one-time income tax benefit of $161.9 million , or $1.49 per diluted share, related to the Tax Cuts and Jobs Act of 2017 (the TCJA) due to the revaluation of the Company's net deferred tax liabilities. Net income from continuing operations was $114.0 million , or $1.08 per diluted share for the same period last year.
- Fiscal 2018 earnings guidance was increased to $3.85 to $4.05 per diluted share from $3.75 to $3.95 per diluted share. Capital expenditures are expected to remain in the previously announced range of $1.3 billion to $1.4 billion in fiscal 2018.
- The company's Board of Directors has declared a quarterly dividend of $0.485 per common share. The indicated annual dividend for fiscal 2018 is $1.94, which represents a 7.8 percent increase over fiscal 2017.

“Executing on our strategy of infrastructure investment continues to deliver solid results,” said Mike Haefner, President and Chief Executive Officer of Atmos Energy Corporation. “Additionally, we believe that the impact of tax reform will be good for our customers and the lower tax rate will result in over $100 million of annual savings to customer bills. We are working with regulators in each of our jurisdictions to return this benefit. Our strategy remains unchanged and looking forward, we remain well positioned to continue delivering annual earnings growth in the 6 percent to 8 percent range,” Haefner concluded.

Results for the Three Months Ended December 31, 2017

Distribution gross profit increased $37.7 million to $397.0 million for the three months ended December 31, 2017 , compared with $359.3 million in the prior-year period. Gross profit reflects a net $25.6 million increase in rates, primarily in our Texas, Mississippi and Kentucky/Mid-States Divisions. In addition, net consumption increased $5.7 million, primarily due to weather that was 20 percent colder than the prior-year quarter.

Pipeline and storage gross profit increased $16.0 million to $125.6 million for the three months ended December 31, 2017 , compared with $109.6 million in the prior-year quarter. This increase is primarily attributable to a $13.9 million increase in revenue from the Atmos Pipeline–Texas rate case and the Gas Reliability Infrastructure Program (GRIP) filing approved in December 2017.

Consolidated operation and maintenance expense for the three months ended December 31, 2017 , was $129.6 million , compared with $124.9 million in the prior-year quarter. This increase was primarily driven by higher maintenance activities in the company's distribution segment and higher employee-related costs in the current year.

Excluding the one-time income tax benefit, the effective tax rate for the three months ended December 31, 2017 decreased to 26.8%, compared to 35.9% in the prior-year quarter. The decrease primarily reflects the lower statutory federal income tax rate due to enactment of the TCJA. The lower effective tax rate reduced tax expense by approximately $16 million.

Capital expenditures increased $85.2 million to $383.2 million for the three months ended December 31, 2017 , compared with $298.0 million in the prior-year quarter, due to a planned increase in spending for infrastructure replacements and enhancements.

For the three months ended December 31, 2017 , the company generated operating cash flow of $173.2 million , a $56.3 million increase compared with the three months ended December 31, 2016 . The quarter-over-quarter increase primarily reflects the positive cash effect of successful rate case outcomes achieved in fiscal 2017, as well as higher recoveries of deferred gas cost due to higher distribution sales volumes in the current quarter compared to the prior-year quarter.

The equity capitalization ratio at December 31, 2017 was 57.3% , compared with 52.6% at September 30, 2017 . On November 28, 2017, Atmos Energy completed the public offering of 4,558,404 shares of common stock for gross proceeds of approximately $400 million. Atmos Energy used the net proceeds of $395.1 million from this offering to repay short-term debt under its commercial paper program, to fund capital spending primarily to enhance the safety and reliability of its system and for general corporate purposes.

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 now expects fiscal 2018 earnings to be in the range of $3.85 to $4.05 per diluted share, excluding the one-time, non-cash income tax benefit recognized during the first quarter. The increase primarily reflects the accounting effects from implementing the TCJA. Capital expenditures for fiscal 2018 are expected to remain in the previously announced range of $1.3 billion to $1.4 billion.

Conference Call to be Webcast February 7, 2018

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2018 first quarter financial results on Wednesday, February 7, 2018 , at 8:00 a.m. Eastern Time. The domestic telephone number is 877-485-3107 and the international telephone number is 201-689-8427. Mike Haefner, President and Chief Executive Officer and Chris Forsythe, 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.

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 credit and 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, 2017 . 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.

Non-GAAP Financial Measures

The historical financial information in this news release utilizes certain financial measures that are not presented in accordance with generally accepted accounting principles (GAAP). Specifically, the company uses gross profit, defined as operating revenues less purchased gas cost, to discuss and analyze its financial performance. Its operations are affected by the cost of natural gas, which is passed through to its customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees, along with hedging settlements. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, the company believes gross profit is a more useful and relevant measure to analyze its financial performance than operating revenues.

In addition, the enactment of the TCJA required the company to remeasure its deferred tax assets and liabilities at its new federal statutory income tax rate as of December 31, 2017, which resulted in the recognition of a one-time, non-cash income tax benefit of $161.9 million during the three months ended December 31, 2017. Due to the non-recurring nature of this benefit, the company believes that income from continuing operations and diluted earnings per share from continuing operations before the one-time, non-cash income tax benefit, provides a more useful and relevant measure to analyze its financial performance than income from continuing operations and consolidated diluted earnings per share from continuing operations. Accordingly, the discussion and analysis of the company's financial performance will reference adjusted income from continuing operations and diluted earnings per share, which is calculated as follows:

	Three Months Ended December 31		
	2017	**2016**	**Change**
	(In thousands, except per share data)		
Income from continuing operations	$ 314,132	$ 114,038	$ 200,094
One-time, non-cash income tax benefit	161,884	—	161,884
Adjusted income from continuing operations	$ 152,248	$ 114,038	$ 38,210
Consolidated diluted EPS from continuing operations	$ 2.89	$ 1.08	$ 1.81
Diluted EPS from one-time, non-cash income tax benefit	1.49	—	1.49
Adjusted diluted EPS from continuing operations	$ 1.40	$ 1.08	$ 0.32

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest fully-regulated, natural-gas-only distributor, 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. For more information, visit www.atmosenergy.com .

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income (000s except per share)	Three Months Ended December 31 2017	2016
Gross Profit:		
Distribution segment	$ 397,034	$ 359,310
Pipeline and storage segment	125,551	109,597
Intersegment eliminations	(310)	(44)
Gross profit	522,275	468,863
Operation and maintenance expense	129,567	124,938
Depreciation and amortization	88,374	76,958
Taxes, other than income	62,773	57,049
Total operating expenses	280,714	258,945
Operating income	241,561	209,918
Miscellaneous expense	(2,035)	(994)
Interest charges	31,509	31,030
Income from continuing operations before income taxes	208,017	177,894
Income tax expense (benefit)	(106,115)	63,856
Income from continuing operations	314,132	114,038
Income from discontinued operations, net of tax	—	10,994
Net Income	$ 314,132	$ 125,032
Basic and diluted net income per share		
Income per share from continuing operations	$ 2.89	$ 1.08
Income per share from discontinued operations	—	0.11
Net income per share - basic and diluted	$ 2.89	$ 1.19
Cash dividends per share	$ 0.485	$ 0.450
Basic and diluted weighted average shares outstanding	108,564	105,284

Summary Net Income by Segment (000s)	Three Months Ended December 31 2017	2016
Distribution	$ 249,099	$ 85,364
Pipeline and storage	65,033	28,674
Net income from continuing operations	314,132	114,038
Net income from discontinued operations	—	10,994
Net Income	$ 314,132	$ 125,032

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	December 31, 2017	September 30, 2017
Net property, plant and equipment	$ 9,518,792	$ 9,259,182
Cash and cash equivalents	54,750	26,409
Accounts receivable, net	489,217	222,263
Gas stored underground	163,959	184,653
Other current assets	70,984	106,321
Total current assets	778,910	539,646
Goodwill	730,132	730,132
Deferred charges and other assets	236,886	220,636
	$ 11,264,720	$ 10,749,596
Shareholders' equity	$ 4,563,620	$ 3,898,666
Long-term debt	3,067,469	3,067,045
Total capitalization	7,631,089	6,965,711
Accounts payable and accrued liabilities	285,675	233,050
Other current liabilities	336,919	332,648
Short-term debt	336,816	447,745
Total current liabilities	959,410	1,013,443
Deferred income taxes	1,033,206	1,878,699
Regulatory excess deferred taxes	746,246	—
Deferred credits and other liabilities	894,769	891,743
	$ 11,264,720	$ 10,749,596

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows	Three Months Ended December 31	
(000s)	2017	2016
Cash flows from operating activities		
Net income	$ 314,132	$ 125,032
Depreciation and amortization	88,374	77,143
Deferred income taxes	53,149	67,241
One-time income tax benefit	(161,884)	—
Discontinued cash flow hedging for natural gas marketing commodity contracts	—	(10,579)
Other	6,915	4,842
Changes in assets and liabilities	(127,448)	(146,716)
Net cash provided by operating activities	173,238	116,963
Cash flows from investing activities		
Capital expenditures	(383,238)	(297,962)
Acquisition	—	(85,714)
Available-for-sale securities activities, net	(135)	(10,263)
Other, net	2,001	1,802
Net cash used in investing activities	(381,372)	(392,137)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(110,929)	110,936
Proceeds from issuance of long-term debt, net of premium/discount	—	125,000
Net proceeds from equity offering	395,099	49,400
Issuance of common stock through stock purchase and employee retirement plans	5,660	8,998
Interest rate agreements cash collateral	—	25,670
Cash dividends paid	(51,837)	(47,740)
Other	(1,518)	—
Net cash provided by financing activities	236,475	272,264
Net increase (decrease) in cash and cash equivalents	28,341	(2,910)
Cash and cash equivalents at beginning of period	26,409	47,534
Cash and cash equivalents at end of period	$ 54,750	$ 44,624

Statistics	Three Months Ended December 31	
	2017	2016
Consolidated distribution throughput (MMcf as metered)	124,357	110,605
Consolidated pipeline and storage transportation volumes (MMcf)	155,105	134,976
Distribution meters in service	3,236,524	3,202,106
Distribution average cost of gas	$ 5.37	$ 5.31

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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

February 7, 2018
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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 5.07. Submission of Matters to a Vote of Security Holders.

At the company's 2018 annual meeting of shareholders on February 7, 2018, of the 110,958,181 total shares of common stock outstanding and entitled to vote, a total of 99,823,932 shares were represented, constituting an 89.96% quorum. The final results for each of the matters submitted to a vote of our shareholders at the annual meeting are as follows:

Proposal No. 1 **:** All of the board's nominees for director were elected by our shareholders to serve until the company's 2019 annual meeting of shareholders or until their respective successors are elected and qualified, with the vote totals as set forth in the table below:

Nominee	For	Against	Abstain	Broker Non-Votes
Robert W. Best	82,442,602	1,160,251	111,953	16,109,126
Kim R. Cocklin	82,715,481	794,870	204,455	16,109,126
Kelly H. Compton	83,201,671	388,703	124,432	16,109,126
Richard W. Douglas	82,803,961	787,686	123,159	16,109,126
Ruben E. Esquivel	83,187,499	401,715	125,592	16,109,126
Rafael G. Garza	83,186,371	404,092	124,343	16,109,126
Richard K. Gordon	81,843,880	1,753,212	117,714	16,109,126
Robert C. Grable	82,909,227	685,687	119,892	16,109,126
Michael E. Haefner	83,124,095	475,158	115,553	16,109,126
Nancy K. Quinn	82,555,484	1,049,253	110,069	16,109,126
Richard A. Sampson	83,297,499	298,761	118,546	16,109,126
Stephen R. Springer	82,508,284	1,093,350	113,172	16,109,126
Richard Ware II	82,118,775	1,471,264	124,767	16,109,126

Proposal No. 2 **:** The appointment of Ernst & Young LLP as the company's independent registered public accounting firm for fiscal 2018 was ratified by our shareholders, with the vote totals as set forth in the table below:

For	Against	Abstain	Broker Non-Votes
98,569,791	1,080,583	173,558	-0-

Proposal No. 3: Our shareholders approved, on an advisory (non-binding) basis, the compensation of our named executive officers for fiscal 2017, with the vote totals as set forth in the table below:

For	Against	Abstain	Broker Non-Votes
72,849,526	10,522,861	342,419	16,109,126

Item 8.01. Other Events.

On February 7, 2018, the independent directors of the company's board designated director Richard K. Gordon as Lead Director.

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: February 12, 2018

By: /s/ KAREN E. HARTSFIELD
Karen E. Hartsfield
Senior Vice President, General Counsel
and Corporate Secretary

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

February 14, 2018
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)

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□ 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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01. Regulation FD Disclosure.

On February 14, 2018, the City of Dallas (the City) approved a settlement that resolved the Statement of Intent (SOI) of Atmos Energy Corporation (the Company) that was filed on August 18, 2017. The SOI was filed in response to a "show cause" order issued by the City on June 14, 2017. The following summarizes the major provisions of the settlement:

- The settlement will result in a decrease in annual operating income of $5.1 million. Included in this amount is a $5.2 million decrease in base rates to incorporate into customer bills the new federal statutory income tax rate of 21% that was enacted into law under the 2017 Tax Cuts and Jobs Act (TCJA);
- New rates were implemented February 15, 2018;
- Future filings under the Company's Dallas Annual Rate Review mechanism (DARR) will reflect an authorized return on equity of 9.8% with a capital structure calculated as the 13-month average of long-term debt and equity based on a September 30 test year end; and
- Adjusted rates as a result of the DARR filings are expected to be filed using a September 30 test year end with rates expected to be implemented the following June 1.

The next DARR filing is expected to be filed using a September 30, 2018 test year end with the implementation of adjusted rates expected on June 1, 2019. It is anticipated this filing will address the return to customers of excess deferred tax liabilities established in connection with the implementation of the TCJA.

Additionally, the Company has reached an agreement in principle with approximately 70 percent of the Company's customers in its Mid-Tex and West Texas Divisions to modify the annual Rate Review Mechanism (RRM) used to establish rates with those cities. The following summarizes the major provisions of the modified RRM:

- Effective mid-March 2018, current rates will be reduced to reflect the new federal statutory income tax rate of 21% that was enacted into law under the TCJA;
- An authorized return on equity of 9.8%;
- An actual capital structure calculated using the Company's long-term debt with equity limited to a maximum of 58 percent; and
- A test period ended December 31 with rates expected to be implemented the following October 1.

The agreement is subject to regulatory approval by each of the cities representatives. The next RRM filing for these cities is expected to be filed using a December 31, 2017 test year end with the implementation of adjusted rates expected on October 1, 2018. It is anticipated this filing will address the return to customers of excess deferred tax liabilities established in connection with the implementation of the TCJA.

The Company is also currently in discussions with city representatives for the remaining cities in the Company's Mid-Tex and West Texas Divisions to potentially modify rates in these jurisdictions. Additionally, the

Company is working with the staff of the Railroad Commission of Texas (RRC) to reduce current rates to reflect the lower statutory federal income tax rate in service areas where the RRC has direct regulatory oversight.

The actual and anticipated outcomes from these regulatory developments are expected to support the Company's most recent fiscal 2018 earnings guidance of $3.85 - $4.05 per share, excluding the one-time income tax benefit recognized during the first quarter primarily to reflect the accounting effects of the implementation of the TCJA, and the Company's ability to continue to grow earnings per share between six and eight percent annually.

The foregoing information is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), is not subject to the liabilities of that section and is not deemed incorporated by reference in any filing under the Securities Act of 1933, as amended (the Securities Act).

The matters discussed in this Current Report on Form 8-K may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact included in this Current Report 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 Current Report 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 Current Report, including the risks and uncertainties relating to regulatory trends and decisions, the Company's ability to continue to access the credit and 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, 2017. 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.

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: February 20, 2018

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

CASE NO. 2018-00281
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

May 2, 2018
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)

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Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On Wednesday, May 2, 2018, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the 2018 fiscal year second quarter, which ended March 31, 2018, and that certain of its officers would discuss such financial results in a conference call on Thursday, May 3, 2018 at 10 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 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release dated May 2, 2018 (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: May 2, 2018

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

CASE NO. 2018-00281
FR 16(7)(p)
ATTACHMENT 2

Exhibit 99.1

News Release

Analysts and Media Contact:
Jennifer Hills (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2018 Second Quarter and Six Months; Reaffirms Fiscal 2018 Guidance

DALLAS (May 2, 2018) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2018 second quarter and six months ended March 31, 2018 .

- Fiscal 2018 second quarter consolidated net income was $179.0 million , or $1.60 per diluted share, compared with consolidated net income of $164.7 million , or $1.55 per diluted share in the prior-year quarter.
- Adjusted income from continuing operations was $175.2 million , or $1.57 per diluted share after excluding an income tax benefit of $3.8 million , or $0.03 per diluted share, related to the Tax Cuts and Jobs Act of 2017 (the TCJA). Net income from continuing operations was $162.0 million , or $1.52 per diluted share for the same quarter last year.
- The company's Board of Directors has declared a quarterly dividend of $0.485 per common share. The indicated annual dividend for fiscal 2018 is $1.94, which represents a 7.8 percent increase over fiscal 2017.

For the six months ended March 31, 2018 , consolidated net income was $493.1 million or $4.47 per diluted share, compared with consolidated net income of $289.8 million , or $2.74 per diluted share for the same period last year. Adjusted income from continuing operations for the six months ended March 31, 2018 , which excludes a one-time income tax benefit related to the TCJA of $165.7 million , or $1.50 per diluted share, was $327.4 million , or $2.97 per diluted share, compared with adjusted net income from continuing operations of $276.1 million , or $2.61 per diluted share in the prior-year period.

“Our results continue to benefit from the significant capital investments we are making to modernize our infrastructure to improve system safety and reliability,” said Mike Haefner, President and Chief Executive Officer of Atmos Energy Corporation. "We remain on track to meet our fiscal 2018 guidance range of $3.85 to $4.05 per diluted share. Also, we expect our customers will save over $100 million annually from the recently enacted Tax Cuts and Jobs Act. We have made significant progress during the quarter to ensure that our customers receive the full benefit of these savings,” Haefner concluded.

Results for the Three Months Ended March 31, 2018

Operating income decreased $16.2 million to $269.0 million for the three months ended March 31, 2018, from $285.2 million in the prior-year quarter. The decrease primarily reflects the lower statutory tax rate in revenues due to the TCJA and higher operation and maintenance expenses in the current-year quarter.

Distribution contribution margin increased $22.8 million to $472.2 million for the three months ended March 31, 2018 , compared with $449.4 million in the prior-year quarter. Contribution margin reflects a net $27.6 million increase in rates, primarily in the Mid-Tex, West Texas, and Kentucky/Mid-States Divisions. Net consumption increased $9.3 million, primarily due to weather that was 43 percent colder than the prior-year quarter. Transportation contribution margin increased $4.3 million quarter over quarter primarily due to the addition of new industrial customers. These increases were partially offset by a decrease of $26.2 million as a result of incorporating the lower statutory tax rate in revenues due to the TCJA.

Pipeline and storage contribution margin increased $9.3 million to $120.5 million for the three months ended March 31, 2018 , compared with $111.2 million in the prior-year quarter. This increase is attributable to a $16.5 million increase in rates, due to the Atmos Pipeline–Texas rate case and the Gas Reliability Infrastructure Program (GRIP) filing approved in December 2017, partially offset by a decrease of $8.0 million as a result of including the lower statutory tax rate in revenues due to the TCJA. Additionally, transportation fees and volumes increased contribution margin a net $1.7 million due to wider spreads and positive supply and demand dynamics affecting the Permian Basin.

Continuing operation and maintenance expense for the three months ended March 31, 2018 , was $161.1 million , compared with $132.2 million for the prior-year period. This $28.9 million increase was primarily driven by expenses incurred as part of a planned outage in the Mid-Tex Division in March 2018 and increased system maintenance and other expense during the quarter.

Results for the Six Months Ended March 31, 2018

Operating income increased $15.4 million to $510.5 million for the six months ended March 31, 2018, compared to $495.1 million in the prior-year period, which primarily reflects positive rate outcomes, stronger customer consumption, and customer growth in the distribution business, partially offset by reduced revenues as a result of implementing the TCJA and higher operation and maintenance expense in the current-year period.

Distribution contribution margin increased $60.5 million to $869.3 million for the six months ended March 31, 2018 , compared with $808.8 million in the prior-year period. Contribution margin reflects a net $53.1 million increase in rates, primarily in the Mid-Tex, West Texas, and Kentucky/Mid-States Divisions. In addition, net consumption increased $15.0 million, primarily due to weather that was 33 percent colder than the prior-year period. Transportation contribution margin increased $6.0 million period over period primarily due to the addition of new industrial customers. These increases were partially offset by a decrease of $26.2 million as a result of incorporating the lower statutory tax rate in revenues due to the TCJA.

Pipeline and storage contribution margin increased $25.3 million to $246.1 million for the six months ended March 31, 2018 , compared with $220.8 million in the prior-year period. This

increase is primarily attributable to a $30.4 million increase in revenue from the Atmos Pipeline –Texas rate case and the GRIP filing approved in December 2017, partially offset by a decrease of $8.0 million as a result of including the lower statutory tax rate in revenues due to the TCJA. In addition, transportation fees and volumes increased contribution margin by a net $3.1 million due to wider spreads and positive supply and demand dynamics impacting the Permian Basin.

Continuing operation and maintenance expense for the six months ended March 31, 2018 was $290.6 million , compared with $257.2 million in the prior-year period. This increase was primarily driven by expenses incurred as a result of the aforementioned planned outage experienced in March and increased maintenance activities in the distribution segment in the current year.

Capital expenditures increased $134.6 million to $694.0 million for the six months ended March 31, 2018 , compared with $559.4 million in the prior-year period, due to continued spending for infrastructure replacements and enhancements.

For the six months ended March 31, 2018 , the company generated operating cash flow of $751.4 million , a $199.4 million increase compared with the six months ended March 31, 2017 . The period-over-period increase primarily reflects successful rate case outcomes achieved in fiscal 2017 and changes in working capital, primarily as a result of the timing of gas cost recoveries under purchased gas cost mechanisms and increased customer consumption and transportation margins.

The equity capitalization ratio at March 31, 2018 was 59.6% , compared with 52.6% at September 30, 2017 . On November 28, 2017, Atmos Energy completed the public offering of 4,558,404 shares of common stock for gross proceeds of approximately $400 million. Atmos Energy used the net proceeds of $395.1 million from this offering to repay short-term debt under its commercial paper program, to fund capital spending primarily to enhance the safety and reliability of its system, and for general corporate purposes.

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 2018 earnings to be in the previously announced range of $3.85 to $4.05 per diluted share, excluding the one-time, non-cash income tax benefit. Capital expenditures for fiscal 2018 are expected to be approximately $1.4 billion.

Conference Call to be Webcast May 3, 2018

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2018 second quarter financial results on Thursday, May 3, 2018 , at 10:00 a.m. Eastern Time. The domestic telephone number is 877-485-3107 and the international telephone number is 201-689-8427. Mike Haefner, President and Chief Executive Officer and Chris Forsythe, 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.

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 credit and 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, 2017 .

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.

Non-GAAP Financial Measures

The historical financial information in this news release utilizes certain financial measures that are not presented in accordance with generally accepted accounting principles (GAAP). Specifically, the company uses contribution margin, defined as operating revenues less purchased gas cost, to discuss and analyze its financial performance. Its operations are affected by the cost of natural gas, which is passed through to its customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees, along with hedging settlements. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, the company believes contribution margin is a more useful and relevant measure to analyze its financial performance than operating revenues. The term contribution margin is not intended to represent operating income, the most comparable GAAP financial measure, as an indicator of operating performance, and is not necessarily comparable to similarly titled measures reported by other companies.

In addition, the enactment of the TCJA required the company to remeasure its deferred tax assets and liabilities at its new federal statutory income tax rate as of December 31, 2017, which resulted in the recognition of a one-time, non-cash income tax benefit of $165.7 million during the six months ended March 31, 2018 . Due to the non-recurring nature of this benefit, the company believes that income from continuing operations and diluted earnings per share from continuing operations before the one-time, non-cash income tax benefit, provides a more useful and relevant measure to analyze its financial performance than income from continuing operations and consolidated diluted earnings per share from continuing operations. Accordingly, the discussion and analysis of the company's financial performance will reference adjusted income from continuing operations and diluted earnings per share, which is calculated as follows:

	Three Months Ended March 31		
	2018	2017	Change
	(In thousands, except per share data)		
Income from continuing operations	$ 178,992	$ 162,012	$ 16,980
TCJA non-cash income tax benefit	3,791	—	3,791
Adjusted income from continuing operations	$ 175,201	$ 162,012	$ 13,189
Consolidated diluted EPS from continuing operations	$ 1.60	$ 1.52	$ 0.08
Diluted EPS from TCJA non-cash income tax benefit	0.03	—	0.03
Adjusted diluted EPS from continuing operations	$ 1.57	$ 1.52	$ 0.05

	Six Months Ended March 31		
	2018	2017	Change
	(In thousands, except per share data)		
Income from continuing operations	$ 493,124	$ 276,050	$ 217,074
TCJA non-cash income tax benefit	165,675	—	165,675
Adjusted income from continuing operations	$ 327,449	$ 276,050	$ 51,399
Consolidated diluted EPS from continuing operations	$ 4.47	$ 2.61	$ 1.86
Diluted EPS from TCJA non-cash income tax benefit	1.50	—	1.50
Adjusted diluted EPS from continuing operations	$ 2.97	$ 2.61	$ 0.36

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest fully-regulated, natural-gas-only distributor, 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. For more information, visit www.atmosenergy.com .

CASE NO. 2018-00281
FR 16(7)(p)
ATTACHMENT 2

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income	Three Months Ended March 31	
(000s except per share)	2018	2017
Operating revenues		
Distribution segment	$ 1,199,291	$ 962,541
Pipeline and storage segment	120,955	111,972
Intersegment eliminations	(100,837)	(86,327)
	1,219,409	988,186
Purchased gas cost		
Distribution segment	727,053	513,096
Pipeline and storage segment	433	725
Intersegment eliminations	(100,526)	(86,327)
	626,960	427,494
Contribution margin	592,449	560,692
Operation and maintenance expense	161,073	132,239
Depreciation and amortization	89,381	77,667
Taxes, other than income	73,007	65,614
Total operating expenses	323,461	275,520
Operating income	268,988	285,172
Miscellaneous income (expense)	(253)	833
Interest charges	27,304	26,944
Income from continuing operations before income taxes	241,431	259,061
Income tax expense	62,439	97,049
Income from continuing operations	178,992	162,012
Gain on sale of discontinued operations, net of tax	—	2,716
Net Income	$ 178,992	$ 164,728
Basic and diluted net income per share		
Income per share from continuing operations	$ 1.60	$ 1.52
Income per share from discontinued operations	—	0.03
Net income per share - basic and diluted	$ 1.60	$ 1.55
Cash dividends per share	$ 0.485	$ 0.450
Basic and diluted weighted average shares outstanding	111,706	105,935

Summary Net Income by Segment (000s)	Three Months Ended March 31 2018	2017
Distribution	$ 145,243	$ 131,145
Pipeline and storage	33,749	30,867
Net income from continuing operations	178,992	162,012
Net income from discontinued operations	—	2,716
Net Income	$ 178,992	$ 164,728

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Statements of Income (000s except per share)	Six Months Ended March 31 2018	Six Months Ended March 31 2017
Operating revenues		
Distribution segment	$ 2,060,083	$ 1,717,197
Pipeline and storage segment	247,418	221,924
Intersegment eliminations	(198,900)	(170,767)
	2,108,601	1,768,354
Purchased gas cost		
Distribution segment	1,190,811	908,442
Pipeline and storage segment	1,345	1,080
Intersegment eliminations	(198,279)	(170,723)
	993,877	738,799
Contribution margin	1,114,724	1,029,555
Operation and maintenance expense	290,640	257,177
Depreciation and amortization	177,755	154,625
Taxes, other than income	135,780	122,663
Total operating expenses	604,175	534,465
Operating income	510,549	495,090
Miscellaneous expense	(2,288)	(161)
Interest charges	58,813	57,974
Income from continuing operations before income taxes	449,448	436,955
Income tax expense	(43,676)	160,905
Income from continuing operations	493,124	276,050
Income from discontinued operations, net of tax	—	10,994
Gain on sale of discontinued operations, net of tax	—	2,716
Net Income	$ 493,124	$ 289,760
Basic and diluted earnings per share		
Income per share from continuing operations	$ 4.47	$ 2.61
Income per share from discontinued operations	—	0.13
Net income per share - basic and diluted	$ 4.47	$ 2.74
Cash dividends per share	$ 0.97	$ 0.90
Basic and diluted weighted average shares outstanding	110,135	105,610

Summary Net Income by Segment (000s)	Six Months Ended March 31 2018	Six Months Ended March 31 2017
Distribution	$ 394,342	$ 216,509
Pipeline and storage	98,782	59,541
Net income from continuing operations	493,124	276,050
Net income from discontinued operations	—	13,710
Net income	$ 493,124	$ 289,760

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	March 31, 2018	September 30, 2017
Net property, plant and equipment	$ 9,761,329	$ 9,259,182
Cash and cash equivalents	71,074	26,409
Accounts receivable, net	407,134	222,263
Gas stored underground	89,265	184,653
Other current assets	55,263	106,321
Total current assets	622,736	539,646
Goodwill	730,132	730,132
Deferred charges and other assets	242,125	220,636
	$ 11,356,322	$ 10,749,596
Shareholders' equity	$ 4,721,346	$ 3,898,666
Long-term debt	2,617,892	3,067,045
Total capitalization	7,339,238	6,965,711
Accounts payable and accrued liabilities	230,823	233,050
Other current liabilities	538,702	332,648
Short-term debt	129,602	447,745
Current maturities of long-term debt	450,000	—
Total current liabilities	1,349,127	1,013,443
Deferred income taxes	1,107,036	1,878,699
Regulatory excess deferred taxes	737,798	—
Deferred credits and other liabilities	823,123	891,743
	$ 11,356,322	$ 10,749,596

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Six Months Ended March 31 2018	Six Months Ended March 31 2017
Cash flows from operating activities		
Net income	$ 493,124	$ 289,760
Depreciation and amortization	177,755	154,810
Deferred income taxes	116,023	148,657
One-time income tax benefit	(165,675)	—
Gain on sale of discontinued operations	—	(12,931)
Discontinued cash flow hedging for natural gas marketing commodity contracts	—	(10,579)
Other	12,252	10,391
Changes in assets and liabilities	117,888	(28,105)
Net cash provided by operating activities	751,367	552,003
Cash flows from investing activities		
Capital expenditures	(693,978)	(559,385)
Acquisition	—	(85,714)
Proceeds from the sale of discontinued operations	3,000	133,560
Available-for-sale securities activities, net	(1,175)	(8,918)
Other, net	4,009	3,787
Net cash used in investing activities	(688,144)	(516,670)
Cash flows from financing activities		
Net decrease in short-term debt	(318,143)	(159,204)
Proceeds from issuance of long-term debt, net of premium/discount	—	125,000
Net proceeds from equity offering	395,092	49,400
Issuance of common stock through stock purchase and employee retirement plans	11,902	16,984
Interest rate agreements cash collateral	—	25,670
Cash dividends paid	(105,891)	(95,314)
Other	(1,518)	—
Net cash used in financing activities	(18,558)	(37,464)
Net increase (decrease) in cash and cash equivalents	44,665	(2,131)
Cash and cash equivalents at beginning of period	26,409	47,534
Cash and cash equivalents at end of period	$ 71,074	$ 45,403

Statistics	Three Months Ended March 31 2018	Three Months Ended March 31 2017	Six Months Ended March 31 2018	Six Months Ended March 31 2017
Consolidated distribution throughput (MMcf as metered)	179,978	137,669	304,335	248,274
Consolidated pipeline and storage transportation volumes (MMcf)	148,980	131,151	304,085	266,127
Distribution meters in service	3,245,012	3,208,532	3,245,012	3,208,532
Distribution average cost of gas	$ 5.42	$ 5.25	$ 5.40	$ 5.28

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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

August 8, 2018
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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On Wednesday, August 8, 2018 , Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the 2018 fiscal year third quarter, which ended June 30, 2018 , and that certain of its officers would discuss such financial results in a conference call on Thursday, August 9, 2018 at 10 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 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release dated August 8, 2018 (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: August 8, 2018

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

Exhibit 99.1

News Release

Analysts and Media Contact:
Jennifer Hills (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2018 Third Quarter and Nine Months; Reaffirms Fiscal 2018 Guidance

DALLAS (August 8, 2018) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fiscal 2018 third quarter and nine months ended June 30, 2018 .

- Fiscal 2018 third quarter consolidated net income was $71.2 million , or $0.64 per diluted share, compared with consolidated net income of $70.8 million , or $0.67 per diluted share in the prior-year quarter.

- The company's Board of Directors has declared a quarterly dividend of $0.485 per common share. The indicated annual dividend for fiscal 2018 is $1.94, which represents a 7.8% increase over fiscal 2017.

For the nine months ended June 30, 2018 , consolidated net income was $564.3 million or $5.09 per diluted share, compared with consolidated net income of $360.6 million , or $3.40 per diluted share for the same period last year. Adjusted income from continuing operations for the nine months ended June 30, 2018 , which excludes a one-time income tax benefit related to the Tax Cuts and Jobs Act of 2017 (the TCJA) of $165.5 million , or $1.49 per diluted share, was $398.8 million , or $3.60 per diluted share, compared with adjusted net income from continuing operations of $346.9 million , or $3.27 per diluted share in the prior-year period.

"The dedication of our employees coupled with the exceptional customer service they provide to our 3.2 million customers continue to drive our progress toward becoming the safest provider of natural gas services," said Mike Haefner, chief executive officer of Atmos Energy Corporation. "Ongoing capital investments that enhance the safety and reliability of our system remain the core of our growth strategy, and continue to drive our financial results. We remain on track to meet our fiscal 2018 earnings guidance range of between $3.85 and $4.05 per diluted share," Haefner concluded.

Results for the Three Months Ended June 30, 2018

Operating income decreased $17.7 million to $123.0 million for the three months ended June 30, 2018 , from $140.7 million in the prior-year quarter. The decrease primarily reflects the lower statutory tax rate in revenues due to the TCJA and higher operating expenses in the current-year quarter, including higher depreciation expense and ad valorem taxes due to increased infrastructure investments, partially offset by positive rate outcomes in both the distribution and pipeline and storage segments.

Distribution contribution margin increased $8.3 million to $304.6 million for the three months ended June 30, 2018 , compared with $296.3 million in the prior-year quarter. Contribution margin reflects a net $11.2 million increase in rates, primarily in the Mid-Tex and Kentucky/Mid-States Divisions. Transportation contribution margin increased $2.7 million quarter over quarter primarily due to the addition of new industrial customers. An increase in customers, primarily in the Mid-Tex Division, contributed an additional $2.1 million compared to the prior-year quarter. These increases were partially offset by a decrease of $12.4 million as a result of incorporating the lower statutory tax rate in revenues due to the TCJA.

Pipeline and storage contribution margin increased $11.1 million to $127.1 million for the three months ended June 30, 2018 , compared with $116.0 million in the prior-year quarter. This increase is attributable to a $23.7 million increase in rates, due to the Atmos Pipeline–Texas rate case and the Gas Reliability Infrastructure Program (GRIP) filings approved in December 2017 and May 2018, partially offset by a decrease of $8.0 million as a result of including the lower statutory tax rate in revenues due to the TCJA.

Continuing operation and maintenance expense for the three months ended June 30, 2018 , was $145.1 million , compared with $128.7 million for the prior-year quarter. This $16.4 million increase was primarily driven by increased maintenance expenses in both the distribution and pipeline and storage segments and higher employee-related expenses in the current-year quarter.

Results for the Nine Months Ended June 30, 2018

Operating income decreased $2.3 million to $633.5 million for the nine months ended June 30, 2018 , compared to $635.8 million in the prior-year period, which primarily reflects reduced revenues as a result of implementing the TCJA and higher operating expenses in the current-year period, including higher depreciation expense and ad valorem taxes due to increased infrastructure investments, partially offset by positive rate outcomes and higher transportation margins in both the distribution and pipeline and storage segments and stronger customer consumption in the distribution business.

Distribution contribution margin increased $68.9 million to $1,173.9 million for the nine months ended June 30, 2018 , compared with $1,105.0 million in the prior-year period. Contribution margin reflects a net $64.4 million increase in rates, primarily in the Mid-Tex, Kentucky/Mid-States, West Texas and Mississippi Divisions. In addition, net consumption increased $14.2 million, primarily due to weather that was 36 percent colder than the prior-year period. Transportation contribution margin increased $8.6 million period over period primarily due to the addition of new industrial customers. Customer growth, primarily in the Mid-Tex Division, contributed an additional $5.8 million compared to the prior-year period. These increases were partially offset by a decrease of $38.7 million as a result of incorporating the lower statutory tax rate in revenues due to the TCJA.

Pipeline and storage contribution margin increased $36.2 million to $373.1 million for the nine months ended June 30, 2018 , compared with $336.9 million in the prior-year period. This increase is primarily attributable to a $54.0 million increase in revenue from the Atmos Pipeline–Texas rate case and the GRIP filings approved in December 2017 and May 2018, partially offset by a decrease of $16.1 million as a result of including the lower statutory tax rate in revenues due to the TCJA.

Continuing operation and maintenance expense for the nine months ended June 30, 2018 was $435.7 million , compared with $385.9 million in the prior-year period. This increase was primarily driven by expenses incurred as a result of a planned outage experienced in the Mid-Tex Division in March 2018, increased maintenance activities in the distribution segment in the current year and higher employee-related expenses.

Capital expenditures increased $276.4 million to $1,088.5 million for the nine months ended June 30, 2018 , compared with $812.1 million in the prior-year period, due to continued spending for infrastructure replacements and enhancements.

For the nine months ended June 30, 2018 , the company generated operating cash flow of $1,035.3 million , a $289.7 million increase compared with the nine months ended June 30, 2017 . The period-over-period increase primarily reflects successful rate case outcomes achieved in fiscal 2017 and changes in working capital, primarily as a result of the timing of gas cost recoveries under purchased gas cost mechanisms and increased customer consumption and transportation margins.

The equity capitalization ratio at June 30, 2018 was 59.0% , compared with 52.6% at September 30, 2017 . On November 28, 2017, Atmos Energy completed the public offering of 4,558,404 shares of common stock for gross proceeds of approximately $400 million. Atmos Energy used the net proceeds of $395.1 million from this offering to repay short-term debt under its commercial paper program, to fund capital spending primarily to enhance the safety and reliability of its system, and for general corporate purposes.

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 2018 earnings to be in the previously announced range of $3.85 to $4.05 per diluted share, excluding the one-time, non-cash income tax benefit. Capital expenditures for fiscal 2018 are expected to be approximately $1.4 billion.

Conference Call to be Webcast August 9, 2018

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2018 third quarter financial results on Thursday, August 9, 2018 , at 10:00 a.m. Eastern Time. The domestic telephone number is 877-485-3107 and the international telephone number is 201-689-8427. Mike Haefner, President and Chief Executive Officer and Chris Forsythe, 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.

This news release should be read in conjunction with the attached unaudited financial information.

CASE NO. 2018-00281
FR 16(7)(p)
ATTACHMENT 2

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 credit and 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, 2017 .

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.

Non-GAAP Financial Measures

The historical financial information in this news release utilizes certain financial measures that are not presented in accordance with generally accepted accounting principles (GAAP). Specifically, the company uses contribution margin, defined as operating revenues less purchased gas cost, to discuss and analyze its financial performance. Its operations are affected by the cost of natural gas, which is passed through to its customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees, along with hedging settlements. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, the company believes contribution margin is a more useful and relevant measure to analyze its financial performance than operating revenues. The term contribution margin is not intended to represent operating income, the most comparable GAAP financial measure, as an indicator of operating performance, and is not necessarily comparable to similarly titled measures reported by other companies.

In addition, the enactment of the TCJA required the company to remeasure its deferred tax assets and liabilities at its new federal statutory income tax rate as of December 31, 2017, which resulted in the recognition of a non-cash income tax benefit of $165.5 million during the nine months ended June 30, 2018 . Due to the non-recurring nature of this benefit, the company believes that income from continuing operations and diluted earnings per share from continuing operations before the one-time, non-cash income tax benefit, provides a more useful and relevant measure to analyze its financial performance than income from continuing operations and consolidated diluted earnings per share from continuing operations. Accordingly, the discussion and analysis of the company's financial performanc e will reference adjusted income from continuing operations and diluted earnings per share, which is calculated as follows:

	Nine Months Ended June 30		
	2018	2017	Change
	(In thousands, except per share data)		
Income from continuing operations	$ 564,317	$ 346,858	$ 217,459
TCJA non-cash income tax benefit	165,522	—	165,522
Adjusted income from continuing operations	$ 398,795	$ 346,858	$ 51,937
Consolidated diluted EPS from continuing operations	$ 5.09	$ 3.27	$ 1.82
Diluted EPS from TCJA non-cash income tax benefit	1.49	—	1.49
Adjusted diluted EPS from continuing operations	$ 3.60	$ 3.27	$ 0.33

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest fully-regulated, natural-gas-only distributor, 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. For more information, visit www.atmosenergy.com .

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income (000s except per share)	Three Months Ended June 30 2018	 2017
Operating revenues		
Distribution segment	$ 535,488	$ 494,060
Pipeline and storage segment	127,633	117,283
Intersegment eliminations	(100,876)	(84,842)
	562,245	526,501
Purchased gas cost		
Distribution segment	230,887	197,767
Pipeline and storage segment	561	1,251
Intersegment eliminations	(100,562)	(84,842)
	130,886	114,176
Contribution margin	431,359	412,325
Operation and maintenance expense	145,075	128,690
Depreciation and amortization	90,671	80,023
Taxes, other than income	72,620	62,948
Total operating expenses	308,366	271,661
Operating income	122,993	140,664
Miscellaneous expense	(2,003)	(289)
Interest charges	23,349	28,498
Income before income taxes	97,641	111,877
Income tax expense	26,448	41,069
Net income	$ 71,193	$ 70,808
Basic and diluted net income per share	$ 0.64	$ 0.67
Cash dividends per share	$ 0.485	$ 0.450
Basic and diluted weighted average shares outstanding	111,851	106,364

Summary Net Income by Segment (000s)	Three Months Ended June 30 2018	 2017
Distribution	$ 35,344	$ 36,514
Pipeline and storage	35,849	34,294
Net income	$ 71,193	$ 70,808

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Statements of Income (000s except per share)	Nine Months Ended June 30 2018	Nine Months Ended June 30 2017
Operating revenues		
Distribution segment	$ 2,595,571	$ 2,211,257
Pipeline and storage segment	375,051	339,207
Intersegment eliminations	(299,776)	(255,609)
	2,670,846	2,294,855
Purchased gas cost		
Distribution segment	1,421,698	1,106,209
Pipeline and storage segment	1,906	2,331
Intersegment eliminations	(298,841)	(255,565)
	1,124,763	852,975
Contribution margin	1,546,083	1,441,880
Operation and maintenance expense	435,715	385,867
Depreciation and amortization	268,426	234,648
Taxes, other than income	208,400	185,611
Total operating expenses	912,541	806,126
Operating income	633,542	635,754
Miscellaneous expense	(4,291)	(450)
Interest charges	82,162	86,472
Income from continuing operations before income taxes	547,089	548,832
Income tax expense (benefit)	(17,228)	201,974
Income from continuing operations	564,317	346,858
Income from discontinued operations, net of tax	—	10,994
Gain on sale of discontinued operations, net of tax	—	2,716
Net income	$ 564,317	$ 360,568
Basic and diluted earnings per share		
Income per share from continuing operations	$ 5.09	$ 3.27
Income per share from discontinued operations	—	0.13
Net income per share - basic and diluted	$ 5.09	$ 3.40
Cash dividends per share	$ 1.455	$ 1.350
Basic and diluted weighted average shares outstanding	110,707	105,862

Summary Net Income by Segment (000s)	Nine Months Ended June 30 2018	Nine Months Ended June 30 2017
Distribution	$ 429,686	$ 253,023
Pipeline and storage	134,631	93,835
Net income from continuing operations	564,317	346,858
Net income from discontinued operations	—	13,710
Net income	$ 564,317	$ 360,568

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	June 30, 2018	September 30, 2017
Net property, plant and equipment	$ 10,071,860	$ 9,259,182
Cash and cash equivalents	20,930	26,409
Accounts receivable, net	253,546	222,263
Gas stored underground	126,010	184,653
Other current assets	52,369	106,321
Total current assets	452,855	539,646
Goodwill	730,132	730,132
Deferred charges and other assets	252,777	220,636
	$ 11,507,624	$ 10,749,596
Shareholders' equity	$ 4,759,552	$ 3,898,666
Long-term debt	2,618,315	3,067,045
Total capitalization	7,377,867	6,965,711
Accounts payable and accrued liabilities	198,172	233,050
Other current liabilities	573,012	332,648
Short-term debt	244,777	447,745
Current maturities of long-term debt	450,000	—
Total current liabilities	1,465,961	1,013,443
Deferred income taxes	1,133,622	1,878,699
Regulatory excess deferred taxes	733,509	—
Deferred credits and other liabilities	796,665	891,743
	$ 11,507,624	$ 10,749,596

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Nine Months Ended June 30 2018	Nine Months Ended June 30 2017
Cash flows from operating activities		
Net income	$ 564,317	$ 360,568
Depreciation and amortization	268,426	234,833
Deferred income taxes	139,852	188,256
One-time income tax benefit	(165,522)	—
Gain on sale of discontinued operations	—	(12,931)
Discontinued cash flow hedging for natural gas marketing commodity contracts	—	(10,579)
Other	18,007	14,892
Changes in assets and liabilities	210,216	(29,478)
Net cash provided by operating activities	1,035,296	745,561
Cash flows from investing activities		
Capital expenditures	(1,088,472)	(812,148)
Acquisition	—	(86,128)
Proceeds from the sale of discontinued operations	3,000	140,253
Available-for-sale securities activities, net	(7,857)	(14,329)
Use tax refund	—	18,562
Other, net	6,105	6,435
Net cash used in investing activities	(1,087,224)	(747,355)
Cash flows from financing activities		
Net decrease in short-term debt	(202,968)	(571,238)
Proceeds from issuance of long-term debt, net of premium/discount	—	884,911
Net proceeds from equity offering	395,092	98,755
Issuance of common stock through stock purchase and employee retirement plans	15,850	22,673
Settlement of interest rate agreements	—	(36,996)
Interest rate agreements cash collateral	—	25,670
Repayment of long-term debt	—	(250,000)
Cash dividends paid	(160,007)	(143,075)
Debt issuance costs	—	(6,663)
Other	(1,518)	—
Net cash provided by financing activities	46,449	24,037
Net increase (decrease) in cash and cash equivalents	(5,479)	22,243
Cash and cash equivalents at beginning of period	26,409	47,534
Cash and cash equivalents at end of period	$ 20,930	$ 69,777

Statistics	Three Months Ended June 30 2018	Three Months Ended June 30 2017	Nine Months Ended June 30 2018	Nine Months Ended June 30 2017
Consolidated distribution throughput (MMcf as metered)	82,448	76,281	386,783	324,555
	180,371	159,023	484,456	425,150

Consolidated pipeline and storage transportation volumes (MMcf)				
Distribution meters in service	3,249,780	3,213,853	3,249,780	3,213,853
Distribution average cost of gas	$ 4.68	$ 4.60	$ 5.27	$ 5.14

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CASE NO. 2018-00281
FR 16(7)(p)
ATTACHMENT 3

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended December 31, 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)*

(972) 934-9227

(Registrant's telephone number, including area code)

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 website, 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the 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 Exchange Act) Yes ☐ No ☑

Number of shares outstanding of each of the issuer's classes of common stock, as of February 3, 2017.

Class	Shares Outstanding
No Par Value	105,175,480

GLOSSARY OF KEY TERMS

AEC	Atmos Energy Corporation
AEH	Atmos Energy Holdings, Inc.
AEM	Atmos Energy Marketing, LLC
AOCI	Accumulated other comprehensive income
Bcf	Billion cubic feet
FASB	Financial Accounting Standards Board
Fitch	Fitch Ratings, Ltd.
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
Mcf	Thousand cubic feet
MMcf	Million cubic feet
Moody’s	Moody’s Investors Services, Inc.
NYMEX	New York Mercantile Exchange, Inc.
PPA	Pension Protection Act of 2006
PRP	Pipeline Replacement Program
RRC	Railroad Commission of Texas
RRM	Rate Review Mechanism
S&P	Standard & Poor’s Corporation
SEC	United States Securities and Exchange Commission
WNA	Weather Normalization Adjustment

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2016	September 30, 2016
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 10,492,625	$ 10,142,506
Less accumulated depreciation and amortization	1,939,663	1,873,900
Net property, plant and equipment	8,552,962	8,268,606
Current assets		
Cash and cash equivalents	44,624	47,534
Accounts receivable, net	458,813	215,880
Gas stored underground	163,763	179,070
Current assets of disposal group classified as held for sale	235,482	151,117
Other current assets	76,750	88,085
Total current assets	979,432	681,686
Goodwill	729,673	726,962
Noncurrent assets of disposal group classified as held for sale	—	28,616
Deferred charges and other assets	317,088	305,019
	$ 10,579,155	$ 10,010,889
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at $.005 per share); 200,000,000 shares authorized; issued and outstanding: December 31, 2016 — 105,109,905 shares; September 30, 2016 — 103,930,560 shares	$ 526	$ 520
Additional paid-in capital	2,451,277	2,388,027
Accumulated other comprehensive loss	(92,654)	(188,022)
Retained earnings	1,339,826	1,262,534
Shareholders' equity	3,698,975	3,463,059
Long-term debt	2,314,199	2,188,779
Total capitalization	6,013,174	5,651,838
Current liabilities		
Accounts payable and accrued liabilities	268,647	196,485
Current liabilities of disposal group classified as held for sale	109,298	72,900
Other current liabilities	381,123	439,085
Short-term debt	940,747	829,811
Current maturities of long-term debt	250,000	250,000
Total current liabilities	1,949,815	1,788,281
Deferred income taxes	1,725,433	1,603,056
Regulatory cost of removal obligation	430,407	424,281
Pension and postretirement liabilities	301,715	297,743
Noncurrent liabilities of disposal group held for sale	—	316
Deferred credits and other liabilities	158,611	245,374
	$ 10,579,155	$ 10,010,889

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

		Three Months Ended December 31		
		2016		2015
		(Unaudited) (In thousands, except per share data)		
Operating revenues				
Distribution segment	$	754,656	$	649,443
Pipeline and storage segment		109,952		98,416
Intersegment eliminations		(84,440)		(73,106)
		780,168		674,753
Purchased gas cost				
Distribution segment		395,346		313,991
Pipeline and storage segment		355		(559)
Intersegment eliminations		(84,396)		(73,106)
		311,305		240,326
Gross profit		468,863		434,427
Operating expenses				
Operation and maintenance		124,938		119,828
Depreciation and amortization		76,958		70,656
Taxes, other than income		57,049		51,214
Total operating expenses		258,945		241,698
Operating income		209,918		192,729
Miscellaneous expense, net		(994)		(879)
Interest charges		31,030		29,537
Income from continuing operations before income taxes		177,894		162,313
Income tax expense		63,856		60,767
Income from continuing operations		114,038		101,546
Income from discontinued operations, net of tax ($6,841 and $885)		10,994		1,315
Net Income	$	125,032	$	102,861
Basic and diluted net income per share				
Income per share from continuing operations	$	1.08	$	0.99
Income per share from discontinued operations		0.11		0.01
Net income per share - basic and diluted	$	1.19	$	1.00
Cash dividends per share	$	0.45	$	0.42
Basic and diluted weighted average shares outstanding		105,284		102,713

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended December 31	
	2016	2015
	(Unaudited) (In thousands)	
Net income	$ 125,032	$ 102,861
Other comprehensive income (loss), net of tax		
Net unrealized holding losses on available-for-sale securities, net of tax of $476 and $442	(828)	(768)
Cash flow hedges:		
Amortization and unrealized gain on interest rate agreements, net of tax of $52,429 and $2,749	91,214	4,783
Net unrealized gains on commodity cash flow hedges, net of tax of $3,183 and $1,505	4,982	2,353
Total other comprehensive income	95,368	6,368
Total comprehensive income	$ 220,400	$ 109,229

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31	
	2016	2015
	(Unaudited) (In thousands)	
Cash Flows From Operating Activities		
Net income	$ 125,032	$ 102,861
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	77,143	71,239
Deferred income taxes	67,241	59,299
Discontinued cash flow hedging for natural gas marketing commodity contracts	(10,579)	—
Other	4,842	3,471
Net assets / liabilities from risk management activities	3,969	(7,495)
Net change in operating assets and liabilities	(150,685)	(159,234)
Net cash provided by operating activities	116,963	70,141
Cash Flows From Investing Activities		
Capital expenditures	(297,962)	(290,412)
Acquisition	(85,714)	—
Available-for-sale securities activities, net	(10,263)	(2,263)
Other, net	1,802	2,382
Net cash used in investing activities	(392,137)	(290,293)
Cash Flows From Financing Activities		
Net increase in short-term debt	110,936	305,309
Net proceeds from equity offering	49,400	—
Issuance of common stock through stock purchase and employee retirement plans	8,998	8,729
Proceeds from issuance of long-term debt	125,000	—
Interest rate agreements cash collateral	25,670	—
Cash dividends paid	(47,740)	(43,636)
Net cash provided by financing activities	272,264	270,402
Net increase (decrease) in cash and cash equivalents	(2,910)	50,250
Cash and cash equivalents at beginning of period	47,534	28,653
Cash and cash equivalents at end of period	$ 44,624	$ 78,903

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 31, 2016

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") is engaged primarily in the regulated natural gas distribution and pipeline business. Our regulated businesses are subject to federal and state regulation and/or regulation by local authorities in each of the states our regulated divisions and subsidiaries operate.

Our distribution business delivers natural gas through sales and transportation arrangements to approximately three million residential, commercial, public authority and industrial customers through our six natural gas distribution divisions, which at December 31, 2016, covered service areas located in eight states. In addition, we transport natural gas for others through our distribution system.

Our pipeline and storage business includes the transportation of natural gas to our North Texas and Louisiana distribution systems and the management of our underground storage facilities used to support our North Texas distribution business.

Through December 31, 2016, Atmos Energy was also engaged in certain nonregulated businesses. As more fully described in Note 6, effective January 1, 2017, we sold all of the equity interests of Atmos Energy Marketing, LLC (AEM) to CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy Inc. As a result of the sale, Atmos Energy has fully exited the nonregulated gas marketing business. Additionally, as further described in Note 3, we modified our reporting segments as a result of the sale.

2. Unaudited Financial Information

These consolidated interim-period financial statements have been prepared in accordance with accounting principles generally accepted in the United States on the same basis as those used for the Company's audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. In the opinion of management, all material adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been made to the unaudited consolidated interim-period financial statements. These consolidated interim-period financial statements are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited consolidated financial statements of Atmos Energy Corporation included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. Because of seasonal and other factors, the results of operations for the three-month period ended December 31, 2016 are not indicative of our results of operations for the full 2017 fiscal year, which ends September 30, 2017.

Except for the completion of the sale of AEM on January 3, 2017, as discussed in Note 6, no events have occurred subsequent to the balance sheet date that would require recognition or disclosure in the condensed consolidated financial statements.

Significant accounting policies

Our accounting policies are described in Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

As discussed in Note 3, due to the realignment of our reportable segments, prior periods' segment information has been recast in accordance with applicable accounting guidance. Additionally, as discussed in Note 6, due to the sale of AEM, prior period amounts have been presented as discontinued operations. The segment realignment and the presentation of discontinued operations do not impact our reported net income, financial position and cash flows.

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, an entity 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 may need to use more judgment and make more estimates than under current guidance. The new guidance will become effective for us 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 December 31, 2016, we substantially completed the evaluation of our sources of revenue and are currently assessing the effect that the new guidance will have on our financial position, results of operations and cash flows. The conclusion of our assessment is contingent, in part, upon the completion of deliberations currently in progress by our industry, notably in connection with efforts to produce an accounting guide intended to be developed by the American Institute of Certified Public Accountants (AICPA).

In association with this undertaking, the AICPA formed a number of industry task forces, including a Power & Utilities (P&U) Task Force. Industry representatives and organizations, the largest auditing firms, the AICPA's Revenue Recognition Working Group and its Financial Reporting Executive Committee have undertaken, and continue to undertake, consideration of several items relevant to our industry as further discussed below. Where applicable or necessary, the FASB's Transition Resource Group (TRG) is also participating.

Currently, the industry is working to address several items including 1) the evaluation of collectability from customers if a utility has regulatory mechanisms to help assure recovery of uncollected accounts from ratepayers; 2) the accounting for funds received from third parties to partially or fully reimburse the cost of construction of an asset and 3) the accounting for alternative revenue programs, such as performance-based ratemaking. Existing alternative revenue program guidance, though excluded by the FASB in updating specific guidance associated with revenue from contracts with customers, was relocated without substantial modification to accounting guidance for rate-regulated entities. It will require separate presentation of such revenues (subject to the above-noted deliberations) in the statement of income, effective at the same time as updated guidance associated with revenue from contracts with customers becomes effective.

Currently, a timeline for the resolution of these deliberations has not been established. Additionally, we are actively working with our peers in the rate-regulated natural gas industry to conclude on the accounting treatment for several other issues that are not expected to be addressed by the P&U Task Force. Given the uncertainty with respect to the conclusions that might arise from these deliberations, we are currently unable to determine the effect the new guidance will have on our financial position, results of operations, cash flows, business processes or the transition method we will utilize to adopt the new guidance.

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 was effective for us on October 1, 2016 to be applied retrospectively. We measure certain pension plan assets using the net asset value per share practical expedient which are disclosed on an annual basis in our Form 10-K. The adoption of the new standard will have no impact on our results of operations, consolidated balance sheets or cash flows.

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 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.

In January 2017, the FASB issued new guidance that simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test. Under the new guidance, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The new standard will be effective for our fiscal 2021 goodwill impairment test; however, early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of the new standard will have no impact on our results of operations, consolidated balance sheets or cash flows.

Regulatory assets and liabilities

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 are permitted to be capitalized rather than expensed because they can be recovered through rates. We record certain costs as regulatory assets when future recovery through customer rates is considered probable. Regulatory liabilities are recorded when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process.

Substantially all of our regulatory assets are recorded as a component of deferred charges and other assets and substantially all of our regulatory liabilities are recorded as a component of deferred credits and other liabilities. Deferred gas costs are recorded either in other current assets or liabilities and the regulatory cost of removal obligation is reported separately.

Significant regulatory assets and liabilities as of December 31, 2016 and September 30, 2016 included the following:

	December 31, 2016	September 30, 2016
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs[1]	$ 128,947	$ 132,348
Infrastructure mechanisms[2]	49,098	42,719
Deferred gas costs	18,345	45,184
Recoverable loss on reacquired debt	13,122	13,761
Deferred pipeline record collection costs	8,125	7,336
APT annual adjustment mechanism	5,194	7,171
Rate case costs	1,460	1,539
Other	13,030	13,565
	$ 237,321	$ 263,623
Regulatory liabilities:		
Regulatory cost of removal obligations	$ 479,667	$ 476,891
Deferred gas costs	17,416	20,180
Asset retirement obligations	13,404	13,404
Other	6,920	4,250
	$ 517,407	$ 514,725

(1) Includes $12.1 million and $12.4 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 deferred expenses until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recoverable through base rates.

3. Segment Information

Through November 30, 2016, our consolidated operations were managed and reviewed through three segments:

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

As a result of the announced sale of Atmos Energy Marketing, we revised the information used by the chief operating decision maker to manage the Company, effective December 1, 2016. Accordingly, we will manage and review our consolidated operations through the following three reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states and storage assets located in Kentucky and Tennessee, which are used to support our natural gas distribution operations in those states. These storage assets were formerly included in our nonregulated segment.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana which were formerly included in our nonregulated segment.
- The *natural gas marketing segment* is comprised of our discontinued natural gas marketing business.

Our determination of reportable segments considers how our chief operating decision maker allocates resources between our strategic operating units under which we manage sales of various products and services through our distribution, pipeline and storage and natural gas marketing businesses. Although our distribution segment operations are geographically dispersed, they are aggregated and reported as a single segment as each natural gas distribution division has similar economic characteristics. In addition, the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana have similar economic characteristics and have been aggregated and reported as a single segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies found in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. We evaluate performance based on net income or loss of the respective operating segments. We allocate interest and pension expense to the pipeline and storage segment; however, there is no debt or pension liability recorded on the pipeline and storage segment balance sheet. 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.

Prior periods' segment information has been recast as required by applicable accounting guidance. The segment realignment does not impact our reported consolidated revenues or net income.

Income statements for the three months ended December 31, 2016 and 2015 by segment are presented in the following tables:

	Three Months Ended December 31, 2016				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 754,266	$ 25,902	$ —	$ —	$ 780,168
Intersegment revenues	390	84,050	—	(84,440)	—
	754,656	109,952	—	(84,440)	780,168
Purchased gas cost	395,346	355	—	(84,396)	311,305
Gross profit	359,310	109,597	—	(44)	468,863
Operating expenses					
Operation and maintenance	92,714	32,268	—	(44)	124,938
Depreciation and amortization	61,157	15,801	—	—	76,958
Taxes, other than income	50,546	6,503	—	—	57,049
Total operating expenses	204,417	54,572	—	(44)	258,945
Operating income	154,893	55,025	—	—	209,918
Miscellaneous expense	(633)	(361)	—	—	(994)
Interest charges	21,118	9,912	—	—	31,030
Income from continuing operations before income taxes	133,142	44,752	—	—	177,894
Income tax expense	47,778	16,078	—	—	63,856
Income from continuing operations	85,364	28,674	—	—	114,038
Income from discontinued operations, net of tax	—	—	10,994	—	10,994
Net income	$ 85,364	$ 28,674	$ 10,994	$ —	$ 125,032
Capital expenditures	$ 222,484	$ 75,478	$ —	$ —	$ 297,962

	Three Months Ended December 31, 2015				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 649,113	$ 25,640	$ —	$ —	$ 674,753
Intersegment revenues	330	72,776	—	(73,106)	—
	649,443	98,416	—	(73,106)	674,753
Purchased gas cost	313,991	(559)	—	(73,106)	240,326
Gross profit	335,452	98,975	—	—	434,427
Operating expenses					
Operation and maintenance	92,189	27,639	—	—	119,828
Depreciation and amortization	57,614	13,042	—	—	70,656
Taxes, other than income	45,558	5,656	—	—	51,214
Total operating expenses	195,361	46,337	—	—	241,698
Operating income	140,091	52,638	—	—	192,729
Miscellaneous expense	(477)	(402)	—	—	(879)
Interest charges	20,390	9,147	—	—	29,537
Income from continuing operations before income taxes	119,224	43,089	—	—	162,313
Income tax expense	45,288	15,479	—	—	60,767
Income from continuing operations	73,936	27,610	—	—	101,546
Income from discontinued operations, net of tax	—	—	1,315	—	1,315
Net income	$ 73,936	$ 27,610	$ 1,315	$ —	$ 102,861
Capital expenditures	$ 165,407	$ 124,981	$ 24	$ —	$ 290,412

Balance sheet information at December 31, 2016 and September 30, 2016 by segment is presented in the following tables:

	December 31, 2016				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Property, plant and equipment, net	$ 6,362,710	$ 2,190,252	$ —	$ —	$ 8,552,962
Investment in subsidiaries	834,469	—	—	(834,469)	—
Current assets					
Cash and cash equivalents	43,733	—	891	—	44,624
Assets from risk management activities	8,057	—	—	—	8,057
Current assets of disposal group classified as held for sale	—	—	253,950	(18,468)	235,482
Other current assets	666,474	46,009	(6,824)	(14,390)	691,269
Intercompany receivables	1,052,199	—	—	(1,052,199)	—
Total current assets	1,770,463	46,009	248,017	(1,085,057)	979,432
Goodwill	586,661	143,012	—	—	729,673
Noncurrent assets from risk management activities	1,282	—	—	—	1,282
Deferred charges and other assets	289,224	26,582	—	—	315,806
	$ 9,844,809	$ 2,405,855	$ 248,017	$ (1,919,526)	$ 10,579,155
CAPITALIZATION AND LIABILITIES					
Shareholders' equity	$ 3,698,975	$ 731,631	$ 102,838	$ (834,469)	$ 3,698,975
Long-term debt	2,314,199	—	—	—	2,314,199
Total capitalization	6,013,174	731,631	102,838	(834,469)	6,013,174
Current liabilities					
Current maturities of long-term debt	250,000	—	—	—	250,000
Short-term debt	940,747	—	—	—	940,747
Liabilities from risk management activities	25,060	—	—	—	25,060
Current liabilities of disposal group classified as held for sale	—	—	120,566	(11,268)	109,298
Other current liabilities	602,247	43,028	1,025	(21,590)	624,710
Intercompany payables	—	1,048,091	4,108	(1,052,199)	—
Total current liabilities	1,818,054	1,091,119	125,699	(1,085,057)	1,949,815
Deferred income taxes	1,156,716	560,401	8,316	—	1,725,433
Noncurrent liabilities from risk management activities	97,921	—	—	—	97,921
Regulatory cost of removal obligation	407,767	22,640	—	—	430,407
Pension and postretirement liabilities	301,715	—	—	—	301,715
Deferred credits and other liabilities	49,462	64	11,164	—	60,690
	$ 9,844,809	$ 2,405,855	$ 248,017	$ (1,919,526)	$ 10,579,155

	September 30, 2016				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Property, plant and equipment, net	$ 6,208,465	$ 2,060,141	$ —	$ —	$ 8,268,606
Investment in subsidiaries	768,415	—	—	(768,415)	—
Current assets					
Cash and cash equivalents	22,117	—	25,417	—	47,534
Assets from risk management activities	3,029	—	—	—	3,029
Current assets of disposal group classified as held for sale	—	—	162,508	(11,391)	151,117
Other current assets	486,934	39,078	5	(46,011)	480,006
Intercompany receivables	971,665	—	—	(971,665)	—
Total current assets	1,483,745	39,078	187,930	(1,029,067)	681,686
Goodwill	583,950	143,012	—	—	726,962
Noncurrent assets from risk management activities	1,822	—	—	—	1,822
Noncurrent assets of disposal group classified as held for sale	—	—	28,785	(169)	28,616
Deferred charges and other assets	275,418	27,779	—	—	303,197
	$ 9,321,815	$ 2,270,010	$ 216,715	$ (1,797,651)	$ 10,010,889
CAPITALIZATION AND LIABILITIES					
Shareholders' equity	$ 3,463,059	$ 701,818	$ 66,597	$ (768,415)	$ 3,463,059
Long-term debt	2,188,779	—	—	—	2,188,779
Total capitalization	5,651,838	701,818	66,597	(768,415)	5,651,838
Current liabilities					
Current maturities of long-term debt	250,000	—	—	—	250,000
Short-term debt	829,811	—	35,000	(35,000)	829,811
Liabilities from risk management activities	56,771	1,967	—	(1,967)	56,771
Current liabilities of the disposal group classified as held for sale	—	—	81,908	(9,008)	72,900
Other current liabilities	549,019	37,944	3,263	(11,427)	578,799
Intercompany payables	—	957,526	14,139	(971,665)	—
Total current liabilities	1,685,601	997,437	134,310	(1,029,067)	1,788,281
Deferred income taxes	1,055,348	543,390	4,318	—	1,603,056
Noncurrent liabilities from risk management activities	184,048	169	—	(169)	184,048
Regulatory cost of removal obligation	397,162	27,119	—	—	424,281
Pension and postretirement liabilities	297,743	—	—	—	297,743
Noncurrent liabilities of disposal group classified as held for sale	—	—	316	—	316
Deferred credits and other liabilities	50,075	77	11,174	—	61,326
	$ 9,321,815	$ 2,270,010	$ 216,715	$ (1,797,651)	$ 10,010,889

4. Earnings Per Share

We use the two-class method of computing earnings per share because we have participating securities in the form of non-vested restricted stock units with a nonforfeitable right to dividend equivalents, for which vesting is predicated solely on the passage of time. 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 three months ended December 31, 2016 and 2015 are calculated as follows:

	Three Months Ended December 31, 2015	
	2016	2015
	(In thousands, except per share amounts)	
Basic and Diluted Earnings Per Share from continuing operations		
Income from continuing operations	$ 114,038	$ 101,546
Less: Income from continuing operations allocated to participating securities	153	170
Income from continuing operations available to common shareholders	$ 113,885	$ 101,376
Basic and diluted weighted average shares outstanding	105,284	102,713
Income from continuing operations per share — Basic and Diluted	$ 1.08	$ 0.99
Basic and Diluted Earnings Per Share from discontinued operations		
Income from discontinued operations	$ 10,994	$ 1,315
Less: Income from discontinued operations allocated to participating securities	14	1
Income from discontinued operations available to common shareholders	$ 10,980	$ 1,314
Basic and diluted weighted average shares outstanding	105,284	102,713
Income from discontinued operations per share — Basic and Diluted	$ 0.11	$ 0.01
Net income per share — Basic and Diluted	$ 1.19	$ 1.00

5. Debt

The nature and terms of our debt instruments and credit facilities are described in detail in Note 5 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. Except as noted below, there were no material changes in the terms of our debt instruments during the three months ended December 31, 2016.

Long-term debt at December 31, 2016 and September 30, 2016 consisted of the following:

	December 31, 2016	September 30, 2016
	(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 note Series A, 1995-1, 6.67%, due 2025	10,000	10,000
Unsecured 6.75% Debentures, due 2028	150,000	150,000
Floating-rate term loan, due 2019	125,000	—
Total long-term debt	2,585,000	2,460,000
Less:		
Original issue discount on unsecured senior notes and debentures	4,184	4,270
Debt issuance cost	16,617	16,951
Current maturities	250,000	250,000
	$ 2,314,199	$ 2,188,779

On September 22, 2016, we entered into a three year, $200 million multi-draw floating-rate 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 December 31, 2016, there was $125.0 million outstanding under the term loan.

We utilize short-term debt to fund ongoing working capital needs, such as our seasonal requirements for gas supply, general corporate liquidity and capital expenditures. Our short-term borrowing requirements are affected primarily 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 our customers' needs could significantly affect our borrowing requirements. 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 $1.5 billion commercial paper program, four committed revolving credit facilities and one uncommitted revolving credit facility with third-party lenders that provide approximately $1.6 billion of total working capital funding. The primary source of our funding is our commercial paper program, which is supported by a five-year unsecured $1.5 billion credit facility that expires September 25, 2021. The 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. Additionally, the facility contains a $250 million accordion feature, which provides the opportunity to increase the total committed loan to $1.75 billion. This facility was amended in October 2016 to increase the total availability from $1.25 billion. At December 31, 2016 and September 30, 2016 a total of $940.7 million and $829.8 million was outstanding under our commercial paper program.

Additionally, we have a $25 million unsecured facility and a $10 million unsecured revolving credit facility, which is used primarily to issue letters of credit. At December 31, 2016, there were no borrowings outstanding under either of these facilities; however, outstanding letters of credit reduced the total amount available to us under our $10 million revolving facility to $4.1 million.

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 each of these facilities to maintain, at the end of each fiscal quarter, a ratio of total debt to total capitalization of no greater than 70 percent. At December 31, 2016, our total-debt-to-total-capitalization ratio, as defined in the agreements, was 50 percent. In addition, both the interest margin and the fee that we pay on unused amounts under certain of these facilities are subject to adjustment depending upon our credit ratings.

These credit facilities and our 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 certain of 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 December 31, 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.

As of December 31, 2016, AEM had one uncommitted $25 million 364-day bilateral credit facility that was scheduled to expire on July 31, 2017 and one committed $15 million 364-day bilateral credit facility that was scheduled to expire on September 30, 2017. In connection with the sale of AEM discussed in Note 6, both facilities were terminated on January 3, 2017. There were no amounts outstanding under these facilities as of December 31, 2016.

6. Divestitures and Acquisitions

Divestiture of Atmos Energy Marketing (AEM)

On October 29, 2016, we entered into a Membership Interest Purchase Agreement (the Agreement) with CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy, Inc. (CES) to sell all of the equity interests of AEM. The transaction closed on January 3, 2017, with an effective date of January 1, 2017. CES paid a cash purchase price of $38.3 million plus estimated working capital of $103.2 million for total cash consideration of $141.5 million. Of this amount, $7.0 million was placed into escrow and will be paid to the Company within 24 months, net of any indemnification claims agreed upon between the two companies. We expect to recognize a net gain of $0.03 per diluted share on the sale and complete the working capital true–up during the second quarter of fiscal 2017.

The operating results of our natural gas marketing reportable segment have been reported on the condensed consolidated statements of income as income from discontinued operations, net of income tax. Accordingly, expenses related to allocable general corporate overhead and interest expense are not included in these results. The decision to report this segment as a discontinued operation was predicated, in part, on the following qualitative and quantitative factors: 1) the disposal results in the company becoming a fully regulated entity; 2) the fact that an entire reportable segment will be disposed and 3) the fact the disposed segment represented in excess of 30 percent of consolidated revenues over the last five fiscal years.

The tables below set forth selected financial and operational information related to assets, liabilities and operating results related to discontinued operations. Additionally, assets and liabilities related to our natural gas marketing operations are classified as "held for sale" in other current assets and liabilities in our condensed consolidated balance sheets at December 31, 2016 and in other current assets, deferred charges and other assets, other current liabilities and deferred credits and other liabilities in our consolidated balance sheets at September 30, 2016. Prior period revenues and expenses associated with these assets have been reclassified into discontinued operations. This reclassification had no impact on previously reported consolidated net income.

The following table presents statement of income data related to discontinued operations.

	Three Months Ended December 31 2016	Three Months Ended December 31 2015
	(In thousands)	
Operating revenues	$ 303,474	$ 259,258
Purchased gas cost	277,554	249,789
Gross profit	25,920	9,469
Operating expenses	7,874	5,993
Operating income	18,046	3,476
Other nonoperating expense	(211)	(1,276)
Income from discontinued operations before income taxes	17,835	2,200
Income tax expense	6,841	885
Net income from discontinued operations	$ 10,994	$ 1,315

The following table presents a reconciliation of the carrying amounts of major classes of assets and liabilities of our natural gas marketing's operations to total assets and liabilities classified as held for sale.

	December 31, 2016	September 30, 2016
	(In thousands)	
Assets:		
Net property, plant and equipment	$ 11,599	$ 11,905
Accounts receivable	139,741	93,551
Gas stored underground	77,559	54,246
Other current assets	9,447	14,711
Goodwill[(2)]	13,734	16,445
Deferred charges and other assets	1,870	435
Total assets of the disposal group classified as held for sale in the statement of financial position [(1)]	253,950	191,293
Cash	891	25,417
Other assets	(6,824)	5
Total assets of disposal group in the statement of financial position	$ 248,017	$ 216,715
Liabilities:		
Accounts payable and accrued liabilities	$ 113,368	$ 72,268
Other current liabilities	6,876	9,640
Deferred credits and other	322	316
Total liabilities of the disposal group classified as held for sale in the statement of financial position [(1)]	120,566	82,224
Intercompany note payable	—	35,000
Tax liabilities	19,469	15,471
Intercompany payables	4,108	14,139
Other liabilities	1,036	3,179
Total liabilities of disposal group in the statement of financial position	$ 145,179	$ 150,013

(1) Amounts in the comparative period are classified as current and long term in the statement of financial position.

(2) The period-over-period change in natural gas marketing goodwill is the result of the reallocation of goodwill between the retained portion and held-for-sale portion of the former Atmos Energy Marketing reporting unit, based on relative fair value.

The following table presents statement of cash flow data related to discontinued operations.

	Three Months Ended December 31	
	2016	2015
	(In thousands)	
Depreciation and amortization	$ 185	$ 583
Capital expenditures	$ —	$ 24
Noncash gain in commodity contract cash flow hedges	$ 18,744	$ 3,858

Acquisition of EnLink Pipeline

On December 20, 2016, we executed a purchase and sale agreement to acquire the general partnership and limited partnership interests in EnLink North Texas Pipeline, LP (EnLink Pipeline) from EnLink Energy GP, LLC and EnLink Midstream Operating, LP for an all–cash price of $85 million, plus estimated working capital. After considering estimated working capital, the total proceeds paid were $85.7 million. The final purchase is subject to adjustment after the estimated working capital is finalized during the second quarter of fiscal 2017.

EnLink Pipeline's primary asset is a 140–mile natural gas pipeline located on the north side of the Dallas–Fort Worth Metroplex. As of December 31, 2016, the $85 million purchase price was preliminarily allocated, based on fair value using observable market inputs, to the net book value of the acquired pipeline. The final purchase price allocation is subject to adjustment pending the completion of analysis of the fair value of certain contracts included in the acquisition. We expect to complete this evaluation during the second quarter of fiscal 2017.

7. Shareholders' Equity

Shelf Registration and At-the-Market Equity Sales Program

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. We also filed a prospectus supplement under the registration statement relating to an at-the-market (ATM) equity distribution program under which we may issue and sell, shares of our common stock, up to an aggregate offering price of $200 million. During the first fiscal quarter of 2017, we sold 690,812 shares of common stock under our existing ATM program for $50.0 million and received net proceeds of $49.4 million. At December 31, 2016, approximately $2.4 billion of securities remain available for issuance under the shelf registration statement and approximately $50 million of equity remained available for issuance under the ATM program.

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in AOCI related to available-for-sale securities, interest rate 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 (loss).

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Commodity Contracts Cash Flow Hedges	Total
	(In thousands)			
September 30, 2016	$ 4,484	$ (187,524)	$ (4,982)	$ (188,022)
Other comprehensive income (loss) before reclassifications	(828)	91,127	9,847	100,146
Amounts reclassified from accumulated other comprehensive income	—	87	(4,865)	(4,778)
Net current-period other comprehensive income (loss)	(828)	91,214	4,982	95,368
December 31, 2016	$ 3,656	$ (96,310)	$ —	$ (92,654)

	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	(768)	4,696	(11,656)	(7,728)
Amounts reclassified from accumulated other comprehensive income	—	87	14,009	14,096
Net current-period other comprehensive income (loss)	(768)	4,783	2,353	6,368
December 31, 2015	$ 4,181	$ (84,059)	$ (23,084)	$ (102,962)

The following tables detail reclassifications out of AOCI for the three months ended December 31, 2016 and 2015. Amounts in parentheses below indicate decreases to net income in the statement of income.

	Three Months Ended December 31, 2016	
Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
	(In thousands)	
Cash flow hedges		
Interest rate agreements	$ (137)	Interest charges
Commodity contracts	7,976	Purchased gas cost[1]
	7,839	Total before tax
	(3,061)	Tax expense
Total reclassifications	$ 4,778	Net of tax

	Three Months Ended December 31, 2015	
Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
	(In thousands)	
Cash flow hedges		
Interest rate agreements	$ (137)	Interest charges
Commodity contracts	(22,965)	Purchased gas cost[1]
	(23,102)	Total before tax
	9,006	Tax benefit
Total reclassifications	$ (14,096)	Net of tax

[1]Amounts are presented as part of income from discontinued operations on the condensed consolidated statements of income.

8. Interim Pension and Other Postretirement Benefit Plan Information

The components of our net periodic pension cost for our pension and other postretirement benefit plans for the three months ended December 31, 2016 and 2015 are presented in the following table. Most of these costs are recoverable through our gas distribution rates; however, a portion of these costs is capitalized into our gas distribution rate base. The remaining costs are recorded as a component of operation and maintenance expense.

	Three Months Ended December 31			
	Pension Benefits		Other Benefits	
	2016	2015	2016	2015
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 5,216	$ 4,698	$ 3,109	$ 2,706
Interest cost	6,297	7,095	2,670	3,106
Expected return on assets	(6,994)	(6,881)	(1,796)	(1,566)
Amortization of transition obligation	—	—	—	21
Amortization of prior service credit	(58)	(57)	(411)	(411)
Amortization of actuarial (gain) loss	4,249	3,320	(707)	(542)
Net periodic pension cost	$ 8,710	$ 8,175	$ 2,865	$ 3,314

The assumptions used to develop our net periodic pension cost for the three months ended December 31, 2016 and 2015 are as follows:

	Pension Benefits		Other Benefits	
	2016	2015	2016	2015
Discount rate	3.73%	4.55%	3.73%	4.55%
Rate of compensation increase	3.50%	3.50%	N/A	N/A
Expected return on plan assets	7.00%	7.00%	4.45%	4.45%

The discount rate used to compute the present value of a plan's liabilities generally is based on rates of high-grade corporate bonds with maturities similar to the average period over which the benefits will be paid. Generally, our funding policy has been to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974. In accordance with the Pension Protection Act of 2006 (PPA), we determined the funded status of our plan as of January 1, 2016. Based on that determination, we were not required to make a minimum contribution to our defined benefit plan during the first quarter of fiscal 2017.

We contributed $3.0 million to our other post-retirement benefit plans during the three months ended December 31, 2016. We expect to contribute a total of between $10 million and $20 million to these plans during fiscal 2017.

9. Commitments and Contingencies

Litigation and Environmental Matters

With respect to the specific litigation and environmental-related matters or claims that were disclosed in Note 11 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, there were no material changes in the status of such litigation and environmental-related matters or claims during the three months ended December 31, 2016.

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

Purchase Commitments

Our natural gas distribution divisions, except for our Mid-Tex Division, 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. These purchase commitment contracts are detailed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. There were no material changes to the purchase commitments for the three months ended December 31, 2016.

Regulatory Matters

Various regulatory agencies, including the SEC and the Commodities Futures Trading Commission, continue to adopt regulations implementing many of the provisions of the Dodd-Frank Act of 2010. We continue to enact new procedures and modify existing business practices and contractual arrangements to comply with such regulations. Additional rulemakings are pending which we believe will result in new reporting and disclosure obligations. The costs associated with hedging certain risks inherent in our business may be further increased when these expected additional regulations are adopted.

As of December 31, 2016, formula rate mechanisms were in progress in our Louisiana, Tennessee, Mississippi and West Texas service areas, infrastructure mechanisms were in progress in our Mississippi, Colorado and Kansas service areas and an ad valorem tax rider filing was in progress in our Kansas service area. These regulatory proceedings are discussed in further detail below in *Management's Discussion and Analysis — Recent Ratemaking Developments*.

10. Financial Instruments

We currently use financial instruments to mitigate commodity price risk and interest rate risk. The objectives and strategies for using financial instruments and the related accounting for these financial instruments are fully described in Notes 2 and 13 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. During the three months ended December 31, 2016 there were no changes in our objectives, strategies and accounting for using financial instruments. Our financial instruments do not contain any credit-risk-related or other contingent features that could cause payments to be accelerated when our financial instruments are in net liability positions. The following summarizes those objectives and strategies.

Regulated Commodity Risk Management Activities

Our purchased gas cost adjustment mechanisms essentially insulate our distribution segment from commodity price risk; however, 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.

We typically seek to hedge between 25 and 50 percent of anticipated heating season gas purchases using financial instruments. For the 2016-2017 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we anticipate hedging approximately 27 percent, or 16.2 Bcf of the winter flowing gas requirements. We have not designated these financial instruments as hedges for accounting purposes.

Natural Gas Marketing Commodity Risk Management Activities

Our natural gas marketing segment was exposed to risks associated with changes in the market price of natural gas through the purchase, sale and delivery of natural gas to its customers at competitive prices. Through December 31, 2016, we managed 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. These financial instruments have maturity dates ranging from one to 60 months. Effective January 1, 2017, as a result of the sale of AEM, these activities will be discontinued.

Due to the anticipated sale of AEM, we determined that the cash flows associated with our natural gas marketing commodity cash flow hedges were no longer probable of occurring; therefore, we discontinued hedge accounting as of December 31, 2016. As a result, we reclassified the gain in accumulated other comprehensive income associated with the commodity contracts into earnings as a reduction of purchased gas costs and recognized a pre-tax gain of $10.6 million for the three months ended December 31, 2016, which is included in discontinued operations on the condensed consolidated statement of income.

Interest Rate Risk Management Activities

We periodically manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

As of December 31, 2016, we had forward starting interest rate swaps to effectively fix the Treasury yield component associated with the anticipated issuance of $250 million and $450 million unsecured senior notes in fiscal 2017 and fiscal 2019, at 3.37% and 3.78%, which we designated as cash flow hedges at the time the swaps were executed. As of December 31, 2016, we had $18.2 million of net realized losses in accumulated other comprehensive income (AOCI) associated with the settlement of financial instruments used to fix the Treasury yield component of the interest cost of financing various issuances of long-term debt and senior notes, which will be recognized as a component of interest expense over the life of the associated notes from the date of settlement. The remaining amortization periods for these settled amounts extend through fiscal 2045.

Quantitative Disclosures Related to Financial Instruments

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

As of December 31, 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 December 31, 2016, we had net long/(short) commodity contracts outstanding in the following quantities:

Contract Type	Hedge Designation	Quantity (MMcf)
Commodity contracts	Fair Value	(22,403)
	Not designated	109,012
		86,609

Financial Instruments on the Balance Sheet

The following tables present the fair value and balance sheet classification of our financial instruments as of December 31, 2016 and September 30, 2016. The gross amounts of recognized assets and liabilities are netted within our unaudited Condensed Consolidated Balance Sheets to the extent that we have netting arrangements with the counterparties.

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
December 31, 2016			
Designated As Hedges:			
Commodity contracts	Other current liabilities	$ —	$ (19,740)
Interest rate contracts	Other current liabilities	—	(25,060)
Interest rate contracts	Deferred credits and other liabilities	—	(97,921)
Total		—	(142,721)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	89,309	(71,433)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	19,714	(16,591)
Total		109,023	(88,024)
Gross Financial Instruments		109,023	(230,745)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		(97,841)	97,841
Net Financial Instruments		11,182	(132,904)
Cash collateral		3,788	9,909
Net Assets/Liabilities from Risk Management Activities		$ 14,970	$ (122,995)

	Balance Sheet Location	Assets	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		8,790	(292,171)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	21,186	(18,812)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	14,165	(12,701)
Total		35,351	(31,513)
Gross Financial Instruments		44,141	(323,684)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		(39,290)	39,290
Net Financial Instruments		4,851	(284,394)
Cash collateral		6,775	43,575
Net Assets/Liabilities from Risk Management Activities		$ 11,626	$ (240,819)

Impact of Financial Instruments on the Income Statement

Hedge ineffectiveness for our natural gas marketing segment is recorded as a component of purchased gas cost, which is included in discontinued operations on the condensed consolidated statements of income, 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 three months ended December 31, 2016 and 2015, we recognized gains arising from fair value and cash flow hedge ineffectiveness of $3.4 million and $7.9 million. Additional information regarding ineffectiveness recognized in the income statement is included in the tables below.

Fair Value Hedges

The impact of our natural gas marketing segment commodity contracts designated as fair value hedges and the related hedged item on our condensed consolidated income statement for the three months ended December 31, 2016 and 2015 is presented below.

	Three Months Ended December 31	
	2016	2015
	(In thousands)	
Commodity contracts	$ (9,567)	$ 5,744
Fair value adjustment for natural gas inventory designated as the hedged item	12,858	2,161
Total decrease in purchased gas cost	$ 3,291	$ 7,905
The decrease in purchased gas cost is comprised of the following:		
Basis ineffectiveness	$ (597)	$ 1,289
Timing ineffectiveness	3,888	6,616
	$ 3,291	$ 7,905

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 our interest rate and natural gas marketing segment cash flow hedges on our condensed consolidated income statements for the three months ended December 31, 2016 and 2015 is presented below.

	Three Months Ended December 31	
	2016	2015
	(In thousands)	
Loss reclassified from AOCI for effective portion of commodity contracts	$ (2,612)	$ (22,965)
Gain (loss) arising from ineffective portion of commodity contracts	111	(43)
Gain on discontinuance of cash flow hedging of natural gas marketing commodity contracts reclassified from AOCI	10,579	—
Total impact on purchased gas cost	8,078	(23,008)
Net loss on settled interest rate agreements reclassified from AOCI into interest expense	(137)	(137)
Total Impact from Cash Flow Hedges	$ 7,941	$ (23,145)

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 three months ended December 31, 2016 and 2015. The amounts included in the table below exclude gains and losses arising from ineffectiveness because those amounts are immediately recognized in the income statement as incurred.

	Three Months Ended December 31	
	2016	2015
	(In thousands)	
Increase (decrease) in fair value:		
Interest rate agreements	$ 91,127	$ 4,696
Forward commodity contracts	9,847	(11,656)
Recognition of (gains) losses in earnings due to settlements:		
Interest rate agreements	87	87
Forward commodity contracts	(4,865)	14,009
Total other comprehensive income from hedging, net of tax[1]	$ 96,196	$ 7,136

[1] Utilizing an income tax rate ranging from 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 over the terms of the underlying debt instruments, while deferred gains (losses) associated with natural gas marketing segment commodity contracts are recognized in earnings upon settlement. The following amounts, net of deferred taxes, represent the expected recognition in earnings of the deferred losses recorded in AOCI associated with our financial instruments, based upon the fair values of these financial instruments as of December 31, 2016. However, the table below does not include the expected recognition in earnings of our outstanding interest rate agreements as those instruments have not yet settled.

		Interest Rate Agreements
		(In thousands)
Next twelve months	$	(523)
Thereafter		(17,694)
Total[(1)]	$	(18,217)

(1) Utilizing an income tax rate of 37 percent.

Financial Instruments Not Designated as Hedges

The impact of natural gas marketing segment financial instruments that have not been designated as hedges on our condensed consolidated income statements for the three months ended December 31, 2016 and 2015 was a decrease (increase) in purchased gas cost of $6.8 million and $(2.2) million, which is included in discontinued operations on the condensed consolidated statements of income.

As discussed above, financial instruments used in our distribution segment are not designated as hedges. However, there is no earnings impact on our 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.

11. 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 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. During the three months ended December 31, 2016, there were no changes in these methods.

Fair value measurements also apply to the valuation of our pension and postretirement plan assets. Current accounting guidance requires employers to annually disclose information about fair value measurements of the assets of a defined benefit pension or other postretirement plan. The fair value of these assets is presented in Note 7 to the financial statements in our Annual Report on Form 10-K for the fiscal year ending September 30, 2016.

Quantitative Disclosures

Financial Instruments

The classification of our fair value measurements requires judgment regarding the degree to which market data is observable or corroborated by observable market data. 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), with the lowest priority given to unobservable inputs (Level 3). 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 December 31, 2016 and September 30, 2016. 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)	December 31, 2016
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 109,023	$ —	$ (94,053)	$ 14,970
Hedged portion of gas stored underground	76,735	—	—	—	76,735
Available-for-sale securities					
Registered investment companies	38,836	—	—	—	38,836
Bond mutual funds	10,378	—	—	—	10,378
Bonds	—	31,303	—	—	31,303
Money market funds	—	1,613	—	—	1,613
Total available-for-sale securities	49,214	32,916	—	—	82,130
Total assets	$ 125,949	$ 141,939	$ —	$ (94,053)	$ 173,835
Liabilities:					
Financial instruments	$ —	$ 230,745	$ —	$ (107,750)	$ 122,995

	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, 2016
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 44,141	$ —	$ (32,515)	$ 11,626
Hedged portion of gas stored underground	52,578	—	—	—	52,578
Available-for-sale securities					
Registered investment companies	38,677	—	—	—	38,677
Bonds	—	31,394	—	—	31,394
Money market funds	—	2,630	—	—	2,630
Total available-for-sale securities	38,677	34,024	—	—	72,701
Total assets	$ 91,255	$ 78,165	$ —	$ (32,515)	$ 136,905
Liabilities:					
Financial instruments	$ —	$ 323,684	$ —	$ (82,865)	$ 240,819

(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. As of December 31, 2016, we had $13.7 million of cash held in margin accounts to collateralize certain financial instruments. Of this amount, $9.9 million was used to offset current and noncurrent risk management liabilities under master netting arrangements with the remaining $3.8 million 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. As of September 30, 2016, we had $50.4 million of cash held in margin accounts to collateralize certain financial instruments. Of this amount, $43.6 million was used to offset current and noncurrent risk management liabilities under master netting arrangements with the remaining $6.8 million is classified as current risk management assets.

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

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
		(In thousands)		
As of December 31, 2016				
Domestic equity mutual funds	$ 27,792	$ 5,853	$ (903)	$ 32,742
Foreign equity mutual funds	5,102	992	—	6,094
Bond mutual funds	10,428	—	(50)	10,378
Bonds	31,380	19	(96)	31,303
Money market funds	1,613	—	—	1,613
	$ 76,315	$ 6,864	$ (1,049)	$ 82,130
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

At December 31, 2016 and September 30, 2016, our available-for-sale securities included $40.4 million and $41.3 million related to assets held in separate rabbi trusts for our supplemental executive benefit plans. At December 31, 2016, we maintained investments in bonds that have contractual maturity dates ranging from January 2017 through September 2020.

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 a fund by fund 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 fund is written down to its estimated fair value and the other-than-temporary impairment is recognized in the income statement.

Other Fair Value Measures

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 December 31, 2016 and September 30, 2016:

	December 31, 2016	September 30, 2016
	(In thousands)	
Carrying Amount	$ 2,585,000	$ 2,460,000
Fair Value	$ 2,788,228	$ 2,844,990

12. Concentration of Credit Risk

Information regarding our concentration of credit risk is disclosed in Note 16 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. During the three months ended December 31, 2016, there were no material changes in our concentration of credit risk.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have reviewed the condensed consolidated balance sheet of Atmos Energy Corporation and subsidiaries as of December 31, 2016 and the related condensed consolidated statements of income, comprehensive income and cash flows for the three-month periods ended December 31, 2016 and 2015. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Atmos Energy Corporation and subsidiaries as of September 30, 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated November 14, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2016, is fairly stated, in all material respects, in relation to the consolidated balance sheets from which it has been derived.

/s/ ERNST & YOUNG LLP

Dallas, Texas
February 7, 2017

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

INTRODUCTION

The following discussion should be read in conjunction with the condensed consolidated financial statements in this Quarterly Report on Form 10-Q and Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended September 30, 2016.

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

The statements contained in this Quarterly Report on Form 10-Q 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 and capital 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 natural gas 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.

OVERVIEW

Atmos Energy and our subsidiaries are engaged primarily in the regulated natural gas distribution and transmission and storage businesses, as well as our natural gas marketing business through December 31, 2016. We distribute natural gas through sales and transportation arrangements to approximately three million residential, commercial, public authority and industrial customers throughout our six natural gas distribution divisions, which at December 31, 2016 covered service areas located in eight states. In addition, we transport natural gas for others through our distribution and pipeline systems.

Through our natural gas marketing businesses, we have provided natural gas management and marketing services to municipalities, other local gas distribution companies and industrial customers primarily in the Midwest and Southeast.

As discussed in Note 3, beginning with the quarter ended December 31, 2016, we will manage and review our consolidated operations through the following three reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states, and storage assets located in Kentucky and Tennessee, which are used to support our natural gas distribution operations in those states. These storage assets were formerly included in our nonregulated segment.
- The *pipeline and storage segment*, is comprised primarily of the pipeline and storage operations of our Atmos Energy Pipeline-Texas division and our natural gas transmission operations in Louisiana which were formerly included in our nonregulated segment..
- The *natural gas marketing segment*, is comprised of our discontinued natural gas marketing business.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Our condensed 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 based our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. On an ongoing basis, we evaluate our estimates, including those related to risk management and trading activities, the allowance for doubtful accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and the valuation of goodwill, indefinite-lived intangible assets and other long-lived assets. Actual results may differ from such estimates.

Our critical accounting policies used in the preparation of our consolidated financial statements are described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016 and include the following:

- Regulation
- Unbilled revenue
- Pension and other postretirement plans
- Contingencies
- Financial instruments and hedging activities
- Fair value measurements
- Impairment assessments

Our critical accounting policies are reviewed periodically by the Audit Committee of our Board of Directors. There were no significant changes to these critical accounting policies during the three months ended December 31, 2016.

RESULTS OF OPERATIONS

Executive Summary

Atmos Energy 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 regulatory mechanisms has resulted in increased earnings and operating cash flows in recent years.

The pursuit of our strategy was the primary driver for our decision to sell our nonregulated natural gas marketing business and fully exit that business. The sale was announced in October 2016 and closed in January 2017 with the receipt of $134.5 million in cash proceeds, including estimated working capital. We expect to record a net gain of $0.03 per diluted share on the sale in the second quarter of fiscal 2017. The proceeds received from the transaction will be used to fund infrastructure in our remaining businesses. As a result of the sale, the results of operations for the divested business have been presented as discontinued operations.

	Three Months Ended December 31		
	2016	2015	Change
	(In thousands, except per share data)		
Distribution operations	$ 85,364	$ 73,936	$ 11,428
Pipeline and storage operations	28,674	27,610	1,064
Net income from continuing operations	114,038	101,546	12,492
Net income from discontinued operations	10,994	1,315	9,679
Net income	$ 125,032	$ 102,861	$ 22,171
Diluted EPS from continued operations	$ 1.08	$ 0.99	$ 0.09
Diluted EPS from discontinued operations	0.11	0.01	0.10
Consolidated diluted EPS	$ 1.19	$ 1.00	$ 0.19

Net income from continuing operations increased 12.3 percent, quarter-over-quarter primarily due to positive rate outcomes and customer growth in our distribution business. During the first quarter of fiscal 2017, our distribution segment had completed three regulatory proceedings, resulting in an increase in annual operating income of $4.6 million and had nine ratemaking efforts in progress at December 31, 2016 seeking $28.9 million of additional annual operating income. Additionally, on January 6, 2017, our Atmos Pipeline - Texas Division filed its statement of intent seeking $55.2 million in additional operating income. Our discontinued natural gas marketing results improved quarter-over-quarter primarily due to a pre-tax gain of $10.6 million recognized in the current quarter related to the discontinuance of cash flow hedging for our natural gas marketing commodity contracts.

Capital expenditures for the first three months of fiscal 2017 were $298.0 million. Approximately 78 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. We expect our capital expenditures to range between $1.1 billion and $1.25 billion for fiscal 2017. We funded our capital expenditure program primarily through operating cash flows of $117.0 million, $125 million in borrowings under our three-year $200 million multi-draw term loan, $49.4 million in proceeds from the issuance of common stock under our at-the-market equity distribution program and net short-term debt borrowings.

As a result of our sustained financial performance, cash flows and capital structure, our Board of Directors increased the quarterly dividend by 7.1 percent for fiscal 2017.

Distribution Segment

The distribution segment is primarily comprised of our regulated natural gas distribution and related sales operations in eight states, and storage assets located in Kentucky and Tennessee, which are used to support our regulated natural gas distribution operations in those states. These storage assets were previously included in our former nonregulated segment. The primary factors that impact the results of this segment 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 of return 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.

Seasonal weather patterns can also affect our distribution operations. However, the effect of weather that is above or below normal is substantially offset through weather normalization adjustments, known as WNA, which has been approved by state regulatory commissions for approximately 97 percent of our residential and commercial meters in the following states for the following time periods:

Kansas, West Texas	October — May
Tennessee	October — April
Kentucky, Mississippi, Mid-Tex	November — April
Louisiana	December — March
Virginia	January — December

Our distribution operations are also affected by the cost of natural gas. The cost of gas is passed through to our customers without markup. Therefore, 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 includes franchise fees and gross receipts taxes, which are calculated as a percentage of revenue (inclusive of gas costs). Therefore, the amount of these taxes included in revenues is influenced by the cost of gas and the level of gas sales volumes. We record the associated tax expense as a component of taxes, other than income. Although changes in these revenue-related taxes arising from changes in gas costs affect gross profit, over time the impact is offset within operating income.

As discussed above, the cost of gas typically does not have a direct impact on our gross profit. However, higher gas costs mean higher bills for our customers, which 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. However, gas cost risk has been mitigated in recent years through improvements in rate design that allow us to collect from our customers the gas cost portion of our bad debt expense on approximately 75 percent of our residential and commercial margins.

Three Months Ended December 31, 2016 compared with Three Months Ended December 31, 2015

Financial and operational highlights for our distribution segment for the three months ended December 31, 2016 and 2015 are presented below.

	Three Months Ended December 31		
	2016	2015	Change
	(In thousands, unless otherwise noted)		
Gross profit	$ 359,310	$ 335,452	$ 23,858
Operating expenses	204,417	195,361	9,056
Operating income	154,893	140,091	14,802
Miscellaneous expense	(633)	(477)	(156)
Interest charges	21,118	20,390	728
Income before income taxes	133,142	119,224	13,918
Income tax expense	47,778	45,288	2,490
Net income	$ 85,364	$ 73,936	$ 11,428
Consolidated distribution sales volumes — MMcf	74,430	72,254	2,176
Consolidated distribution transportation volumes — MMcf	36,175	32,211	3,964
Total consolidated distribution throughput — MMcf	110,605	104,465	6,140
Consolidated distribution average cost of gas per Mcf sold	$ 5.31	$ 4.35	$ 0.96

Income for our distribution segment increased 15 percent, primarily due to a $23.9 million increase in gross profit, partially offset with a $9.1 million increase in operating expenses. The quarter-over-quarter increase in gross profit primarily reflects:

- a $15.9 million net increase in rate adjustments, primarily in our Mid-Tex, Louisiana and West Texas Divisions.
- a $2.6 million increase in revenue-related taxes in our Mid-Tex and West Texas Divisions, offset by a corresponding $2.2 million increase in the related tax expense.
- Customer growth, primarily in our Mid-Tex, Louisiana and Tennessee service areas, which contributed an incremental $1.7 million.

The increase in operating expenses, which include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, was primarily due to higher levels of pipeline maintenance and higher depreciation and property tax expense associated with increased capital investments.

Additionally, interest expense increased $0.7 million due to higher average short-term debt balances and interest rates and expense associated with $125.0 million of incremental debt financing issued during the first quarter of fiscal 2017.

The following table shows our operating income by distribution division, in order of total rate base, for the three months ended December 31, 2016 and 2015. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	Three Months Ended December 31		
	2016	2015	Change
		(In thousands)	
Mid-Tex	$ 72,743	$ 67,919	$ 4,824
Kentucky/Mid-States	22,738	19,138	3,600
Louisiana	19,863	15,843	4,020
West Texas	14,928	12,889	2,039
Mississippi	11,958	12,792	(834)
Colorado-Kansas	11,705	10,092	1,613
Other	958	1,418	(460)
Total	$ 154,893	$ 140,091	$ 14,802

Recent Ratemaking Developments

The amounts described in the following sections represent the operating income that was requested or received in each rate filing, which may not necessarily reflect the stated amount referenced in the final order, as certain operating costs may have changed as a result of a commission's or other governmental authority's final ruling. During the first three months of fiscal 2017, we completed three regulatory proceedings, resulting in a $4.6 million increase in annual operating income as summarized below:

Rate Action	Annual Increase to Operating Income (In thousands)
Annual formula rate mechanisms	$ 4,603
Rate case filings	6
Other rate activity	—
	$ 4,609

Additionally, the following ratemaking efforts seeking $28.9 million in annual operating income were in progress as of December 31, 2016:

Division	Rate Action	Jurisdiction	Operating Income Requested (In thousands)
Louisiana	Formula Rate Mechanism	Trans La	$ 4,392
Kentucky/Mid-States	Formula Rate Mechanism (1)	Tennessee	5,514
Mississippi	Formula Rate Mechanism (2)	Mississippi	6,292
Mississippi	Infrastructure Mechanism (3)	Mississippi	3,334
Mississippi	Infrastructure Mechanism (3)	Mississippi	1,292
Colorado-Kansas	Infrastructure Mechanism (4)	Colorado	1,350
Colorado-Kansas	Infrastructure Mechanism	Kansas	801
Colorado-Kansas	Ad Valorem Tax Rider (5)	Kansas	784
West Texas	Formula Rate Filing	WT Cities	5,152
			$ 28,911

(1) The Tennessee Regulatory Authority issued a final order approving a $4.6 million increase in operating income, to be included in the Company's 2017 ARM filing, that was filed on February 1, 2017.

(2) The Mississippi Public Service Commission (MPSC) issued a final order approving a $4.4 million stable rate increase in operating income effective February 1, 2017.

(3) The MPSC issued final orders approving $4.6 million SIR and SGR increases in operating income effective January 1, 2017.

(4) The Colorado Public Utilities Commission issued a final order approving a $1.4 million increase in annual operating income effective January 1, 2017.

(5) The Kansas Corporation Commission issued a final order approving a $0.8 million increase in annual operating income effective February 1, 2017. 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.

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 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 annual formula rate mechanisms were approved during the three months ended December 31, 2016.

Division	Jurisdiction	Test Year Ended	Increase in Annual Operating Income (In thousands)	Effective Date
2017 Filings:				
Kentucky/Mid-States	Kentucky	09/30/2017	$ 4,981	10/14/2016
Kentucky/Mid-States	Virginia	09/30/2017	(378)	10/01/2016
Total 2017 Filings			$ 4,603	

The Louisiana Public Service Commission (LPSC) issued final orders approving a $14.9 million increase in annual operating income in the Company's 2016 formula rate filings for Trans La and LGS. These rates had been implemented in April 2016 and July 2016, subject to refund.

Rate Case Filings

A rate case is a formal request from Atmos Energy to a regulatory authority to increase rates that are charged to our 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 and ensure that we continue to deliver reliable, reasonably priced natural gas service safely to our customers.

The following table summarizes the rate cases that were completed during the three months ended December 31, 2016.

Division	State	Increase in Annual Operating Income	Effective Date
		(In thousands)	
2017 Rate Case Filings:			
Kentucky/Mid-States [(1)]	Virginia	$ 6	12/27/2016
Total 2017 Rate Case Filings		$ 6	

(1) The Virginia State Corporation Commission issued a final order approving a re-basing of the Company's SAVE rates into base rates and a decrease to depreciation expense. The Company had implemented rates on April 1, 2016, subject to refund, of $0.5 million.

Other Ratemaking Activity

The Company had no other ratemaking activity during the three months ended December 31, 2016.

Pipeline and Storage Segment

Our pipeline and storage segment consists of the pipeline and storage operations of our Atmos Pipeline–Texas Division (APT) and our natural gas transmission operations in Louisiana, which were previously included in our former nonregulated segment. 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, as well as marketers and producers. As part of its pipeline operations, APT manages five underground storage reservoirs in Texas.

Our natural gas transmission operations in Louisiana are comprised of a proprietary 21-mile pipeline located in New Orleans, Louisiana that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and on a more limited basis, to third parties. The demand fee charged to our Louisiana distribution division for these services is subject to regulatory approval by the Louisiana Public Service Commission. They also manage two asset management plans with distribution affiliates of the Company which have been approved by applicable state regulatory commissions. Generally, these asset management plans require us to share with our distribution customers a significant portion of the cost savings earned from these arrangements.

Our pipeline and storage segment is impacted by seasonal weather patterns, competitive factors in the energy industry and economic conditions in our Mid-Tex and Louisiana service areas. Natural gas prices do not directly impact the results of this segment as revenues are derived from the transportation and storage 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 could influence the volumes of gas transported for shippers through our pipeline system and the rates for such transportation.

The results of APT 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. Additionally, its operations may be impacted by the timing of when costs and expenses are incurred and when these costs and expenses are recovered through its tariffs.

APT annually uses GRIP to recover capital costs incurred in the prior calendar year. However, GRIP also requires a utility to file a statement of intent at least once every five years to review its costs and expenses, including capital costs filed for recovery under GRIP. On January 6, 2017, APT filed its statement of intent seeking $55.2 million in additional annual operating income. APT customarily submits an annual GRIP filing during the second fiscal quarter of each fiscal year. However, APT is precluded from submitting a GRIP filing until a final order has been issued on the statement of intent. Accordingly, APT will not be submitting its annual GRIP filing during the second quarter of fiscal 2017. The Railroad Commission of Texas has 185 days to issue a final order in this proceeding.

On December 21, 2016, the Louisiana Public Service Commission approved an annual increase of five percent to the demand fee charged by our natural gas transmission pipeline for each of the next 10 years, effective October 1, 2017. This agreement will replace the existing agreement that will expire in September 2017.

Three Months Ended December 31, 2016 compared with Three Months Ended December 31, 2015

Financial and operational highlights for our pipeline and storage segment for the three months ended December 31, 2016 and 2015 are presented below.

	Three Months Ended December 31		
	2016	2015	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation	$ 82,483	$ 70,033	$ 12,450
Third-party transportation	22,205	22,093	112
Other	4,909	6,849	(1,940)
Gross profit	109,597	98,975	10,622
Operating expenses	54,572	46,337	8,235
Operating income	55,025	52,638	2,387
Miscellaneous expense	(361)	(402)	41
Interest charges	9,912	9,147	765
Income before income taxes	44,752	43,089	1,663
Income tax expense	16,078	15,479	599
Net income	$ 28,674	$ 27,610	$ 1,064
Gross pipeline transportation volumes — MMcf	186,780	179,852	6,928
Consolidated pipeline transportation volumes — MMcf	134,976	129,159	5,817

Net income for our pipeline and storage segment increased four percent, primarily due to a $10.6 million increase in gross profit, offset by an $8.2 million increase in operating expenses. The increase in gross profit primarily reflects a $10.8 million increase in rates from the GRIP filings approved in fiscal 2016.

Operating expenses increased $8.2 million, primarily due to increased levels of pipeline maintenance activities and higher depreciation expense and property taxes associated with increased capital investments.

Additionally, interest expense increased $0.8 million due to higher average short-term debt balances and interest rates and expense associated with $125.0 million of incremental debt financing issued during the first quarter of fiscal 2017.

Natural Gas Marketing Segment

Through December 31, 2016, we were engaged in an unregulated natural gas marketing business, which was conducted by Atmos Energy Marketing (AEM). AEM's primary business is to aggregate and purchase gas supply, arrange transportation and storage logistics and ultimately deliver gas to customers at competitive prices. Additionally, AEM utilizes proprietary and customer–owned transportation and storage assets to provide various services its customers request. AEM serves most of its customers under contracts generally having one to two year terms. As a result, AEM's margins arise from the types of commercial transactions it has structured with its customers and its ability to identify the lowest cost alternative among the natural gas supplies, transportation and markets to which it has access to serve those customers.

As more fully described in Note 6, effective January 1, 2017, we sold all of the equity interests of AEM to CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy Inc. As a result of the sale, Atmos Energy has fully exited the nonregulated natural gas marketing business. Accordingly, these operations have been reported as discontinued operations.

Three Months Ended December 31, 2016 compared with Three Months Ended December 31, 2015

Financial and operating highlights for our natural gas marketing segment for the three months ended December 31, 2016 and 2015 are presented below.

	Three Months Ended December 31		
	2016	**2015**	**Change**
	(In thousands, unless otherwise noted)		
Gross profit	$ 25,920	$ 9,469	$ 16,451
Operating expenses	7,874	5,993	1,881
Operating income	18,046	3,476	14,570
Miscellaneous income	30	76	(46)
Interest charges	241	1,352	(1,111)
Income before income taxes	17,835	2,200	15,635
Income tax expense	6,841	885	5,956
Net income from discontinued operations	$ 10,994	$ 1,315	$ 9,679
Gross natural gas marketing delivered gas sales volumes — MMcf	90,223	93,196	(2,973)
Consolidated natural gas marketing delivered gas sales volumes — MMcf	78,646	81,594	(2,948)
Net physical position (Bcf)	18.6	21.3	(2.7)

The $9.6 million quarter-over-quarter increase in net income from discontinued operations primarily reflects the recognition of a net $6.6 million noncash gain from unwinding hedge accounting for certain of the natural gas marketing business's financial positions. Due to the anticipated sale of AEM, we determined that the cash flows associated with our natural gas marketing commodity cash flow hedges were no longer probable of occurring; therefore, we discontinued hedge accounting as of December 31, 2016. As a result, we reclassified the gains in accumulated other comprehensive income associated with the commodity contracts into earnings as a reduction of purchased gas costs and recognized a pre-tax gain of $10.6 million for the three months ended December 31, 2016.

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 $1.5 billion of capacity under our short-term facilities.

We plan to continue to fund our growth through the use of operating cash flows, debt and equity securities while maintaining a balanced capital structure. To support our capital market activities, we have a registration statement on file with the SEC that permits us to issue a total of $2.5 billion in common stock and/or debt securities. Under the shelf registration statement, we have filed a prospectus supplement for an at–the-market (ATM) equity distribution program under which we may issue and sell, shares of our common stock, up to an aggregate offering price of $200 million. At December 31, 2016, approximately $2.4 billion of securities remain available for issuance under the shelf registration statement and approximately $50 million of equity remained available for issuance under the ATM program.

The following table presents our capitalization inclusive of short-term debt and the current portion of long-term debt as of December 31, 2016, September 30, 2016 and December 31, 2015:

	December 31, 2016		September 30, 2016		December 31, 2015	
			(In thousands, except percentages)			
Short-term debt	$ 940,747	13.1%	$ 829,811	12.3%	$ 763,236	11.8%
Long-term debt[(1)]	2,564,199	35.6%	2,438,779	36.2%	2,437,910	37.7%
Shareholders' equity	3,698,975	51.3%	3,463,059	51.5%	3,272,109	50.5%
Total	$ 7,203,921	100.0%	$ 6,731,649	100.0%	$ 6,473,255	100.0%

(1) In June 2017, $250 million of long-term debt will mature. We plan to issue new senior notes to replace this maturing debt. We have executed forward starting interest rate swaps to effectively fix the Treasury yield component associated with this anticipated issuance at 3.37%.

Cash Flows

Our internally generated funds may change in the future due to a number of factors, some of which we cannot control. These include regulatory changes, prices for our products and services, 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 three months ended December 31, 2016 and 2015 are presented below.

	Three Months Ended December 31		
	2016	2015	Change
		(In thousands)	
Total cash provided by (used in)			
Operating activities	$ 116,963	$ 70,141	$ 46,822
Investing activities	(392,137)	(290,293)	(101,844)
Financing activities	272,264	270,402	1,862
Change in cash and cash equivalents	(2,910)	50,250	(53,160)
Cash and cash equivalents at beginning of period	47,534	28,653	18,881
Cash and cash equivalents at end of period	$ 44,624	$ 78,903	$ (34,279)

Cash flows from operating activities

Period-over-period changes in our operating cash flows are primarily attributable to changes in net income and working capital changes, particularly within our 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.

For the three months ended December 31, 2016, we generated cash flow of $117.0 million from operating activities compared with $70.1 million for the three months ended December 31, 2015. The $46.8 million increase in operating cash flows primarily reflects favorable deferred gas cost recoveries attributable to higher sales volumes than in the prior-year quarter.

Cash flows from investing activities

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.

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 natural gas 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. We anticipate our annual capital spending will be in the range of $1 billion to $1.4 billion through fiscal 2020.

For the three months ended December 31, 2016, cash used for investing activities was $392.1 million compared to $290.3 million in the prior-year period. The $101.8 million year-over-year change is primarily due to the purchase of EnLink Pipeline for $85.7 million.

Cash flows from financing activities

For the three months ended December 31, 2016, our financing activities generated $272.3 million of cash compared with $270.4 million in the prior-year period. The $1.9 million increase of cash generated is primarily due to borrowings under our three year, $200 million multi-draw floating-rate term loan agreement, proceeds received from the issuance of common stock under our ATM program during the current quarter and the return of cash collateral related to our forward-starting interest rate swaps due to an increase in interest rates in the current period. These additional proceeds resulted in lower net short-term borrowings compared to the prior-year quarter.

The following table summarizes our share issuances for the three months ended December 31, 2016 and 2015.

	Three Months Ended December 31	
	2016	**2015**
Shares issued:		
Direct Stock Purchase Plan	27,071	35,417
1998 Long-Term Incentive Plan	365,471	458,607
Retirement Savings Plan and Trust	95,991	106,474
At-the-Market (ATM) Equity Distribution Program	690,812	—
Total shares issued	1,179,345	600,498

The year-over-year increase in the number of shares issued primarily reflects shares issued under the ATM Program.

Credit Facilities

Our short-term borrowing requirements are affected primarily by the seasonal nature of the natural gas business and the level of our capital expenditures. Changes in the price of natural gas, the amount of natural gas we need to supply to meet our customers' needs and our capital spending activities could significantly affect our borrowing requirements. However, our short-term borrowings typically reach their highest levels in the winter months.

We finance our short-term borrowing requirements through a combination of a $1.5 billion commercial paper program, four committed revolving credit facilities and one uncommitted revolving credit facility with third-party lenders that provide a total of approximately $1.6 billion of working capital funding. As of December 31, 2016, the amount available to us under our credit facilities, net of commercial paper and outstanding letters of credit, was $0.6 billion.

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 businesses and the regulatory structures that govern our rates 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). As of December 31, 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 December 31, 2016. Our debt covenants are described in greater detail in Note 5 to the unaudited condensed consolidated financial statements.

Contractual Obligations and Commercial Commitments

Except as noted in Note 9 to the unaudited condensed consolidated financial statements, there were no significant changes in our contractual obligations and commercial commitments during the three months ended December 31, 2016.

Risk Management Activities

In our distribution and pipeline and storage segments, 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. Additionally, we manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings. Through December 31, 2016, we managed our exposure to the risk of natural gas price changes in our natural gas marketing segment by locking 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.

The following table shows the components of the change in fair value of our financial instruments for the three months ended December 31, 2016 and 2015:

	Three Months Ended December 31	
	2016	2015
	(In thousands)	
Fair value of contracts at beginning of period	$ (279,543)	$ (153,981)
Contracts realized/settled	9,963	6,268
Fair value of new contracts	963	(183)
Other changes in value	146,895	17,614
Fair value of contracts at end of period	(121,722)	(130,282)
Netting of cash collateral	13,697	39,248
Cash collateral and fair value of contracts at period end	$ (108,025)	$ (91,034)

The fair value of our financial instruments at December 31, 2016 is presented below by time period and fair value source:

Source of Fair Value	Fair Value of Contracts at December 31, 2016 — Maturity in Years: Less Than 1	1-3	4-5	Greater Than 5	Total Fair Value
	(In thousands)				
Prices actively quoted	$ (26,924)	$ (95,506)	$ 708	$ —	$ (121,722)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$ (26,924)	$ (95,506)	$ 708	$ —	$ (121,722)

Pension and Postretirement Benefits Obligations

For the three months ended December 31, 2016 and 2015, our total net periodic pension and other benefits costs were $11.6 million and $11.5 million. A substantial portion of those costs relating to our natural gas distribution operations are recoverable through our gas distribution rates; however, a portion of these costs is capitalized into our distribution rate base. The remaining costs are recorded as a component of operation and maintenance expense.

Our fiscal 2017 costs were determined using a September 30, 2016 measurement date. 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. 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 generally consistent with fiscal 2016.

The amount with which we fund our defined benefit plan is determined in accordance with the Pension Protection Act of 2006 (PPA) and is influenced by the funded position of the plan when the funding requirements are determined on January 1 of each year. Based upon the determination as of January 1, 2016, we are not required to make a minimum contribution to our defined benefit plan during fiscal 2017. However, we will consider whether a voluntary contribution is prudent to maintain certain funding levels.

For the three months ended December 31, 2016 we contributed $3.0 million to our postretirement medical plans. We anticipate contributing a total of between $10 million and $20 million to our postretirement plans during fiscal 2017.

The projected pension liability, future funding requirements and the amount of pension expense or income recognized for the plans are subject to change, depending upon the actuarial value of plan assets in the plans and the determination of future benefit obligations as of each subsequent actuarial calculation date. These amounts will be determined by actual investment returns, changes in interest rates, values of assets in the plans and changes in the demographic composition of the participants in the plans.

OPERATING STATISTICS AND OTHER INFORMATION

The following tables present certain operating statistics for our distribution and pipeline and storage segments for the three-month periods ended December 31, 2016 and 2015.

Distribution Sales and Statistical Data

	Three Months Ended December 31	
	2016	2015
METERS IN SERVICE, end of period		
Residential	2,923,480	2,891,676
Commercial	268,574	265,766
Industrial	1,693	1,839
Public authority and other	8,359	8,421
Total meters	3,202,106	3,167,702
INVENTORY STORAGE BALANCE — Bcf	56.7	58.5
SALES VOLUMES — MMcf(1)		
Gas sales volumes		
Residential	41,500	40,169
Commercial	23,736	23,418
Industrial	7,432	6,993
Public authority and other	1,762	1,674
Total gas sales volumes	74,430	72,254
Transportation volumes	39,065	35,124
Total throughput	113,495	107,378
OPERATING REVENUES (000's)(1)		
Gas sales revenues		
Residential	$ 481,673	$ 415,985
Commercial	200,488	172,025
Industrial	30,031	24,758
Public authority and other	12,109	10,533
Total gas sales revenues	724,301	623,301
Transportation revenues	22,481	19,482
Other gas revenues	7,874	6,660
Total operating revenues	$ 754,656	$ 649,443
Average cost of gas per Mcf sold	$ 5.31	$ 4.35

See footnote following these tables.

Pipeline and Storage Operations Sales and Statistical Data

	Three Months Ended December 31	
	2016	**2015**
CUSTOMERS, end of period		
Industrial	90	86
Other	222	262
Total	312	348
INVENTORY STORAGE BALANCE — Bcf	1.7	3.7
PIPELINE TRANSPORTATION VOLUMES — MMcf[1]	186,780	179,852
OPERATING REVENUES (000's)[1]	$ 109,952	$ 98,416

Note to preceding tables:

(1) Sales volumes and revenues reflect segment operations, including intercompany sales and transportation amounts.

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 unaudited condensed consolidated financial statements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Information regarding our quantitative and qualitative disclosures about market risk are disclosed in Item 7A in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. During the three months ended December 31, 2016, there were no material changes in our quantitative and qualitative disclosures about market risk.

Item 4. *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 Rules 13a-15(e) and 15d-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 December 31, 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.

Changes in Internal Control over Financial Reporting

We did not make any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the first quarter of the fiscal year ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

During the three months ended December 31, 2016, there were no material changes in the status of the litigation and other matters that were disclosed in Note 11 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. We continue to believe that the final outcome of such litigation and other matters or claims will not have a material adverse effect on our financial condition, results of operations or cash flows.

Item 6. ***Exhibits***

A list of exhibits required by Item 601 of Regulation S-K and filed as part of this report is set forth in the Exhibits Index, which immediately precedes such exhibits.

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, thereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer
(Duly authorized signatory)

Date: February 7, 2017

EXHIBITS INDEX
Item 6

Exhibit Number	Description	Page Number or Incorporation by Reference to
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)
10	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)
12	Computation of ratio of earnings to fixed charges	
15	Letter regarding unaudited interim financial information	
31	Rule 13a-14(a)/15d-14(a) Certifications	
32	Section 1350 Certifications*	
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	

* These certifications, which were made 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 Quarterly Report on Form 10-Q, will not be deemed to be filed with the 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.

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

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)*

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

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

Large Accelerated Filer ☑ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☐ Emerging growth company ☐
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of shares outstanding of each of the issuer's classes of common stock, as of April 28, 2017.

Class	Shares Outstanding
No Par Value	105,288,359

GLOSSARY OF KEY TERMS

AEC	Atmos Energy Corporation
AEH	Atmos Energy Holdings, Inc.
AEM	Atmos Energy Marketing, LLC
AOCI	Accumulated other comprehensive income
Bcf	Billion cubic feet
FASB	Financial Accounting Standards Board
Fitch	Fitch Ratings, Ltd.
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
Mcf	Thousand cubic feet
MMcf	Million cubic feet
Moody’s	Moody’s Investors Services, Inc.
NYMEX	New York Mercantile Exchange, Inc.
PPA	Pension Protection Act of 2006
PRP	Pipeline Replacement Program
RRC	Railroad Commission of Texas
RRM	Rate Review Mechanism
S&P	Standard & Poor’s Corporation
SEC	United States Securities and Exchange Commission
WNA	Weather Normalization Adjustment

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2017	September 30, 2016
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 10,725,834	$ 10,142,506
Less accumulated depreciation and amortization	1,987,347	1,873,900
Net property, plant and equipment	8,738,487	8,268,606
Current assets		
Cash and cash equivalents	45,403	47,534
Accounts receivable, net	336,637	215,880
Gas stored underground	120,026	179,070
Current assets of disposal group classified as held for sale	—	151,117
Other current assets	61,018	88,085
Total current assets	563,084	681,686
Goodwill	729,673	726,962
Noncurrent assets of disposal group classified as held for sale	—	28,616
Deferred charges and other assets	330,222	305,019
	$ 10,361,466	$ 10,010,889
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at $.005 per share); 200,000,000 shares authorized; issued and outstanding: March 31, 2017 — 105,275,505 shares; September 30, 2016 — 103,930,560 shares	$ 526	$ 520
Additional paid-in capital	2,464,252	2,388,027
Accumulated other comprehensive loss	(86,894)	(188,022)
Retained earnings	1,456,980	1,262,534
Shareholders' equity	3,834,864	3,463,059
Long-term debt	2,314,620	2,188,779
Total capitalization	6,149,484	5,651,838
Current liabilities		
Accounts payable and accrued liabilities	185,212	196,485
Current liabilities of disposal group classified as held for sale	—	72,900
Other current liabilities	390,253	439,085
Short-term debt	670,607	829,811
Current maturities of long-term debt	250,000	250,000
Total current liabilities	1,496,072	1,788,281
Deferred income taxes	1,810,160	1,603,056
Regulatory cost of removal obligation	444,848	424,281
Pension and postretirement liabilities	305,845	297,743
Noncurrent liabilities of disposal group held for sale	—	316
Deferred credits and other liabilities	155,057	245,374
	$ 10,361,466	$ 10,010,889

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31	
	2017	2016
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 962,541	$ 862,127
Pipeline and storage segment	111,972	102,153
Intersegment eliminations	(86,327)	(74,240)
Total operating revenues	988,186	890,040
Purchased gas cost		
Distribution segment	513,096	450,671
Pipeline and storage segment	725	925
Intersegment eliminations	(86,327)	(74,240)
Total purchased gas cost	427,494	377,356
Operation and maintenance expense	132,239	127,857
Depreciation and amortization expense	77,667	71,391
Taxes, other than income	65,614	61,780
Operating income	285,172	251,656
Miscellaneous income (expense)	833	(329)
Interest charges	26,944	27,559
Income from continuing operations before income taxes	259,061	223,768
Income tax expense	97,049	80,765
Income from continuing operations	162,012	143,003
Loss from discontinued operations, net of tax ($0 and ($804))	—	(1,193)
Gain on sale of discontinued operations, net of tax ($10,215 and $0)	2,716	—
Net Income	$ 164,728	$ 141,810
Basic and diluted net income per share		
Income per share from continuing operations	$ 1.52	$ 1.39
Income (loss) per share from discontinued operations	0.03	(0.01)
Net income per share - basic and diluted	$ 1.55	$ 1.38
Cash dividends per share	$ 0.45	$ 0.42
Basic and diluted weighted average shares outstanding	105,935	102,946

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended March 31	
	2017	2016
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 1,717,197	$ 1,511,570
Pipeline and storage segment	221,924	200,569
Intersegment eliminations	(170,767)	(147,346)
Total operating revenues	1,768,354	1,564,793
Purchased gas cost		
Distribution segment	908,442	764,662
Pipeline and storage segment	1,080	366
Intersegment eliminations	(170,723)	(147,346)
Total purchased gas cost	738,799	617,682
Operation and maintenance expense	257,177	247,685
Depreciation and amortization expense	154,625	142,047
Taxes, other than income	122,663	112,994
Operating income	495,090	444,385
Miscellaneous expense	(161)	(1,208)
Interest charges	57,974	57,096
Income from continuing operations before income taxes	436,955	386,081
Income tax expense	160,905	141,532
Income from continuing operations	276,050	244,549
Income from discontinued operations, net of tax ($6,841 and $81)	10,994	122
Gain on sale of discontinued operations, net of tax ($10,215 and $0)	2,716	—
Net Income	$ 289,760	$ 244,671
Basic and diluted net income per share		
Income per share from continuing operations	$ 2.61	$ 2.38
Income per share from discontinued operations	0.13	—
Net income per share - basic and diluted	$ 2.74	$ 2.38
Cash dividends per share	$ 0.90	$ 0.84
Basic and diluted weighted average shares outstanding	105,610	102,837

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31		Six Months Ended March 31	
	2017	**2016**	**2017**	**2016**
	(Unaudited) (In thousands)			
Net income	$ 164,728	$ 141,810	$ 289,760	$ 244,671
Other comprehensive income (loss), net of tax				
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of $879, $(505), $403 and $(947)	1,530	(879)	702	(1,647)
Cash flow hedges:				
Amortization and unrealized gain (loss) on interest rate agreements, net of tax of $2,432, $(30,819), $54,861 and $(28,070)	4,230	(53,618)	95,444	(48,835)
Net unrealized gains on commodity cash flow hedges, net of tax of $0, $140, $3,183 and $1,645	—	220	4,982	2,573
Total other comprehensive income (loss)	5,760	(54,277)	101,128	(47,909)
Total comprehensive income	$ 170,488	$ 87,533	$ 390,888	$ 196,762

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended March 31	
	2017	2016
	(Unaudited) (In thousands)	
Cash Flows From Operating Activities		
Net income	$ 289,760	$ 244,671
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	154,810	143,211
Deferred income taxes	148,657	132,456
Gain on sale of discontinued operations	(12,931)	—
Discontinued cash flow hedging for natural gas marketing commodity contracts	(10,579)	—
Other	10,391	8,771
Net assets / liabilities from risk management activities	26,757	9,528
Net change in operating assets and liabilities	(54,862)	(85,682)
Net cash provided by operating activities	552,003	452,955
Cash Flows From Investing Activities		
Capital expenditures	(559,385)	(536,004)
Acquisition	(85,714)	—
Proceeds from the sale of discontinued operations	133,560	—
Available-for-sale securities activities, net	(8,918)	(2,117)
Other, net	3,787	4,597
Net cash used in investing activities	(516,670)	(533,524)
Cash Flows From Financing Activities		
Net increase (decrease) in short-term debt	(159,204)	169,002
Net proceeds from equity offering	49,400	—
Issuance of common stock through stock purchase and employee retirement plans	16,984	17,641
Proceeds from issuance of long-term debt	125,000	—
Interest rate agreements cash collateral	25,670	—
Cash dividends paid	(95,314)	(86,809)
Net cash provided by (used in) financing activities	(37,464)	99,834
Net increase (decrease) in cash and cash equivalents	(2,131)	19,265
Cash and cash equivalents at beginning of period	47,534	28,653
Cash and cash equivalents at end of period	$ 45,403	$ 47,918

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2017

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") is engaged in the regulated natural gas distribution and pipeline and storage businesses. Our regulated businesses are subject to federal and state regulation and/or regulation by local authorities in each of the states in which our regulated divisions and subsidiaries operate.

Our distribution business delivers natural gas through sales and transportation arrangements to approximately three million residential, commercial, public authority and industrial customers through our six natural gas distribution divisions, which at March 31, 2017, covered service areas located in eight states. In addition, we transport natural gas for others through our distribution system and manage our storage assets located in Kentucky and Tennessee, which are used solely to support our regulated natural gas distribution operations in those states.

Our pipeline and storage business includes the transportation of natural gas to our North Texas and Louisiana distribution systems and the management of our underground storage facilities used to support our North Texas distribution business.

Effective January 1, 2017, we completed the sale of all of the equity interests of Atmos Energy Marketing (AEM) to CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy, Inc. (CES). Accordingly, AEM's historical financial results are reflected in the Company's condensed consolidated financial statements as discontinued operations, which required retrospective application to financial information for all periods presented. Refer to Note 6 for further information. Our discontinued natural gas marketing segment was primarily engaged in a nonregulated natural gas marketing business, conducted by AEM. This business provided natural gas management and transportation services to municipalities, regulated distribution companies, including certain divisions of Atmos Energy, and third parties.

2. Unaudited Financial Information

These consolidated interim-period financial statements have been prepared in accordance with accounting principles generally accepted in the United States on the same basis as those used for the Company's audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. In the opinion of management, all material adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been made to the unaudited consolidated interim-period financial statements. These consolidated interim-period financial statements are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited consolidated financial statements of Atmos Energy Corporation included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. Because of seasonal and other factors, the results of operations for the six-month period ended March 31, 2017 are not indicative of our results of operations for the full 2017 fiscal year, which ends September 30, 2017.

We renewed our $25 million unsecured credit facility on April 1, 2017 as discussed in Note 5. In addition, in April 2017, we completed a State of Texas use tax audit that covered the period from October 2011 to June 2015, which resulted in an $18.7 million refund. We are in discussions with the State to update this audit through March 2017. No other events have occurred subsequent to the balance sheet date that would require recognition or disclosure in the condensed consolidated financial statements.

Significant accounting policies

Our accounting policies are described in Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

As discussed in Note 3, due to the realignment of our reportable segments, prior periods' segment information has been recast in accordance with applicable accounting guidance. Additionally, as discussed in Note 6, due to the sale of AEM, prior period amounts have been presented as discontinued operations. The segment realignment and the presentation of discontinued operations do not impact our reported net income, financial position and cash flows.

During the second quarter of fiscal 2017, we completed our annual goodwill impairment assessment. Based on the assessment performed, we determined that our goodwill was not impaired.

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, an entity 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 may need to use more judgment and make more estimates than under current guidance.

The new guidance will become effective for us 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 March 31, 2017, we have substantially completed the evaluation of our sources of revenue and are currently assessing the effect that the new guidance will have on our financial position, results of operations and cash flows. The conclusion of our assessment is contingent, in part, upon the completion of deliberations currently in progress by our industry, notably in connection with efforts to produce an accounting guide intended to be developed by the American Institute of Certified Public Accountants (AICPA).

In association with this undertaking, the AICPA formed a number of industry task forces, including a Power & Utilities (P&U) Task Force. Industry representatives and organizations, the largest auditing firms, the AICPA's Revenue Recognition Working Group and its Financial Reporting Executive Committee have undertaken, and continue to undertake, consideration of several items relevant to our industry as further discussed below. Where applicable or necessary, the FASB's Transition Resource Group (TRG) is also participating.

Currently, the industry is working to address several items including the evaluation of collectability from customers if a utility has regulatory mechanisms to help assure recovery of uncollected accounts from ratepayers and the accounting for funds received from third parties to partially or fully reimburse the cost of construction of an asset. A timeline for the resolution of these deliberations has not been established. Additionally, we are actively working with our peers in the rate-regulated natural gas industry and with the public accounting profession to conclude on the accounting treatment for several other issues that are not expected to be addressed by the P&U Task Force. Based on the apparent progress of these deliberations to date, we currently do not believe the implementation of the new guidance will have a material effect on our financial position, results of operations, cash flows or business processes. We are currently still evaluating the transition method we will utilize to adopt the new guidance as well as the impact to our financial statement presentation and related disclosures.

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 was effective for us on October 1, 2016 to be applied retrospectively. We measure certain pension plan assets using the net asset value per share practical expedient which are disclosed on an annual basis in our Form 10-K. The adoption of the new standard will have no impact on our results of operations, consolidated balance sheets or cash flows.

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 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.

In January 2017, the FASB issued new guidance that simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test. Under the new guidance, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The new standard will be effective for our fiscal 2021 goodwill impairment test; however, early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of the new standard will have no impact on our results of operations, consolidated balance sheets or cash flows.

In March 2017, the FASB issued new guidance related to the income statement presentation of the components of net periodic benefit cost for an entity's sponsored defined benefit pension and other postretirement plans. The new guidance requires entities to disaggregate the current service cost component of the net benefit cost from the other components and present it with other current compensation costs for related employees in the statement of income. The other components of net benefit cost will be presented outside of income from operations on the statement of income. In addition, only the service cost component of net benefit cost is eligible for capitalization (e.g., as part of inventory or property, plant, and equipment). The new guidance is effective for us in the fiscal year beginning on October 1, 2018 and for interim periods within that year. We are currently evaluating the potential impact of this new guidance.

Regulatory assets and liabilities

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 are permitted to be capitalized rather than expensed because they can be recovered through rates. We record certain costs as regulatory assets when future recovery through customer rates is considered probable. Regulatory liabilities are recorded when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process. Substantially all of our regulatory assets are recorded as a component of deferred charges and other assets and substantially all of our regulatory liabilities are recorded as a component of deferred credits and other liabilities. Deferred gas costs are recorded either in other current assets or liabilities and the regulatory cost of removal obligation is reported separately.

Significant regulatory assets and liabilities as of March 31, 2017 and September 30, 2016 included the following:

	March 31, 2017	September 30, 2016
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs[1]	$ 125,547	$ 132,348
Infrastructure mechanisms[2]	61,470	42,719
Deferred gas costs	9,561	45,184
Recoverable loss on reacquired debt	12,482	13,761
Deferred pipeline record collection costs	9,079	7,336
APT annual adjustment mechanism	4,452	7,171
Rate case costs	1,467	1,539
Other	13,264	13,565
	$ 237,322	$ 263,623
Regulatory liabilities:		
Regulatory cost of removal obligations	$ 486,110	$ 476,891
Deferred gas costs	49,672	20,180
Asset retirement obligations	13,404	13,404
Other	10,679	4,250
	$ 559,865	$ 514,725

(1) Includes $11.8 million and $12.4 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 deferred expenses until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recoverable through base rates.

3. Segment Information

Through November 30, 2016, our consolidated operations were managed and reviewed through three segments:

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

As a result of the sale of Atmos Energy Marketing, we revised the information used by the chief operating decision maker to manage the Company. Accordingly, we have been managing and reviewing our consolidated operations through the following three reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states and storage assets located in Kentucky and Tennessee, which are used solely to support our natural gas distribution operations in those states. These storage assets were formerly included in our nonregulated segment.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana which were formerly included in our nonregulated segment.
- The *natural gas marketing segment* is comprised of our discontinued natural gas marketing business.

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 distribution segment operations are geographically dispersed, they are aggregated and reported as a single segment as each natural gas distribution division has similar economic characteristics. In addition, because the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana have similar economic characteristics, they have been aggregated and reported as a single segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies found in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. We evaluate performance based on net income or loss of the respective operating segments. We allocate interest and pension expense to the pipeline and storage segment; however, there is no debt or pension liability recorded on the pipeline and storage segment balance sheet. 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.

Prior periods' segment information has been recast as required by applicable accounting guidance. The segment realignment does not impact our reported consolidated revenues or net income.

Income statements for the three and six months ended March 31, 2017 and 2016 by segment are presented in the following tables:

	Three Months Ended March 31, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 962,217	$ 25,969	$ —	$ —	$ 988,186
Intersegment revenues	324	86,003	—	(86,327)	—
Total operating revenues	962,541	111,972	—	(86,327)	988,186
Purchased gas cost	513,096	725	—	(86,327)	427,494
Operation and maintenance expense	103,703	28,536	—	—	132,239
Depreciation and amortization expense	61,302	16,365	—	—	77,667
Taxes, other than income	57,636	7,978	—	—	65,614
Operating income	226,804	58,368	—	—	285,172
Miscellaneous income (expense)	1,029	(196)	—	—	833
Interest charges	16,925	10,019	—	—	26,944
Income from continuing operations before income taxes	210,908	48,153	—	—	259,061
Income tax expense	79,763	17,286	—	—	97,049
Income from continuing operations	131,145	30,867	—	—	162,012
Income from discontinued operations, net of tax	—	—	—	—	—
Gain on sale of discontinued operations, net of tax	—	—	2,716	—	2,716
Net income	$ 131,145	$ 30,867	$ 2,716	$ —	$ 164,728
Capital expenditures	$ 208,185	$ 53,238	$ —	$ —	$ 261,423

	Three Months Ended March 31, 2016				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 861,756	$ 28,284	$ —	$ —	$ 890,040
Intersegment revenues	371	73,869	—	(74,240)	—
Total operating revenues	862,127	102,153	—	(74,240)	890,040
Purchased gas cost	450,671	925	—	(74,240)	377,356
Operation and maintenance expense	100,146	27,711	—	—	127,857
Depreciation and amortization expense	57,941	13,450	—	—	71,391
Taxes, other than income	54,978	6,802	—	—	61,780
Operating income	198,391	53,265	—	—	251,656
Miscellaneous income (expense)	38	(367)	—	—	(329)
Interest charges	18,414	9,145	—	—	27,559
Income from continuing operations before income taxes	180,015	43,753	—	—	223,768
Income tax expense	64,935	15,830	—	—	80,765
Income from continuing operations	115,080	27,923	—	—	143,003
Loss from discontinued operations, net of tax	—	—	(1,193)	—	(1,193)
Net income (loss)	$ 115,080	$ 27,923	$ (1,193)	$ —	$ 141,810
Capital expenditures	$ 175,186	$ 70,357	$ 49	$ —	$ 245,592

	Six Months Ended March 31, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 1,716,483	$ 51,871	$ —	$ —	$ 1,768,354
Intersegment revenues	714	170,053	—	(170,767)	—
Total operating revenues	1,717,197	221,924	—	(170,767)	1,768,354
Purchased gas cost	908,442	1,080	—	(170,723)	738,799
Operation and maintenance expense	196,417	60,804	—	(44)	257,177
Depreciation and amortization expense	122,459	32,166	—	—	154,625
Taxes, other than income	108,182	14,481	—	—	122,663
Operating income	381,697	113,393	—	—	495,090
Miscellaneous income (expense)	396	(557)	—	—	(161)
Interest charges	38,043	19,931	—	—	57,974
Income from continuing operations before income taxes	344,050	92,905	—	—	436,955
Income tax expense	127,541	33,364	—	—	160,905
Income from continuing operations	216,509	59,541	—	—	276,050
Income from discontinued operations, net of tax	—	—	10,994	—	10,994
Gain on sale of discontinued operations, net of tax	—	—	2,716	—	2,716
Net income	$ 216,509	$ 59,541	$ 13,710	$ —	$ 289,760
Capital expenditures	$ 430,669	$ 128,716	$ —	$ —	$ 559,385

	Six Months Ended March 31, 2016				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 1,510,869	$ 53,924	$ —	$ —	$ 1,564,793
Intersegment revenues	701	146,645	—	(147,346)	—
Total operating revenues	1,511,570	200,569	—	(147,346)	1,564,793
Purchased gas cost	764,662	366	—	(147,346)	617,682
Operation and maintenance expense	192,335	55,350	—	—	247,685
Depreciation and amortization expense	115,555	26,492	—	—	142,047
Taxes, other than income	100,536	12,458	—	—	112,994
Operating income	338,482	105,903	—	—	444,385
Miscellaneous expense	(439)	(769)	—	—	(1,208)
Interest charges	38,804	18,292	—	—	57,096
Income from continuing operations before income taxes	299,239	86,842	—	—	386,081
Income tax expense	110,223	31,309	—	—	141,532
Income from continuing operations	189,016	55,533	—	—	244,549
Income from discontinued operations, net of tax	—	—	122	—	122
Net income	$ 189,016	$ 55,533	$ 122	$ —	$ 244,671
Capital expenditures	$ 340,593	$ 195,338	$ 73	$ —	$ 536,004

Balance sheet information at March 31, 2017 and September 30, 2016 by segment is presented in the following tables:

	March 31, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Property, plant and equipment, net	$ 6,516,911	$ 2,221,576	$ —	$ —	$ 8,738,487
Investment in subsidiaries	764,702	13,851	—	(778,553)	—
Current assets					
Cash and cash equivalents	45,403	—	—	—	45,403
Other current assets	495,270	24,154	—	(1,743)	517,681
Intercompany receivables	1,015,217	—	—	(1,015,217)	—
Total current assets	1,555,890	24,154	—	(1,016,960)	563,084
Goodwill	586,661	143,012	—	—	729,673
Deferred charges and other assets	302,827	27,395	—	—	330,222
	$ 9,726,991	$ 2,429,988	$ —	$ (1,795,513)	$ 10,361,466
CAPITALIZATION AND LIABILITIES					
Shareholders' equity	$ 3,834,864	$ 778,553	$ —	$ (778,553)	$ 3,834,864
Long-term debt	2,314,620	—	—	—	2,314,620
Total capitalization	6,149,484	778,553	—	(778,553)	6,149,484
Current liabilities					
Current maturities of long-term debt	250,000	—	—	—	250,000
Short-term debt	670,607	—	—	—	670,607
Other current liabilities	543,577	33,631	—	(1,743)	575,465
Intercompany payables	—	1,015,217	—	(1,015,217)	—
Total current liabilities	1,464,184	1,048,848	—	(1,016,960)	1,496,072
Deferred income taxes	1,230,279	579,881	—	—	1,810,160
Regulatory cost of removal obligation	422,191	22,657	—	—	444,848
Pension and postretirement liabilities	305,845	—	—	—	305,845
Deferred credits and other liabilities	155,008	49	—	—	155,057
	$ 9,726,991	$ 2,429,988	$ —	$ (1,795,513)	$ 10,361,466

	September 30, 2016				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Property, plant and equipment, net	$ 6,208,465	$ 2,060,141	$ —	$ —	$ 8,268,606
Investment in subsidiaries	768,415	13,854	—	(782,269)	—
Current assets					
Cash and cash equivalents	22,117	—	25,417	—	47,534
Current assets of disposal group classified as held for sale	—	—	162,508	(11,391)	151,117
Other current assets	489,963	39,078	5	(46,011)	483,035
Intercompany receivables	971,665	—	—	(971,665)	—
Total current assets	1,483,745	39,078	187,930	(1,029,067)	681,686
Goodwill	583,950	143,012	—	—	726,962
Noncurrent assets of disposal group classified as held for sale	—	—	28,785	(169)	28,616
Deferred charges and other assets	277,240	27,779	—	—	305,019
	$ 9,321,815	$ 2,283,864	$ 216,715	$ (1,811,505)	$ 10,010,889
CAPITALIZATION AND LIABILITIES					
Shareholders' equity	$ 3,463,059	$ 715,672	$ 66,597	$ (782,269)	$ 3,463,059
Long-term debt	2,188,779	—	—	—	2,188,779
Total capitalization	5,651,838	715,672	66,597	(782,269)	5,651,838
Current liabilities					
Current maturities of long-term debt	250,000	—	—	—	250,000
Short-term debt	829,811	—	35,000	(35,000)	829,811
Current liabilities of the disposal group classified as held for sale	—	—	81,908	(9,008)	72,900
Other current liabilities	605,790	39,911	3,263	(13,394)	635,570
Intercompany payables	—	957,526	14,139	(971,665)	—
Total current liabilities	1,685,601	997,437	134,310	(1,029,067)	1,788,281
Deferred income taxes	1,055,348	543,390	4,318	—	1,603,056
Regulatory cost of removal obligation	397,162	27,119	—	—	424,281
Pension and postretirement liabilities	297,743	—	—	—	297,743
Noncurrent liabilities of disposal group classified as held for sale	—	—	316	—	316
Deferred credits and other liabilities	234,123	246	11,174	(169)	245,374
	$ 9,321,815	$ 2,283,864	$ 216,715	$ (1,811,505)	$ 10,010,889

4. Earnings Per Share

We use the two-class method of computing earnings per share because we have participating securities in the form of non-vested restricted stock units with a nonforfeitable right to dividend equivalents, for which vesting is predicated solely on the passage of time. 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 three and six months ended March 31, 2017 and 2016 are calculated as follows:

	Three Months Ended March 31		Six Months Ended March 31	
	2017	2016	2017	2016
	(In thousands, except per share amounts)			
Basic and Diluted Earnings Per Share from continuing operations				
Income from continuing operations	$ 162,012	$ 143,003	$ 276,050	$ 244,549
Less: Income from continuing operations allocated to participating securities	193	231	348	405
Income from continuing operations available to common shareholders	$ 161,819	$ 142,772	$ 275,702	$ 244,144
Basic and diluted weighted average shares outstanding	105,935	102,946	105,610	102,837
Income from continuing operations per share — Basic and Diluted	$ 1.52	$ 1.39	$ 2.61	$ 2.38
Basic and Diluted Earnings Per Share from discontinued operations				
Income (loss) from discontinued operations	$ 2,716	$ (1,193)	$ 13,710	$ 122
Less: Income from discontinued operations allocated to participating securities	2	—	15	—
Income (loss) from discontinued operations available to common shareholders	$ 2,714	$ (1,193)	$ 13,695	$ 122
Basic and diluted weighted average shares outstanding	105,935	102,946	105,610	102,837
Income (loss) from discontinued operations per share — Basic and Diluted	$ 0.03	$ (0.01)	$ 0.13	$ —
Net income per share — Basic and Diluted	$ 1.55	$ 1.38	$ 2.74	$ 2.38

5. Debt

The nature and terms of our debt instruments and credit facilities are described in detail in Note 5 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. Except as noted below, there were no material changes in the terms of our debt instruments during the six months ended March 31, 2017.

Long-term debt at March 31, 2017 and September 30, 2016 consisted of the following:

	March 31, 2017	September 30, 2016
	(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 note Series A, 1995-1, 6.67%, due 2025	10,000	10,000
Unsecured 6.75% Debentures, due 2028	150,000	150,000
Floating-rate term loan, due 2019	125,000	—
Total long-term debt	2,585,000	2,460,000
Less:		
Original issue discount on unsecured senior notes and debentures	4,099	4,270
Debt issuance cost	16,281	16,951
Current maturities	250,000	250,000
	$ 2,314,620	$ 2,188,779

On September 22, 2016, we entered into a three year, $200 million multi-draw floating-rate 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 March 31, 2017, there was $125.0 million outstanding under the term loan.

We utilize short-term debt to fund ongoing working capital needs, such as our seasonal requirements for gas supply, general corporate liquidity and capital expenditures. Our short-term borrowing requirements are affected primarily 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 our customers' needs could significantly affect our borrowing requirements. 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 $1.5 billion commercial paper program and three committed revolving credit facilities with third-party lenders that provide approximately $1.5 billion of total working capital funding. The primary source of our funding is our commercial paper program, which is supported by a five-year unsecured $1.5 billion credit facility that expires September 25, 2021. The 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. Additionally, the facility contains a $250 million accordion feature, which provides the opportunity to increase the total committed loan to $1.75 billion. This facility was amended in October 2016 to increase the total availability from $1.25 billion. At March 31, 2017 and September 30, 2016 a total of $670.6 million and $829.8 million was outstanding under our commercial paper program.

Additionally, we have a $25 million unsecured facility, which was renewed on April 1, 2017, and a $10 million unsecured revolving credit facility, which is used primarily to issue letters of credit. At March 31, 2017, there were no borrowings outstanding under either of these facilities; however, outstanding letters of credit reduced the total amount available to us under our $10 million unsecured revolving facility to $4.1 million.

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 each of these facilities to maintain, at the end of each fiscal quarter, a ratio of total debt to total capitalization of no greater than 70 percent. At March 31, 2017, our total-debt-to-total-capitalization ratio, as defined in the agreements, was 47 percent. In addition, both the interest margin and the fee that we pay on unused amounts under certain of these facilities are subject to adjustment depending upon our credit ratings.

These credit facilities and our 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 certain of 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 March 31, 2017. 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.

AEM had one uncommitted $25 million 364-day bilateral credit facility that was scheduled to expire on July 31, 2017 and one committed $15 million 364-day bilateral credit facility that was scheduled to expire on September 30, 2017. In connection with the sale of AEM discussed in Note 6, both facilities were terminated on January 3, 2017.

6. Divestitures and Acquisitions

Divestiture of Atmos Energy Marketing (AEM)

On October 29, 2016, we entered into a Membership Interest Purchase Agreement (the Agreement) with CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy, Inc. (CES) to sell all of the equity interests of AEM. The transaction closed on January 3, 2017, with an effective date of January 1, 2017. CES paid a cash purchase price of $38.3 million plus estimated working capital of $103.2 million for total cash consideration of $141.5 million. Of this amount, $7.0 million was placed into escrow and will be paid to the Company within 24 months, net of any indemnification claims agreed upon between the two companies. We recognized a net gain of $0.03 per diluted share on the sale in the second quarter of fiscal 2017 and expect to complete the working capital true–up during the third quarter of fiscal 2017.

The operating results of our natural gas marketing reportable segment have been reported on the condensed consolidated statements of income as income from discontinued operations, net of income tax. Accordingly, expenses related to allocable general corporate overhead and interest expense are not included in these results. The decision to report this segment as a discontinued operation was predicated, in part, on the following qualitative and quantitative factors: 1) the disposal results in the company becoming a fully regulated entity; 2) the fact that an entire reportable segment will be disposed and 3) the fact the disposed segment represented in excess of 30 percent of consolidated revenues over the last five fiscal years.

The tables below set forth selected financial and operational information related to assets, liabilities and operating results related to discontinued operations. Operating expenses include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income. Additionally, assets and liabilities related to our natural gas marketing operations are classified as “held for sale” on our consolidated balance sheet at September 30, 2016. Prior period revenues and expenses associated with these assets have been reclassified into discontinued operations. This reclassification had no impact on previously reported consolidated net income.

The following tables present statement of income data related to discontinued operations.

	Three Months Ended March 31	
	2017	2016
	(In thousands)	
Operating revenues	$ —	$ 269,519
Purchased gas cost	—	264,259
Operating expenses	—	6,900
Operating loss	—	(1,640)
Other nonoperating expense	—	(357)
Loss from discontinued operations before income taxes	—	(1,997)
Income tax benefit	—	(804)
Loss from discontinued operations	—	(1,193)
Gain on sale from discontinued operations, net of tax ($10,215 and $0)	2,716	—
Net income (loss) from discontinued operations	$ 2,716	$ (1,193)

	Six Months Ended March 31	
	2017	2016
	(In thousands)	
Operating revenues	$ 303,474	$ 528,776
Purchased gas cost	277,554	514,047
Operating expenses	7,874	12,893
Operating income	18,046	1,836
Other nonoperating expense	(211)	(1,633)
Income from discontinued operations before income taxes	17,835	203
Income tax expense	6,841	81
Income from discontinued operations	10,994	122
Gain on sale from discontinued operations, net of tax ($10,215 and $0)	2,716	—
Net income from discontinued operations	$ 13,710	$ 122

The following table presents a reconciliation of the carrying amounts of major classes of assets and liabilities of our natural gas marketing's operations to total assets and liabilities classified as held for sale.

	March 31, 2017	September 30, 2016
	(In thousands)	
Assets:		
Net property, plant and equipment	$ —	$ 11,905
Accounts receivable	—	93,551
Gas stored underground	—	54,246
Other current assets	—	14,711
Goodwill	—	16,445
Deferred charges and other assets	—	435
Total assets of the disposal group classified as held for sale in the statement of financial position [(1)]	—	191,293
Cash	—	25,417
Other assets	—	5
Total assets of disposal group in the statement of financial position	$ —	$ 216,715
Liabilities:		
Accounts payable and accrued liabilities	$ —	$ 72,268
Other current liabilities	—	9,640
Deferred credits and other	—	316
Total liabilities of the disposal group classified as held for sale in the statement of financial position [(1)]	—	82,224
Intercompany note payable	—	35,000
Tax liabilities	—	15,471
Intercompany payables	—	14,139
Other liabilities	—	3,284
Total liabilities of disposal group in the statement of financial position	$ —	$ 150,118

(1) Amounts in the comparative period are classified as current and long term in the statement of financial position.

The following table presents statement of cash flow data related to discontinued operations.

	Six Months Ended March 31	
	2017	2016
	(In thousands)	
Depreciation and amortization expense	$ 185	$ 1,164
Capital expenditures	$ —	$ 73
Noncash gain (loss) in commodity contract cash flow hedges	$ 18,744	$ (4,218)

Acquisition of EnLink Pipeline

On December 20, 2016, we executed a purchase and sale agreement to acquire the general partnership and limited partnership interests in EnLink North Texas Pipeline, LP (EnLink Pipeline) from EnLink Energy GP, LLC and EnLink Midstream Operating, LP for an all–cash price of $85 million, plus estimated working capital. After considering estimated working capital, the total proceeds paid were $85.7 million. The final purchase price is subject to adjustment after the estimated working capital is finalized during the third quarter of fiscal 2017.

EnLink Pipeline's primary asset is a 140–mile natural gas pipeline located on the north side of the Dallas–Fort Worth Metroplex. As of March 31, 2017, the $85 million purchase price has been allocated, based on fair value using observable market inputs, to the net book value of the acquired pipeline. The final purchase price allocation is subject to adjustment pending the completion of our analysis of the fair value of certain contracts included in the acquisition, which we expect to finalize in the third quarter of fiscal 2017.

7. Shareholders' Equity

Shelf Registration and At-the-Market Equity Sales Program

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. We also filed a prospectus supplement under the registration statement relating to an at-the-market (ATM) equity distribution program under which we may issue and sell, shares of our common stock, up to an aggregate offering price of $200 million. During the first fiscal quarter of 2017, we sold 690,812 shares of common stock under our existing ATM program for $50.0 million and received net proceeds of $49.4 million. At March 31, 2017, approximately $2.4 billion of securities remain available for issuance under the shelf registration statement and approximately $50.0 million of equity remained available for issuance under the ATM program.

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in AOCI related to available-for-sale securities, interest rate 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 (loss).

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Commodity Contracts Cash Flow Hedges	Total
		(In thousands)		
September 30, 2016	$ 4,484	$ (187,524)	$ (4,982)	$ (188,022)
Other comprehensive income before reclassifications	634	95,271	9,847	105,752
Amounts reclassified from accumulated other comprehensive income	68	173	(4,865)	(4,624)
Net current-period other comprehensive income	702	95,444	4,982	101,128
March 31, 2017	$ 5,186	$ (92,080)	$ —	$ (86,894)

	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 loss before reclassifications	(1,568)	(49,008)	(19,185)	(69,761)
Amounts reclassified from accumulated other comprehensive income	(79)	173	21,758	21,852
Net current-period other comprehensive income (loss)	(1,647)	(48,835)	2,573	(47,909)
March 31, 2016	$ 3,302	$ (137,677)	$ (22,864)	$ (157,239)

The following tables detail reclassifications out of AOCI for the three and six months ended March 31, 2017 and 2016. Amounts in parentheses below indicate decreases to net income in the statement of income.

	Three Months Ended March 31, 2017	
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	$ (107)	Operation and maintenance expense
	(107)	Total before tax
	39	Tax benefit
	$ (68)	Net of tax
Cash flow hedges		
Interest rate agreements	$ (136)	Interest charges
Commodity contracts	—	Purchased gas cost
	(136)	Total before tax
	50	Tax benefit
	$ (86)	Net of tax
Total reclassifications	$ (154)	Net of tax

	Three Months Ended March 31, 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	$ 124	Operation and maintenance expense
	124	Total before tax
	(45)	Tax expense
	$ 79	Net of tax
Cash flow hedges		
Interest rate agreements	$ (136)	Interest charges
Commodity contracts	(12,703)	Purchased gas cost[(1)]
	(12,839)	Total before tax
	5,004	Tax benefit
	$ (7,835)	Net of tax
Total reclassifications	$ (7,756)	Net of tax

Accumulated Other Comprehensive Income Components	Six Months Ended March 31, 2017		
	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Statement of Income
	(In thousands)		
Available-for-sale securities	$	(107)	Operation and maintenance expense
		(107)	Total before tax
		39	Tax benefit
	$	(68)	Net of tax
Cash flow hedges			
Interest rate agreements	$	(273)	Interest charges
Commodity contracts		7,976	Purchased gas cost[1]
		7,703	Total before tax
		(3,011)	Tax expense
	$	4,692	Net of tax
Total reclassifications	$	4,624	Net of tax

Accumulated Other Comprehensive Income Components	Six Months Ended March 31, 2016		
	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Statement of Income
	(In thousands)		
Available-for-sale securities	$	124	Operation and maintenance expense
		124	Total before tax
		(45)	Tax expense
	$	79	Net of tax
Cash flow hedges			
Interest rate agreements	$	(273)	Interest charges
Commodity contracts		(35,668)	Purchased gas cost[1]
		(35,941)	Total before tax
		14,010	Tax benefit
	$	(21,931)	Net of tax
Total reclassifications	$	(21,852)	Net of tax

(1) Amounts are presented as part of income from discontinued operations on the condensed consolidated statements of income.

8. Interim Pension and Other Postretirement Benefit Plan Information

The components of our net periodic pension cost for our pension and other postretirement benefit plans for the three and six months ended March 31, 2017 and 2016 are presented in the following table. Most of these costs are recoverable through our gas distribution rates; however, a portion of these costs is capitalized into our gas distribution rate base. The remaining costs are recorded as a component of operation and maintenance expense.

	Three Months Ended March 31			
	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 5,217	$ 4,697	$ 3,109	$ 2,706
Interest cost	6,297	7,094	2,670	3,106
Expected return on assets	(6,994)	(6,880)	(1,797)	(1,566)
Amortization of transition obligation	—	—	—	20
Amortization of prior service credit	(58)	(56)	(411)	(411)
Amortization of actuarial (gain) loss	4,249	3,320	(707)	(542)
Net periodic pension cost	$ 8,711	$ 8,175	$ 2,864	$ 3,313

	Six Months Ended March 31			
	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 10,433	$ 9,395	$ 6,218	$ 5,412
Interest cost	12,594	14,189	5,340	6,212
Expected return on assets	(13,988)	(13,761)	(3,593)	(3,132)
Amortization of transition obligation	—	—	—	41
Amortization of prior service credit	(116)	(113)	(822)	(822)
Amortization of actuarial (gain) loss	8,498	6,640	(1,414)	(1,084)
Net periodic pension cost	$ 17,421	$ 16,350	$ 5,729	$ 6,627

The assumptions used to develop our net periodic pension cost for the three and six months ended March 31, 2017 and 2016 are as follows:

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Discount rate	3.73%	4.55%	3.73%	4.55%
Rate of compensation increase	3.50%	3.50%	N/A	N/A
Expected return on plan assets	7.00%	7.00%	4.45%	4.45%

The discount rate used to compute the present value of a plan's liabilities generally is based on rates of high-grade corporate bonds with maturities similar to the average period over which the benefits will be paid. Generally, our funding policy has been to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974. In accordance with the Pension Protection Act of 2006 (PPA), we determined the funded status of our plan as of January 1, 2017. Based on that determination, we are not required to make a minimum contribution to our defined benefit plan during fiscal 2017; however, we may consider whether a voluntary contribution is prudent to maintain certain funding levels.

We contributed $6.6 million to our other post-retirement benefit plans during the six months ended March 31, 2017. We expect to contribute a total of between $10 million and $20 million to these plans during fiscal 2017.

9. Commitments and Contingencies

Litigation and Environmental Matters

With respect to the specific litigation and environmental-related matters or claims that were disclosed in Note 11 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, there were no material changes in the status of such litigation and environmental-related matters or claims during the six months ended March 31, 2017.

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

Purchase Commitments

Our distribution divisions, except for our Mid-Tex Division, 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. These purchase commitment contracts are detailed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. There were no material changes to the purchase commitments for the six months ended March 31, 2017.

Regulatory Matters

Various regulatory agencies, including the SEC and the Commodities Futures Trading Commission, continue to adopt regulations implementing many of the provisions of the Dodd-Frank Act of 2010. We continue to enact new procedures and modify existing business practices and contractual arrangements to comply with such regulations. Additional rulemakings are pending which we believe will result in new reporting and disclosure obligations. The costs associated with hedging certain risks inherent in our business may be further increased when these expected additional regulations are adopted.

As of March 31, 2017, formula rate mechanisms were in progress in our Louisiana, Tennessee and Mid-Tex service areas and infrastructure mechanisms were in progress in our Mid-Tex, Mississippi and West Texas service areas. These regulatory proceedings are discussed in further detail below in *Management's Discussion and Analysis — Recent Ratemaking Developments*.

10. Financial Instruments

We currently use financial instruments to mitigate commodity price risk and interest rate risk. The objectives and strategies for using financial instruments and the related accounting for these financial instruments are fully described in Notes 2 and 13 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. During the six months ended March 31, 2017, except for the change in the scope of our natural gas marketing commodity risk management activities as a result of the sale of AEM, there were no material changes in our objectives, strategies and accounting for using financial instruments. Our financial instruments do not contain any credit-risk-related or other contingent features that could cause payments to be accelerated when our financial instruments are in net liability positions. The following summarizes those objectives and strategies.

Regulated Commodity Risk Management Activities

Our purchased gas cost adjustment mechanisms essentially insulate our distribution segment from commodity price risk; however, 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.

We typically seek to hedge between 25 and 50 percent of anticipated heating season gas purchases using financial instruments. For the 2016-2017 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 27 percent, or 16.2 Bcf of the winter flowing gas requirements. We have not designated these financial instruments as hedges for accounting purposes.

Natural Gas Marketing Commodity Risk Management Activities

Our natural gas marketing segment was exposed to risks associated with changes in the market price of natural gas through the purchase, sale and delivery of natural gas to its customers at competitive prices. Through December 31, 2016, we managed 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. Effective January 1, 2017, as a result of the sale of AEM, these activities were discontinued.

Due to the anticipated sale of AEM, we determined that the cash flows associated with our natural gas marketing commodity cash flow hedges were no longer probable of occurring; therefore, we discontinued hedge accounting as of December 31, 2016. As a result, we reclassified the gain in accumulated other comprehensive income associated with the commodity contracts into earnings as a reduction of purchased gas costs and recognized a pre-tax gain of $10.6 million, which is included in income from discontinued operations on the condensed consolidated statement of income for the three months ended December 31, 2016.

Interest Rate Risk Management Activities

We periodically manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

As of March 31, 2017, we had forward starting interest rate swaps to effectively fix the Treasury yield component associated with the anticipated issuance of $250 million and $450 million unsecured senior notes in fiscal 2017 and fiscal 2019, at 3.37% and 3.78%, which we designated as cash flow hedges at the time the swaps were executed. As of March 31, 2017, we had $18.1 million of net realized losses in accumulated other comprehensive income (AOCI) associated with the settlement of financial instruments used to fix the Treasury yield component of the interest cost of financing various issuances of long-term debt and senior notes, which will be recognized as a component of interest expense over the life of the associated notes from the date of settlement. The remaining amortization periods for these settled amounts extend through fiscal 2045.

Quantitative Disclosures Related to Financial Instruments

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

As of March 31, 2017, 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 March 31, 2017, we had 8,909 MMcf of net short commodity contracts outstanding. These contracts have not been designated as hedges.

Financial Instruments on the Balance Sheet

The following tables present the fair value and balance sheet classification of our financial instruments as of March 31, 2017 and September 30, 2016. The gross amounts of recognized assets and liabilities are netted within our unaudited Condensed Consolidated Balance Sheets to the extent that we have netting arrangements with the counterparties.

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
March 31, 2017			
Designated As Hedges:			
Interest rate contracts	Other current liabilities	$ —	$ (22,199)
Interest rate contracts	Deferred credits and other liabilities	—	(94,256)
Total		—	(116,455)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	3,096	(645)
Total		3,096	(645)
Gross Financial Instruments		3,096	(117,100)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		—	—
Net Financial Instruments		3,096	(117,100)
Cash collateral		—	—
Net Assets/Liabilities from Risk Management Activities		$ 3,096	$ (117,100)

	Balance Sheet Location	Assets	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		8,790	(292,171)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	21,186	(18,812)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	14,165	(12,701)
Total		35,351	(31,513)
Gross Financial Instruments		44,141	(323,684)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		(39,290)	39,290
Net Financial Instruments		4,851	(284,394)
Cash collateral		6,775	43,575
Net Assets/Liabilities from Risk Management Activities		$ 11,626	$ (240,819)

Impact of Financial Instruments on the Income Statement

Hedge ineffectiveness for our natural gas marketing segment was recorded as a component of purchased gas cost, which is included in discontinued operations on the condensed consolidated statements of income, and primarily results from differences in the location and timing of the derivative instrument and the hedged item. For the three months ended March 31, 2016, we recognized a loss arising from fair value and cash flow hedge ineffectiveness of $3.3 million. For the six months ended March 31, 2017 and 2016, we recognized gains arising from fair value and cash flow hedge ineffectiveness of $3.4 million and $4.6 million. Additional information regarding ineffectiveness recognized in the income statement is included in the tables below.

Fair Value Hedges

The impact of our natural gas marketing segment commodity contracts designated as fair value hedges and the related hedged item on the results of discontinued operations on our condensed consolidated income statement for the three and six months ended March 31, 2017 and 2016 is presented below.

	Three Months Ended March 31		Six Months Ended March 31	
	2017	2016	2017	2016
	(In thousands)			
Commodity contracts	$ —	$ 4,594	$ (9,567)	$ 10,338
Fair value adjustment for natural gas inventory designated as the hedged item	—	(7,939)	12,858	(5,778)
Total (increase) decrease in purchased gas cost reflected in income from discontinued operations	$ —	$ (3,345)	$ 3,291	$ 4,560
The (increase) decrease in purchased gas cost reflected in income from discontinued operations is comprised of the following:				
Basis ineffectiveness	$ —	$ (2,095)	$ (597)	$ (806)
Timing ineffectiveness	—	(1,250)	3,888	5,366
	$ —	$ (3,345)	$ 3,291	$ 4,560

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.

Cash Flow Hedges

The impact of our interest rate and natural gas marketing segment cash flow hedges on our condensed consolidated income statements for the three and six months ended March 31, 2017 and 2016 is presented below.

	Three Months Ended March 31		Six Months Ended March 31	
	2017	2016	2017	2016
	(In thousands)			
Loss reclassified from AOCI for effective portion of natural gas marketing commodity contracts	$ —	$ (12,703)	$ (2,612)	$ (35,668)
Gain arising from ineffective portion of natural gas marketing commodity contracts	—	61	111	18
Gain on discontinuance of cash flow hedging of natural gas marketing commodity contracts reclassified from AOCI	—	—	10,579	—
Total impact on purchased gas cost reflected in income from discontinued operations	—	(12,642)	8,078	(35,650)
Net loss on settled interest rate agreements reclassified from AOCI into interest expense	(136)	(136)	(273)	(273)
Total Impact from Cash Flow Hedges	$ (136)	$ (12,778)	$ 7,805	$ (35,923)

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 three and six months ended March 31, 2017 and 2016. The amounts included in the table below exclude gains and losses arising from ineffectiveness because those amounts are immediately recognized in the income statement as incurred.

	Three Months Ended March 31		Six Months Ended March 31	
	2017	2016	2017	2016
	(In thousands)			
Increase (decrease) in fair value:				
Interest rate agreements	$ 4,144	$ (53,704)	$ 95,271	$ (49,008)
Forward commodity contracts	—	(7,529)	9,847	(19,185)
Recognition of (gains) losses in earnings due to settlements:				
Interest rate agreements	86	86	173	173
Forward commodity contracts	—	7,749	(4,865)	21,758
Total other comprehensive income (loss) from hedging, net of tax[(1)]	$ 4,230	$ (53,398)	$ 100,426	$ (46,262)

(1) Utilizing an income tax rate ranging from 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 over the terms of the underlying debt instruments, while deferred gains (losses) associated with natural gas marketing segment commodity contracts were recognized in earnings upon settlement. The following amounts, net of deferred taxes, represent the expected recognition in earnings of the deferred losses recorded in AOCI associated with our financial instruments, based upon the fair values of these financial instruments as of March 31, 2017. However, the table below does not include the expected recognition in earnings of our outstanding interest rate agreements as those instruments have not yet settled.

	Interest Rate Agreements
	(In thousands)
Next twelve months	$ (598)
Thereafter	(17,532)
Total[(1)]	$ (18,130)

(1) Utilizing an income tax rate of 37 percent.

Financial Instruments Not Designated as Hedges

The impact of the natural gas marketing segment's financial instruments that have not been designated as hedges on our condensed consolidated income statements for the three months ended March 31, 2016 was an increase in purchased gas cost of $2.5 million, which is included in discontinued operations on the condensed consolidated statements of income. For the six months ended March 31, 2017 and 2016 purchased gas cost (increased) decreased by $6.8 million and $(4.7) million.

As discussed above, financial instruments used in our distribution segment are not designated as hedges. However, there is no earnings impact on our 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.

11. 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 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. During the six months ended March 31, 2017, there were no changes in these methods.

Fair value measurements also apply to the valuation of our pension and postretirement plan assets. Current accounting guidance requires employers to annually disclose information about fair value measurements of the assets of a defined benefit pension or other postretirement plan. The fair value of these assets is presented in Note 7 to the financial statements in our Annual Report on Form 10-K for the fiscal year ending September 30, 2016.

Quantitative Disclosures

Financial Instruments

The classification of our fair value measurements requires judgment regarding the degree to which market data is observable or corroborated by observable market data. 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), with the lowest priority given to unobservable inputs (Level 3). 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 March 31, 2017 and September 30, 2016. 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	March 31, 2017
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 3,096	$ —	$ —	$ 3,096
Available-for-sale securities					
Registered investment companies	37,995	—	—	—	37,995
Bond mutual funds	10,438	—	—	—	10,438
Bonds	—	30,596	—	—	30,596
Money market funds	—	3,623	—	—	3,623
Total available-for-sale securities	48,433	34,219	—	—	82,652
Total assets	$ 48,433	$ 37,315	$ —	$ —	$ 85,748
Liabilities:					
Financial instruments	$ —	$ 117,100	$ —	$ —	$ 117,100

	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	$ —	$ 44,141	$ —	$ (32,515)	$ 11,626
Hedged portion of gas stored underground	52,578	—	—	—	52,578
Available-for-sale securities					
Registered investment companies	38,677	—	—	—	38,677
Bonds	—	31,394	—	—	31,394
Money market funds	—	2,630	—	—	2,630
Total available-for-sale securities	38,677	34,024	—	—	72,701
Total assets	$ 91,255	$ 78,165	$ —	$ (32,515)	$ 136,905
Liabilities:					
Financial instruments	$ —	$ 323,684	$ —	$ (82,865)	$ 240,819

(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. As of September 30, 2016, we had \$50.4 million of cash held in margin accounts to collateralize certain financial instruments. Of this amount, \$43.6 million was used to offset current and noncurrent risk management liabilities under master netting arrangements with the remaining \$6.8 million is classified as current risk management assets.

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

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
		(In thousands)		
As of March 31, 2017				
Domestic equity mutual funds	$ 25,158	$ 6,956	$ (101)	$ 32,013
Foreign equity mutual funds	4,581	1,401	—	5,982
Bond mutual funds	10,469	—	(31)	10,438
Bonds	30,588	43	(35)	30,596
Money market funds	3,623	—	—	3,623
	$ 74,419	$ 8,400	$ (167)	$ 82,652
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

At March 31, 2017 and September 30, 2016, our available-for-sale securities included \$41.6 million and \$41.3 million related to assets held in separate rabbi trusts for our supplemental executive benefit plans. At March 31, 2017, we maintained investments in bonds that have contractual maturity dates ranging from April 2017 through September 2020.

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 a fund by fund 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 fund is written down to its estimated fair value and the other-than-temporary impairment is recognized in the income statement.

Other Fair Value Measures

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 March 31, 2017 and September 30, 2016:

	March 31, 2017	September 30, 2016
	(In thousands)	
Carrying Amount	$ 2,585,000	$ 2,460,000
Fair Value	$ 2,806,986	$ 2,844,990

12. Concentration of Credit Risk

Information regarding our concentration of credit risk is disclosed in Note 16 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. Except for the sale of AEM, during the six months ended March 31, 2017, there were no material changes in our concentration of credit risk.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have reviewed the condensed consolidated balance sheet of Atmos Energy Corporation and subsidiaries as of March 31, 2017 and the related condensed consolidated statements of income and comprehensive income for the three and six-month periods ended March 31, 2017 and 2016 and the condensed consolidated statements of cash flows for the six-month periods ended March 31, 2017 and 2016. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Atmos Energy Corporation and subsidiaries as of September 30, 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated November 14, 2016 except for the effects of the change in segments described in Note 3 and the discontinued operations described in Note 15, to which the date is April 12, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2016, is fairly stated, in all material respects, in relation to the consolidated balance sheets from which it has been derived.

/s/ ERNST & YOUNG LLP

Dallas, Texas
May 4, 2017

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

INTRODUCTION

The following discussion should be read in conjunction with the condensed consolidated financial statements in this Quarterly Report on Form 10-Q and Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended September 30, 2016.

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

The statements contained in this Quarterly Report on Form 10-Q 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 and capital 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 natural gas 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.

OVERVIEW

Atmos Energy and our subsidiaries are engaged primarily in the regulated natural gas distribution and transmission and storage businesses, as well as our natural gas marketing business through December 31, 2016. We distribute natural gas through sales and transportation arrangements to approximately three million residential, commercial, public authority and industrial customers throughout our six distribution divisions, which at March 31, 2017 covered service areas located in eight states. In addition, we transport natural gas for others through our distribution and pipeline systems.

Through December 31, 2016, our natural gas marketing business provided natural gas management and marketing services to municipalities, other local gas distribution companies and industrial customers primarily in the Midwest and Southeast. We completed the sale of this business in January 2017.

We manage and review our consolidated operations through the following three reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states, and storage assets located in Kentucky and Tennessee, which are used solely to support our natural gas distribution operations in those states. These storage assets were formerly included in our nonregulated segment.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Energy Pipeline-Texas division and our natural gas transmission operations in Louisiana which were included in our former nonregulated segment.
- The *natural gas marketing segment* is comprised of our discontinued natural gas marketing business.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Our condensed 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 based our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. On an ongoing basis, we evaluate our estimates, including those related to risk management and trading activities, the allowance for doubtful accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and the valuation of goodwill, indefinite-lived intangible assets and other long-lived assets. Actual results may differ from such estimates.

Our critical accounting policies used in the preparation of our consolidated financial statements are described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016 and include the following:

- Regulation
- Unbilled revenue
- Pension and other postretirement plans
- Contingencies
- Financial instruments and hedging activities
- Fair value measurements
- Impairment assessments

Our critical accounting policies are reviewed periodically by the Audit Committee of our Board of Directors. There were no significant changes to these critical accounting policies during the six months ended March 31, 2017.

RESULTS OF OPERATIONS

Executive Summary

Atmos Energy 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 regulatory mechanisms has resulted in increased earnings and operating cash flows in recent years.

The pursuit of our strategy was the primary driver for our decision to sell our nonregulated natural gas marketing business and to fully exit that business. The sale was announced in October 2016 and closed in January 2017 with the receipt of $133.6 million in cash proceeds, including estimated working capital. We recorded a net gain of $0.03 per diluted share on the sale in the second quarter of fiscal 2017. The proceeds received from the transaction will be used to fund infrastructure in our remaining businesses. As a result of the sale, the results of operations for the divested business have been presented as discontinued operations.

	Three Months Ended March 31		
	2017	2016	Change
	(In thousands, except per share data)		
Distribution operations	$ 131,145	$ 115,080	$ 16,065
Pipeline and storage operations	30,867	27,923	2,944
Net income from continuing operations	162,012	143,003	19,009
Net income (loss) from discontinued operations	2,716	(1,193)	3,909
Net income	$ 164,728	$ 141,810	$ 22,918
Diluted EPS from continuing operations	$ 1.52	$ 1.39	$ 0.13
Diluted EPS from discontinued operations	0.03	(0.01)	0.04
Consolidated diluted EPS	$ 1.55	$ 1.38	$ 0.17

	Six Months Ended March 31		
	2017	2016	Change
	(In thousands, except per share data)		
Distribution operations	$ 216,509	$ 189,016	$ 27,493
Pipeline and storage operations	59,541	55,533	4,008
Net income from continuing operations	276,050	244,549	31,501
Net income from discontinued operations	13,710	122	13,588
Net income	$ 289,760	$ 244,671	$ 45,089
Diluted EPS from continuing operations	$ 2.61	$ 2.38	$ 0.23
Diluted EPS from discontinued operations	0.13	—	0.13
Consolidated diluted EPS	$ 2.74	$ 2.38	$ 0.36

Net income from continuing operations increased 13 percent, compared to the prior-year period, despite weather that was 29 percent warmer than normal and 12 percent warmer than the prior-year period, primarily due to positive rate outcomes and customer growth in our distribution business. During the six months ended March 31, 2017, our distribution segment completed 11 regulatory proceedings, resulting in an increase in annual operating income of $25.4 million and had nine ratemaking efforts in progress at March 31, 2017 seeking $80.8 million of additional annual operating income. Additionally, on January 6, 2017, our Atmos Pipeline - Texas Division filed its statement of intent seeking $55.2 million in additional annual operating income. Our discontinued natural gas marketing results for the six months ended March 31, 2017 primarily include a pre-tax gain of $10.6 million recognized in the first fiscal quarter related to the discontinuance of cash flow hedging for our natural gas marketing commodity contracts and a $2.7 million net gain on sale recognized in January 2017 upon completion of the sale.

Capital expenditures for the first six months of fiscal 2017 were $559.4 million. Approximately 77 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. We expect our capital expenditures to range between $1.1 billion and $1.25 billion for fiscal 2017. We funded our capital expenditure program primarily through operating cash flows of $552.0 million, $125 million in borrowings under our three-year $200 million multi-draw term loan, $49.4 million in proceeds from the issuance of common stock under our at-the-market equity distribution program and net short-term debt borrowings. In addition, we acquired EnLink Pipeline in the first fiscal quarter of 2017 for an all–cash price of $85.0 million, plus estimated working capital. The acquisition of EnLink Pipeline increases the capacity on our APT intrastate pipeline to serve transportation customers in North Texas, which continues to experience significant population growth.

As a result of our sustained financial performance, cash flows and capital structure, our Board of Directors increased the quarterly dividend by 7.1 percent for fiscal 2017.

Distribution Segment

The distribution segment is primarily comprised of our regulated natural gas distribution and related sales operations in eight states, and storage assets located in Kentucky and Tennessee, which are solely used to support our regulated natural gas distribution operations in those states. These storage assets were previously included in our former nonregulated segment. The primary factors that impact the results of this segment 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 of return 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.

Seasonal weather patterns can also affect our distribution operations. However, the effect of weather that is above or below normal is substantially offset through weather normalization adjustments, known as WNA, which has been approved by state regulatory commissions for approximately 97 percent of our residential and commercial meters in the following states for the following time periods:

Kansas, West Texas	October — May
Tennessee	October — April
Kentucky, Mississippi, Mid-Tex	November — April
Louisiana	December — March
Virginia	January — December

Our distribution operations are also affected by the cost of natural gas. The cost of gas is passed through to our customers without markup. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, we believe gross profit, which is defined as operating revenues less purchased gas cost, is a better indicator of our financial performance than revenues. However, gross profit in our Texas and Mississippi service areas includes franchise fees and gross receipts taxes, which are calculated as a percentage of revenue (inclusive of gas costs). Therefore, the amount of these taxes included in revenues is influenced by the cost of gas and the level of gas sales volumes. We record the associated tax expense as a component of taxes, other than income. Although changes in these revenue-related taxes arising from changes in gas costs affect gross profit, over time the impact is offset within operating income.

As discussed above, the cost of gas typically does not have a direct impact on our gross profit. However, higher gas costs mean higher bills for our customers, which 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. However, gas cost risk has been mitigated in recent years through improvements in rate design that allow us to collect from our customers the gas cost portion of our bad debt expense on approximately 75 percent of our residential and commercial margins.

Three Months Ended March 31, 2017 compared with Three Months Ended March 31, 2016

Financial and operational highlights for our distribution segment for the three months ended March 31, 2017 and 2016 are presented below.

	Three Months Ended March 31		
	2017	**2016**	**Change**
	(In thousands, unless otherwise noted)		
Gross profit	$ 449,445	$ 411,456	$ 37,989
Operating expenses	222,641	213,065	9,576
Operating income	226,804	198,391	28,413
Miscellaneous income	1,029	38	991
Interest charges	16,925	18,414	(1,489)
Income before income taxes	210,908	180,015	30,893
Income tax expense	79,763	64,935	14,828
Net income	$ 131,145	$ 115,080	$ 16,065
Consolidated distribution sales volumes — MMcf	97,754	116,370	(18,616)
Consolidated distribution transportation volumes — MMcf	39,915	40,677	(762)
Total consolidated distribution throughput — MMcf	137,669	157,047	(19,378)
Consolidated distribution average cost of gas per Mcf sold	$ 5.25	$ 3.87	$ 1.38

Income for our distribution segment increased 14 percent, primarily due to a $38.0 million increase in gross profit, which is defined as operating revenues less purchased gas cost, partially offset with a $9.6 million increase in operating expenses. The quarter-over-quarter increase in gross profit primarily reflects:

- a $29.5 million net increase in rate adjustments, primarily in our Mid-Tex, Louisiana and Mississippi Divisions.
- Customer growth, primarily in our Mid-Tex and Tennessee service areas, which contributed an incremental net $2.5 million.
- a $0.6 million net decrease in consumption, primarily due to weather that was 34 percent warmer than normal and 23 percent warmer than the prior-year quarter.

The increase in operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, was primarily due to higher levels of employee-related costs and line locate activities, primarily in our Mid-Tex Division, and higher depreciation and property tax expense associated with increased capital investments, partially offset by lower legal expenses.

The following table shows our operating income by distribution division, in order of total rate base, for the three months ended March 31, 2017 and 2016. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	Three Months Ended March 31		
	2017	2016	Change
		(In thousands)	
Mid-Tex	$ 90,809	$ 80,377	$ 10,432
Kentucky/Mid-States	34,010	30,647	3,363
Louisiana	30,362	24,860	5,502
West Texas	21,023	20,245	778
Mississippi	25,802	23,661	2,141
Colorado-Kansas	18,331	17,986	345
Other	6,467	615	5,852
Total	$ 226,804	$ 198,391	$ 28,413

Six Months Ended March 31, 2017 compared with Six Months Ended March 31, 2016

Financial and operational highlights for our distribution segment for the six months ended March 31, 2017 and 2016 are presented below.

	Six Months Ended March 31		
	2017	2016	Change
	(In thousands, unless otherwise noted)		
Gross profit	$ 808,755	$ 746,908	$ 61,847
Operating expenses	427,058	408,426	18,632
Operating income	381,697	338,482	43,215
Miscellaneous income (expense)	396	(439)	835
Interest charges	38,043	38,804	(761)
Income before income taxes	344,050	299,239	44,811
Income tax expense	127,541	110,223	17,318
Net income	$ 216,509	$ 189,016	$ 27,493
Consolidated regulated distribution sales volumes — MMcf	172,184	188,624	(16,440)
Consolidated regulated distribution transportation volumes — MMcf	76,090	72,888	3,202
Total consolidated regulated distribution throughput — MMcf	248,274	261,512	(13,238)
Consolidated regulated distribution average cost of gas per Mcf sold	$ 5.28	$ 4.05	$ 1.23

Income for our distribution segment increased 15 percent, primarily due to a $61.8 million increase in gross profit, which is defined as operating revenues less purchased gas cost, partially offset with an $18.6 million increase in operating expenses. The year-over-year increase in gross profit primarily reflects:

- a $46.6 million net increase in rate adjustments, primarily in our Mid-Tex, Louisiana and Mississippi Divisions.
- Customer growth, primarily in our Mid-Tex and Tennessee service areas, which contributed an incremental $4.2 million.
- a $3.8 million increase in revenue-related taxes in our Mid-Tex and West Texas Divisions, offset by a corresponding $2.0 million increase in the related tax expense.
- a $2.7 million increase in transportation primarily in our West Texas and Kentucky/Mid-States Divisions.
- a $1.0 million net decrease in consumption due to warmer weather compared to the prior-year period.

The increase in operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, was primarily due to an increase in employee-related costs, higher levels of line locate and pipeline integrity activities, primarily in our Mid-Tex Division, and higher depreciation and property tax expense associated with increased capital investments.

Net income for the prior-year period includes a $3.3 million income tax benefit for stock awards that vested during fiscal 2016 as a result of adopting new stock-based accounting guidance in the prior year.

The following table shows our operating income by distribution division, in order of total rate base, for the six months ended March 31, 2017 and 2016. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	Six Months Ended March 31		
	2017	2016	Change
		(In thousands)	
Mid-Tex	$ 163,552	$ 148,296	$ 15,256
Kentucky/Mid-States	56,748	49,785	6,963
Louisiana	50,225	40,703	9,522
West Texas	35,951	33,134	2,817
Mississippi	37,760	36,453	1,307
Colorado-Kansas	30,036	28,078	1,958
Other	7,425	2,033	5,392
Total	$ 381,697	$ 338,482	$ 43,215

Recent Ratemaking Developments

The amounts described in the following sections represent the operating income that was requested or received in each rate filing, which may not necessarily reflect the stated amount referenced in the final order, as certain operating costs may have changed as a result of a commission's or other governmental authority's final ruling. During the first six months of fiscal 2017, we completed 11 regulatory proceedings, resulting in a $25.4 million increase in annual operating income as summarized below:

Rate Action	Annual Increase in Operating Income
	(In thousands)
Annual formula rate mechanisms	$ 24,637
Rate case filings	6
Other rate activity	784
	$ 25,427

Additionally, the following ratemaking efforts seeking $80.8 million in annual operating income were in progress as of March 31, 2017:

Division	Rate Action	Jurisdiction	Operating Income Requested
			(In thousands)
Kentucky/Mid-States	Formula Rate Mechanism [(1)]	Tennessee	$ 2,200
Louisiana	Formula Rate Mechanism [(2)]	Trans La	4,392
Louisiana	Formula Rate Mechanism	LGS	6,237
Mid-Tex	Formula Rate Mechanism	Dallas	9,976
Mid-Tex	Formula Rate Mechanism	Mid-Tex Cities	43,320
Mid-Tex	Infrastructure Mechanism	Environs	1,568
Mississippi	Infrastructure Mechanism	Mississippi	7,600
West Texas	Infrastructure Mechanism [(3)]	Cities of Amarillo,Channing, Lubbock, & Dalhart	4,682
West Texas	Infrastructure Mechanism	Environs	872
			$ 80,847

(1) The Tennessee Regulatory Authority (TRA) is currently evaluating a gross filing amount of $6.8 million, of which the TRA issued a final order approving a $4.6 million increase related to the prior year's true-up. The remaining $2.2 million is still under review.

(2) The proposed increase for Trans La customers was implemented on April 1, 2017, subject to refund.

(3) The 2016 GRIP increase was implemented on April 25, 2017.

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 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 annual formula rate mechanisms were approved during the six months ended March 31, 2017.

Division	Jurisdiction	Test Year Ended	Increase in Annual Operating Income	Effective Date
			(In thousands)	
2017 Filings:				
Kentucky/Mid-States	Tennessee	05/31/2016	$ 4,612	06/01/2017
West Texas	West Texas Cities	09/30/2016	4,255	03/15/2017
Colorado-Kansas	Kansas	09/30/2016	801	02/09/2017
Mississippi	Mississippi SRF	10/31/2017	4,390	01/12/2017
Mississippi	Mississippi SIR	10/31/2017	3,334	01/01/2017
Mississippi	Mississippi SGR	10/31/2017	1,292	01/01/2017
Colorado-Kansas	Colorado	12/31/2017	1,350	01/01/2017
Kentucky/Mid-States	Kentucky	09/30/2017	4,981	10/14/2016
Kentucky/Mid-States	Virginia	09/30/2017	(378)	10/01/2016
Total 2017 Filings			$ 24,637	

Rate Case Filings

A rate case is a formal request from Atmos Energy to a regulatory authority to increase rates that are charged to our 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 and ensure that we continue to deliver reliable, reasonably priced natural gas service safely to our customers. The following table summarizes the rate cases that were completed during the six months ended March 31, 2017.

Division	State	Increase in Annual Operating Income	Effective Date
		(In thousands)	
2017 Rate Case Filings:			
Kentucky/Mid-States (1)	Virginia	$ 6	12/27/2016
Total 2017 Rate Case Filings		$ 6	

(1) The Virginia State Corporation Commission issued a final order approving a re-basing of the Company's SAVE rates into base rates and a decrease to depreciation expense. The Company had implemented rates on April 1, 2016, subject to refund, of $0.5 million.

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the six months ended March 31, 2017.

Division	Jurisdiction	Rate Activity	Additional Annual Operating Income	Effective Date
			(In thousands)	
2017 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad-Valorem(1)	$ 784	2/1/2017
Total 2017 Other Rate Activity			$ 784	

(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.

Pipeline and Storage Segment

Our pipeline and storage segment consists of the pipeline and storage operations of our Atmos Pipeline–Texas Division (APT) and our natural gas transmission operations in Louisiana, which were previously included in our former nonregulated segment. 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, as well as marketers and producers. As part of its pipeline operations, APT manages five underground storage reservoirs in Texas.

Our natural gas transmission operations in Louisiana are comprised of a proprietary 21-mile pipeline located in New Orleans, Louisiana that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and on a more limited basis, to third parties. The demand fee charged to our Louisiana distribution division for these services is subject to regulatory approval by the Louisiana Public Service Commission. They also manage two asset management plans which have been approved by applicable state regulatory commissions. Generally, these asset management plans require us to share with our distribution customers a significant portion of the cost savings earned from these arrangements.

Our pipeline and storage segment is impacted by seasonal weather patterns, competitive factors in the energy industry and economic conditions in our Texas and Louisiana service areas. Natural gas prices do not directly impact the results of this segment as revenues are derived from the transportation and storage 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 in Texas could influence the volumes of gas transported for shippers through our Texas pipeline system and the rates for such transportation.

The results of APT are also significantly impacted by the natural gas requirements of its local distribution company customers. Additionally, its operations may be impacted by the timing of when costs and expenses are incurred and when these costs and expenses are recovered through its tariffs.

APT annually uses GRIP to recover capital costs incurred in the prior calendar year. However, GRIP also requires a utility to file a statement of intent at least once every five years to review its costs and expenses, including capital costs filed for recovery under GRIP. On January 6, 2017, APT filed its statement of intent seeking $55.2 million in additional annual operating income. APT customarily submits an annual GRIP filing during the second fiscal quarter of each fiscal year. However, APT is precluded from submitting a GRIP filing until a final order has been issued on the statement of intent. Accordingly, APT did not submit its annual GRIP filing during the second quarter of fiscal 2017. The Railroad Commission of Texas has 185 days to issue a final order in this proceeding.

On December 21, 2016, the Louisiana Public Service Commission approved an annual increase of five percent to the demand fee charged by our natural gas transmission pipeline for each of the next 10 years, effective October 1, 2017. This agreement will replace the existing agreement that expires in September 2017.

Three Months Ended March 31, 2017 compared with Three Months Ended March 31, 2016

Financial and operational highlights for our pipeline and storage segment for the three months ended March 31, 2017 and 2016 are presented below.

	Three Months Ended March 31		
	2017	2016	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation	$ 84,277	$ 74,653	$ 9,624
Third-party transportation	22,839	20,391	2,448
Other	4,131	6,184	(2,053)
Gross profit	111,247	101,228	10,019
Operating expenses	52,879	47,963	4,916
Operating income	58,368	53,265	5,103
Miscellaneous expense	(196)	(367)	171
Interest charges	10,019	9,145	874
Income before income taxes	48,153	43,753	4,400
Income tax expense	17,286	15,830	1,456
Net income	$ 30,867	$ 27,923	$ 2,944
Gross pipeline transportation volumes — MMcf	195,233	187,922	7,311
Consolidated pipeline transportation volumes — MMcf	131,151	115,040	16,111

Net income for our pipeline and storage segment increased 11 percent, primarily due to a $10.0 million increase in gross profit, which is defined as operating revenues less purchased gas cost, offset by a $4.9 million increase in operating expenses. The increase in gross profit primarily reflects a $10.8 million increase in rates from the GRIP filings approved in fiscal 2016. Gross pipeline transportation volumes increased four percent, despite weather that was 34 percent warmer than normal and 23 percent warmer than the prior-year quarter primarily due to volumes associated with EnLink Pipeline, which we acquired in the first fiscal quarter of 2017.

Operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, increased $4.9 million, primarily due to higher depreciation expense and property taxes associated with increased capital investments.

Six Months Ended March 31, 2017 compared with Six Months Ended March 31, 2016

Financial and operational highlights for our pipeline and storage segment for the six months ended March 31, 2017 and 2016 are presented below.

	Six Months Ended March 31		
	2017	2016	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation	$ 166,760	$ 144,686	$ 22,074
Third-party transportation	45,044	42,484	2,560
Other	9,040	13,033	(3,993)
Gross profit	220,844	200,203	20,641
Operating expenses	107,451	94,300	13,151
Operating income	113,393	105,903	7,490
Miscellaneous expense	(557)	(769)	212
Interest charges	19,931	18,292	1,639
Income before income taxes	92,905	86,842	6,063
Income tax expense	33,364	31,309	2,055
Net income	$ 59,541	$ 55,533	$ 4,008
Gross pipeline transportation volumes — MMcf	382,013	367,774	14,239
Consolidated pipeline transportation volumes — MMcf	266,127	244,199	21,928

Net income for our pipeline and storage segment increased seven percent, primarily due to a $20.6 million increase in gross profit, which is defined as operating revenues less purchased gas cost, offset by a $13.2 million increase in operating expenses. The increase in gross profit primarily reflects a $21.5 million increase in rates from the GRIP filings approved in fiscal 2016. Gross pipeline transportation volumes increased four percent, despite weather that was 29 percent warmer than normal and 12 percent warmer than the prior-year period, primarily due to volumes associated with EnLink Pipeline.

Operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, increased $13.2 million, primarily due to increased levels of pipeline maintenance and integrity activities and higher depreciation expense and property taxes associated with increased capital investments.

Natural Gas Marketing Segment

Through December 31, 2016, we were engaged in an unregulated natural gas marketing business, which was conducted by Atmos Energy Marketing (AEM). AEM's primary business was to aggregate and purchase gas supply, arrange transportation and storage logistics and ultimately deliver gas to customers at competitive prices. Additionally, AEM utilized proprietary and customer–owned transportation and storage assets to provide various services its customers requested. AEM served most of its customers under contracts generally having one to two year terms. As a result, AEM's margins arose from the types of commercial transactions it had structured with its customers and its ability to identify the lowest cost alternative among the natural gas supplies, transportation and markets to which it had access to serve those customers.

As more fully described in Note 6, effective January 1, 2017, we sold all of the equity interests of AEM to CenterPoint Energy Services, Inc. (CES), a subsidiary of CenterPoint Energy Inc. As a result of the sale, Atmos Energy has fully exited the nonregulated natural gas marketing business. Accordingly, these operations have been reported as discontinued operations.

Three Months Ended March 31, 2017 compared with Three Months Ended March 31, 2016

Financial and operating highlights for our natural gas marketing segment for the three months ended March 31, 2017 and 2016 are presented below.

	Three Months Ended March 31		
	2017	2016	Change
	(In thousands, unless otherwise noted)		
Gross profit	$ —	$ 5,260	$ (5,260)
Operating expenses	—	6,900	(6,900)
Operating loss	—	(1,640)	1,640
Miscellaneous income	—	39	(39)
Interest charges	—	396	(396)
Loss before income taxes	—	(1,997)	1,997
Income tax benefit	—	(804)	804
Loss from discontinued operations	—	(1,193)	1,193
Gain on sale of discontinued operations, net of tax	2,716	—	2,716
Net income (loss) from discontinued operations	$ 2,716	$ (1,193)	$ 3,909
Gross natural gas marketing delivered gas sales volumes — MMcf	—	102,977	(102,977)
Consolidated natural gas marketing delivered gas sales volumes — MMcf	—	91,366	(91,366)
Net physical position (Bcf)	—	35.2	(35.2)

The $3.9 million quarter-over-quarter increase in net income from discontinued operations primarily reflects the recognition of a net $2.7 million gain on sale upon completion of the sale of AEM to CES in January 2017.

Six Months Ended March 31, 2017 compared with Six Months Ended March 31, 2016

Financial and operating highlights for our natural gas marketing segment for the six months ended March 31, 2017 and 2016 are presented below.

	Six Months Ended March 31		
	2017	2016	Change
	(In thousands, unless otherwise noted)		
Gross profit	$ 25,920	$ 14,729	$ 11,191
Operating expenses	7,874	12,893	(5,019)
Operating income	18,046	1,836	16,210
Miscellaneous income	30	115	(85)
Interest charges	241	1,748	(1,507)
Income before income taxes	17,835	203	17,632
Income tax expense	6,841	81	6,760
Income from discontinued operations	10,994	122	10,872
Gain on sale of discontinued operations, net of tax	2,716	—	2,716
Net income from discontinued operations	$ 13,710	$ 122	$ 13,588
Gross nonregulated delivered gas sales volumes — MMcf	90,223	196,173	(105,950)
Consolidated nonregulated delivered gas sales volumes — MMcf	78,646	172,960	(94,314)
Net physical position (Bcf)	—	35.2	(35.2)

The $13.6 million year-over-year increase in net income from discontinued operations primarily reflects the recognition of a net $6.6 million noncash gain from unwinding hedge accounting for certain of the natural gas marketing business's financial positions. Due to the anticipated sale of AEM, we determined that the cash flows associated with our natural gas marketing commodity cash flow hedges were no longer probable of occurring; therefore, we discontinued hedge accounting as of December 31, 2016. As a result, we reclassified the gains in accumulated other comprehensive income associated with the commodity contracts into earnings as a reduction of purchased gas costs and recognized a pre-tax gain of $10.6 million during the first fiscal quarter of 2017. Additionally, we recognized a $2.7 million net gain on sale upon completion of the sale of AEM to CES in January 2017.

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 $1.5 billion of capacity under our short-term facilities.

We plan to continue to fund our growth through the use of operating cash flows, debt and equity securities while maintaining a balanced capital structure. To support our capital market activities, we have a registration statement on file with the SEC that permits us to issue a total of $2.5 billion in common stock and/or debt securities. Under the shelf registration statement, we have filed a prospectus supplement for an at–the-market (ATM) equity distribution program under which we may issue and sell, shares of our common stock, up to an aggregate offering price of $200 million. At March 31, 2017, approximately $2.4 billion of securities remain available for issuance under the shelf registration statement and approximately $50 million of equity remained available for issuance under the ATM program.

The following table presents our capitalization inclusive of short-term debt and the current portion of long-term debt as of March 31, 2017, September 30, 2016 and March 31, 2016:

	March 31, 2017		September 30, 2016		March 31, 2016	
			(In thousands, except percentages)			
Short-term debt	$ 670,607	9.5%	$ 829,811	12.3%	$ 626,929	9.8%
Long-term debt[1]	2,564,620	36.3%	2,438,779	36.2%	2,438,304	38.0%
Shareholders' equity	3,834,864	54.2%	3,463,059	51.5%	3,344,565	52.2%
Total	$ 7,070,091	100.0%	$ 6,731,649	100.0%	$ 6,409,798	100.0%

(1) In June 2017, $250 million of long-term debt will mature. We plan to issue new senior notes to replace this maturing debt. We have executed forward starting interest rate swaps to effectively fix the Treasury yield component associated with this anticipated issuance at 3.37%.

Cash Flows

Our internally generated funds may change in the future due to a number of factors, some of which we cannot control. These include regulatory changes, prices for our products and services, 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 six months ended March 31, 2017 and 2016 are presented below.

	Six Months Ended March 31		
	2017	2016	Change
		(In thousands)	
Total cash provided by (used in)			
Operating activities	$ 552,003	$ 452,955	$ 99,048
Investing activities	(516,670)	(533,524)	16,854
Financing activities	(37,464)	99,834	(137,298)
Change in cash and cash equivalents	(2,131)	19,265	(21,396)
Cash and cash equivalents at beginning of period	47,534	28,653	18,881
Cash and cash equivalents at end of period	$ 45,403	$ 47,918	$ (2,515)

Cash flows from operating activities

Period-over-period changes in our operating cash flows are primarily attributable to changes in net income and working capital changes, particularly within our 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.

For the six months ended March 31, 2017, we generated cash flow of $552.0 million from operating activities compared with $453.0 million for the six months ended March 31, 2016. The $99.0 million increase in operating cash flows reflects the positive cash effects of successful rate case outcomes achieved in fiscal 2016 and changes in working capital.

Cash flows from investing activities

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.

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 natural gas 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. We anticipate our annual capital spending will be in the range of $1 billion to $1.4 billion through fiscal 2020.

For the six months ended March 31, 2017, cash used for investing activities was $516.7 million compared to $533.5 million in the prior-year period. Capital spending rose a net $23.4 million, or 4.4 percent, as a result of planned increases in our distribution segment to repair and replace vintage pipelines, partially offset by a decrease in spending in our pipeline and storage segment as a result of the substantial completion of an APT project to improve the reliability of gas service to its local distribution company customers. Cash flows from investing activities also include proceeds of $133.6 million received from the sale of AEM, and the $85.7 million purchase price for EnLink Pipeline in the first fiscal quarter of 2017.

Cash flows from financing activities

For the six months ended March 31, 2017, our financing activities used $37.5 million of cash compared with $99.8 million generated in the prior-year period. The $137.3 million increase in cash used for financing is primarily due to net repayments of short-term debt in the current-year period, offset by borrowings under our three year, $200 million multi-draw floating-rate term loan agreement, proceeds received from the issuance of common stock under our ATM program during the first quarter and the return of cash collateral related to our forward-starting interest rate swaps due to an increase in interest rates in the first quarter.

The following table summarizes our share issuances for the six months ended March 31, 2017 and 2016.

	Six Months Ended March 31	
	2017	2016
Shares issued:		
Direct Stock Purchase Plan	54,366	78,652
1998 Long-Term Incentive Plan	426,835	458,929
Retirement Savings Plan and Trust	172,932	193,106
At-the-Market (ATM) Equity Distribution Program	690,812	—
Total shares issued	1,344,945	730,687

The year-over-year increase in the number of shares issued primarily reflects shares issued under the ATM Program in the current year.

Credit Facilities

Our short-term borrowing requirements are affected primarily by the seasonal nature of the natural gas business and the level of our capital expenditures. Changes in the price of natural gas, the amount of natural gas we need to supply to meet our customers' needs and our capital spending activities could significantly affect our borrowing requirements. However, our short-term borrowings typically reach their highest levels in the winter months.

We finance our short-term borrowing requirements through a combination of a $1.5 billion commercial paper program and three committed revolving credit facilities with third-party lenders that provide a total of approximately $1.5 billion of working capital funding. As of March 31, 2017, the amount available to us under our credit facilities, net of commercial paper and outstanding letters of credit, was $0.9 billion.

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 businesses and the regulatory structures that govern our rates 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). As of March 31, 2017, 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 March 31, 2017. Our debt covenants are described in greater detail in Note 5 to the unaudited condensed consolidated financial statements.

Contractual Obligations and Commercial Commitments

Except as noted in Note 9 to the unaudited condensed consolidated financial statements, there were no significant changes in our contractual obligations and commercial commitments during the six months ended March 31, 2017.

Risk Management Activities

In our distribution and pipeline and storage segments, 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. Additionally, we manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings. Through December 31, 2016, we managed our exposure to the risk of natural gas price changes in our natural gas marketing segment by locking 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.

The following table shows the components of the change in fair value of our financial instruments for the three and six months ended March 31, 2017 and 2016:

	Three Months Ended March 31		Six Months Ended March 31	
	2017	2016	2017	2016
	(In thousands)			
Fair value of contracts at beginning of period	$ (121,722)	$ (130,282)	$ (279,543)	$ (153,981)
Contracts realized/settled	1,793	(6,279)	11,756	(11)
Fair value of new contracts	(2,560)	240	(1,597)	57
Other changes in value	8,485	(67,628)	155,380	(50,014)
Fair value of contracts at end of period	(114,004)	(203,949)	(114,004)	(203,949)
Netting of cash collateral	—	25,582	—	25,582
Cash collateral and fair value of contracts at period end	$ (114,004)	$ (178,367)	$ (114,004)	$ (178,367)

The fair value of our financial instruments at March 31, 2017 is presented below by time period and fair value source:

	Fair Value of Contracts at March 31, 2017				
	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	$ (19,748)	$ (94,256)	$ —	$ —	$ (114,004)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$ (19,748)	$ (94,256)	$ —	$ —	$ (114,004)

Pension and Postretirement Benefits Obligations

For the six months ended March 31, 2017 and 2016, our total net periodic pension and other benefits costs were $23.2 million and $23.0 million. A substantial portion of those costs relating to our natural gas distribution operations are recoverable through our gas distribution rates; however, a portion of these costs is capitalized into our distribution rate base. The remaining costs are recorded as a component of operation and maintenance expense.

Our fiscal 2017 costs were determined using a September 30, 2016 measurement date. 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. 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 generally consistent with fiscal 2016.

The amount with which we fund our defined benefit plan is determined in accordance with the Pension Protection Act of 2006 (PPA) and is influenced by the funded position of the plan when the funding requirements are determined on January 1 of each year. Based upon the determination as of January 1, 2017, we are not required to make a minimum contribution to our defined benefit plan during fiscal 2017. However, we will consider whether a voluntary contribution is prudent to maintain certain funding levels.

For the six months ended March 31, 2017 we contributed $6.6 million to our postretirement medical plans. We anticipate contributing a total of between $10 million and $20 million to our postretirement plans during fiscal 2017.

The projected pension liability, future funding requirements and the amount of pension expense or income recognized for the plans are subject to change, depending upon the actuarial value of plan assets in the plans and the determination of future benefit obligations as of each subsequent actuarial calculation date. These amounts will be determined by actual investment returns, changes in interest rates, values of assets in the plans and changes in the demographic composition of the participants in the plans.

OPERATING STATISTICS AND OTHER INFORMATION

The following tables present certain operating statistics for our distribution and pipeline and storage segments for the three and six-month periods ended March 31, 2017 and 2016.

Distribution Sales and Statistical Data

	Three Months Ended March 31		Six Months Ended March 31	
	2017	2016	2017	2016
METERS IN SERVICE, end of period				
Residential	2,929,455	2,899,265	2,929,455	2,899,265
Commercial	269,055	267,213	269,055	267,213
Industrial	1,690	1,828	1,690	1,828
Public authority and other	8,332	8,410	8,332	8,410
Total meters	3,208,532	3,176,716	3,208,532	3,176,716
INVENTORY STORAGE BALANCE — Bcf	40.0	40.2	40.0	40.2
SALES VOLUMES — MMcf[1]				
Gas sales volumes				
Residential	56,931	68,758	98,431	108,927
Commercial	31,739	35,854	55,475	59,272
Industrial	6,708	8,897	14,140	15,890
Public authority and other	2,376	2,861	4,138	4,535
Total gas sales volumes	97,754	116,370	172,184	188,624
Transportation volumes	42,142	43,986	81,207	79,110
Total throughput	139,896	160,356	253,391	267,734
OPERATING REVENUES (000's)[1]				
Gas sales revenues				
Residential	$ 609,771	$ 563,565	$ 1,091,444	$ 979,550
Commercial	251,174	222,480	451,662	394,505
Industrial	47,986	29,643	78,017	54,401
Public authority and other	17,607	16,560	29,716	27,093
Total gas sales revenues	926,538	832,248	1,650,839	1,455,549
Transportation revenues	24,307	22,623	46,788	42,105
Other gas revenues	11,696	7,256	19,570	13,916
Total operating revenues	$ 962,541	$ 862,127	$ 1,717,197	$ 1,511,570
Average cost of gas per Mcf sold	$ 5.25	$ 3.87	$ 5.28	$ 4.05

See footnote following these tables.

Pipeline and Storage Operations Sales and Statistical Data

	Three Months Ended March 31		Six Months Ended March 31	
	2017	2016	2017	2016
CUSTOMERS, end of period				
Industrial	91	88	91	88
Other	226	221	226	221
Total	317	309	317	309
INVENTORY STORAGE BALANCE — Bcf	0.6	1.8	0.6	1.8
PIPELINE TRANSPORTATION VOLUMES — MMcf(1)	195,233	187,922	382,013	367,774
OPERATING REVENUES (000's)(1)	$ 111,972	$ 102,153	$ 221,924	$ 200,569

Note to preceding tables:

(1) Sales volumes and revenues reflect segment operations, including intercompany sales and transportation amounts.

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 unaudited condensed consolidated financial statements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Information regarding our quantitative and qualitative disclosures about market risk are disclosed in Item 7A in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. During the six months ended March 31, 2017, except for the effects of the sale of AEM on our market risk, there were no material changes in our quantitative and qualitative disclosures about market risk.

Item 4. *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 Rules 13a-15(e) and 15d-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 March 31, 2017 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.

Changes in Internal Control over Financial Reporting

We did not make any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the second quarter of the fiscal year ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

During the six months ended March 31, 2017, there were no material changes in the status of the litigation and other matters that were disclosed in Note 11 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. We continue to believe that the final outcome of such litigation and other matters or claims will not have a material adverse effect on our financial condition, results of operations or cash flows.

Item 6. ***Exhibits***

A list of exhibits required by Item 601 of Regulation S-K and filed as part of this report is set forth in the Exhibits Index, which immediately precedes such exhibits.

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, thereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer
(Duly authorized signatory)

Date: May 4, 2017

EXHIBITS INDEX
Item 6

Exhibit Number	Description	Page Number or Incorporation by Reference to
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)
10	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)
12	Computation of ratio of earnings to fixed charges	
15	Letter regarding unaudited interim financial information	
31	Rule 13a-14(a)/15d-14(a) Certifications	
32	Section 1350 Certifications*	
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	

* These certifications, which were made 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 Quarterly Report on Form 10-Q, will not be deemed to be filed with the 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.

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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

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)*

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

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

Large Accelerated Filer ☑ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☐ Emerging growth company ☐
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of shares outstanding of each of the issuer's classes of common stock, as of July 28, 2017.

Class	Shares Outstanding
No Par Value	106,065,596

GLOSSARY OF KEY TERMS

AEC	Atmos Energy Corporation
AEH	Atmos Energy Holdings, Inc.
AEM	Atmos Energy Marketing, LLC
AOCI	Accumulated other comprehensive income
Bcf	Billion cubic feet
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
Gross Profit	Non-GAAP measure defined as operating revenues less purchased gas cost
Mcf	Thousand cubic feet
MMcf	Million cubic feet
Moody’s	Moody’s Investors Services, Inc.
NYMEX	New York Mercantile Exchange, Inc.
PPA	Pension Protection Act of 2006
PRP	Pipeline Replacement Program
RRC	Railroad Commission of Texas
RRM	Rate Review Mechanism
S&P	Standard & Poor’s Corporation
SEC	United States Securities and Exchange Commission
WNA	Weather Normalization Adjustment

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2017	September 30, 2016
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 10,952,422	$ 10,142,506
Less accumulated depreciation and amortization	2,028,041	1,873,900
Net property, plant and equipment	8,924,381	8,268,606
Current assets		
Cash and cash equivalents	69,777	47,534
Accounts receivable, net	250,224	215,880
Gas stored underground	151,656	179,070
Current assets of disposal group classified as held for sale	—	151,117
Other current assets	62,725	88,085
Total current assets	534,382	681,686
Goodwill	729,673	726,962
Noncurrent assets of disposal group classified as held for sale	—	28,616
Deferred charges and other assets	310,339	305,019
	$ 10,498,775	$ 10,010,889
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at $0.005 per share); 200,000,000 shares authorized; issued and outstanding: June 30, 2017 — 106,059,875 shares; September 30, 2016 — 103,930,560 shares	$ 530	$ 520
Additional paid-in capital	2,525,752	2,388,027
Accumulated other comprehensive loss	(104,599)	(188,022)
Retained earnings	1,480,027	1,262,534
Shareholders' equity	3,901,710	3,463,059
Long-term debt	3,066,734	2,188,779
Total capitalization	6,968,444	5,651,838
Current liabilities		
Accounts payable and accrued liabilities	164,365	196,485
Current liabilities of disposal group classified as held for sale	—	72,900
Other current liabilities	322,721	439,085
Short-term debt	258,573	829,811
Current maturities of long-term debt	—	250,000
Total current liabilities	745,659	1,788,281
Deferred income taxes	1,853,564	1,603,056
Regulatory cost of removal obligation	457,060	424,281
Pension and postretirement liabilities	304,919	297,743
Noncurrent liabilities of disposal group held for sale	—	316
Deferred credits and other liabilities	169,129	245,374
	$ 10,498,775	$ 10,010,889

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30	
	2017	2016
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 494,060	$ 424,905
Pipeline and storage segment	117,283	113,855
Intersegment eliminations	(84,842)	(82,548)
Total operating revenues	526,501	456,212
Purchased gas cost		
Distribution segment	197,767	147,569
Pipeline and storage segment	1,251	(438)
Intersegment eliminations	(84,842)	(82,548)
Total purchased gas cost	114,176	64,583
Operation and maintenance expense	128,690	131,388
Depreciation and amortization expense	80,023	72,880
Taxes, other than income	62,948	58,965
Operating income	140,664	128,396
Miscellaneous (expense) income	(289)	1,118
Interest charges	28,498	27,679
Income from continuing operations before income taxes	111,877	101,835
Income tax expense	41,069	35,692
Income from continuing operations	70,808	66,143
Income from discontinued operations, net of tax ($0 and $3,414)	—	5,050
Net Income	$ 70,808	$ 71,193
Basic and diluted net income per share		
Income per share from continuing operations	$ 0.67	$ 0.64
Income per share from discontinued operations	—	0.05
Net income per share - basic and diluted	$ 0.67	$ 0.69
Cash dividends per share	$ 0.45	$ 0.42
Basic and diluted weighted average shares outstanding	106,364	103,750

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Nine Months Ended June 30	
	2017	2016
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 2,211,257	$ 1,936,475
Pipeline and storage segment	339,207	314,424
Intersegment eliminations	(255,609)	(229,894)
Total operating revenues	2,294,855	2,021,005
Purchased gas cost		
Distribution segment	1,106,209	912,231
Pipeline and storage segment	2,331	(72)
Intersegment eliminations	(255,565)	(229,894)
Total purchased gas cost	852,975	682,265
Operation and maintenance expense	385,867	379,073
Depreciation and amortization expense	234,648	214,927
Taxes, other than income	185,611	171,959
Operating income	635,754	572,781
Miscellaneous expense	(450)	(90)
Interest charges	86,472	84,775
Income from continuing operations before income taxes	548,832	487,916
Income tax expense	201,974	177,224
Income from continuing operations	346,858	310,692
Income from discontinued operations, net of tax ($6,841 and $3,495)	10,994	5,172
Gain on sale of discontinued operations, net of tax ($10,215 and $0)	2,716	—
Net Income	$ 360,568	$ 315,864
Basic and diluted net income per share		
Income per share from continuing operations	$ 3.27	$ 3.01
Income per share from discontinued operations	0.13	0.05
Net income per share - basic and diluted	$ 3.40	$ 3.06
Cash dividends per share	$ 1.35	$ 1.26
Basic and diluted weighted average shares outstanding	105,862	103,137

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30		Nine Months Ended June 30	
	2017	2016	2017	2016
	(Unaudited) (In thousands)			
Net income	$ 70,808	$ 71,193	$ 360,568	$ 315,864
Other comprehensive income (loss), net of tax				
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of $490, $110, $893 and $(837)	851	151	1,553	(1,496)
Cash flow hedges:				
Amortization and unrealized gain (loss) on interest rate agreements, net of tax of $(10,667), $(22,561), $44,194 and $(50,631)	(18,556)	(39,250)	76,888	(88,085)
Net unrealized gains on commodity cash flow hedges, net of tax of $0, $11,575, $3,183 and $13,220	—	18,105	4,982	20,678
Total other comprehensive income (loss)	(17,705)	(20,994)	83,423	(68,903)
Total comprehensive income	$ 53,103	$ 50,199	$ 443,991	$ 246,961

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended June 30	
	2017	2016
	(Unaudited) (In thousands)	
Cash Flows From Operating Activities		
Net income	$ 360,568	$ 315,864
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	234,833	216,670
Deferred income taxes	188,256	171,042
Gain on sale of discontinued operations	(12,931)	—
Discontinued cash flow hedging for natural gas marketing commodity contracts	(10,579)	—
Other	14,892	14,430
Net assets / liabilities from risk management activities	25,661	7,973
Net change in operating assets and liabilities	(55,139)	(96,033)
Net cash provided by operating activities	745,561	629,946
Cash Flows From Investing Activities		
Capital expenditures	(812,148)	(789,688)
Acquisition	(86,128)	—
Proceeds from the sale of discontinued operations	140,253	—
Available-for-sale securities activities, net	(14,329)	558
Use tax refund	18,562	—
Other, net	6,435	5,731
Net cash used in investing activities	(747,355)	(783,399)
Cash Flows From Financing Activities		
Net (decrease) increase in short-term debt	(571,238)	212,539
Net proceeds from equity offering	98,755	98,660
Issuance of common stock through stock purchase and employee retirement plans	22,673	26,500
Proceeds from issuance of long-term debt	884,911	—
Settlement of interest rate agreements	(36,996)	—
Interest rate agreements cash collateral	25,670	(16,330)
Repayment of long-term debt	(250,000)	—
Cash dividends paid	(143,075)	(130,363)
Debt issuance costs	(6,663)	—
Net cash provided by financing activities	24,037	191,006
Net increase in cash and cash equivalents	22,243	37,553
Cash and cash equivalents at beginning of period	47,534	28,653
Cash and cash equivalents at end of period	$ 69,777	$ 66,206

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2017

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") is engaged in the regulated natural gas distribution and pipeline and storage businesses. Our regulated businesses are subject to federal and state regulation and/or regulation by local authorities in each of the states in which our regulated divisions and subsidiaries operate.

Our distribution business delivers natural gas through sales and transportation arrangements to approximately three million residential, commercial, public authority and industrial customers through our six natural gas distribution divisions, which at June 30, 2017, covered service areas located in eight states.

Our pipeline and storage business includes the transportation of natural gas to Texas and Louisiana distribution systems and the management of our underground storage facilities used to support Texas distribution businesses.

Effective January 1, 2017, we completed the sale of all of the equity interests of Atmos Energy Marketing (AEM) to CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy, Inc. (CES). Accordingly, AEM's historical financial results are reflected in the Company's condensed consolidated financial statements as discontinued operations, which required retrospective application to financial information for all periods presented. Refer to Note 6 for further information. Our discontinued natural gas marketing segment was primarily engaged in a nonregulated natural gas marketing business, conducted by AEM. This business provided natural gas management and transportation services to municipalities, regulated distribution companies, including certain divisions of Atmos Energy and third parties.

2. Unaudited Financial Information

These consolidated interim-period financial statements have been prepared in accordance with accounting principles generally accepted in the United States on the same basis as those used for the Company's audited consolidated financial statements for the fiscal year ended September 30, 2016, which appear in Exhibit 99.1 to our Current Report on Form 8-K dated April 12, 2017 (the "Fiscal 2016 Financial Statements"). In the opinion of management, all material adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been made to the unaudited consolidated interim-period financial statements. These consolidated interim-period financial statements are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with our Fiscal 2016 Financial Statements. Because of seasonal and other factors, the results of operations for the nine-month period ended June 30, 2017 are not indicative of our results of operations for the full 2017 fiscal year, which ends September 30, 2017.

During the third quarter, we completed a State of Texas use tax audit that covered the period from October 2011 to March 2017, which resulted in a refund of $29.8 million. We concluded the appropriate regulatory treatment of this refund was to reduce rate base. We received $18.7 million during the third quarter, which has been included in cash flows from investing activities, and recorded an $11.1 million receivable as of June 30, 2017.

On January 6, 2017, our Atmos Pipeline - Texas Division filed its statement of intent seeking $63.6 million, as adjusted in its rebuttal case, in additional annual operating income. On August 1, 2017, a final order was issued in our APT rate case resulting in a $13.0 million increase in annual operating income. No other events have occurred subsequent to the balance sheet date that would require recognition or disclosure in the condensed consolidated financial statements.

Significant accounting policies

Our accounting policies are described in Note 2 of our Fiscal 2016 Financial Statements.

As discussed in Note 3, due to the realignment of our reportable segments, prior periods' segment information has been recast in accordance with applicable accounting guidance. Additionally, as discussed in Note 6, due to the sale of AEM, prior period amounts have been presented as discontinued operations. The segment realignment and the presentation of discontinued operations have not impacted our reported net income, financial position or cash flows.

During the second quarter of fiscal 2017, we completed our annual goodwill impairment assessment. Based on the assessment performed, we determined that our goodwill was not impaired.

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, an entity 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 may need to use more judgment and make more estimates than under current guidance.

The new guidance will become effective for us 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 June 30, 2017, we have substantially completed the evaluation of our sources of revenue and are currently assessing the effect that the new guidance will have on our financial position, results of operations, cash flows and business processes. The conclusion of our assessment is contingent, in part, upon the completion of deliberations currently in progress by our industry, notably in connection with efforts to produce an accounting guide intended to be developed by the American Institute of Certified Public Accountants (AICPA).

In association with this undertaking, the AICPA formed a number of industry task forces, including a Power & Utilities (P&U) Task Force. Industry representatives and organizations, the largest auditing firms, the AICPA's Revenue Recognition Working Group and its Financial Reporting Executive Committee have undertaken, and continue to undertake, consideration of several items relevant to our industry as further discussed below. Where applicable or necessary, the FASB's Transition Resource Group (TRG) is also participating.

Additionally, we are actively working with our peers in the rate-regulated natural gas industry and with the public accounting profession to conclude on the accounting treatment for several other issues that are not expected to be addressed by the P&U Task Force. Based on the progress of these deliberations to date, we currently do not believe the implementation of the new guidance will have a material effect on our financial position, results of operations, cash flows or business processes. We are currently still evaluating the transition method we will utilize to adopt the new guidance as well as the impact to our financial statement presentation and related disclosures.

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 was effective for us on October 1, 2016, to be applied retrospectively. We measure certain pension plan assets using the net asset value per share practical expedient, which are disclosed on an annual basis in our Form 10-K. The adoption of the new standard should have no material impact on our results of operations, consolidated balance sheets or cash flows.

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 on our financial position, results of operations and cash flows.

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. As of June 30, 2017, we had begun the process of identifying and categorizing our lease contracts, evaluating our current business processes and identifying a lease software solution. We are currently evaluating the effect on our financial position, results of operations and cash flows.

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 on our financial position, results of operations and cash flows.

In January 2017, the FASB issued new guidance that simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test. Under the new guidance, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The new standard will be effective for our fiscal 2021 goodwill impairment test; however, early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of the new standard will have no impact on our results of operations, consolidated balance sheets or cash flows.

In March 2017, the FASB issued new guidance related to the income statement presentation of the components of net periodic benefit cost for an entity's sponsored defined benefit pension and other postretirement plans. The new guidance requires entities to disaggregate the current service cost component of the net benefit cost from the other components and present it with other current compensation costs for related employees in the statement of income. The other components of net benefit cost will be presented outside of income from operations on the statement of income. In addition, only the service cost component of net benefit cost is eligible for capitalization (e.g., as part of inventory or property, plant, and equipment). The new guidance is effective for us in the fiscal year beginning on October 1, 2018 and for interim periods within that year. We are currently evaluating the potential impact of this new guidance on our financial position, results of operations and cash flows.

Regulatory assets and liabilities

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 are permitted to be capitalized rather than expensed because they can be recovered through rates. We record certain costs as regulatory assets when future recovery through customer rates is considered probable. Regulatory liabilities are recorded when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process. Substantially all of our regulatory assets are recorded as a component of deferred charges and other assets and substantially all of our regulatory liabilities are recorded as a component of deferred credits and other liabilities. Deferred gas costs are recorded either in other current assets or liabilities and the regulatory cost of removal obligation is reported separately.

Significant regulatory assets and liabilities as of June 30, 2017 and September 30, 2016 included the following:

	June 30, 2017	September 30, 2016
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs[1]	$ 122,202	$ 132,348
Infrastructure mechanisms[2]	38,653	42,719
Deferred gas costs	16,405	45,184
Recoverable loss on reacquired debt	11,843	13,761
Deferred pipeline record collection costs	10,327	7,336
APT annual adjustment mechanism	4,973	7,171
Rate case costs	2,480	1,539
Other	9,949	13,565
	$ 216,832	$ 263,623
Regulatory liabilities:		
Regulatory cost of removal obligations	$ 492,404	$ 476,891
Deferred gas costs	16,753	20,180
Asset retirement obligations	13,404	13,404
Other	6,729	4,250
	$ 529,290	$ 514,725

(1) Includes $11.5 million and $12.4 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 deferred expenses until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recoverable through base rates.

3. Segment Information

Through November 30, 2016, our consolidated operations were managed and reviewed through three segments:

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

As a result of the announced sale of Atmos Energy Marketing, we revised the information used by the chief operating decision maker to manage the Company, effective December 1, 2016. Accordingly, we have been managing and reviewing our consolidated operations through the following three reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states and storage assets located in Kentucky and Tennessee, which are used solely to support our natural gas distribution operations in those states. These storage assets were formerly included in our nonregulated segment.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana, which were formerly included in our nonregulated segment.
- The *natural gas marketing segment* is comprised of our discontinued natural gas marketing business.

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 distribution segment operations are geographically dispersed, they are aggregated and reported as a single segment as each natural gas distribution division has similar economic characteristics. In addition, because the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana have similar economic characteristics, they have been aggregated and reported as a single segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies found in our Fiscal 2016 Financial Statements. We evaluate performance based on net income or loss of the respective operating segments. We allocate interest and pension expense to the pipeline and storage segment; however, there is no debt or pension liability recorded on the pipeline and storage segment balance sheet. 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.

Prior periods' segment information has been recast as required by applicable accounting guidance. The segment realignment has not impacted our reported consolidated revenues or net income.

Income statements for the three and nine months ended June 30, 2017 and 2016 by segment are presented in the following tables:

	Three Months Ended June 30, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 493,738	$ 32,763	$ —	$ —	$ 526,501
Intersegment revenues	322	84,520	—	(84,842)	—
Total operating revenues	494,060	117,283	—	(84,842)	526,501
Purchased gas cost	197,767	1,251	—	(84,842)	114,176
Operation and maintenance expense	99,631	29,059	—	—	128,690
Depreciation and amortization expense	62,760	17,263	—	—	80,023
Taxes, other than income	56,850	6,098	—	—	62,948
Operating income	77,052	63,612	—	—	140,664
Miscellaneous expense	(62)	(227)	—	—	(289)
Interest charges	18,394	10,104	—	—	28,498
Income before income taxes	58,596	53,281	—	—	111,877
Income tax expense	22,082	18,987	—	—	41,069
Net income	$ 36,514	$ 34,294	$ —	$ —	$ 70,808
Capital expenditures	$ 205,780	$ 46,983	$ —	$ —	$ 252,763

	Three Months Ended June 30, 2016				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 424,553	$ 31,659	$ —	$ —	$ 456,212
Intersegment revenues	352	82,196	—	(82,548)	—
Total operating revenues	424,905	113,855	—	(82,548)	456,212
Purchased gas cost	147,569	(438)	—	(82,548)	64,583
Operation and maintenance expense	101,819	29,569	—	—	131,388
Depreciation and amortization expense	59,193	13,687	—	—	72,880
Taxes, other than income	52,662	6,303	—	—	58,965
Operating income	63,662	64,734	—	—	128,396
Miscellaneous income (expense)	1,243	(125)	—	—	1,118
Interest charges	18,677	9,002	—	—	27,679
Income from continuing operations before income taxes	46,228	55,607	—	—	101,835
Income tax expense	15,867	19,825	—	—	35,692
Income from continuing operations	30,361	35,782	—	—	66,143
Income from discontinued operations, net of tax	—	—	5,050	—	5,050
Net income	$ 30,361	$ 35,782	$ 5,050	$ —	$ 71,193
Capital expenditures	$ 187,470	$ 66,108	$ 106	$ —	$ 253,684

	Nine Months Ended June 30, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 2,210,221	$ 84,634	$ —	$ —	$ 2,294,855
Intersegment revenues	1,036	254,573	—	(255,609)	—
Total operating revenues	2,211,257	339,207	—	(255,609)	2,294,855
Purchased gas cost	1,106,209	2,331	—	(255,565)	852,975
Operation and maintenance expense	296,048	89,863	—	(44)	385,867
Depreciation and amortization expense	185,219	49,429	—	—	234,648
Taxes, other than income	165,032	20,579	—	—	185,611
Operating income	458,749	177,005	—	—	635,754
Miscellaneous income (expense)	334	(784)	—	—	(450)
Interest charges	56,437	30,035	—	—	86,472
Income from continuing operations before income taxes	402,646	146,186	—	—	548,832
Income tax expense	149,623	52,351	—	—	201,974
Income from continuing operations	253,023	93,835	—	—	346,858
Income from discontinued operations, net of tax	—	—	10,994	—	10,994
Gain on sale of discontinued operations, net of tax	—	—	2,716	—	2,716
Net income	$ 253,023	$ 93,835	$ 13,710	$ —	$ 360,568
Capital expenditures	$ 636,449	$ 175,699	$ —	$ —	$ 812,148

	Nine Months Ended June 30, 2016				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 1,935,421	$ 85,584	$ —	$ —	$ 2,021,005
Intersegment revenues	1,054	228,840	—	(229,894)	—
Total operating revenues	1,936,475	314,424	—	(229,894)	2,021,005
Purchased gas cost	912,231	(72)	—	(229,894)	682,265
Operation and maintenance expense	294,154	84,919	—	—	379,073
Depreciation and amortization expense	174,748	40,179	—	—	214,927
Taxes, other than income	153,198	18,761	—	—	171,959
Operating income	402,144	170,637	—	—	572,781
Miscellaneous income (expense)	804	(894)	—	—	(90)
Interest charges	57,481	27,294	—	—	84,775
Income from continuing operations before income taxes	345,467	142,449	—	—	487,916
Income tax expense	126,090	51,134	—	—	177,224
Income from continuing operations	219,377	91,315	—	—	310,692
Income from discontinued operations, net of tax	—	—	5,172	—	5,172
Net income	$ 219,377	$ 91,315	$ 5,172	$ —	$ 315,864
Capital expenditures	$ 528,063	$ 261,446	$ 179	$ —	$ 789,688

Balance sheet information at June 30, 2017 and September 30, 2016 by segment is presented in the following tables:

	June 30, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Property, plant and equipment, net	$ 6,678,875	$ 2,245,506	$ —	$ —	$ 8,924,381
Investment in subsidiaries	798,994	13,851	—	(812,845)	—
Current assets					
Cash and cash equivalents	69,777	—	—	—	69,777
Other current assets	437,700	29,265	—	(2,360)	464,605
Intercompany receivables	983,866	—	—	(983,866)	—
Total current assets	1,491,343	29,265	—	(986,226)	534,382
Goodwill	586,661	143,012	—	—	729,673
Deferred charges and other assets	280,240	30,099	—	—	310,339
	$ 9,836,113	$ 2,461,733	$ —	$ (1,799,071)	$ 10,498,775
CAPITALIZATION AND LIABILITIES					
Shareholders' equity	$ 3,901,710	$ 812,845	$ —	$ (812,845)	$ 3,901,710
Long-term debt	3,066,734	—	—	—	3,066,734
Total capitalization	6,968,444	812,845	—	(812,845)	6,968,444
Current liabilities					
Short-term debt	258,573	—	—	—	258,573
Other current liabilities	451,026	38,420	—	(2,360)	487,086
Intercompany payables	—	983,866	—	(983,866)	—
Total current liabilities	709,599	1,022,286	—	(986,226)	745,659
Deferred income taxes	1,251,528	602,036	—	—	1,853,564
Regulatory cost of removal obligation	432,531	24,529	—	—	457,060
Pension and postretirement liabilities	304,919	—	—	—	304,919
Deferred credits and other liabilities	169,092	37	—	—	169,129
	$ 9,836,113	$ 2,461,733	$ —	$ (1,799,071)	$ 10,498,775

	September 30, 2016				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Property, plant and equipment, net	$ 6,208,465	$ 2,060,141	$ —	$ —	$ 8,268,606
Investment in subsidiaries	768,415	13,854	—	(782,269)	—
Current assets					
Cash and cash equivalents	22,117	—	25,417	—	47,534
Current assets of disposal group classified as held for sale	—	—	162,508	(11,391)	151,117
Other current assets	489,963	39,078	5	(46,011)	483,035
Intercompany receivables	971,665	—	—	(971,665)	—
Total current assets	1,483,745	39,078	187,930	(1,029,067)	681,686
Goodwill	583,950	143,012	—	—	726,962
Noncurrent assets of disposal group classified as held for sale	—	—	28,785	(169)	28,616
Deferred charges and other assets	277,240	27,779	—	—	305,019
	$ 9,321,815	$ 2,283,864	$ 216,715	$ (1,811,505)	$ 10,010,889
CAPITALIZATION AND LIABILITIES					
Shareholders' equity	$ 3,463,059	$ 715,672	$ 66,597	$ (782,269)	$ 3,463,059
Long-term debt	2,188,779	—	—	—	2,188,779
Total capitalization	5,651,838	715,672	66,597	(782,269)	5,651,838
Current liabilities					
Current maturities of long-term debt	250,000	—	—	—	250,000
Short-term debt	829,811	—	35,000	(35,000)	829,811
Current liabilities of the disposal group classified as held for sale	—	—	81,908	(9,008)	72,900
Other current liabilities	605,790	39,911	3,263	(13,394)	635,570
Intercompany payables	—	957,526	14,139	(971,665)	—
Total current liabilities	1,685,601	997,437	134,310	(1,029,067)	1,788,281
Deferred income taxes	1,055,348	543,390	4,318	—	1,603,056
Regulatory cost of removal obligation	397,162	27,119	—	—	424,281
Pension and postretirement liabilities	297,743	—	—	—	297,743
Noncurrent liabilities of disposal group classified as held for sale	—	—	316	—	316
Deferred credits and other liabilities	234,123	246	11,174	(169)	245,374
	$ 9,321,815	$ 2,283,864	$ 216,715	$ (1,811,505)	$ 10,010,889

4. Earnings Per Share

We use the two-class method of computing earnings per share because we have participating securities in the form of non-vested restricted stock units with a nonforfeitable right to dividend equivalents, for which vesting is predicated solely on the passage of time. 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 three and nine months ended June 30, 2017 and 2016 are calculated as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2017	2016	2017	2016
	(In thousands, except per share amounts)			
Basic and Diluted Earnings Per Share from continuing operations				
Income from continuing operations	$ 70,808	$ 66,143	$ 346,858	$ 310,692
Less: Income from continuing operations allocated to participating securities	75	100	424	488
Income from continuing operations available to common shareholders	$ 70,733	$ 66,043	$ 346,434	$ 310,204
Basic and diluted weighted average shares outstanding	106,364	103,750	105,862	103,137
Income from continuing operations per share — Basic and Diluted	$ 0.67	$ 0.64	$ 3.27	$ 3.01
Basic and Diluted Earnings Per Share from discontinued operations				
Income from discontinued operations	$ —	$ 5,050	$ 13,710	$ 5,172
Less: Income from discontinued operations allocated to participating securities	—	6	15	4
Income from discontinued operations available to common shareholders	$ —	$ 5,044	$ 13,695	$ 5,168
Basic and diluted weighted average shares outstanding	106,364	103,750	105,862	103,137
Income from discontinued operations per share — Basic and Diluted	$ —	$ 0.05	$ 0.13	$ 0.05
Net income per share — Basic and Diluted	$ 0.67	$ 0.69	$ 3.40	$ 3.06

5. Debt

The nature and terms of our debt instruments and credit facilities are described in detail in Note 5 in our Fiscal 2016 Financial Statements. Except as noted below, there were no material changes in the terms of our debt instruments during the nine months ended June 30, 2017.

Long-term debt at June 30, 2017 and September 30, 2016 consisted of the following:

	June 30, 2017	September 30, 2016
	(In thousands)	
Unsecured 6.35% Senior Notes, due June 2017	$ —	$ 250,000
Unsecured 8.50% Senior Notes, due 2019	450,000	450,000
Unsecured 3.00% Senior Notes, due 2027	500,000	—
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	750,000	500,000
Medium-term note Series A, 1995-1, 6.67%, due 2025	10,000	10,000
Unsecured 6.75% Debentures, due 2028	150,000	150,000
Floating-rate term loan, due 2019	125,000	—
Total long-term debt	3,085,000	2,460,000
Less:		
Original issue (premium) discount on unsecured senior notes and debentures	(4,370)	4,270
Debt issuance cost	22,636	16,951
Current maturities	—	250,000
	$ 3,066,734	$ 2,188,779

On June 8, 2017, we completed a public offering of $500 million of 3.00% senior notes due 2027 and $250 million of 4.125% senior notes due 2044. The effective rate of these notes is 3.12% and 4.40%, after giving effect to the offering costs and the settlement of the associated forward starting interest rate swaps. The net proceeds (excluding the loss on the settlement of the interest rate swaps of $37 million) of approximately $753 million were used to repay our $250 million 6.35% senior unsecured notes at maturity on June 15, 2017 and for general corporate purposes, including the repayment of working capital borrowings pursuant to our commercial paper program.

On September 22, 2016, we entered into a three year, $200 million multi-draw floating-rate 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 was used to repay short-term debt and for working capital, capital expenditures and other general corporate purposes. At June 30, 2017, there was $125.0 million outstanding under the term loan.

We utilize short-term debt to fund ongoing working capital needs, such as our seasonal requirements for gas supply, general corporate liquidity and capital expenditures. Our short-term borrowing requirements are affected primarily 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 our customers' needs could significantly affect our borrowing requirements. 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 $1.5 billion commercial paper program and three committed revolving credit facilities with third-party lenders that provide approximately $1.5 billion of total working capital funding. The primary source of our funding is our commercial paper program, which is supported by a five-year unsecured $1.5 billion credit facility that expires September 25, 2021. The 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. Additionally, the facility contains a $250 million accordion feature, which provides the opportunity to increase the total committed loan to $1.75 billion. This facility was amended in October 2016 to increase the total availability from $1.25 billion. At June 30, 2017 and September 30, 2016 a total of $258.6 million and $829.8 million was outstanding under our commercial paper program.

Additionally, we have a $25 million unsecured facility, which was renewed on April 1, 2017, and a $10 million unsecured revolving credit facility, which is used primarily to issue letters of credit. At June 30, 2017, there were no borrowings outstanding under either of these facilities; however, outstanding letters of credit reduced the total amount available to us under our $10 million unsecured revolving facility to $4.1 million.

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 each of these facilities to maintain, at the end of each fiscal quarter, a ratio of total debt to total capitalization of no greater than 70 percent. At June 30, 2017, our total-debt-to-total-capitalization ratio, as defined in the agreements, was 47 percent. In addition, both the interest margin and the fee that we pay on unused amounts under certain of these facilities are subject to adjustment depending upon our credit ratings.

These credit facilities and our 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 certain of 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 June 30, 2017. 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.

AEM had one uncommitted $25 million 364-day bilateral credit facility that was scheduled to expire on July 31, 2017 and one committed $15 million 364-day bilateral credit facility that was scheduled to expire on September 30, 2017. In connection with the sale of AEM discussed in Note 6, both facilities were terminated on January 3, 2017.

6. Divestitures and Acquisitions

Divestiture of Atmos Energy Marketing (AEM)

On October 29, 2016, we entered into a Membership Interest Purchase Agreement (the Agreement) with CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy, Inc. (CES) to sell all of the equity interests of AEM. The transaction closed on January 3, 2017, with an effective date of January 1, 2017. CES paid a cash purchase price of $38.3 million plus working capital of $109.0 million for total cash consideration of $147.3 million. Of this amount, $7.0 million was placed into escrow and will be paid to the Company within 24 months of the closing date, net of any indemnification claims agreed upon between the two companies. We recognized a net gain of $0.03 per diluted share on the sale in the second quarter of fiscal 2017 and completed the working capital true–up during the third quarter of fiscal 2017.

The operating results of our natural gas marketing reportable segment have been reported on the condensed consolidated statements of income as income from discontinued operations, net of income tax. Accordingly, expenses related to allocable general corporate overhead and interest expense are not included in these results. The decision to report this segment as a discontinued operation was predicated, in part, on the following qualitative and quantitative factors: 1) the disposal resulted in the company becoming a fully regulated entity; 2) the fact that an entire reportable segment was disposed of and 3) the fact the disposed segment represented in excess of 30 percent of consolidated revenues over the last five fiscal years.

The tables below set forth selected financial and operational information related to assets, liabilities and operating results related to discontinued operations. Operating expenses include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income. Additionally, assets and liabilities related to our natural gas marketing operations are classified as “held for sale” on our consolidated balance sheet at September 30, 2016. Prior period revenues and expenses associated with these assets have been reclassified into discontinued operations. This reclassification had no impact on previously reported consolidated net income.

The following tables present statement of income data related to discontinued operations:

	Three Months Ended June 30	
	2017	2016
	(In thousands)	
Operating revenues	$ —	$ 200,213
Purchased gas cost	—	184,398
Operating expenses	—	7,047
Operating income	—	8,768
Other nonoperating expense	—	(304)
Income from discontinued operations before income taxes	—	8,464
Income tax expense	—	3,414
Net income from discontinued operations	$ —	$ 5,050

	Nine Months Ended June 30	
	2017	2016
	(In thousands)	
Operating revenues	$ 303,474	$ 728,989
Purchased gas cost	277,554	698,445
Operating expenses	7,874	19,940
Operating income	18,046	10,604
Other nonoperating expense	(211)	(1,937)
Income from discontinued operations before income taxes	17,835	8,667
Income tax expense	6,841	3,495
Income from discontinued operations	10,994	5,172
Gain on sale from discontinued operations, net of tax ($10,215 and $0)	2,716	—
Net income from discontinued operations	$ 13,710	$ 5,172

The following table presents a reconciliation of the carrying amounts of major classes of assets and liabilities of our natural gas marketing's operations to total assets and liabilities classified as held for sale:

	June 30, 2017	September 30, 2016
	(In thousands)	
Assets:		
Net property, plant and equipment	$ —	$ 11,905
Accounts receivable	—	93,551
Gas stored underground	—	54,246
Other current assets	—	14,711
Goodwill	—	16,445
Deferred charges and other assets	—	435
Total assets of the disposal group classified as held for sale in the statement of financial position (1)	—	191,293
Cash	—	25,417
Other assets	—	5
Total assets of disposal group in the statement of financial position	$ —	$ 216,715
Liabilities:		
Accounts payable and accrued liabilities	$ —	$ 72,268
Other current liabilities	—	9,640
Deferred credits and other	—	316
Total liabilities of the disposal group classified as held for sale in the statement of financial position (1)	—	82,224
Intercompany note payable	—	35,000
Tax liabilities	—	15,471
Intercompany payables	—	14,139
Other liabilities	—	3,284
Total liabilities of disposal group in the statement of financial position	$ —	$ 150,118

(1) Amounts in the comparative period are classified as current and long term in the statement of financial position.

The following table presents statement of cash flow data related to discontinued operations:

	Nine Months Ended June 30	
	2017	2016
	(In thousands)	
Depreciation and amortization expense	$ 185	$ 1,743
Capital expenditures	$ —	$ 179
Noncash gain (loss) in commodity contract cash flow hedges	$ 18,744	$ (33,898)

Acquisition of EnLink Pipeline

On December 20, 2016, we executed a purchase and sale agreement to acquire the general partnership and limited partnership interests in EnLink North Texas Pipeline, LP (EnLink Pipeline) from EnLink Energy GP, LLC and EnLink Midstream Operating, LP for a cash purchase price of $85 million, plus working capital of $1.1 million.

EnLink Pipeline's primary asset was a 140–mile natural gas pipeline located on the north side of the Dallas–Fort Worth Metroplex. The $85 million purchase price has been allocated, based on fair value using observable market inputs, to the net book value of the acquired pipeline.

7. Shareholders' Equity

Shelf Registration and At-the-Market Equity Sales Program

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. We also filed a prospectus supplement under the registration statement relating to an at-the-market (ATM) equity distribution program under which we may issue and sell, shares of our common stock, up to an aggregate offering price of $200 million. During the nine months ended June 30, 2017, we sold 1,303,494 shares of common stock under our existing ATM program for $100 million and received net proceeds of $98.8 million. At June 30, 2017, approximately $1.6 billion of securities remained available for issuance under the shelf registration statement and substantially all shares have been issued under our ATM program.

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in AOCI related to available-for-sale securities, interest rate 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 (loss):

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Commodity Contracts Cash Flow Hedges	Total
	(In thousands)			
September 30, 2016	$ 4,484	$ (187,524)	$ (4,982)	$ (188,022)
Other comprehensive income before reclassifications	1,485	76,602	9,847	87,934
Amounts reclassified from accumulated other comprehensive income	68	286	(4,865)	(4,511)
Net current-period other comprehensive income	1,553	76,888	4,982	83,423
June 30, 2017	$ 6,037	$ (110,636)	$ —	$ (104,599)

	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 loss before reclassifications	(1,417)	(88,345)	(8,612)	(98,374)
Amounts reclassified from accumulated other comprehensive income	(79)	260	29,290	29,471
Net current-period other comprehensive income (loss)	(1,496)	(88,085)	20,678	(68,903)
June 30, 2016	$ 3,453	$ (176,927)	$ (4,759)	$ (178,233)

The following tables detail reclassifications out of AOCI for the three and nine months ended June 30, 2017 and 2016. Amounts in parentheses below indicate decreases to net income in the statement of income:

Accumulated Other Comprehensive Income Components	Three Months Ended June 30, 2017	
	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
	(In thousands)	
Cash flow hedges		
Interest rate agreements	$ (177)	Interest charges
Commodity contracts	—	Purchased gas cost
	(177)	Total before tax
	64	Tax benefit
Total reclassifications	$ (113)	Net of tax

Accumulated Other Comprehensive Income Components	Three Months Ended June 30, 2016	
	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
	(In thousands)	
Cash flow hedges		
Interest rate agreements	$ (137)	Interest charges
Commodity contracts	(12,347)	Purchased gas cost[1]
	(12,484)	Total before tax
	4,865	Tax benefit
Total reclassifications	$ (7,619)	Net of tax

Accumulated Other Comprehensive Income Components	Nine Months Ended June 30, 2017	
	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
	(In thousands)	
Available-for-sale securities	$ (107)	Operation and maintenance expense
	(107)	Total before tax
	39	Tax benefit
	$ (68)	Net of tax
Cash flow hedges		
Interest rate agreements	$ (450)	Interest charges
Commodity contracts	7,976	Purchased gas cost[1]
	7,526	Total before tax
	(2,947)	Tax expense
	$ 4,579	Net of tax
Total reclassifications	$ 4,511	Net of tax

Accumulated Other Comprehensive Income Components	Nine Months Ended June 30, 2016		
	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Statement of Income
	(In thousands)		
Available-for-sale securities	$	124	Operation and maintenance expense
		124	Total before tax
		(45)	Tax expense
	$	79	Net of tax
Cash flow hedges			
Interest rate agreements	$	(410)	Interest charges
Commodity contracts		(48,015)	Purchased gas cost[1]
		(48,425)	Total before tax
		18,875	Tax benefit
	$	(29,550)	Net of tax
Total reclassifications	$	(29,471)	Net of tax

(1) Amounts are presented as part of income from discontinued operations on the condensed consolidated statements of income.

8. Interim Pension and Other Postretirement Benefit Plan Information

The components of our net periodic pension cost for our pension and other postretirement benefit plans for the three and nine months ended June 30, 2017 and 2016 are presented in the following table. Most of these costs are recoverable through our tariff rates; however, a portion of these costs is capitalized into our rate base. The remaining costs are recorded as a component of operation and maintenance expense.

	Three Months Ended June 30			
	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 5,216	$ 4,698	$ 3,109	$ 2,705
Interest cost	6,296	7,095	2,669	3,106
Expected return on assets	(6,993)	(6,881)	(1,796)	(1,566)
Amortization of transition obligation	—	—	—	21
Amortization of prior service credit	(57)	(57)	(411)	(411)
Amortization of actuarial (gain) loss	4,248	3,319	(706)	(541)
Net periodic pension cost	$ 8,710	$ 8,174	$ 2,865	$ 3,314

	Nine Months Ended June 30			
	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 15,649	$ 14,093	$ 9,327	$ 8,117
Interest cost	18,890	21,284	8,009	9,318
Expected return on assets	(20,981)	(20,642)	(5,389)	(4,698)
Amortization of transition obligation	—	—	—	62
Amortization of prior service credit	(173)	(170)	(1,233)	(1,233)
Amortization of actuarial (gain) loss	12,746	9,959	(2,120)	(1,625)
Net periodic pension cost	$ 26,131	$ 24,524	$ 8,594	$ 9,941

The assumptions used to develop our net periodic pension cost for the three and nine months ended June 30, 2017 and 2016 are as follows:

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Discount rate	3.73%	4.55%	3.73%	4.55%
Rate of compensation increase	3.50%	3.50%	N/A	N/A
Expected return on plan assets	7.00%	7.00%	4.45%	4.45%

The discount rate used to compute the present value of a plan's liabilities generally is based on rates of high-grade corporate bonds with maturities similar to the average period over which the benefits will be paid. Generally, our funding policy has been to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974. In accordance with the Pension Protection Act of 2006 (PPA), we determined the funded status of our plan as of January 1, 2017. Based on that determination, we are not required to make a minimum contribution to our defined benefit plan during fiscal 2017; however, we made a voluntary contribution of $5.0 million during the third quarter of fiscal 2017.

We contributed $9.9 million to our other post-retirement benefit plans during the nine months ended June 30, 2017. We expect to contribute a total of between $10 million and $20 million to these plans during fiscal 2017.

9. Commitments and Contingencies

Litigation and Environmental Matters

With respect to the specific litigation and environmental-related matters or claims that were disclosed in Note 11 of our Fiscal 2016 Financial Statements, there were no material changes in the status of such litigation and environmental-related matters or claims during the nine months ended June 30, 2017.

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

Purchase Commitments

Our 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 hubs. At June 30, 2017, we were committed to purchase 53.2 Bcf within one year, 37.6 Bcf within two to three years and 0.4 Bcf beyond three years under indexed contracts.

Regulatory Matters

Various regulatory agencies, including the SEC and the Commodities Futures Trading Commission, continue to adopt regulations implementing many of the provisions of the Dodd-Frank Act of 2010. We continue to enact new procedures and modify existing business practices and contractual arrangements to comply with such regulations. Additional rulemakings are pending which we believe will result in new reporting and disclosure obligations. The costs associated with hedging certain risks inherent in our business may be further increased when these expected additional regulations are adopted.

As of June 30, 2017, formula rate mechanisms were pending regulatory approval in our Louisiana service area, infrastructure mechanisms were pending regulatory approval in our Mississippi and Virginia service areas and rate cases were pending regulatory approval in our Colorado service area and Texas service area related to APT. These regulatory proceedings are discussed in further detail below in *Management's Discussion and Analysis — Recent Ratemaking Developments*.

10. Financial Instruments

We currently use financial instruments to mitigate commodity price risk and interest rate risk. The objectives and strategies for using financial instruments and the related accounting for these financial instruments are fully described in Notes 2 and 13 of our Fiscal 2016 Financial Statements. During the nine months ended June 30, 2017, except for the change in the scope of our natural gas marketing commodity risk management activities as a result of the sale of AEM, there were no material changes in our objectives, strategies and accounting for using financial instruments. Our financial instruments do not contain any credit-risk-related or other contingent features that could cause payments to be accelerated when our financial instruments are in net liability positions. The following summarizes those objectives and strategies.

Regulated Commodity Risk Management Activities

Our purchased gas cost adjustment mechanisms essentially insulate our distribution segment from commodity price risk; however, 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.

We typically seek to hedge between 25 and 50 percent of anticipated heating season gas purchases using financial instruments. For the 2016-2017 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 27 percent, or 16.2 Bcf of the winter flowing gas requirements. We have not designated these financial instruments as hedges for accounting purposes.

Natural Gas Marketing Commodity Risk Management Activities

Our natural gas marketing segment was exposed to risks associated with changes in the market price of natural gas through the purchase, sale and delivery of natural gas to its customers at competitive prices. Through December 31, 2016, we managed 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. Effective January 1, 2017, as a result of the sale of AEM, these activities were discontinued.

Due to the sale of AEM, we determined that the cash flows associated with our natural gas marketing commodity cash flow hedges were no longer probable of occurring; therefore, we discontinued hedge accounting as of December 31, 2016. As a result, we reclassified the gain in accumulated other comprehensive income associated with the commodity contracts into earnings as a reduction of purchased gas cost and recognized a pre-tax gain of $10.6 million, which is included in income from discontinued operations on the condensed consolidated statement of income for the three months ended December 31, 2016.

Interest Rate Risk Management Activities

We periodically manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

As of June 30, 2017, we had forward starting interest rate swaps to effectively fix the Treasury yield component associated with the anticipated issuance of $450 million unsecured senior notes in fiscal 2019 at 3.78%, which we designated as a cash flow hedge at the time the swaps were executed. As of June 30, 2017, we had $41.5 million of net realized losses in accumulated other comprehensive income (AOCI) associated with the settlement of financial instruments used to fix the Treasury yield component of the interest cost of financing various issuances of long-term debt and senior notes, which will be recognized as a component of interest expense over the life of the associated notes from the date of settlement. The remaining amortization periods for these settled amounts extend through fiscal 2045.

Quantitative Disclosures Related to Financial Instruments

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

As of June 30, 2017, 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 June 30, 2017, we had 18,833 MMcf of net short commodity contracts outstanding. These contracts have not been designated as hedges.

Financial Instruments on the Balance Sheet

The following tables present the fair value and balance sheet classification of our financial instruments as of June 30, 2017 and September 30, 2016. The gross amounts of recognized assets and liabilities are netted within our unaudited Condensed Consolidated Balance Sheets to the extent that we have netting arrangements with the counterparties.

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
June 30, 2017			
Designated As Hedges:			
Interest rate contracts	Deferred credits and other liabilities	—	(108,860)
Total		—	(108,860)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	2,960	(230)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	268	(282)
Total		3,228	(512)
Gross Financial Instruments		3,228	(109,372)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		—	—
Net Financial Instruments		3,228	(109,372)
Cash collateral		—	—
Net Assets/Liabilities from Risk Management Activities		$ 3,228	$ (109,372)

	Balance Sheet Location	Assets	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		8,790	(292,171)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	21,186	(18,812)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	14,165	(12,701)
Total		35,351	(31,513)
Gross Financial Instruments		44,141	(323,684)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		(39,290)	39,290
Net Financial Instruments		4,851	(284,394)
Cash collateral		6,775	43,575
Net Assets/Liabilities from Risk Management Activities		$ 11,626	$ (240,819)

Impact of Financial Instruments on the Income Statement

Hedge ineffectiveness for our natural gas marketing segment was recorded as a component of purchased gas cost, which is included in discontinued operations on the condensed consolidated statements of income, and primarily results from differences in the location and timing of the derivative instrument and the hedged item. For the three months ended June 30, 2016, we recognized a gain arising from fair value and cash flow hedge ineffectiveness of $13.6 million. For the nine months ended June 30, 2017 and 2016, we recognized gains arising from fair value and cash flow hedge ineffectiveness of $3.4 million and $18.1 million. Additional information regarding ineffectiveness recognized in the income statement is included in the tables below.

Fair Value Hedges

The impact of our natural gas marketing segment commodity contracts designated as fair value hedges and the related hedged item on the results of discontinued operations on our condensed consolidated income statement for the three and nine months ended June 30, 2017 and 2016 is presented below.

	Three Months Ended June 30		Nine Months Ended June 30	
	2017	2016	2017	2016
	(In thousands)			
Commodity contracts	$ —	$ (22,146)	$ (9,567)	$ (11,808)
Fair value adjustment for natural gas inventory designated as the hedged item	—	35,630	12,858	29,852
Total decrease in purchased gas cost reflected in income from discontinued operations	$ —	$ 13,484	$ 3,291	$ 18,044
The decrease in purchased gas cost reflected in income from discontinued operations is comprised of the following:				
Basis ineffectiveness	$ —	$ (684)	$ (597)	$ (1,490)
Timing ineffectiveness	—	14,168	3,888	19,534
	$ —	$ 13,484	$ 3,291	$ 18,044

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.

Cash Flow Hedges

The impact of our interest rate and natural gas marketing segment cash flow hedges on our condensed consolidated income statements for the three and nine months ended June 30, 2017 and 2016 is presented below.

	Three Months Ended June 30		Nine Months Ended June 30	
	2017	2016	2017	2016
	(In thousands)			
Loss reclassified from AOCI for effective portion of natural gas marketing commodity contracts	$ —	$ (12,347)	$ (2,612)	$ (48,015)
Gain arising from ineffective portion of natural gas marketing commodity contracts	—	66	111	84
Gain on discontinuance of cash flow hedging of natural gas marketing commodity contracts reclassified from AOCI	—	—	10,579	—
Total impact on purchased gas cost reflected in income from discontinued operations	—	(12,281)	8,078	(47,931)
Net loss on settled interest rate agreements reclassified from AOCI into interest expense	(177)	(137)	(450)	(410)
Total Impact from Cash Flow Hedges	$ (177)	$ (12,418)	$ 7,628	$ (48,341)

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 three and nine months ended June 30, 2017 and 2016. The amounts included in the table below exclude gains and losses arising from ineffectiveness because those amounts are immediately recognized in the income statement as incurred.

	Three Months Ended June 30		Nine Months Ended June 30	
	2017	2016	2017	2016
	(In thousands)			
Increase (decrease) in fair value:				
Interest rate agreements	$ (18,669)	$ (39,337)	$ 76,602	$ (88,345)
Forward commodity contracts	—	10,573	9,847	(8,612)
Recognition of (gains) losses in earnings due to settlements:				
Interest rate agreements	113	87	286	260
Forward commodity contracts	—	7,532	(4,865)	29,290
Total other comprehensive income (loss) from hedging, net of tax(1)	$ (18,556)	$ (21,145)	$ 81,870	$ (67,407)

(1) Utilizing an income tax rate ranging from 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 over the terms of the underlying debt instruments, while deferred gains (losses) associated with natural gas marketing segment commodity contracts were recognized in earnings upon settlement. The following amounts, net of deferred taxes, represent the expected recognition in earnings of the deferred losses recorded in AOCI associated with our financial instruments, based upon the fair values of these financial instruments as of June 30, 2017. However, the table below does not include the expected recognition in earnings of our outstanding interest rate agreements as those instruments have not yet settled.

	Interest Rate Agreements
	(In thousands)
Next twelve months	$ (1,509)
Thereafter	(40,001)
Total(1)	$ (41,510)

(1) Utilizing an income tax rate of 37 percent.

Financial Instruments Not Designated as Hedges

The impact of the natural gas marketing segment's financial instruments that had not been designated as hedges on our condensed consolidated income statements for the three months ended June 30, 2016 was a decrease in purchased gas cost of $1.9 million, which is included in discontinued operations on the condensed consolidated statements of income. For the nine months ended June 30, 2017 and 2016 purchased gas cost (increased) decreased by $6.8 million and $(2.8) million.

As discussed above, financial instruments used in our distribution segment are not designated as hedges. However, there is no earnings impact on our 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.

11. 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 of our Fiscal 2016 Financial Statements. During the nine months ended June 30, 2017, there were no changes in these methods.

Fair value measurements also apply to the valuation of our pension and postretirement plan assets. Current accounting guidance requires employers to annually disclose information about fair value measurements of the assets of a defined benefit pension or other postretirement plan. The fair value of these assets is presented in Note 7 of our Fiscal 2016 Financial Statements.

Quantitative Disclosures

Financial Instruments

The classification of our fair value measurements requires judgment regarding the degree to which market data is observable or corroborated by observable market data. 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), with the lowest priority given to unobservable inputs (Level 3). 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 June 30, 2017 and September 30, 2016. 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	June 30, 2017
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 3,228	$ —	$ —	$ 3,228
Available-for-sale securities					
Registered investment companies	39,406	—	—	—	39,406
Bond mutual funds	15,892	—	—	—	15,892
Bonds	—	31,429	—	—	31,429
Money market funds	—	2,884	—	—	2,884
Total available-for-sale securities	55,298	34,313	—	—	89,611
Total assets	$ 55,298	$ 37,541	$ —	$ —	$ 92,839
Liabilities:					
Financial instruments	$ —	$ 109,372	$ —	$ —	$ 109,372

	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	$ —	$ 44,141	$ —	$ (32,515)	$ 11,626
Hedged portion of gas stored underground	52,578	—	—	—	52,578
Available-for-sale securities					
Registered investment companies	38,677	—	—	—	38,677
Bonds	—	31,394	—	—	31,394
Money market funds	—	2,630	—	—	2,630
Total available-for-sale securities	38,677	34,024	—	—	72,701
Total assets	$ 91,255	$ 78,165	$ —	$ (32,515)	$ 136,905
Liabilities:					
Financial instruments	$ —	$ 323,684	$ —	$ (82,865)	$ 240,819

(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. As of September 30, 2016, we had $50.4 million of cash held in margin accounts to collateralize certain financial instruments. Of this amount, $43.6 million was used to offset current and noncurrent risk management liabilities under master netting arrangements with the remaining $6.8 million classified as current risk management assets.

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

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(In thousands)			
As of June 30, 2017				
Domestic equity mutual funds	$ 25,236	$ 7,749	$ (17)	$ 32,968
Foreign equity mutual funds	4,581	1,857	—	6,438
Bond mutual funds	15,928	—	(36)	15,892
Bonds	31,407	52	(30)	31,429
Money market funds	2,884	—	—	2,884
	$ 80,036	$ 9,658	$ (83)	$ 89,611
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

At June 30, 2017 and September 30, 2016, our available-for-sale securities included $42.3 million and $41.3 million related to assets held in separate rabbi trusts for our supplemental executive benefit plans. At June 30, 2017, we maintained investments in bonds that have contractual maturity dates ranging from July 2017 through December 2020.

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 a fund by fund 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 fund is written down to its estimated fair value and the other-than-temporary impairment is recognized in the income statement.

Other Fair Value Measures

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 June 30, 2017 and September 30, 2016:

	June 30, 2017	September 30, 2016
	(In thousands)	
Carrying Amount	$ 3,085,000	$ 2,460,000
Fair Value	$ 3,388,003	$ 2,844,990

12. Concentration of Credit Risk

Information regarding our concentration of credit risk is disclosed in Note 16 of our Fiscal 2016 Financial Statements. Except for the sale of AEM, during the nine months ended June 30, 2017, there were no material changes in our concentration of credit risk.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have reviewed the condensed consolidated balance sheet of Atmos Energy Corporation and subsidiaries as of June 30, 2017 and the related condensed consolidated statements of income and comprehensive income for the three and nine-month periods ended June 30, 2017 and 2016 and the condensed consolidated statements of cash flows for the nine-month periods ended June 30, 2017 and 2016. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Atmos Energy Corporation and subsidiaries as of September 30, 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated November 14, 2016 except for the effects of the change in segments described in Note 3 and the discontinued operations described in Note 15, to which the date is April 12, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2016, is fairly stated, in all material respects, in relation to the consolidated balance sheets from which it has been derived.

/s/ ERNST & YOUNG LLP

Dallas, Texas
August 2, 2017

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

INTRODUCTION

The following discussion should be read in conjunction with the condensed consolidated financial statements in this Quarterly Report on Form 10-Q and Management's Discussion and Analysis, which appears in Item 7 of Exhibit 99.1 to our Current Report on Form 8-K dated April 12, 2017.

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

The statements contained in this Quarterly Report on Form 10-Q 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 and capital 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 natural gas distribution, pipeline and storage businesses; 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.

OVERVIEW

Atmos Energy and our subsidiaries are engaged primarily in the regulated natural gas distribution and transmission and storage businesses, as well as our natural gas marketing business through December 31, 2016. We distribute natural gas through sales and transportation arrangements to approximately three million residential, commercial, public authority and industrial customers throughout our six distribution divisions, which at June 30, 2017 covered service areas located in eight states. In addition, we transport natural gas for others through our distribution and pipeline systems.

Through December 31, 2016, our natural gas marketing business provided natural gas management and marketing services to municipalities, other local gas distribution companies and industrial customers primarily in the Midwest and Southeast. We completed the sale of this business in January 2017.

We manage and review our consolidated operations through the following three reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana, which were included in our former nonregulated segment.
- The *natural gas marketing segment* is comprised of our discontinued natural gas marketing business.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Our condensed 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 based our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. On an ongoing basis, we evaluate our estimates, including those related to risk management and trading activities, the allowance for doubtful accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and the valuation of goodwill, indefinite-lived intangible assets and other long-lived assets. Actual results may differ from such estimates.

Our critical accounting policies used in the preparation of our consolidated financial statements are described in Item 7 of Exhibit 99.1 to our Current Report on Form 8-K dated April 12, 2017 and include the following:

- Regulation
- Unbilled revenue
- Pension and other postretirement plans
- Contingencies
- Financial instruments and hedging activities
- Fair value measurements
- Impairment assessments

Our critical accounting policies are reviewed periodically by the Audit Committee of our Board of Directors. There were no significant changes to these critical accounting policies during the nine months ended June 30, 2017.

Non-GAAP Financial Measure

Our operations are affected by the cost of natural gas. The cost of gas is passed through to our customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees and settlements of financial instruments used to mitigate commodity price risk. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, we believe Gross Profit, a non-GAAP financial measure defined as operating revenues less purchased gas cost, is a better indicator of our financial performance than operating revenues as it provides a useful and more relevant measure to analyze our financial performance. As such, the following discussion and analysis of our financial performance will reference gross profit rather than operating revenues and purchased gas cost individually.

RESULTS OF OPERATIONS

Executive Summary

Atmos Energy 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 regulatory mechanisms has resulted in increased earnings and operating cash flows in recent years.

The pursuit of our strategy was the primary driver for our decision to sell our nonregulated natural gas marketing business and to fully exit that business. The sale was announced in October 2016 and closed in January 2017 with the receipt of $140.3 million in cash proceeds, including working capital. We recorded a net gain of $0.03 per diluted share on the sale in the second quarter of fiscal 2017. The proceeds received from the transaction were used to fund infrastructure additions and enhancements in our remaining businesses. As a result of the sale, the results of operations for the divested business have been presented as discontinued operations in the tables below:

	Three Months Ended June 30		
	2017	2016	Change
	(In thousands, except per share data)		
Distribution operations	$ 36,514	$ 30,361	$ 6,153
Pipeline and storage operations	34,294	35,782	(1,488)
Net income from continuing operations	70,808	66,143	4,665
Net income from discontinued operations	—	5,050	(5,050)
Net income	$ 70,808	$ 71,193	$ (385)
Diluted EPS from continuing operations	$ 0.67	$ 0.64	$ 0.03
Diluted EPS from discontinued operations	—	0.05	(0.05)
Consolidated diluted EPS	$ 0.67	$ 0.69	$ (0.02)

	Nine Months Ended June 30		
	2017	2016	Change
	(In thousands, except per share data)		
Distribution operations	$ 253,023	$ 219,377	$ 33,646
Pipeline and storage operations	93,835	91,315	2,520
Net income from continuing operations	346,858	310,692	36,166
Net income from discontinued operations	13,710	5,172	8,538
Net income	$ 360,568	$ 315,864	$ 44,704
Diluted EPS from continuing operations	$ 3.27	$ 3.01	$ 0.26
Diluted EPS from discontinued operations	0.13	0.05	0.08
Consolidated diluted EPS	$ 3.40	$ 3.06	$ 0.34

Net income from continuing operations increased 12 percent, compared to the prior-year period, despite weather that was 30 percent warmer than normal and 12 percent warmer than the prior-year period, primarily due to positive rate outcomes and customer growth in our distribution business. During the nine months ended June 30, 2017, our distribution segment completed 17 regulatory proceedings, resulting in an increase in annual operating income of $85.0 million and had four ratemaking efforts in progress at June 30, 2017 seeking $17.1 million of additional annual operating income. Additionally, on January 6, 2017, our Atmos Pipeline - Texas Division filed its statement of intent seeking $63.6 million, as adjusted in its rebuttal case, in additional annual operating income. On August 1, 2017, a final order was issued resulting in a $13 million increase in annual operating income. Our discontinued natural gas marketing results for the nine months ended June 30, 2017 primarily include a pre-tax gain of $10.6 million recognized in the first fiscal quarter related to the discontinuance of cash flow hedging for our natural gas marketing commodity contracts and a $2.7 million net gain on sale recognized in January 2017 upon completion of the sale.

Capital expenditures for the first nine months of fiscal 2017 were $812.1 million. Approximately 82 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. We expect our capital expenditures to range between $1.1 billion and $1.25 billion for fiscal 2017. We funded our capital expenditure program primarily through operating cash flows of $745.6 million. Additionally, we issued approximately $885 million of long-term debt and $100 million of common stock during the nine month period ending June 30, 2017. The net proceeds from these issuances was primarily used to repay maturing long-term debt and to reduce short-term debt.

In addition, we acquired EnLink Pipeline in the first fiscal quarter of 2017 for an all–cash price of $86.1 million, inclusive of working capital. The acquisition of EnLink Pipeline increases the capacity on our APT intrastate pipeline to serve transportation customers in North Texas, which continues to experience significant population growth.

As a result of our sustained financial performance, cash flows and capital structure, our Board of Directors increased the quarterly dividend by 7.1 percent for fiscal 2017.

Distribution Segment

The distribution segment is primarily comprised of our regulated natural gas distribution and related sales operations in eight states. The primary factors that impact the results of this segment 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 of return 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.

Seasonal weather patterns can also affect our distribution operations. However, the effect of weather that is above or below normal is substantially offset through weather normalization adjustments, known as WNA, which has been approved by state regulatory commissions for approximately 97 percent of our residential and commercial meters in the following states for the following time periods:

Kansas, West Texas	October — May
Tennessee	October — April
Kentucky, Mississippi, Mid-Tex	November — April
Louisiana	December — March
Virginia	January — December

Our distribution operations are also affected by the cost of natural gas. The cost of gas is passed through to our customers without markup. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Gross profit in our Texas and Mississippi service areas includes franchise fees and gross receipts taxes, which are calculated as a percentage of revenue (inclusive of gas costs). Therefore, the amount of these taxes included in revenues is influenced by the cost of gas and the level of gas sales volumes. We record the associated tax expense as a component of taxes, other than income. Although changes in these revenue-related taxes arising from changes in gas costs affect gross profit, over time the impact is offset within operating income.

As discussed above, the cost of gas typically does not have a direct impact on our gross profit. However, higher gas costs mean higher bills for our customers, which 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. However, gas cost risk has been mitigated in recent years through improvements in rate design that allow us to collect from our customers the gas cost portion of our bad debt expense on approximately 75 percent of our residential and commercial margins.

Three Months Ended June 30, 2017 compared with Three Months Ended June 30, 2016

Financial and operational highlights for our distribution segment for the three months ended June 30, 2017 and 2016 are presented below.

	Three Months Ended June 30		
	2017	2016	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 494,060	$ 424,905	$ 69,155
Purchased gas cost	197,767	147,569	50,198
Gross profit	296,293	277,336	18,957
Operating expenses	219,241	213,674	5,567
Operating income	77,052	63,662	13,390
Miscellaneous income (expense)	(62)	1,243	(1,305)
Interest charges	18,394	18,677	(283)
Income before income taxes	58,596	46,228	12,368
Income tax expense	22,082	15,867	6,215
Net income	$ 36,514	$ 30,361	$ 6,153
Consolidated distribution sales volumes — MMcf	42,974	39,040	3,934
Consolidated distribution transportation volumes — MMcf	33,307	30,416	2,891
Total consolidated distribution throughput — MMcf	76,281	69,456	6,825
Consolidated distribution average cost of gas per Mcf sold	$ 4.60	$ 3.78	$ 0.82

Income for our distribution segment increased 20 percent, primarily due to a $19.0 million increase in gross profit, partially offset with a $5.6 million increase in operating expenses. The quarter-over-quarter increase in gross profit primarily reflects:

- a $13.7 million net increase in rate adjustments, primarily in our Mid-Tex, West Texas, Louisiana and Mississippi Divisions.
- Customer growth, primarily in our Mid-Tex Division, which contributed an incremental $1.1 million.
- a $1.8 million net increase in residential and commercial consumption, primarily in our Mid-Tex Division.

The increase in operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, was primarily due to higher depreciation and property tax expense associated with increased capital investments, as well as higher administrative expenses.

The following table shows our operating income by distribution division, in order of total rate base, for the three months ended June 30, 2017 and 2016. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	Three Months Ended June 30		
	2017	2016	Change
	(In thousands)		
Mid-Tex	$ 37,055	$ 33,562	$ 3,493
Kentucky/Mid-States	13,073	7,126	5,947
Louisiana	11,051	10,051	1,000
West Texas	6,639	5,659	980
Mississippi	3,437	3,916	(479)
Colorado-Kansas	3,842	3,111	731
Other	1,955	237	1,718
Total	$ 77,052	$ 63,662	$ 13,390

Nine Months Ended June 30, 2017 compared with Nine Months Ended June 30, 2016

Financial and operational highlights for our distribution segment for the nine months ended June 30, 2017 and 2016 are presented below.

	Nine Months Ended June 30		
	2017	2016	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 2,211,257	$ 1,936,475	$ 274,782
Purchased gas cost	1,106,209	912,231	193,978
Gross profit	1,105,048	1,024,244	80,804
Operating expenses	646,299	622,100	24,199
Operating income	458,749	402,144	56,605
Miscellaneous income	334	804	(470)
Interest charges	56,437	57,481	(1,044)
Income before income taxes	402,646	345,467	57,179
Income tax expense	149,623	126,090	23,533
Net income	$ 253,023	$ 219,377	$ 33,646
Consolidated regulated distribution sales volumes — MMcf	215,158	227,664	(12,506)
Consolidated regulated distribution transportation volumes — MMcf	109,397	103,304	6,093
Total consolidated regulated distribution throughput — MMcf	324,555	330,968	(6,413)
Consolidated regulated distribution average cost of gas per Mcf sold	$ 5.14	$ 4.01	$ 1.13

Income for our distribution segment increased 15 percent, primarily due to an $80.8 million increase in gross profit, partially offset with a $24.2 million increase in operating expenses. The year-over-year increase in gross profit primarily reflects:

- a $59.0 million net increase in rate adjustments, primarily in our Mid-Tex, Louisiana and Mississippi Divisions.
- Customer growth, primarily in our Mid-Tex and Tennessee service areas, which contributed an incremental $5.4 million.
- a $3.8 million increase in revenue-related taxes in our Mid-Tex and West Texas Divisions, offset by a corresponding $3.5 million increase in the related tax expense.
- a $4.2 million increase in transportation primarily in our Kentucky/Mid-States, Mid-Tex and West Texas Divisions.
- a $2.1 million net increase in residential consumption, primarily in our Mid-Tex Division.

The increase in operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, was primarily due to an increase in employee-related costs, higher levels of line locate and pipeline integrity activities, primarily in our Mid-Tex Division, and higher depreciation and property tax expense associated with increased capital investments.

The following table shows our operating income by distribution division, in order of total rate base, for the nine months ended June 30, 2017 and 2016. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	Nine Months Ended June 30		
	2017	2016	Change
		(In thousands)	
Mid-Tex	$ 200,607	$ 181,858	$ 18,749
Kentucky/Mid-States	69,821	56,911	12,910
Louisiana	61,276	50,754	10,522
West Texas	42,590	38,793	3,797
Mississippi	41,197	40,369	828
Colorado-Kansas	33,878	31,189	2,689
Other	9,380	2,270	7,110
Total	$ 458,749	$ 402,144	$ 56,605

Recent Ratemaking Developments

The amounts described in the following sections represent the operating income that was requested or received in each rate filing, which may not necessarily reflect the stated amount referenced in the final order, as certain operating costs may have changed as a result of a commission's or other governmental authority's final ruling. During the first nine months of fiscal 2017, we completed 17 regulatory proceedings, resulting in an $85.0 million increase in annual operating income as summarized below.

Rate Action	Annual Increase in Operating Income
	(In thousands)
Annual formula rate mechanisms	$ 84,190
Rate case filings	6
Other rate activity	784
	$ 84,980

Additionally, the following ratemaking efforts seeking $17.1 million in annual operating income were in progress as of June 30, 2017:

Division	Rate Action	Jurisdiction	Operating Income Requested
			(In thousands)
Louisiana	Formula Rate Mechanism	LGS(1)	6,237
Mississippi	Infrastructure Mechanism	Mississippi	7,600
Colorado-Kansas	Rate Case	Colorado	2,916
Kentucky/Mid-States	Infrastructure Mechanism	Virginia	308
			$ 17,061

(1) The proposed increase for LGS customers was implemented on July 1, 2017, subject to refund.

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 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 annual formula rate mechanisms were approved during the nine months ended June 30, 2017:

Division	Jurisdiction	Test Year Ended	Increase in Annual Operating Income	Effective Date
			(In thousands)	
2017 Filings:				
Mid-Tex	Mid-Tex DARR (1)	09/30/2016	$ 9,672	06/01/2017
Mid-Tex	Mid-Tex Cities RRM	12/31/2016	36,239	06/01/2017
Kentucky/Mid-States	Tennessee ARM	05/31/2016	6,740	06/01/2017
Mid-Tex	Mid-Tex Environs	12/31/2016	1,568	05/23/2017
West Texas	West Texas Environs	12/31/2016	872	05/23/2017
West Texas	West Texas ALDC	12/31/2016	4,682	04/25/2017
Louisiana	TransLa (2)	09/30/2016	4,392	04/01/2017
West Texas	West Texas Cities RRM	09/30/2016	4,255	03/15/2017
Colorado-Kansas	Kansas	09/30/2016	801	02/09/2017
Mississippi	Mississippi SRF	10/31/2017	4,390	01/12/2017
Mississippi	Mississippi SIR	10/31/2017	3,334	01/01/2017
Mississippi	Mississippi SGR	10/31/2017	1,292	01/01/2017
Colorado-Kansas	Colorado SSIR	12/31/2017	1,350	01/01/2017
Kentucky/Mid-States	Kentucky PRP	09/30/2017	4,981	10/14/2016
Kentucky/Mid-States	Virginia SAVE	09/30/2017	(378)	10/01/2016
Total 2017 Filings			$ 84,190	

(1) The Company and the City of Dallas were unable to arrive at a mutually agreeable settlement; therefore the DARR rates were implemented, subject to refund, pending the outcome of an appeal filed with the Texas Railroad Commission.
(2) The Trans Louisiana RSC rates were implemented subject to refund on April 1, 2017.

Rate Case Filings

A rate case is a formal request from Atmos Energy to a regulatory authority to increase rates that are charged to our 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 and ensure that we continue to deliver reliable, reasonably priced natural gas service safely to our customers.

The following table summarizes the rate cases that were completed during the nine months ended June 30, 2017:

Division	State	Increase in Annual Operating Income	Effective Date
		(In thousands)	
2017 Rate Case Filings:			
Kentucky/Mid-States [1]	Virginia	$ 6	12/27/2016
Total 2017 Rate Case Filings		$ 6	

(1) The Virginia State Corporation Commission issued a final order approving a re-basing of the Company's SAVE rates into base rates and a decrease to depreciation expense. The Company had implemented rates on April 1, 2016, subject to refund, of $0.5 million.

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the nine months ended June 30, 2017:

Division	Jurisdiction	Rate Activity	Additional Annual Operating Income	Effective Date
			(In thousands)	
2017 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad-Valorem[1]	$ 784	2/1/2017
Total 2017 Other Rate Activity			$ 784	

(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.

Pipeline and Storage Segment

Our pipeline and storage segment consists of the pipeline and storage operations of our Atmos Pipeline–Texas Division (APT) and our natural gas transmission operations in Louisiana, which were previously included in our former nonregulated segment. 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, eastern and western Texas, extending into or near the major producing areas of the Barnett Shale, the Texas Gulf Coast and the Delaware and Midland 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, as well as marketers and producers. As part of its pipeline operations, APT manages five underground storage facilities in Texas.

Our natural gas transmission operations in Louisiana are comprised of a proprietary 21-mile pipeline located in New Orleans, Louisiana that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and on a more limited basis, to third parties. The demand fee charged to our Louisiana distribution division for these services is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans which have been approved by applicable state regulatory commissions. Generally, these asset management plans require us to share with our distribution customers a significant portion of the cost savings earned from these arrangements.

Our pipeline and storage segment is impacted by seasonal weather patterns, competitive factors in the energy industry and economic conditions in our Texas and Louisiana service areas. Natural gas prices do not directly impact the results of this segment as revenues are derived from the transportation and storage 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 in Texas could influence the volumes of gas transported for shippers through our Texas pipeline system and the rates for such transportation.

The results of APT are also significantly impacted by the natural gas requirements of its local distribution company customers. Additionally, its operations may be impacted by the timing of when costs and expenses are incurred and when these costs and expenses are recovered through its tariffs.

APT annually uses GRIP to recover capital costs incurred in the prior calendar year. However, GRIP also requires a utility to file a statement of intent at least once every five years to review its costs and expenses, including capital costs filed for recovery under GRIP. However, APT is precluded from submitting a GRIP filing until a final order has been issued on the statement of intent. Accordingly, APT has not yet submitted its annual GRIP filing for calendar year 2016. On January 6, 2017, APT filed its statement of intent seeking $63.6 million, as adjusted in its rebuttal case, in additional annual operating income. On August 1, 2017, a final order was issued resulting in a $13 million increase in annual operating income.

On December 21, 2016, the Louisiana Public Service Commission approved an annual increase of five percent to the demand fee charged by our natural gas transmission pipeline for each of the next 10 years, effective October 1, 2017. This agreement will replace the existing agreement that expires in September 2017.

Three Months Ended June 30, 2017 compared with Three Months Ended June 30, 2016

Financial and operational highlights for our pipeline and storage segment for the three months ended June 30, 2017 and 2016 are presented below.

	Three Months Ended June 30		
	2017	2016	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 84,594	$ 85,262	$ (668)
Third-party transportation revenue	27,369	23,877	3,492
Other revenue	5,320	4,716	604
Total operating revenues	117,283	113,855	3,428
Total purchased gas cost	1,251	(438)	1,689
Gross profit	116,032	114,293	1,739
Operating expenses	52,420	49,559	2,861
Operating income	63,612	64,734	(1,122)
Miscellaneous expense	(227)	(125)	(102)
Interest charges	10,104	9,002	1,102
Income before income taxes	53,281	55,607	(2,326)
Income tax expense	18,987	19,825	(838)
Net income	$ 34,294	$ 35,782	$ (1,488)
Gross pipeline transportation volumes — MMcf	192,543	158,758	33,785
Consolidated pipeline transportation volumes — MMcf	159,023	128,881	30,142

Net income for our pipeline and storage segment decreased four percent, primarily due to a $2.9 million increase in operating expenses, offset by a $1.7 million increase in gross profit. The increase in gross profit is primarily the result of higher through system revenue of $1.3 million, largely related to incremental throughput on the EnLink Pipeline, which was acquired in the first quarter of fiscal 2017, and higher basis spreads due to increased production in the Permian Basin. As noted above, as a result of the annual rate case, we did not file our annual GRIP filing during the second quarter of fiscal 2017, which influenced this segment's performance quarter-over-quarter.

Operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, increased $2.9 million, primarily due to higher depreciation expense and property taxes associated with increased capital investments and the acquisition of EnLink Pipeline.

Nine Months Ended June 30, 2017 compared with Nine Months Ended June 30, 2016

Financial and operational highlights for our pipeline and storage segment for the nine months ended June 30, 2017 and 2016 are presented below.

	Nine Months Ended June 30		
	2017	2016	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 251,354	$ 229,916	$ 21,438
Third-party transportation revenue	72,414	66,393	6,021
Other revenue	15,439	18,115	(2,676)
Total operating revenues	339,207	314,424	24,783
Total purchased gas cost	2,331	(72)	2,403
Gross profit	336,876	314,496	22,380
Operating expenses	159,871	143,859	16,012
Operating income	177,005	170,637	6,368
Miscellaneous expense	(784)	(894)	110
Interest charges	30,035	27,294	2,741
Income before income taxes	146,186	142,449	3,737
Income tax expense	52,351	51,134	1,217
Net income	$ 93,835	$ 91,315	$ 2,520
Gross pipeline transportation volumes — MMcf	574,556	526,532	48,024
Consolidated pipeline transportation volumes — MMcf	425,150	373,080	52,070

Net income for our pipeline and storage segment increased three percent, primarily due to a $22.4 million increase in gross profit, offset by a $16.0 million increase in operating expenses. The increase in gross profit primarily reflects a $22.1 million increase in rates from the GRIP filings approved in fiscal 2016.

Operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, increased $16.0 million, primarily due to increased levels of pipeline maintenance and integrity activities and higher depreciation expense and property taxes associated with increased capital investments and the acquisition of EnLink Pipeline.

Natural Gas Marketing Segment

Through December 31, 2016, we were engaged in an unregulated natural gas marketing business, which was conducted by Atmos Energy Marketing (AEM). AEM's primary business was to aggregate and purchase gas supply, arrange transportation and storage logistics and ultimately deliver gas to customers at competitive prices. Additionally, AEM utilized proprietary and customer–owned transportation and storage assets to provide various services its customers requested. AEM served most of its customers under contracts generally having one to two year terms. As a result, AEM's margins arose from the types of commercial transactions it had structured with its customers and its ability to identify the lowest cost alternative among the natural gas supplies, transportation and markets to which it had access to serve those customers.

As more fully described in Note 6, effective January 1, 2017, we sold all of the equity interests of AEM to CenterPoint Energy Services, Inc. (CES), a subsidiary of CenterPoint Energy Inc. As a result of the sale, Atmos Energy has fully exited the nonregulated natural gas marketing business. Accordingly, these operations have been reported as discontinued operations.

Three Months Ended June 30, 2017 compared with Three Months Ended June 30, 2016

Financial and operating highlights for our natural gas marketing segment for the three months ended June 30, 2017 and 2016 are presented below.

	Three Months Ended June 30		
	2017	2016	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ —	$ 200,213	$ (200,213)
Purchased gas cost	—	184,398	(184,398)
Gross profit	—	15,815	(15,815)
Operating income	—	7,047	(7,047)
Operating income	—	8,768	(8,768)
Miscellaneous income	—	56	(56)
Interest charges	—	360	(360)
Income before income taxes	—	8,464	(8,464)
Income tax expense	—	3,414	(3,414)
Net income from discontinued operations	$ —	$ 5,050	$ (5,050)
Gross natural gas marketing delivered gas sales volumes — MMcf	—	84,415	(84,415)
Consolidated natural gas marketing delivered gas sales volumes — MMcf	—	72,742	(72,742)
Net physical position (Bcf)	—	29.4	(29.4)

Nine Months Ended June 30, 2017 compared with Nine Months Ended June 30, 2016

Financial and operating highlights for our natural gas marketing segment for the nine months ended June 30, 2017 and 2016 are presented below.

	Nine Months Ended June 30		
	2017	2016	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 303,474	$ 728,989	$ (425,515)
Purchased gas cost	277,554	698,445	(420,891)
Gross profit	25,920	30,544	(4,624)
Operating expenses	7,874	19,940	(12,066)
Operating income	18,046	10,604	7,442
Miscellaneous income	30	171	(141)
Interest charges	241	2,108	(1,867)
Income before income taxes	17,835	8,667	9,168
Income tax expense	6,841	3,495	3,346
Income from discontinued operations	10,994	5,172	5,822
Gain on sale of discontinued operations, net of tax	2,716	—	2,716
Net income from discontinued operations	$ 13,710	$ 5,172	$ 8,538
Gross nonregulated delivered gas sales volumes — MMcf	90,223	280,588	(190,365)
Consolidated nonregulated delivered gas sales volumes — MMcf	78,646	245,702	(167,056)
Net physical position (Bcf)	—	29.4	(29.4)

The $8.5 million year-over-year increase in net income from discontinued operations primarily reflects the recognition of a net $6.6 million noncash gain from unwinding hedge accounting for certain of the natural gas marketing business's financial positions in connection with the sale of AEM. Additionally, we recognized a $2.7 million net gain on sale upon completion of the sale of AEM to CES in January 2017.

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 $1.5 billion of capacity under our short-term facilities.

We plan to continue to fund our growth through the use of operating cash flows and debt and equity securities, while maintaining a balanced capital structure. To support our capital market activities, we have a registration statement on file with the SEC that permits us to issue a total of $2.5 billion in common stock and/or debt securities. Under the shelf registration statement, we have filed a prospectus supplement for an at–the-market (ATM) equity distribution program under which we may issue and sell, shares of our common stock, up to an aggregate offering price of $200 million.

During the first nine months of fiscal 2017, we issued 1,303,494 shares under our ATM program and received net proceeds of $98.8 million. Substantially all shares have now been issued under this program. Additionally, on June 8, 2017, we completed a public offering of $500 million of 3.00% senior unsecured notes due 2027 and $250 million of 4.125% senior unsecured notes due 2044. The net proceeds of approximately $753 million were used to repay our $250 million 6.35% senior unsecured notes at maturity on June 15, 2017 and for general corporate purposes, including the repayment of working capital borrowings pursuant to our commercial paper program. At June 30, 2017, approximately $1.6 billion of securities remain available for issuance under the shelf registration statement.

The following table presents our capitalization inclusive of short-term debt and the current portion of long-term debt as of June 30, 2017, September 30, 2016 and June 30, 2016:

	June 30, 2017		September 30, 2016		June 30, 2016	
			(In thousands, except percentages)			
Short-term debt	$ 258,573	3.6%	$ 829,811	12.3%	$ 670,466	10.2%
Long-term debt	3,066,734	42.4%	2,438,779	36.2%	2,438,699	37.1%
Shareholders' equity	3,901,710	54.0%	3,463,059	51.5%	3,466,724	52.7%
Total	$ 7,227,017	100.0%	$ 6,731,649	100.0%	$ 6,575,889	100.0%

Cash Flows

Our internally generated funds may change in the future due to a number of factors, some of which we cannot control. These include regulatory changes, prices for our products and services, 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 nine months ended June 30, 2017 and 2016 are presented below.

	Nine Months Ended June 30		
	2017	2016	Change
		(In thousands)	
Total cash provided by (used in)			
Operating activities	$ 745,561	$ 629,946	$ 115,615
Investing activities	(747,355)	(783,399)	36,044
Financing activities	24,037	191,006	(166,969)
Change in cash and cash equivalents	22,243	37,553	(15,310)
Cash and cash equivalents at beginning of period	47,534	28,653	18,881
Cash and cash equivalents at end of period	$ 69,777	$ 66,206	$ 3,571

Cash flows from operating activities

Period-over-period changes in our operating cash flows are primarily attributable to changes in net income and working capital changes, particularly within our 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.

For the nine months ended June 30, 2017, we generated cash flow of $745.6 million from operating activities compared with $629.9 million for the nine months ended June 30, 2016. The $115.6 million increase in operating cash flows reflects the positive cash effects of successful rate case outcomes achieved in fiscal 2016 and changes in working capital, primarily the recovery of deferred purchased gas costs.

Cash flows from investing activities

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.

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 natural gas 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. We anticipate our annual capital spending will be in the range of $1 billion to $1.4 billion through fiscal 2020.

For the nine months ended June 30, 2017, cash used for investing activities was $747.4 million compared to $783.4 million in the prior-year period. Capital spending increased by $22.5 million, or 2.8 percent, as a result of planned increases in our distribution segment to repair and replace vintage pipe, partially offset by a decrease in spending in our pipeline and storage segment as a result of the substantial completion of an APT project to improve the reliability of gas service to its local distribution company customers. Cash flows from investing activities also include proceeds of $140.3 million received from the sale of AEM, a portion of the proceeds received from the completion of a State of Texas use tax audit and the $86.1 million used to purchase Enlink Pipeline in the first fiscal quarter of 2017.

Cash flows from financing activities

For the nine months ended June 30, 2017, our financing activities generated $24.0 million of cash compared with $191.0 million generated in the prior-year period. The $167.0 million decrease in cash provided by financing activities is primarily due to the reduction in our short-term debt, partially offset by an increase in our long-term debt.

The following table summarizes our share issuances for the nine months ended June 30, 2017 and 2016:

	Nine Months Ended June 30	
	2017	2016
Shares issued:		
Direct Stock Purchase Plan	90,789	107,736
1998 Long-Term Incentive Plan	529,060	597,470
Retirement Savings Plan and Trust	205,972	282,578
At-the-Market (ATM) Equity Distribution Program	1,303,494	1,360,756
Total shares issued	2,129,315	2,348,540

The year-over-year decrease in the number of shares issued primarily reflects a decrease in shares issued under the Retirement Savings Plan and Trust and the 1998 Long-Term Incentive Plan.

Credit Facilities

Our short-term borrowing requirements are affected primarily by the seasonal nature of the natural gas business and the level of our capital expenditures. Changes in the price of natural gas, the amount of natural gas we need to supply to meet our customers' needs and our capital spending activities could significantly affect our borrowing requirements. However, our short-term borrowings typically reach their highest levels in the winter months.

We finance our short-term borrowing requirements through a combination of a $1.5 billion commercial paper program and three committed revolving credit facilities with third-party lenders that provide a total of approximately $1.5 billion of working capital funding. As of June 30, 2017, the amount available to us under our credit facilities, net of commercial paper and outstanding letters of credit, was $1.3 billion.

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 businesses and the regulatory structures that govern our rates in the states where we operate.

Our debt is rated by two rating agencies: Standard & Poor's Corporation (S&P) and Moody's Investors Service (Moody's). As of June 30, 2017, both rating agencies maintained a stable outlook. Our current debt ratings are all considered investment grade and are as follows:

	S&P	Moody's
Senior unsecured long-term debt	A	A2
Short-term debt	A-1	P-1

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 and Aaa for Moody's. The lowest investment grade credit rating is BBB- for S&P and Baa3 for Moody's. 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 June 30, 2017. Our debt covenants are described in greater detail in Note 5 to the unaudited condensed consolidated financial statements.

Contractual Obligations and Commercial Commitments

Except as noted in Note 9 to the unaudited condensed consolidated financial statements, there were no significant changes in our contractual obligations and commercial commitments during the nine months ended June 30, 2017.

Risk Management Activities

In our distribution and pipeline and storage segments, 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. Additionally, we manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings. Through December 31, 2016, we managed our exposure to the risk of natural gas price changes in our natural gas marketing segment by locking 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.

The following table shows the components of the change in fair value of our financial instruments for the three and nine months ended June 30, 2017 and 2016:

	Three Months Ended June 30		Nine Months Ended June 30	
	2017	2016	2017	2016
	(In thousands)			
Fair value of contracts at beginning of period	$ (114,004)	$ (203,949)	$ (279,543)	$ (153,981)
Contracts realized/settled	37,172	1,196	48,928	1,185
Fair value of new contracts	557	2,377	(1,040)	2,434
Other changes in value	(29,869)	(62,709)	125,511	(112,723)
Fair value of contracts at end of period	(106,144)	(263,085)	(106,144)	(263,085)
Netting of cash collateral	—	39,067	—	39,067
Cash collateral and fair value of contracts at period end	$ (106,144)	$ (224,018)	$ (106,144)	$ (224,018)

The fair value of our financial instruments at June 30, 2017 is presented below by time period and fair value source:

	Fair Value of Contracts at June 30, 2017				
	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	$ 2,730	$ (108,874)	$ —	$ —	$ (106,144)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$ 2,730	$ (108,874)	$ —	$ —	$ (106,144)

Pension and Postretirement Benefits Obligations

For the nine months ended June 30, 2017 and 2016, our total net periodic pension and other benefits costs were $34.7 million and $34.5 million. A substantial portion of those costs relating to our natural gas distribution operations are recoverable through our gas distribution rates; however, a portion of these costs is capitalized into our distribution rate base. The remaining costs are recorded as a component of operation and maintenance expense.

Our fiscal 2017 costs were determined using a September 30, 2016 measurement date. 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. 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 generally consistent with fiscal 2016.

The amount with which we fund our defined benefit plan is determined in accordance with the Pension Protection Act of 2006 (PPA) and is influenced by the funded position of the plan when the funding requirements are determined on January 1 of each year. Based upon the determination as of January 1, 2017, we are not required to make a minimum contribution to our defined benefit plan during fiscal 2017. However, in June 2017, we made a voluntary contribution of $5.0 million.

For the nine months ended June 30, 2017 we contributed $9.9 million to our postretirement medical plans. We anticipate contributing a total of between $10 million and $20 million to our postretirement plans during fiscal 2017.

The projected pension liability, future funding requirements and the amount of pension expense or income recognized for the plans are subject to change, depending upon the actuarial value of plan assets in the plans and the determination of future benefit obligations as of each subsequent actuarial calculation date. These amounts will be determined by actual investment returns, changes in interest rates, values of assets in the plans and changes in the demographic composition of the participants in the plans.

OPERATING STATISTICS AND OTHER INFORMATION

The following tables present certain operating statistics for our distribution and pipeline and storage segments for the three and nine-month periods ended June 30, 2017 and 2016.

Distribution Sales and Statistical Data

	Three Months Ended June 30		Nine Months Ended June 30	
	2017	2016	2017	2016
METERS IN SERVICE, end of period				
Residential	2,935,136	2,903,099	2,935,136	2,903,099
Commercial	268,734	266,435	268,734	266,435
Industrial	1,682	1,815	1,682	1,815
Public authority and other	8,301	8,377	8,301	8,377
Total meters	3,213,853	3,179,726	3,213,853	3,179,726
INVENTORY STORAGE BALANCE — Bcf	50.4	51.3	50.4	51.3
SALES VOLUMES — MMcf[(1)]				
Gas sales volumes				
Residential	17,137	16,407	115,568	125,334
Commercial	15,960	14,718	71,435	73,990
Industrial	8,719	6,728	22,859	22,618
Public authority and other	1,158	1,187	5,296	5,722
Total gas sales volumes	42,974	39,040	215,158	227,664
Transportation volumes	35,020	33,367	116,227	112,477
Total throughput	77,994	72,407	331,385	340,141
OPERATING REVENUES (000's)[(1)]				
Gas sales revenues				
Residential	$ 294,000	$ 260,634	$ 1,385,444	$ 1,240,184
Commercial	136,611	113,075	588,273	507,580
Industrial	28,150	19,766	106,167	74,167
Public authority and other	8,591	7,309	38,307	34,402
Total gas sales revenues	467,352	400,784	2,118,191	1,856,333
Transportation revenues	20,439	18,097	67,227	60,202
Other gas revenues	6,269	6,024	25,839	19,940
Total operating revenues	$ 494,060	$ 424,905	$ 2,211,257	$ 1,936,475
Average cost of gas per Mcf sold	$ 4.60	$ 3.78	$ 5.14	$ 4.01

See footnote following these tables.

Pipeline and Storage Operations Sales and Statistical Data

	Three Months Ended June 30		Nine Months Ended June 30	
	2017	2016	2017	2016
CUSTOMERS, end of period				
Industrial	92	90	92	90
Other	239	214	239	214
Total	331	304	331	304
INVENTORY STORAGE BALANCE — Bcf	1.1	2.4	1.1	2.4
PIPELINE TRANSPORTATION VOLUMES — MMcf[1]	192,543	158,758	574,556	526,532
OPERATING REVENUES (000's)[1]	$ 117,283	$ 113,855	$ 339,207	$ 314,424

Note to preceding tables:

(1) Sales volumes and revenues reflect segment operations, including intercompany sales and transportation amounts.

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 unaudited condensed consolidated financial statements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Information regarding our quantitative and qualitative disclosures about market risk are disclosed in Item 7A of Exhibit 99.1 to our Current Report on Form 8-K dated April 12, 2017. During the nine months ended June 30, 2017, except for the effects of the sale of AEM on our market risk, there were no material changes in our quantitative and qualitative disclosures about market risk.

Item 4. *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 Rules 13a-15(e) and 15d-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 June 30, 2017 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.

Changes in Internal Control over Financial Reporting

We did not make any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the third quarter of the fiscal year ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

During the nine months ended June 30, 2017, there were no material changes in the status of the litigation and other matters that were disclosed in Note 11 of our Fiscal 2016 Financial Statements. We continue to believe that the final outcome of such litigation and other matters or claims will not have a material adverse effect on our financial condition, results of operations or cash flows.

Item 6. ***Exhibits***

A list of exhibits required by Item 601 of Regulation S-K and filed as part of this report is set forth in the Exhibits Index, which immediately precedes such exhibits.

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, thereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer
(Duly authorized signatory)

Date: August 2, 2017

EXHIBITS INDEX
Item 6

Exhibit Number	Description	Page Number or Incorporation by Reference to
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)
10	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)
12	Computation of ratio of earnings to fixed charges	
15	Letter regarding unaudited interim financial information	
31	Rule 13a-14(a)/15d-14(a) Certifications	
32	Section 1350 Certifications*	
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	

* These certifications, which were made 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 Quarterly Report on Form 10-Q, will not be deemed to be filed with the 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.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2017

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)*

(972) 934-9227

(Registrant's telephone number, including area code)

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

Large Accelerated Filer ☑ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☐ Emerging growth company ☐

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of shares outstanding of each of the issuer's classes of common stock, as of February 1, 2018.

Class	Shares Outstanding
No Par Value	110,967,636

GLOSSARY OF KEY TERMS

Adjusted diluted EPS from continuing operations	Non-GAAP measure defined as diluted earnings per share from continuing operations before the one-time, non-cash income tax benefit
Adjusted income from continuing operations	Non-GAAP measure defined as income from continuing operations before the one-time, non-cash income tax benefit
AEC	Atmos Energy Corporation
AEH	Atmos Energy Holdings, Inc.
AEM	Atmos Energy Marketing, LLC
AOCI	Accumulated other comprehensive income
ARM	Annual Rate Mechanism
Bcf	Billion cubic feet
DARR	Dallas Annual Rate Review
ERISA	Employee Retirement Income Security Act of 1974
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
Gross Profit	Non-GAAP measure defined as operating revenues less purchased gas cost
GSRS	Gas System Reliability Surcharge
Mcf	Thousand cubic feet
MMcf	Million cubic feet
Moody's	Moody's Investors Services, Inc.
PPA	Pension Protection Act of 2006
PRP	Pipeline Replacement Program
RRC	Railroad Commission of Texas
RRM	Rate Review Mechanism
RSC	Rate Stabilization Clause
S&P	Standard & Poor's Corporation
SAVE	Steps to Advance Virginia Energy
SEC	United States Securities and Exchange Commission
SGR	Supplemental Growth Filing
SIR	System Integrity Rider
SRF	Stable Rate Filing
SSIR	System Safety and Integrity Rider
TCJA	Tax Cuts and Jobs Act of 2017
WNA	Weather Normalization Adjustment

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2017	September 30, 2017
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 11,609,627	$ 11,301,304
Less accumulated depreciation and amortization	2,090,835	2,042,122
Net property, plant and equipment	9,518,792	9,259,182
Current assets		
Cash and cash equivalents	54,750	26,409
Accounts receivable, net	489,217	222,263
Gas stored underground	163,959	184,653
Other current assets	70,984	106,321
Total current assets	778,910	539,646
Goodwill	730,132	730,132
Deferred charges and other assets	236,886	220,636
	$ 11,264,720	$ 10,749,596
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at $0.005 per share); 200,000,000 shares authorized; issued and outstanding: December 31, 2017 — 110,962,112 shares; September 30, 2017 — 106,104,634 shares	$ 555	$ 531
Additional paid-in capital	2,940,062	2,536,365
Accumulated other comprehensive loss	(106,316)	(105,254)
Retained earnings	1,729,319	1,467,024
Shareholders' equity	4,563,620	3,898,666
Long-term debt	3,067,469	3,067,045
Total capitalization	7,631,089	6,965,711
Current liabilities		
Accounts payable and accrued liabilities	285,675	233,050
Other current liabilities	336,919	332,648
Short-term debt	336,816	447,745
Total current liabilities	959,410	1,013,443
Deferred income taxes	1,033,206	1,878,699
Regulatory excess deferred taxes (See Note 6)	746,246	—
Regulatory cost of removal obligation	480,086	485,420
Pension and postretirement liabilities	233,337	230,588
Deferred credits and other liabilities	181,346	175,735
	$ 11,264,720	$ 10,749,596

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended December 31	
	2017	2016
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 860,792	$ 754,656
Pipeline and storage segment	126,463	109,952
Intersegment eliminations	(98,063)	(84,440)
Total operating revenues	889,192	780,168
Purchased gas cost		
Distribution segment	463,758	395,346
Pipeline and storage segment	912	355
Intersegment eliminations	(97,753)	(84,396)
Total purchased gas cost	366,917	311,305
Operation and maintenance expense	129,567	124,938
Depreciation and amortization expense	88,374	76,958
Taxes, other than income	62,773	57,049
Operating income	241,561	209,918
Miscellaneous expense, net	(2,035)	(994)
Interest charges	31,509	31,030
Income from continuing operations before income taxes	208,017	177,894
Income tax (benefit) expense	(106,115)	63,856
Income from continuing operations	314,132	114,038
Income from discontinued operations, net of tax ($0 and $6,841)	—	10,994
Net income	$ 314,132	$ 125,032
Basic and diluted net income per share		
Income per share from continuing operations	$ 2.89	$ 1.08
Income per share from discontinued operations	—	0.11
Net income per share - basic and diluted	$ 2.89	$ 1.19
Cash dividends per share	$ 0.485	$ 0.450
Basic and diluted weighted average shares outstanding	108,564	105,284

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended December 31	
	2017	**2016**
	(Unaudited) (In thousands)	
Net income	$ 314,132	$ 125,032
Other comprehensive income (loss), net of tax		
Net unrealized holding losses on available-for-sale securities, net of tax of $62 and $476	(107)	(828)
Cash flow hedges:		
Amortization and unrealized gain (loss) on interest rate agreements, net of tax of $(549) and $52,429	(955)	91,214
Net unrealized gains on commodity cash flow hedges, net of tax of $0 and $3,183	—	4,982
Total other comprehensive income (loss)	(1,062)	95,368
Total comprehensive income	$ 313,070	$ 220,400

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31	
	2017	2016
	(Unaudited) (In thousands)	
Cash Flows From Operating Activities		
Net income	$ 314,132	$ 125,032
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	88,374	77,143
Deferred income taxes	53,149	67,241
One-time income tax benefit	(161,884)	—
Discontinued cash flow hedging for natural gas marketing commodity contracts	—	(10,579)
Other	6,915	4,842
Net assets / liabilities from risk management activities	2,030	3,969
Net change in operating assets and liabilities	(129,478)	(150,685)
Net cash provided by operating activities	173,238	116,963
Cash Flows From Investing Activities		
Capital expenditures	(383,238)	(297,962)
Acquisition	—	(85,714)
Available-for-sale securities activities, net	(135)	(10,263)
Other, net	2,001	1,802
Net cash used in investing activities	(381,372)	(392,137)
Cash Flows From Financing Activities		
Net (decrease) increase in short-term debt	(110,929)	110,936
Net proceeds from equity offering	395,099	49,400
Issuance of common stock through stock purchase and employee retirement plans	5,660	8,998
Proceeds from issuance of long-term debt	—	125,000
Interest rate agreements cash collateral	—	25,670
Cash dividends paid	(51,837)	(47,740)
Other	(1,518)	—
Net cash provided by financing activities	236,475	272,264
Net increase (decrease) in cash and cash equivalents	28,341	(2,910)
Cash and cash equivalents at beginning of period	26,409	47,534
Cash and cash equivalents at end of period	$ 54,750	$ 44,624

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 31, 2017

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") is engaged in the regulated natural gas distribution and pipeline and storage businesses. 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 divisions and subsidiaries operate.

Our distribution business delivers 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 at December 31, 2017, covered service areas located in eight states.

Our pipeline and storage business, which is also subject to federal and state regulations, includes the transportation of natural gas to our Texas and Louisiana distribution systems and the management of our underground storage facilities used to support our distribution business in various states.

2. Unaudited Financial Information

These consolidated interim-period financial statements have been prepared in accordance with accounting principles generally accepted in the United States on the same basis as those used for the Company's audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. In the opinion of management, all material adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been made to the unaudited consolidated interim-period financial statements. These consolidated interim-period financial statements are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited consolidated financial statements of Atmos Energy Corporation included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. Because of seasonal and other factors, the results of operations for the three-month period ended December 31, 2017 are not indicative of our results of operations for the full 2018 fiscal year, which ends September 30, 2018.

Except for the actions of our regulators regarding tax reform as discussed in Note 6 and the receipt of funds held in escrow related to the prior year sale of AEM, no events have occurred subsequent to the balance sheet date that would require recognition or disclosure in the condensed consolidated financial statements.

Significant accounting policies

Our accounting policies are described in Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

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, an entity 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 may need to use more judgment and make more estimates than under current guidance. The new guidance will become effective for us 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 December 31, 2017, we had substantially completed the evaluation of our sources of revenue and the impact that the new guidance will have on our financial position, results of operations, cash flows and business processes. Based on this evaluation, we currently do not believe the implementation of the new guidance will have a material effect on our financial position, results of operations, cash flows or business processes. We expect to apply the new guidance using the modified retrospective method on the date of adoption. We are currently still evaluating the impact on our financial statement presentation and related disclosures.

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 on our financial position, results of operations and cash flows.

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. Additionally, in January 2018, the FASB issued amendments to the standard that provides a practical expedient for entities to not evaluate existing or expired land easements that were not previously accounted for as leases under the current guidance. We are currently evaluating the effect of this standard and amendments on our financial position, results of operations and cash flows.

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 on our financial position, results of operations and cash flows.

In January 2017, the FASB issued new guidance that simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test. Under the new guidance, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The new standard will be effective for our fiscal 2021 goodwill impairment test; however, early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. We have elected to early adopt the new standard, which will be effective for our goodwill impairment test performed in our second fiscal quarter. We do not anticipate the new standard will have a material impact on our results of operations, consolidated balance sheets or cash flows.

In March 2017, the FASB issued new guidance related to the income statement presentation of the components of net periodic benefit cost for an entity’s sponsored defined benefit pension and other postretirement plans. The new guidance requires entities to disaggregate the current service cost component of the net benefit cost from the other components and present it with other current compensation costs for related employees in the statement of income. The other components of net benefit cost will be presented outside of income from operations on the statement of income. In addition, only the service cost component of net benefit cost is eligible for capitalization (e.g., as part of inventory or property, plant, and equipment). However, we believe that we will be allowed to defer the other components of net periodic benefit cost as a regulatory asset and that we will still be allowed to capitalize all components of net periodic benefit cost for ratemaking purposes. The new guidance will be effective for us in the fiscal year beginning on October 1, 2018 and for interim periods within that year. We are currently evaluating the potential impact of this new guidance on our financial position, results of operations and cash flows.

Regulatory assets and liabilities

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 are permitted to be capitalized rather than expensed because they can be recovered through rates. We record certain costs as regulatory assets when future recovery through customer rates is considered probable. Regulatory liabilities are recorded when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process. Substantially all of our regulatory assets are recorded as a component of deferred charges and other assets and a portion of our regulatory liabilities are recorded as a component of deferred credits and other liabilities. Deferred gas costs are recorded either in other current assets or liabilities and our regulatory excess deferred taxes and regulatory cost of removal obligation is reported separately.

Significant regulatory assets and liabilities as of December 31, 2017 and September 30, 2017 included the following:

	December 31, 2017	September 30, 2017
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs(1)	$ 24,598	$ 26,826
Infrastructure mechanisms(2)	54,571	46,437
Deferred gas costs	18,505	65,714
Recoverable loss on reacquired debt	10,580	11,208
Deferred pipeline record collection costs	12,942	11,692
APT annual adjustment mechanism	—	2,160
Rate case costs	3,160	2,629
Other	9,703	10,132
	$ 134,059	$ 176,798
Regulatory liabilities:		
Regulatory excess deferred taxes(3)	$ 746,246	$ —
Regulatory cost of removal obligation	520,483	521,330
Deferred gas costs	19,739	15,559
Asset retirement obligation	12,827	12,827
APT annual adjustment mechanism	1,720	—
Other	7,673	5,941
	$ 1,308,688	$ 555,657

(1) Includes $8.6 million and $9.4 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 deferred expenses until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recoverable through base rates.
(3) The TCJA resulted in the remeasurement of the net deferred tax liability included in our rate base. The excess deferred taxes will be returned to utility customers in accordance with regulatory requirements. See Note 6 for further information.

3. Segment Information

We manage and review our consolidated operations through the following reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana.
- The *natural gas marketing segment* was comprised of our discontinued natural gas marketing business.

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 distribution segment operations are geographically dispersed, they are aggregated and reported as a single segment as each natural gas distribution division has similar economic characteristics. In addition, because the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana have similar economic characteristics, they have been aggregated and reported as a single segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies found in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. We evaluate performance based on net income or loss of the respective operating units. We allocate interest and pension expense to the pipeline and storage segment; however, there is no debt or pension liability recorded on the pipeline and storage segment balance sheet. 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. Income taxes are allocated to each segment as if each segment's taxes were calculated on a separate return basis.

Income statements and capital expenditures for the three months ended December 31, 2017 and 2016 by segment are presented in the following tables:

	Three Months Ended December 31, 2017			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
		(In thousands)		
Operating revenues from external parties	$ 860,453	$ 28,739	$ —	$ 889,192
Intersegment revenues	339	97,724	(98,063)	—
Total operating revenues	860,792	126,463	(98,063)	889,192
Purchased gas cost	463,758	912	(97,753)	366,917
Operation and maintenance expense	103,737	26,140	(310)	129,567
Depreciation and amortization expense	65,434	22,940	—	88,374
Taxes, other than income	55,107	7,666	—	62,773
Operating income	172,756	68,805	—	241,561
Miscellaneous expense	(1,400)	(635)	—	(2,035)
Interest charges	21,368	10,141	—	31,509
Income before income taxes	149,988	58,029	—	208,017
Income tax benefit	(99,111)	(7,004)	—	(106,115)
Net income	$ 249,099	$ 65,033	$ —	$ 314,132
Capital expenditures	$ 241,249	$ 141,989	$ —	$ 383,238

	Three Months Ended December 31, 2016				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 754,266	$ 25,902	$ —	$ —	$ 780,168
Intersegment revenues	390	84,050	—	(84,440)	—
Total operating revenues	754,656	109,952	—	(84,440)	780,168
Purchased gas cost	395,346	355	—	(84,396)	311,305
Operation and maintenance expense	92,714	32,268	—	(44)	124,938
Depreciation and amortization expense	61,157	15,801	—	—	76,958
Taxes, other than income	50,546	6,503	—	—	57,049
Operating income	154,893	55,025	—	—	209,918
Miscellaneous expense	(633)	(361)	—	—	(994)
Interest charges	21,118	9,912	—	—	31,030
Income from continuing operations before income taxes	133,142	44,752	—	—	177,894
Income tax expense	47,778	16,078	—	—	63,856
Income from continuing operations	85,364	28,674	—	—	114,038
Income from discontinued operations, net of tax	—	—	10,994	—	10,994
Net income	$ 85,364	$ 28,674	$ 10,994	$ —	$ 125,032
Capital expenditures	$ 222,484	$ 75,478	$ —	$ —	$ 297,962

Balance sheet information at December 31, 2017 and September 30, 2017 by segment is presented in the following tables:

	December 31, 2017			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 7,010,709	$ 2,508,083	$ —	$ 9,518,792
Total assets	$ 10,633,234	$ 2,729,455	$ (2,097,969)	$ 11,264,720

	September 30, 2017			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 6,849,517	$ 2,409,665	$ —	$ 9,259,182
Total assets	$ 10,050,164	$ 2,621,601	$ (1,922,169)	$ 10,749,596

4. Earnings Per Share

We use the two-class method of computing earnings per share because we have participating securities in the form of non-vested restricted stock units with a nonforfeitable right to dividend equivalents, for which vesting is predicated solely on the passage of time. 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 three months ended December 31, 2017 and 2016 are calculated as follows:

	Three Months Ended December 31	
	2017	2016
	(In thousands, except per share amounts)	
Basic and Diluted Earnings Per Share from continuing operations		
Income from continuing operations	$ 314,132	$ 114,038
Less: Income from continuing operations allocated to participating securities	328	153
Income from continuing operations available to common shareholders	$ 313,804	$ 113,885
Basic and diluted weighted average shares outstanding	108,564	105,284
Income from continuing operations per share — Basic and Diluted	$ 2.89	$ 1.08
Basic and Diluted Earnings Per Share from discontinued operations		
Income from discontinued operations	$ —	$ 10,994
Less: Income from discontinued operations allocated to participating securities	—	14
Income from discontinued operations available to common shareholders	$ —	$ 10,980
Basic and diluted weighted average shares outstanding	108,564	105,284
Income from discontinued operations per share — Basic and Diluted	$ —	$ 0.11
Net income per share — Basic and Diluted	$ 2.89	$ 1.19

5. Debt

The nature and terms of our debt instruments and credit facilities are described in detail in Note 5 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. There were no material changes in the terms of our debt instruments during the three months ended December 31, 2017.

Long-term debt at December 31, 2017 and September 30, 2017 consisted of the following:

	December 31, 2017	September 30, 2017
	(In thousands)	
Unsecured 8.50% Senior Notes, due March 2019	$ 450,000	$ 450,000
Unsecured 3.00% Senior Notes, due 2027	500,000	500,000
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	750,000	750,000
Medium-term note Series A, 1995-1, 6.67%, due 2025	10,000	10,000
Unsecured 6.75% Debentures, due 2028	150,000	150,000
Floating-rate term loan, due September 2019[(1)]	125,000	125,000
Total long-term debt	3,085,000	3,085,000
Less:		
Original issue premium / discount on unsecured senior notes and debentures	(4,398)	(4,384)
Debt issuance cost	21,929	22,339
	$ 3,067,469	$ 3,067,045

(1) Up to $200 million can be drawn under this term loan.

We utilize short-term debt to provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves the Company's desired capital structure with an equity–to–capitalization ratio between 50% and 60%, inclusive of long–term and short–term debt. Our short–term borrowing requirements are affected primarily 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 our customers' needs could significantly affect our borrowing requirements. Our short–term borrowings typically reach their highest levels in the winter months.

Currently, our short-term borrowing requirements are satisfied through a combination of a $1.5 billion commercial paper program and three committed revolving credit facilities with third-party lenders that provide approximately $1.5 billion of total working capital funding. The primary source of our funding is our commercial paper program, which is supported by a five-year unsecured $1.5 billion credit facility that expires September 25, 2021. The 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. Additionally, the facility contains a $250 million accordion feature, which provides the opportunity to increase the total committed loan to $1.75 billion. At December 31, 2017 and September 30, 2017 a total of $336.8 million and $447.7 million was outstanding under our commercial paper program.

Additionally, we have a $25 million 364-day unsecured facility and a $10 million 364-day unsecured revolving credit facility, which is used primarily to issue letters of credit. At December 31, 2017, there were no borrowings outstanding under either of these facilities; however, outstanding letters of credit reduced the total amount available to us under our $10 million facility to $4.4 million.

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 each of these facilities to maintain, at the end of each fiscal quarter, a ratio of total-debt-to-total-capitalization of no greater than 70 percent. At December 31, 2017, our total-debt-to-total-capitalization ratio, as defined in the agreements, was 44 percent. In addition, both the interest margin and the fee that we pay on unused amounts under certain of these facilities are subject to adjustment depending upon our credit ratings.

These credit facilities and our 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 certain of 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 December 31, 2017. 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.

6. Impact of the Tax Cuts and Jobs Act of 2017

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "TCJA") was signed into law. The TCJA introduced several significant changes to corporate income tax laws in the United States. The most significant change that will affect Atmos Energy is the reduction of the federal statutory income tax rate from 35% to 21%. As a rate-regulated entity, the accelerated capital expensing and the limitation on interest deductibility provisions included in the TCJA are not applicable to us.

Under generally accepted accounting principles, we use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

At September 30, 2017, we measured our net deferred tax liability using the enacted federal statutory tax rate of 35%. The enactment of the TCJA on December 22, 2017 required us to remeasure our deferred tax assets and liabilities, including our U.S. federal income tax net operating loss carryforwards, at the newly enacted federal statutory income tax rate. As the Company's fiscal year end is September 30, the Internal Revenue Code requires the Company to use a blended statutory federal corporate income tax rate of 24.5% for fiscal 2018.

The decrease in the federal statutory income tax rate reduced our net deferred tax liability by $908.1 million. Of this amount, $746.2 million relates to regulated operations and has been recorded as a regulatory liability, which will be returned to utility customers. The period and timing of these revenue adjustments are subject to Internal Revenue Code provisions and regulatory actions in each of the eight states in which we operate. The remaining $161.9 million has been reflected as a one-time income tax benefit in our condensed consolidated statement of income because these taxes were not considered in our cost of service ratemaking.

At December 31, 2017, we had $330.4 million of remeasured federal net operating loss carryforwards. The federal net operating loss carryforwards are available to offset future taxable income and will begin to expire in 2029. The Company also has $10.1 million of federal alternative minimum tax credit carryforwards that do not expire and are expected to be fully refunded to us between 2019 and 2022 as a result of changes introduced by the TCJA. These credit carryforwards are now reflected as taxes receivable within the deferred charges and other assets line item on our condensed consolidated balance sheet. In addition, the Company has $5.1 million in remeasured charitable contribution carryforwards to offset future taxable income. The Company's charitable contribution carryforwards expire between 2018 and 2023.

The Company also has $25.9 million of state net operating loss carryforwards and $1.5 million of state tax credit carryforwards (net of $6.9 million and $0.4 million of remeasured federal effects). Depending on the jurisdiction in which the state net operating loss was generated, the carryforwards will begin to expire between 2018 and 2032.

Due to the changes introduced by the TCJA, we now believe it is more likely than not that the benefit from certain charitable contribution carryforwards for which a valuation allowance was previously established will be realized. As a result, we reduced our valuation allowance by $4.2 million during the first quarter. This amount is included in the $161.9 million one-time income tax benefit.

The SEC issued guidance in Staff Accounting Bulletin 118 (SAB 118), which allows us to record provisional amounts during a one-year measurement period, similar to the measurement period in accounting for business combinations. The Company has determined a reasonable estimate for the measurement and accounting for certain effects of the TCJA, including the remeasurement of our net deferred tax liabilities and the establishment of a regulatory liability, which have been reflected as provisional amounts in the December 31, 2017 condensed consolidated financial statements and are described in further detail above. The amounts represent our best estimates based upon records, information and current guidance. We are still analyzing certain aspects of the TCJA, refining our calculations and expect additional guidance relating to the TCJA from the U.S. Department of the Treasury and the Internal Revenue Service. Any additional issued guidance or future actions of our regulators could potentially affect the final determination of the accounting effects arising from the implementation of the TCJA.

We are actively working with our regulators in each jurisdiction to address the impact of the TCJA on our cost of service based rates. Accounting orders have been issued for our Colorado, Kansas, Kentucky, Tennessee and Virginia service areas that require us to establish, effective January 1, 2018, a separate regulatory liability for the difference in taxes included in our rates that have been calculated based on a 35% statutory income tax rate and the new 21% statutory income tax rate. The establishment of this regulatory liability relating to our cost of service rates will result in a reduction to our revenues beginning in the second quarter of fiscal 2018. The period and timing of the return of these liabilities to utility customers will be determined by regulators in each of our jurisdictions.

Regulators in our other services areas, including Texas, Mississippi and Louisiana, have also taken action in response to the TCJA:

- On January 23, 2018, the Railroad Commission of Texas directed the Commission Staff to develop recommendations to ensure that, beginning January 1, 2018, all gas utility customers in Texas receive the full benefit of the TCJA.
- On January 26, 2018, the Mississippi Public Service Commission (MPSC) entered an order requiring each utility to file within thirty days a detailed description identifying how the TCJA will be reflected in the formula rate plan or other rate structures under which the utility operates.
- On January 31, 2018, Louisiana Public Service Commission (LPSC) directed utilities to file reports on February 14, 2018, regarding savings for ratepayers as a result of the new federal tax laws. The LPSC is also considering an accounting order to direct the utilities to track and record the impacts of the TCJA and a rule making docket to address the TCJA.

7. Shareholders' Equity

Shelf Registration, At-the-Market Equity Sales Program and Equity Issuance

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 expires March 28, 2019. At December 31, 2017, approximately $1.2 billion of securities remained available for issuance under the shelf registration statement.

On November 14, 2017, we filed a prospectus supplement under the registration statement relating to an at-the-market (ATM) equity sales program under which we may issue and sell shares of our common stock up to an aggregate offering price of $500 million, which expires March 28, 2019. During the three months ended December 31, 2017, no shares of common stock were sold under the ATM program.

On November 30, 2017, we filed a prospectus supplement under the registration statement relating to an underwriting agreement to sell 4,558,404 shares of our common stock. We received aggregate gross proceeds of $400 million and received net proceeds, after expenses, of $395.1 million from the offering.

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in AOCI related to available-for-sale securities, interest rate cash flow hedges and prior to the sale of Atmos Energy Marketing on January 3, 2017, 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 (loss):

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Total
		(In thousands)	
September 30, 2017	$ 7,048	$ (112,302)	$ (105,254)
Other comprehensive loss before reclassifications	(107)	(1,332)	(1,439)
Amounts reclassified from accumulated other comprehensive income	—	377	377
Net current-period other comprehensive loss	(107)	(955)	(1,062)
December 31, 2017	$ 6,941	$ (113,257)	$ (106,316)

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Commodity Contracts Cash Flow Hedges	Total
	(In thousands)			
September 30, 2016	$ 4,484	$ (187,524)	$ (4,982)	$ (188,022)
Other comprehensive income (loss) before reclassifications	(828)	91,127	9,847	100,146
Amounts reclassified from accumulated other comprehensive income	—	87	(4,865)	(4,778)
Net current-period other comprehensive income (loss)	(828)	91,214	4,982	95,368
December 31, 2016	$ 3,656	$ (96,310)	$ —	$ (92,654)

The following tables detail reclassifications out of AOCI for the three months ended December 31, 2017 and 2016. Amounts in parentheses below indicate decreases to net income in the statement of income:

	Three Months Ended December 31, 2017	
Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
	(In thousands)	
Cash flow hedges		
Interest rate agreements	$ (594)	Interest charges
	(594)	Total before tax
	217	Tax benefit
Total reclassifications	$ (377)	Net of tax

	Three Months Ended December 31, 2016	
Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
	(In thousands)	
Cash flow hedges		
Interest rate agreements	$ (137)	Interest charges
Commodity contracts	7,967	Purchased gas cost[(1)]
	7,830	Total before tax
	(3,052)	Tax expense
Total reclassifications	$ 4,778	Net of tax

(1) Amounts are presented as part of income from discontinued operations in the condensed consolidated statements of income.

8. Interim Pension and Other Postretirement Benefit Plan Information

The components of our net periodic pension cost for our pension and other postretirement benefit plans for the three months ended December 31, 2017 and 2016 are presented in the following table. Most of these costs are recoverable through our tariff rates; however, a portion of these costs is capitalized into our rate base. The remaining costs are recorded as a component of operation and maintenance expense.

	Three Months Ended December 31			
	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 4,560	$ 5,216	$ 3,020	$ 3,109
Interest cost	6,430	6,297	2,727	2,670
Expected return on assets	(6,917)	(6,994)	(2,002)	(1,796)
Amortization of prior service cost (credit)	(58)	(58)	3	(411)
Amortization of actuarial (gain) loss	3,089	4,249	(1,618)	(707)
Net periodic pension cost	$ 7,104	$ 8,710	$ 2,130	$ 2,865

The assumptions used to develop our net periodic pension cost for the three months ended December 31, 2017 and 2016 are as follows:

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Discount rate	3.89%	3.73%	3.89%	3.73%
Rate of compensation increase	3.50%	3.50%	N/A	N/A
Expected return on plan assets	6.75%	7.00%	4.29%	4.45%

The discount rate used to compute the present value of a plan's liabilities generally is based on rates of high-grade corporate bonds with maturities similar to the average period over which the benefits will be paid. Generally, our funding policy has been to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974. In accordance with the Pension Protection Act of 2006 (PPA), we determined the funded status of our plan as of January 1, 2017. Based on that determination, we were not required to make a minimum contribution to our defined benefit plan during the first quarter of fiscal 2018.

We contributed $3.9 million to our other post-retirement benefit plans during the three months ended December 31, 2017. We expect to contribute a total of between $10 million and $20 million to these plans during fiscal 2018.

9. Commitments and Contingencies

Litigation and Environmental Matters

With respect to the litigation and environmental-related matters or claims that were disclosed in Note 11 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017, there were no material changes in the status of such litigation and environmental-related matters or claims during the three months ended December 31, 2017.

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

Purchase Commitments

Our 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 hubs. These purchase commitment contracts are detailed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. There were no material changes to the purchase commitments for the three months ended December 31, 2017.

Regulatory Matters

Various regulatory agencies, including the SEC and the Commodities Futures Trading Commission, continue to adopt regulations implementing many of the provisions of the Dodd-Frank Act of 2010. We continue to enact new procedures and modify existing business practices and contractual arrangements to comply with such regulations. Additional rulemakings are pending which we believe will result in new reporting and disclosure obligations. The costs associated with hedging certain risks inherent in our business may be further increased when these expected additional regulations are adopted.

As of December 31, 2017, formula rate mechanisms were pending regulatory approval in our Louisiana and Tennessee service areas, infrastructure mechanisms were pending regulatory approval in our Kansas service area, an ad valorem tax rider filing was in progress in our Kansas service area and rate cases were pending regulatory approval in our Colorado, Kentucky and Mid-Tex service areas. These regulatory proceedings are discussed in further detail below in *Management's Discussion and Analysis — Recent Ratemaking Developments*. Additionally, as discussed in further detail in Note 6, all jurisdictions are addressing impacts of the TCJA.

10. Financial Instruments

We currently use financial instruments to mitigate commodity price risk and interest rate risk. The objectives and strategies for using financial instruments and the related accounting for these financial instruments are fully described in Notes 2 and 13 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. During the three months ended December 31, 2017, there were no material changes in our objectives, strategies and accounting for using financial instruments. Our financial instruments do not contain any credit-risk-related or other contingent features that could cause payments to be accelerated when our financial instruments are in net liability positions. The following summarizes those objectives and strategies.

Commodity Risk Management Activities

Our purchased gas cost adjustment mechanisms essentially insulate our distribution segment from commodity price risk; however, 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.

We typically seek to hedge between 25 and 50 percent of anticipated heating season gas purchases using financial instruments. For the 2017-2018 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we anticipate hedging approximately 26 percent, or 15.0 Bcf of the winter flowing gas requirements. We have not designated these financial instruments as hedges for accounting purposes.

Interest Rate Risk Management Activities

We periodically manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

As of December 31, 2017, we had forward starting interest rate swaps to effectively fix the Treasury yield component associated with the anticipated issuance of $450 million unsecured senior notes in fiscal 2019 at 3.78%, which we designated as a cash flow hedge at the time the swaps were executed. As of December 31, 2017, we had $40.8 million of net realized losses in accumulated other comprehensive income (AOCI) associated with the settlement of financial instruments used to fix the Treasury yield component of the interest cost of financing various issuances of long-term debt and senior notes, which will be recognized as a component of interest expense over the life of the associated notes from the date of settlement. The remaining amortization periods for these settled amounts extend through fiscal 2045.

Quantitative Disclosures Related to Financial Instruments

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

As of December 31, 2017, 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 December 31, 2017, we had 12,143 MMcf of net short commodity contracts outstanding. These contracts have not been designated as hedges.

Financial Instruments on the Balance Sheet

The following tables present the fair value and balance sheet classification of our financial instruments as of December 31, 2017 and September 30, 2017. The gross amounts of recognized assets and liabilities are netted within our unaudited Condensed Consolidated Balance Sheets to the extent that we have netting arrangements with our counterparties.

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
December 31, 2017			
Designated As Hedges:			
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	—	(114,175)
Total		—	(114,175)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	456	(2,738)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	190	(262)
Total		646	(3,000)
Gross Financial Instruments		646	(117,175)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		—	—
Net Financial Instruments		646	(117,175)
Cash collateral		—	—
Net Assets/Liabilities from Risk Management Activities		$ 646	$ (117,175)

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
September 30, 2017			
Designated As Hedges:			
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	—	(112,076)
Total		—	(112,076)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	2,436	(322)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	803	—
Total		3,239	(322)
Gross Financial Instruments		3,239	(112,398)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		—	—
Net Financial Instruments		3,239	(112,398)
Cash collateral		—	—
Net Assets/Liabilities from Risk Management Activities		$ 3,239	$ (112,398)

Impact of Financial Instruments on the Income Statement

Cash Flow Hedges

As discussed above, our distribution segment has interest rate swap agreements, which we designated as a cash flow hedge at the time the swaps were executed. The net loss on settled interest rate agreements reclassified from AOCI into interest charges on our condensed consolidated statements of income for the three months ended December 31, 2017 and 2016 was $0.6 million and $0.1 million.

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 three months ended December 31, 2017 and 2016. The amounts included in the table below exclude gains and losses arising from ineffectiveness because those amounts are immediately recognized in the income statement as incurred.

	Three Months Ended December 31	
	2017	**2016 (1)**
	(In thousands)	
Increase (decrease) in fair value:		
Interest rate agreements	$ (1,332)	$ 91,127
Forward commodity contracts[(2)]	—	9,847
Recognition of (gains) losses in earnings due to settlements:		
Interest rate agreements	377	87
Forward commodity contracts[(2)]	—	(4,865)
Total other comprehensive income (loss) from hedging, net of tax	$ (955)	$ 96,196

(1) Utilizing an income tax rate ranging from 37 percent to 39 percent based on the effective rates in each taxing jurisdiction for the three-month period ended December 31, 2016.
(2) Due to the sale of AEM, these amounts are included in income from discontinued operations.

Deferred gains (losses) recorded in AOCI associated with our interest rate agreements are recognized in earnings as they are amortized over the terms of the underlying debt instruments. The following amounts, net of deferred taxes, represent the expected recognition in earnings of the deferred losses recorded in AOCI associated with our financial instruments, based upon the fair values of these financial instruments as of December 31, 2017. However, the table below does not include the expected recognition in earnings of our outstanding interest rate agreements as those instruments have not yet settled.

	Interest Rate Agreements
	(In thousands)
Next twelve months	$ (1,508)
Thereafter	(39,248)
Total	$ (40,756)

Financial Instruments Not Designated as Hedges

As discussed above, financial instruments used in our distribution segment are not designated as hedges. However, there is no earnings impact on our 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.

11. 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 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. During the three months ended December 31, 2017, there were no changes in these methods.

Fair value measurements also apply to the valuation of our pension and postretirement plan assets. Current accounting guidance requires employers to annually disclose information about fair value measurements of the assets of a defined benefit pension or other postretirement plan. The fair value of these assets is presented in Note 7 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

Quantitative Disclosures

Financial Instruments

The classification of our fair value measurements requires judgment regarding the degree to which market data is observable or corroborated by observable market data. 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), with the lowest priority given to unobservable inputs (Level 3). 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 December 31, 2017 and September 30, 2017. 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[(1)] (Level 2)	Significant Other Unobservable Inputs (Level 3)	Netting and Cash Collateral	December 31, 2017
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 646	$ —	$ —	$ 646
Available-for-sale securities					
Registered investment companies	43,065	—	—	—	43,065
Bond mutual funds	16,359	—	—	—	16,359
Bonds	—	30,861	—	—	30,861
Money market funds	—	614	—	—	614
Total available-for-sale securities	59,424	31,475	—	—	90,899
Total assets	$ 59,424	$ 32,121	$ —	$ —	$ 91,545
Liabilities:					
Financial instruments	$ —	$ 117,175	$ —	$ —	$ 117,175

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs[(1)] (Level 2)	Significant Other Unobservable Inputs (Level 3)	Netting and Cash Collateral	September 30, 2017
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 3,239	$ —	$ —	$ 3,239
Available-for-sale securities					
Registered investment companies	41,097	—	—	—	41,097
Bond mutual funds	16,371	—	—	—	16,371
Bonds	—	29,104	—	—	29,104
Money market funds	—	1,837	—	—	1,837
Total available-for-sale securities	57,468	30,941	—	—	88,409
Total assets	$ 57,468	$ 34,180	$ —	$ —	$ 91,648
Liabilities:					
Financial instruments	$ —	$ 112,398	$ —	$ —	$ 112,398

(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.

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

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(In thousands)			
As of December 31, 2017				
Domestic equity mutual funds	$ 27,171	$ 8,850	$ (14)	$ 36,007
Foreign equity mutual funds	4,725	2,333	—	7,058
Bond mutual funds	16,461	—	(102)	16,359
Bonds	30,936	6	(81)	30,861
Money market funds	614	—	—	614
	$ 79,907	$ 11,189	$ (197)	$ 90,899
As of September 30, 2017				
Domestic equity mutual funds	$ 25,361	$ 8,920	$ —	$ 34,281
Foreign equity mutual funds	4,581	2,235	—	6,816
Bond mutual funds	16,391	2	(22)	16,371
Bonds	29,074	46	(16)	29,104
Money market funds	1,837	—	—	1,837
	$ 77,244	$ 11,203	$ (38)	$ 88,409

At December 31, 2017 and September 30, 2017, our available-for-sale securities included $43.7 million and $42.9 million related to assets held in separate rabbi trusts for our supplemental executive benefit plans. At December 31, 2017, we maintained investments in bonds that have contractual maturity dates ranging from January 2018 through December 2020.

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 a fund by fund 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 fund is written down to its estimated fair value and the other-than-temporary impairment is recognized in the income statement.

Other Fair Value Measures

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 December 31, 2017 and September 30, 2017:

	December 31, 2017	September 30, 2017
	(In thousands)	
Carrying Amount	$ 3,085,000	$ 3,085,000
Fair Value	$ 3,305,656	$ 3,382,272

12. Concentration of Credit Risk

Information regarding our concentration of credit risk is disclosed in Note 16 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. During the three months ended December 31, 2017, there were no material changes in our concentration of credit risk.

13. Discontinued Operations

On October 29, 2016, we entered into a Membership Interest Purchase Agreement (the Agreement) with CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy, Inc. (CES) to sell all of the equity interests of Atmos Energy Marketing, LLC (AEM). The transaction closed on January 3, 2017, with an effective date of January 1, 2017. CES paid a cash purchase price of $38.3 million plus working capital of $109.0 million for total cash consideration of $147.3 million. Of this amount, $7.0 million was placed into escrow and was to be paid to the Company within 24 months of the closing date, net of any indemnification claims agreed upon between the two companies. In January 2018, $3.0 million of this escrowed amount was released and received by the Company. We recognized a net gain of $0.03 per diluted share on the sale in the second quarter of fiscal 2017 and completed the working capital true–up during the third quarter of fiscal 2017.

The operating results of our natural gas marketing reportable segment have been reported on the condensed consolidated statement of income as income from discontinued operations, net of income tax, for the three months ended December 31, 2016. Accordingly, expenses related to allocable general corporate overhead and interest expense are not included in these results.

The tables below set forth selected financial information related to discontinued operations. Operating expenses include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income. At December 31, 2017 and September 30, 2017 we did not have any assets or liabilities held for sale.

The following table presents statement of income data related to discontinued operations:

	Three Months Ended December 31, 2016
	(In thousands)
Operating revenues	$ 303,474
Purchased gas cost	277,554
Operating expenses	7,874
Operating income	18,046
Other nonoperating expense	(211)
Income from discontinued operations before income taxes	17,835
Income tax expense	6,841
Net income from discontinued operations	$ 10,994

The following table presents statement of cash flow data related to discontinued operations:

	Three Months Ended December 31, 2016	
	(In thousands)	
Depreciation and amortization expense	$	185
Capital expenditures	$	—
Noncash loss in commodity contract cash flow hedges	$	(8,165)

Natural Gas Marketing Commodity Risk Management Activities

Our discontinued natural gas marketing segment was exposed to risks associated with changes in the market price of natural gas through the purchase, sale and delivery of natural gas to its customers at competitive prices. Through December 31, 2016, we managed 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. Effective January 1, 2017, as a result of the sale of AEM, these activities were discontinued.

Due to the sale of AEM, we determined that the cash flows associated with our natural gas marketing commodity cash flow hedges were no longer probable of occurring; therefore, we discontinued hedge accounting as of December 31, 2016. As a result, we reclassified the gain in accumulated other comprehensive income associated with the commodity contracts into earnings as a reduction of purchased gas cost and recognized a pre-tax gain of $10.6 million, which is included in income from discontinued operations on the condensed consolidated statement of income for the three months ended December 31, 2016.

The Company's other risk management activities are discussed in Note 10.

Impact of Financial Instruments on the Income Statement

Hedge ineffectiveness for our natural gas marketing segment was recorded as a component of purchased gas cost, which is included in discontinued operations on the condensed consolidated statements of income, and primarily results from differences in the location and timing of the derivative instrument and the hedged item. For the three months ended December 31, 2016 , we recognized a gain arising from fair value and cash flow hedge ineffectiveness of $3.4 million. Additional information regarding ineffectiveness recognized in the income statement is included in the tables below.

Fair Value Hedges

The impact of our natural gas marketing segment commodity contracts designated as fair value hedges and the related hedged item on the results of discontinued operations on our condensed consolidated income statement for the three months ended December 31, 2016 is presented below.

	Three Months Ended December 31, 2016	
	(In thousands)	
Commodity contracts	$	(9,567)
Fair value adjustment for natural gas inventory designated as the hedged item		12,858
Total decrease in purchased gas cost reflected in income from discontinued operations	$	3,291
The decrease in purchased gas cost reflected in income from discontinued operations is comprised of the following:		
Basis ineffectiveness	$	(597)
Timing ineffectiveness		3,888
	$	3,291

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.

Cash Flow Hedges

The impact of our natural gas marketing segment cash flow hedges on our condensed consolidated income statements for the three months ended December 31, 2016 is presented below:

	Three Months Ended December 31, 2016
	(In thousands)
Loss reclassified from AOCI for effective portion of natural gas marketing commodity contracts	$ (2,612)
Gain arising from ineffective portion of natural gas marketing commodity contracts	111
Gain on discontinuance of cash flow hedging of natural gas marketing commodity contracts reclassified from AOCI	10,579
Total impact on purchased gas cost reflected in income from discontinued operations	$ 8,078

Financial Instruments Not Designated as Hedges

The impact of the natural gas marketing segment's financial instruments that had not been designated as hedges on our condensed consolidated income statements for the three months ended December 31, 2016 was a decrease in purchased gas cost of $6.8 million, which is included in discontinued operations on the condensed consolidated statements of income.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have reviewed the condensed consolidated balance sheet of Atmos Energy Corporation and subsidiaries as of December 31, 2017 and the related condensed consolidated statements of income, comprehensive income and cash flows for the three-month periods ended December 31, 2017 and 2016. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Atmos Energy Corporation and subsidiaries as of September 30, 2017, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated November 13, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheets from which it has been derived.

/s/ ERNST & YOUNG LLP

Dallas, Texas
February 6, 2018

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

INTRODUCTION

The following discussion should be read in conjunction with the condensed consolidated financial statements in this Quarterly Report on Form 10-Q and Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended September 30, 2017.

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

The statements contained in this Quarterly Report on Form 10-Q 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 and capital markets to execute our business strategy; 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 performance or creditworthiness and interest rate risk; the concentration of our operations in Texas; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; the capital-intensive nature of our 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 operational, technical and managerial 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 change or related additional legislation or regulation in the future; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the threat of cyber-attacks or acts of cyber-terrorism that 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; 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.

OVERVIEW

Atmos Energy and our subsidiaries are engaged in the regulated natural gas distribution and pipeline and storage businesses. We distribute natural gas through sales and transportation arrangements to over three million residential, commercial, public authority and industrial customers throughout our six distribution divisions, which at December 31, 2017 covered service areas located in eight states. In addition, we transport natural gas for others through our distribution and pipeline systems.

We manage and review our consolidated operations through the following reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states and storage assets located in Kentucky and Tennessee.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana.
- The *natural gas marketing segment* was comprised of our discontinued natural gas marketing business.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Our condensed 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 based our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. On an ongoing basis, we evaluate our estimates, including those related to risk management and trading activities, the allowance for doubtful accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and the valuation of goodwill, indefinite-lived intangible assets and other long-lived assets. Actual results may differ from such estimates.

Our critical accounting policies used in the preparation of our consolidated financial statements are described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017 and include the following:

- Regulation
- Unbilled revenue
- Pension and other postretirement plans
- Impairment assessments

Our critical accounting policies are reviewed periodically by the Audit Committee of our Board of Directors. There were no significant changes to these critical accounting policies during the three months ended December 31, 2017.

Non-GAAP Financial Measures

Our operations are affected by the cost of natural gas, which is passed through to our customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees and settlements of financial instruments used to mitigate commodity price risk. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, we believe Gross Profit, defined as operating revenues less purchased gas cost, is a more useful and relevant measure to analyze our financial performance than operating revenues. As such, the following discussion and analysis of our financial performance will reference gross profit rather than operating revenues and purchased gas cost individually.

As described further in Note 6, the enactment of the Tax Cuts and Jobs Act of 2017 (the TCJA) required us to remeasure our deferred tax assets and liabilities at our new federal statutory income tax rate as of December 22, 2017. The remeasurement of our net deferred tax liabilities resulted in the recognition of a one-time, non-cash income tax benefit of $161.9 million during the three months ended December 31, 2017. Due to the non-recurring nature of this benefit, we believe that income from continuing operations and diluted earnings per share from continuing operations before the one-time, non-cash income tax benefit provide a more relevant measure to analyze our financial performance than income from continuing operations and consolidated diluted earnings per share from continuing operations. Accordingly, the following discussion and analysis of our financial performance will reference adjusted income from continuing operations and diluted earnings per share, which is calculated as follows:

	Three Months Ended December 31		
	2017	2016	Change
	(In thousands, except per share data)		
Income from continuing operations	$ 314,132	$ 114,038	$ 200,094
One-time, non-cash income tax benefit	161,884	—	161,884
Adjusted income from continuing operations	$ 152,248	$ 114,038	$ 38,210
Consolidated diluted EPS from continuing operations	$ 2.89	$ 1.08	$ 1.81
Diluted EPS from one-time, non-cash income tax benefit	1.49	—	1.49
Adjusted diluted EPS from continuing operations	$ 1.40	$ 1.08	$ 0.32

RESULTS OF OPERATIONS

Executive Summary

Atmos Energy strives to operate our businesses safely and reliably while delivering superior shareholder value. Our commitment to modernizing our natural gas distribution and transmission systems requires significant levels of capital spending. We have the ability to begin recovering a significant portion of these investments timely through rate designs that reduce or eliminate regulatory lag and separate the recovery of our approved rate from customer usage patterns. The execution of our capital spending program, the ability to recover these investments timely and our ability to access the capital markets to satisfy our financing needs are the primary drivers that affect our financial performance.

During the first three months of fiscal 2018, we recorded adjusted income from continuing operations of $152.2 million, or $1.40 per diluted share, compared to adjusted income from continuing operations of $114.0 million, or $1.08 per diluted share for the first three months of fiscal 2017. The period-over-period increase of $38.2 million, or 33.5%, largely reflects positive rate outcomes and the impact of the TCJA on our effective income tax rate. During the three months ended December 31, 2017, we completed seven regulatory proceedings, resulting in an increase in annual operating income of $46.1 million and had seven ratemaking efforts in progress at December 31, 2017 seeking a total increase in annual operating income of $13.3 million.

Capital expenditures for the first three months of fiscal 2018 were $383.2 million. Approximately 82 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. We expect our capital expenditures to range between $1.3 billion and $1.4 billion for fiscal 2018. We funded our capital expenditures program primarily through operating cash flows of $173.2 million. Additionally, we issued $400 million of common stock during the three months ended December 31, 2017. The net proceeds from the issuance were primarily used to repay short-term debt under our commercial paper program, to fund capital spending and for general corporate purposes.

As a result of our sustained financial performance, improved cash flows and capital structure, our Board of Directors increased the quarterly dividend by 7.8 percent for fiscal 2018.

TCJA Impact

The TCJA introduced several significant changes to corporate income tax laws in the United States, which have been reflected in our condensed consolidated financial statements for the period ended December 31, 2017. As a rate regulated entity, the effects of lower tax rates included in our cost of service rates will ultimately flow through to our utility customers in the form of adjusted rates. Therefore, the favorable impact of the reduction in our federal statutory income tax rate on our financial performance will be limited to items that impact our income before income taxes in the current period that have not yet been reflected in our rates (most notably increases to and decreases in commission-approved regulatory assets and liabilities recorded on our condensed consolidated balance sheet) and market-based revenues that are earned from customers who utilize our assets. Note 6 to the condensed consolidated financial statements details the various impacts of the TCJA on our financial position and results from operations. The most significant changes are summarized as follows:

- Because our fiscal year started on October 1, 2017, our federal statutory income tax rate for fiscal 2018 was reduced from 35% to 24.5%. We anticipate our effective income tax rate for fiscal 2018 will range from 26% to 28%, before the effect of the return of the excess deferred tax liability and the one-time, non-cash income tax benefit. Our federal statutory income tax rate will decline to 21% on October 1, 2018.
- We remeasured our net deferred tax liability using our new federal statutory income tax rate, which reduced our net deferred tax liability by $908.1 million. Of this amount, $746.2 million was reclassified to a regulatory liability, which will be returned to utility customers. The remaining $161.9 million was recognized as a one-time, non-cash income tax benefit in our condensed consolidated statement of income.
- Atmos Energy supports our regulators' efforts to ensure our utility customers receive the full benefits of changes in our cost of service rates arising from tax reform. Income taxes, like other costs, are passed through to our customers in our rates; however, changes to customer rates must be approved by our regulators. Beginning in the second quarter of fiscal 2018, we will establish regulatory liabilities in jurisdictions that have issued orders requiring us to reduce future rates for the difference in taxes included in our cost of service rates that have been calculated based on a 35% statutory income tax rate and a 21% statutory income tax rate. As of February 6, 2018, we had received orders in five jurisdictions and anticipate receiving regulatory orders in the remaining jurisdictions by the end of the second quarter of fiscal 2018. The establishment of these regulatory liabilities for our cost of service rates will reduce our revenues. The timing of the establishment of regulatory liabilities as well as the period and timing of the return of these liabilities to utility customers will be determined by regulators in each of our jurisdictions.

- The enactment of the TCJA is expected to reduce our cash flows from operations primarily due to 1) the collection of taxes at a lower rate and 2) the return of regulatory liabilities established in response to the enactment of the TCJA and regulatory activities to our utility customers. We intend to externally finance this reduction in operating cash flow in a balanced fashion in order to maintain an equity capitalization ratio ranging from 50% to 60% to maintain our current credit ratings. We currently anticipate this external financing need will range from $500 million to $600 million through fiscal 2022.

The following discusses the results of operations for each of our operating segments.

Distribution Segment

The distribution segment is primarily comprised of our regulated natural gas distribution and related sales operations in eight states. The primary factors that impact the results of this segment 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 of return 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.

Seasonal weather patterns can also affect our distribution operations. However, the effect of weather that is above or below normal is substantially offset through weather normalization adjustments, known as WNA, which has been approved by state regulatory commissions for approximately 97 percent of our residential and commercial meters in the following states for the following time periods:

Kansas, West Texas	October — May
Tennessee	October — April
Kentucky, Mississippi, Mid-Tex	November — April
Louisiana	December — March
Virginia	January — December

Our distribution operations are also affected by the cost of natural gas. The cost of gas is passed through to our customers without markup. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Gross profit in our Texas and Mississippi service areas includes franchise fees and gross receipts taxes, which are calculated as a percentage of revenue (inclusive of gas costs). Therefore, the amount of these taxes included in revenues is influenced by the cost of gas and the level of gas sales volumes. We record the associated tax expense as a component of taxes, other than income. Although changes in these revenue-related taxes arising from changes in gas costs affect gross profit, over time the impact is offset within operating income.

As discussed above, the cost of gas typically does not have a direct impact on our gross profit. However, higher gas costs mean higher bills for our customers, which 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. However, gas cost risk has been mitigated in recent years through improvements in rate design that allow 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.

Three Months Ended December 31, 2017 compared with Three Months Ended December 31, 2016

Financial and operational highlights for our distribution segment for the three months ended December 31, 2017 and 2016 are presented below.

	Three Months Ended December 31		
	2017	2016	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 860,792	$ 754,656	$ 106,136
Purchased gas cost	463,758	395,346	68,412
Gross profit	397,034	359,310	37,724
Operating expenses	224,278	204,417	19,861
Operating income	172,756	154,893	17,863
Miscellaneous expense	(1,400)	(633)	(767)
Interest charges	21,368	21,118	250
Income before income taxes	149,988	133,142	16,846
One-time, non-cash income tax benefit	(140,151)	—	(140,151)
Income tax expense	41,040	47,778	(6,738)
Net income	$ 249,099	$ 85,364	$ 163,735
Consolidated distribution sales volumes — MMcf	86,307	74,430	11,877
Consolidated distribution transportation volumes — MMcf	38,050	36,175	1,875
Total consolidated distribution throughput — MMcf	124,357	110,605	13,752
Consolidated distribution average cost of gas per Mcf sold	$ 5.37	$ 5.31	$ 0.06

Income before income taxes for our distribution segment increased 13 percent, primarily due to a $37.7 million increase in gross profit, partially offset with a $19.9 million increase in operating expenses. The quarter-over-quarter increase in gross profit primarily reflects:

- a $25.6 million net increase in rate adjustments, primarily in our Mid-Tex, Mississippi, West Texas and Kentucky/Mid-States Divisions.
- a $5.7 million increase in residential and commercial net consumption, primarily in our Mid-Tex and Mississippi Divisions.
- a $3.5 million increase from customer growth, primarily in our Mid-Tex and Kentucky/Mid-States Divisions.

The increase in operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, was primarily due to incremental system integrity activities, increased depreciation and property tax expense associated with increased capital investments.

The decrease in income tax expense reflects a reduction in our effective tax rate from 35.9% to 27.4%, as a result of the TCJA, which is partially offset by an increase in income before income taxes.

The following table shows our operating income by distribution division, in order of total rate base, for the three months ended December 31, 2017 and 2016. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	Three Months Ended December 31		
	2017	2016	Change
	(In thousands)		
Mid-Tex	$ 72,925	$ 72,743	$ 182
Kentucky/Mid-States	28,129	22,738	5,391
Louisiana	23,268	19,863	3,405
West Texas	15,761	14,928	833
Mississippi	18,275	11,958	6,317
Colorado-Kansas	12,931	11,705	1,226
Other	1,467	958	509
Total	$ 172,756	$ 154,893	$ 17,863

Recent Ratemaking Developments

The amounts described in the following sections represent the operating income that was requested or received in each rate filing, which may not necessarily reflect the stated amount referenced in the final order, as certain operating costs may have changed as a result of a commission's or other governmental authority's final ruling. During the first three months of fiscal 2018, we completed six regulatory proceedings, resulting in a $17.1 million increase in annual operating income as summarized below.

Rate Action	Annual Increase in Operating Income	
	(In thousands)	
Annual formula rate mechanisms	$	17,077
Rate case filings		—
Other rate activity		—
	$	17,077

The following ratemaking efforts seeking $13.3 million in increased annual operating income were in progress as of December 31, 2017:

Division	Rate Action	Jurisdiction	Operating Income Requested	
			(In thousands)	
Colorado-Kansas	Rate Case (1)	Colorado	$	2,916
	GSRS	Kansas		821
	Ad Valorem	Kansas		457
Kentucky/Mid-States	Rate Case	Kentucky		4,778
	ARM True-Up (2)	Tennessee		850
Louisiana	RSC	Trans La		1,195
Mid-Tex	Rate Case (3)	City of Dallas		2,247
			$	13,264

(1) A Recommended Decision for $2.1 million was issued on January 8, 2018. The Recommended Decision also recommended a five year extension of the Company's System Safety and Integrity Rider tariff.
(2) The Annual Rate Mechanism (ARM) is a formula rate mechanism that refreshes the Company's rates on an annual basis.
(3) The Company extended the deadline for the City of Dallas to act until February 15, 2018.

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 the service areas in our Texas divisions. Additionally, we have specific infrastructure programs in substantially all of our distribution divisions 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 annual formula rate mechanisms were approved during the three months ended December 31, 2017:

Division	Jurisdiction	Test Year Ended	Increase in Annual Operating Income	Effective Date
			(In thousands)	
2018 Filings:				
Colorado-Kansas	Colorado SSIR	12/31/2018	$ 2,228	12/20/2017
Mississippi	Mississippi - SIR	10/31/2018	7,658	12/05/2017
Mississippi	Mississippi - SGR (1)	10/31/2018	1,245	12/05/2017
Mississippi	Mississippi - SRF (1)	10/31/2018	—	12/05/2017
Kentucky/Mid-States	Kentucky - PRP	09/30/2018	5,638	10/27/2017
Kentucky/Mid-States	Virginia - SAVE (2)	09/30/2017	308	10/01/2017
Total 2018 Filings			$ 17,077	

(1) In our next SRF filing, the SGR rate base will be combined with the SRF rate base, per Commission order.
(2) The Company completed our Steps to Advance Virginia Energy (SAVE) program. On October 1, 2017 a refund factor was removed from the rate resulting in an operating income increase of $308,000.

Rate Case Filings

A rate case is a formal request from Atmos Energy to a regulatory authority to increase rates that are charged to our 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 and ensure that we continue to deliver reliable, reasonably priced natural gas service safely to our customers.

There was no rate case activity completed during the three months ended December 31, 2017.

Other Ratemaking Activity

The Company had no other ratemaking activity during the three months ended December 31, 2017.

Pipeline and Storage Segment

Our pipeline and storage segment consists of the pipeline and storage operations of our Atmos Pipeline–Texas Division (APT) and our natural gas transmission operations in Louisiana. 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, eastern and western Texas, extending into or near the major producing areas of the Barnett Shale, the Texas Gulf Coast and the Delaware and Midland 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, as well as marketers and producers. As part of its pipeline operations, APT manages five underground storage facilities in Texas.

Our natural gas transmission operations in Louisiana are comprised of a proprietary 21-mile pipeline located in the New Orleans, Louisiana area that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and on a more limited basis, to third parties. The demand fee charged to our Louisiana distribution division for these services is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans which have been approved by applicable state regulatory commissions. Generally, these asset management plans require us to share with our distribution customers a significant portion of the cost savings earned from these arrangements.

Our pipeline and storage segment is impacted by seasonal weather patterns, competitive factors in the energy industry and economic conditions in our Texas and Louisiana service areas. Natural gas prices do not directly impact the results of this segment as revenues are derived from the transportation and storage 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 in Texas could influence the volumes of gas transported for shippers through our Texas pipeline system and the rates for such transportation.

The results of APT are also significantly impacted by the natural gas requirements of its local distribution company customers. Additionally, its operations may be impacted by the timing of when costs and expenses are incurred and when these costs and expenses are recovered through its tariffs.

APT annually uses GRIP to recover capital costs incurred in the prior calendar year. Following the conclusion of its rate case in August 2017, APT made a GRIP filing that covered changes in net investment from October 1, 2016 through December 31, 2016 with a requested increase in operating income of $29.0 million. On December 5, 2017, the filing was approved.

On December 21, 2016, the Louisiana Public Service Commission approved an annual increase of five percent to the demand fee charged by our natural gas transmission pipeline for each of the next 10 years, effective October 1, 2017.

Three Months Ended December 31, 2017 compared with Three Months Ended December 31, 2016

Financial and operational highlights for our pipeline and storage segment for the three months ended December 31, 2017 and 2016 are presented below.

	Three Months Ended December 31		
	2017	**2016**	**Change**
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 93,898	$ 82,468	$ 11,430
Third-party transportation revenue	28,931	22,220	6,711
Other revenue	3,634	5,264	(1,630)
Total operating revenues	126,463	109,952	16,511
Total purchased gas cost	912	355	557
Gross profit	125,551	109,597	15,954
Operating expenses	56,746	54,572	2,174
Operating income	68,805	55,025	13,780
Miscellaneous expense	(635)	(361)	(274)
Interest charges	10,141	9,912	229
Income before income taxes	58,029	44,752	13,277
One-time, non-cash income tax benefit	(21,733)	—	(21,733)
Income tax expense	14,729	16,078	(1,349)
Net income	$ 65,033	$ 28,674	$ 36,359
Gross pipeline transportation volumes — MMcf	213,137	186,780	26,357
Consolidated pipeline transportation volumes — MMcf	155,105	134,976	20,129

Income before income taxes for our pipeline and storage segment increased 30 percent, primarily due to a $16.0 million increase in gross profit, offset by a $2.2 million increase in operating expenses. The increase in gross profit primarily reflects a $13.9 million increase in rates from the approved APT rate case and the GRIP filing approved in December 2017. Additionally, average transportation fees increased as a result of higher basis spreads creating a $4.1 million increase in gross profit and transport volumes increased due to incremental throughput on the North Texas pipeline, which was acquired on December 20, 2016.

Operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, increased $2.2 million, primarily due to higher depreciation expense partially offset by lower system maintenance expense.

The decrease in income tax expense reflects a reduction in our effective tax rate from 35.9% to 25.4%, as a result of the TCJA, which is partially offset by an increase in income before income taxes.

Natural Gas Marketing Segment

Through December 31, 2016, we were engaged in an unregulated natural gas marketing business, which was conducted by Atmos Energy Marketing (AEM). AEM's primary business was to aggregate and purchase gas supply, arrange transportation and storage logistics and ultimately deliver gas to customers at competitive prices. Additionally, AEM utilized proprietary and customer–owned transportation and storage assets to provide various services its customers requested.

As more fully described in Note 13, effective January 1, 2017, we sold all of the equity interests of AEM to CenterPoint Energy Services, Inc. (CES), a subsidiary of CenterPoint Energy Inc. As a result of the sale, Atmos Energy has fully exited the nonregulated natural gas marketing business. Accordingly, net income of $11.0 million for AEM is reported as discontinued operations for the three months ended December 31, 2016.

Liquidity and Capital Resources

The liquidity required to fund our working capital, capital expenditures and other cash needs is provided from a combination of internally generated cash flows and external debt and equity financing. External debt financing is provided primarily through the issuance of long-term debt, a $1.5 billion commercial paper program and three committed revolving credit facilities with a total availability from third-party lenders of approximately $1.5 billion. The commercial paper program and credit facilities provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves the Company's desired capital structure with an equity-to-capitalization ratio between 50% and 60%, inclusive of long-term and short-term debt. Additionally, we have various uncommitted trade credit lines with our gas suppliers that we utilize to purchase natural gas on a monthly basis. The liquidity provided by these sources is expected to be sufficient to fund the Company's working capital needs and capital expenditure program for the fiscal year 2018 and beyond. Refer to the TCJA impact section above regarding anticipated impacts on our liquidity, capital resources and cash flows.

To support our capital market activities, we have a registration statement on file with the SEC that permits us to issue a total of $2.5 billion in common stock and/or debt securities. Under the shelf registration statement, we recently filed a prospectus supplement for an at–the-market (ATM) equity distribution program under which we may issue and sell, shares of our common stock, up to an aggregate offering price of $500 million. At December 31, 2017, approximately $1.2 billion of securities remained available for issuance under the shelf registration statement.

The following table presents our capitalization inclusive of short-term debt and the current portion of long-term debt as of December 31, 2017, September 30, 2017 and December 31, 2016:

	December 31, 2017		September 30, 2017		December 31, 2016	
			(In thousands, except percentages)			
Short-term debt	$ 336,816	4.2%	$ 447,745	6.0%	$ 940,747	13.1%
Long-term debt	3,067,469	38.5%	3,067,045	41.4%	2,564,199	35.6%
Shareholders' equity	4,563,620	57.3%	3,898,666	52.6%	3,698,975	51.3%
Total	$ 7,967,905	100.0%	$ 7,413,456	100.0%	$ 7,203,921	100.0%

Cash Flows

Our internally generated funds may change in the future due to a number of factors, some of which we cannot control. These include regulatory changes, prices for our products and services, 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 three months ended December 31, 2017 and 2016 are presented below.

	Three Months Ended December 31		
	2017	2016	Change
		(In thousands)	
Total cash provided by (used in)			
Operating activities	$ 173,238	$ 116,963	$ 56,275
Investing activities	(381,372)	(392,137)	10,765
Financing activities	236,475	272,264	(35,789)
Change in cash and cash equivalents	28,341	(2,910)	31,251
Cash and cash equivalents at beginning of period	26,409	47,534	(21,125)
Cash and cash equivalents at end of period	$ 54,750	$ 44,624	$ 10,126

Cash flows from operating activities

Period-over-period changes in our operating cash flows are primarily attributable to changes in net income and working capital changes, particularly within our 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.

For the three months ended December 31, 2017, we generated cash flow of $173.2 million from operating activities compared with $117.0 million for the three months ended December 31, 2016. The $56.2 million increase in operating cash flows reflects the positive cash effects of successful rate case outcomes achieved in fiscal 2017 and changes in working capital, primarily as a result of higher recoveries of deferred gas cost due to higher distribution sales volumes in the current quarter compared to the prior-year quarter.

Cash flows from investing activities

In recent years, we have incurred capital expenditures to support our distribution and transmission system modernization and integrity enhancement efforts, expand our natural gas distribution services and 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.

For the three months ended December 31, 2017, cash used for investing activities was $381.4 million compared to $392.1 million in the prior-year period. Capital spending increased by $85.3 million, or 29 percent, as a result of planned increases in our distribution segment to repair and replace vintage pipe, and increases in spending in our pipeline and storage segment to improve the reliability of gas service to our local distribution company customers. These increases were offset by cash outflows from investing activities in the three months ended December 31, 2016, for the purchase of the North Texas Pipeline for $85.7 million and $10.3 million related to the purchase of available-for-sale securities.

Cash flows from financing activities

For the three months ended December 31, 2017, our financing activities provided $236.5 million of cash compared with $272.3 million in the prior-year period. The $35.8 million decrease in cash provided by financing activities is primarily due to increased operating cash flow and lower cash used in investing activities.

During the first quarter, we used $395.1 million in net proceeds from equity financing to reduce short-term debt, to support our capital spending and for other general corporate purposes. Cash dividends increased due to a 7.8% increase in our dividend rate and an increase in shares outstanding.

During the first three months of fiscal 2017, we issued $125 million of long-term debt under our three year, $200 million term loan agreement and received $49.4 million from the issuance of common stock under our ATM program. The net proceeds from these debt and equity issuances were used to support our capital expenditures program. Short-term debt increased a net $110.9 million to temporarily finance the acquisition of the North Texas pipeline in December 2016.

The following table summarizes our share issuances for the three months ended December 31, 2017 and 2016:

	Three Months Ended December 31	
	2017	2016
Shares issued:		
Direct Stock Purchase Plan	38,209	27,071
1998 Long-Term Incentive Plan	235,960	365,471
Retirement Savings Plan and Trust	24,905	95,991
At-the-Market (ATM) Equity Distribution Program	—	690,812
Equity Issuance	4,558,404	—
Total shares issued	4,857,478	1,179,345

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 businesses and the regulatory structures that govern our rates in the states where we operate.

Our debt is rated by two rating agencies: Standard & Poor's Corporation (S&P) and Moody's Investors Service (Moody's). As of December 31, 2017, both rating agencies maintained a stable outlook. Our current debt ratings are all considered investment grade and are as follows:

	S&P	Moody's
Senior unsecured long-term debt	A	A2
Short-term debt	A-1	P-1

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 and Aaa for Moody's. The lowest investment grade credit rating is BBB- for S&P and Baa3 for Moody's. 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 December 31, 2017. Our debt covenants are described in greater detail in Note 5 to the unaudited condensed consolidated financial statements.

Contractual Obligations and Commercial Commitments

Except as noted in Note 9 to the unaudited condensed consolidated financial statements, there were no significant changes in our contractual obligations and commercial commitments during the three months ended December 31, 2017.

Risk Management Activities

In our distribution and pipeline and storage segments, 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. Additionally, we manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings. Through December 31, 2016, we managed our exposure to the risk of natural gas price changes in our natural gas marketing segment by locking 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.

The following table shows the components of the change in fair value of our financial instruments for the three months ended December 31, 2017 and 2016:

	Three Months Ended December 31 2017	2016
	(In thousands)	
Fair value of contracts at beginning of period	$ (109,159)	$ (279,543)
Contracts realized/settled	1,160	9,963
Fair value of new contracts	(569)	963
Other changes in value	(7,961)	146,895
Fair value of contracts at end of period	(116,529)	(121,722)
Netting of cash collateral	—	13,697
Cash collateral and fair value of contracts at period end	$ (116,529)	$ (108,025)

The fair value of our financial instruments at December 31, 2017 is presented below by time period and fair value source:

	Fair Value of Contracts at December 31, 2017				
	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	$ (2,282)	$ (114,247)	$ —	$ —	$ (116,529)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$ (2,282)	$ (114,247)	$ —	$ —	$ (116,529)

Pension and Postretirement Benefits Obligations

For the three months ended December 31, 2017 and 2016, our total net periodic pension and other benefits costs were $9.2 million and $11.6 million. A substantial portion of those costs is recoverable through our rates; however, a portion of these costs is capitalized into our rate base. The remaining costs are recorded as a component of operation and maintenance expense.

Our fiscal 2018 costs were determined using a September 30, 2017 measurement date. As of September 30, 2017, interest and corporate bond rates were higher than the rates as of September 30, 2016. Therefore, we increased the discount rate used to measure our fiscal 2018 net periodic cost from 3.73 percent to 3.89 percent. We lowered the expected return on plan assets to 6.75 percent in the determination of our fiscal 2018 net periodic pension cost based upon expected market returns for our targeted asset allocation. As a result of the net impact of changes in these and other assumptions, we expect our fiscal 2018 net periodic pension cost to be approximately 25 percent lower than fiscal 2017.

The amount of funding required for our defined benefit plan is determined in accordance with the Pension Protection Act of 2006 (PPA) and is influenced by the funded position of the plan when the funding requirements are determined on January 1 of each year. Based upon the determination as of January 1, 2017, we were not required to make a minimum contribution to our defined benefit plan during the first quarter of fiscal 2018. However, we will consider whether a voluntary contribution is prudent to maintain certain funding levels.

For the three months ended December 31, 2017 we contributed $3.9 million to our postretirement medical plans. We anticipate contributing a total of between $10 million and $20 million to our postretirement plans during fiscal 2018.

The projected pension liability, future funding requirements and the amount of pension expense or income recognized for the plans are subject to change, depending upon the actuarial value of plan assets in the plans and the determination of future benefit obligations as of each subsequent actuarial calculation date. These amounts will be determined by actual investment returns, changes in interest rates, values of assets in the plans and changes in the demographic composition of the participants in the plans.

OPERATING STATISTICS AND OTHER INFORMATION

The following tables present certain operating statistics for our distribution and pipeline and storage segments for the three-month periods ended December 31, 2017 and 2016.

Distribution Sales and Statistical Data

	Three Months Ended December 31	
	2017	2016
METERS IN SERVICE, end of period		
Residential	2,956,247	2,923,480
Commercial	270,184	268,574
Industrial	1,675	1,693
Public authority and other	8,418	8,359
Total meters	3,236,524	3,202,106
INVENTORY STORAGE BALANCE — Bcf	55.6	56.7
SALES VOLUMES — MMcf[(1)]		
Gas sales volumes		
Residential	48,948	41,500
Commercial	26,949	23,736
Industrial	8,458	7,432
Public authority and other	1,952	1,762
Total gas sales volumes	86,307	74,430
Transportation volumes	39,859	39,065
Total throughput	126,166	113,495
OPERATING REVENUES (000's)[(1)]		
Gas sales revenues		
Residential	$ 556,520	$ 481,673
Commercial	223,580	200,488
Industrial	33,413	30,031
Public authority and other	13,561	12,109
Total gas sales revenues	827,074	724,301
Transportation revenues	25,362	22,481
Other gas revenues	8,356	7,874
Total operating revenues	$ 860,792	$ 754,656
Average cost of gas per Mcf sold	$ 5.37	$ 5.31

See footnote following these tables.

Pipeline and Storage Operations Sales and Statistical Data

	Three Months Ended December 31	
	2017	**2016**
CUSTOMERS, end of period		
Industrial	93	90
Other	240	222
Total	333	312
INVENTORY STORAGE BALANCE — Bcf	1.1	1.7
PIPELINE TRANSPORTATION VOLUMES — MMcf[1]	213,137	186,780
OPERATING REVENUES (000's)[1]	$ 126,463	$ 109,952

Note to preceding tables:

(1) Sales volumes and revenues reflect segment operations, including intercompany sales and transportation amounts.

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 unaudited condensed consolidated financial statements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Information regarding our quantitative and qualitative disclosures about market risk are disclosed in Item 7A in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. During the three months ended December 31, 2017, there were no material changes in our quantitative and qualitative disclosures about market risk.

Item 4. *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 Rules 13a-15(e) and 15d-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 December 31, 2017 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.

Changes in Internal Control over Financial Reporting

We did not make any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the first quarter of the fiscal year ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

During the three months ended December 31, 2017, there were no material changes in the status of the litigation and other matters that were disclosed in Note 11 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. We continue to believe that the final outcome of such litigation and other matters or claims will not have a material adverse effect on our financial condition, results of operations or cash flows.

Item 6. ***Exhibits***

A list of exhibits required by Item 601 of Regulation S-K and filed as part of this report is set forth in the Exhibits Index, which immediately precedes such exhibits.

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, thereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and Chief Financial Officer
(Duly authorized signatory)

Date: February 6, 2018

EXHIBITS INDEX
Item 6

Exhibit Number	Description	Page Number or Incorporation by Reference to
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)
10	Equity Distribution Agreement, dated as of November 14, 2017, among Atmos Energy Corporation, Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, and J.P. Morgan Securities LLC	Exhibit 1.1 to Form 8-K dated November 14, 2017 (File No. 1-10042)
12	Computation of ratio of earnings to fixed charges	
15	Letter regarding unaudited interim financial information	
31	Rule 13a-14(a)/15d-14(a) Certifications	
32	Section 1350 Certifications*	
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	

* These certifications, which were made 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 Quarterly Report on Form 10-Q, will not be deemed to be filed with the 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.

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2018

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)*

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

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

Large Accelerated Filer ☑ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☐ Emerging growth company ☐
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of shares outstanding of each of the issuer's classes of common stock, as of April 27, 2018.

Class	**Shares Outstanding**
No Par Value	111,064,659

GLOSSARY OF KEY TERMS

Adjusted diluted EPS from continuing operations	Non-GAAP measure defined as diluted earnings per share from continuing operations before the one-time, non-cash income tax benefit
Adjusted income from continuing operations	Non-GAAP measure defined as income from continuing operations before the one-time, non-cash income tax benefit
AEC	Atmos Energy Corporation
AEH	Atmos Energy Holdings, Inc.
AEM	Atmos Energy Marketing, LLC
AOCI	Accumulated other comprehensive income
ARM	Annual Rate Mechanism
Bcf	Billion cubic feet
Contribution Margin	Non-GAAP measure defined as operating revenues less purchased gas cost
DARR	Dallas Annual Rate Review
ERISA	Employee Retirement Income Security Act of 1974
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
Mcf	Thousand cubic feet
MMcf	Million cubic feet
Moody's	Moody's Investors Services, Inc.
NTSB	National Transportation Safety Board
PPA	Pension Protection Act of 2006
PRP	Pipeline Replacement Program
RRC	Railroad Commission of Texas
RRM	Rate Review Mechanism
RSC	Rate Stabilization Clause
S&P	Standard & Poor's Corporation
SAVE	Steps to Advance Virginia Energy
SEC	United States Securities and Exchange Commission
SGR	Supplemental Growth Filing
SIR	System Integrity Rider
SRF	Stable Rate Filing
SSIR	System Safety and Integrity Rider
TCJA	Tax Cuts and Jobs Act of 2017
WNA	Weather Normalization Adjustment

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2018	September 30, 2017
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 11,903,715	$ 11,301,304
Less accumulated depreciation and amortization	2,142,386	2,042,122
Net property, plant and equipment	9,761,329	9,259,182
Current assets		
Cash and cash equivalents	71,074	26,409
Accounts receivable, net	407,134	222,263
Gas stored underground	89,265	184,653
Other current assets	55,263	106,321
Total current assets	622,736	539,646
Goodwill	730,132	730,132
Deferred charges and other assets	242,125	220,636
	$ 11,356,322	$ 10,749,596
CAPITALIZATION AND LIABILITIES		
Shareholders’ equity		
Common stock, no par value (stated at $0.005 per share); 200,000,000 shares authorized; issued and outstanding: March 31, 2018 — 111,060,328 shares; September 30, 2017 — 106,104,634 shares	$ 555	$ 531
Additional paid-in capital	2,951,545	2,536,365
Accumulated other comprehensive loss	(85,011)	(105,254)
Retained earnings	1,854,257	1,467,024
Shareholders’ equity	4,721,346	3,898,666
Long-term debt	2,617,892	3,067,045
Total capitalization	7,339,238	6,965,711
Current liabilities		
Accounts payable and accrued liabilities	230,823	233,050
Other current liabilities	538,702	332,648
Short-term debt	129,602	447,745
Current maturities of long-term debt	450,000	—
Total current liabilities	1,349,127	1,013,443
Deferred income taxes	1,107,036	1,878,699
Regulatory excess deferred taxes (See Note 6)	737,798	—
Regulatory cost of removal obligation	484,746	485,420
Pension and postretirement liabilities	237,448	230,588
Deferred credits and other liabilities	100,929	175,735
	$ 11,356,322	$ 10,749,596

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31	
	2018	2017
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 1,199,291	$ 962,541
Pipeline and storage segment	120,955	111,972
Intersegment eliminations	(100,837)	(86,327)
Total operating revenues	1,219,409	988,186
Purchased gas cost		
Distribution segment	727,053	513,096
Pipeline and storage segment	433	725
Intersegment eliminations	(100,526)	(86,327)
Total purchased gas cost	626,960	427,494
Operation and maintenance expense	161,073	132,239
Depreciation and amortization expense	89,381	77,667
Taxes, other than income	73,007	65,614
Operating income	268,988	285,172
Miscellaneous (expense) income	(253)	833
Interest charges	27,304	26,944
Income from continuing operations before income taxes	241,431	259,061
Income tax expense	62,439	97,049
Income from continuing operations	178,992	162,012
Gain on sale of discontinued operations, net of tax ($0 and $10,215)	—	2,716
Net income	$ 178,992	$ 164,728
Basic and diluted net income per share		
Income per share from continuing operations	$ 1.60	$ 1.52
Income per share from discontinued operations	—	0.03
Net income per share - basic and diluted	$ 1.60	$ 1.55
Cash dividends per share	$ 0.485	$ 0.450
Basic and diluted weighted average shares outstanding	111,706	105,935

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended March 31	
	2018	2017
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 2,060,083	$ 1,717,197
Pipeline and storage segment	247,418	221,924
Intersegment eliminations	(198,900)	(170,767)
Total operating revenues	2,108,601	1,768,354
Purchased gas cost		
Distribution segment	1,190,811	908,442
Pipeline and storage segment	1,345	1,080
Intersegment eliminations	(198,279)	(170,723)
Total purchased gas cost	993,877	738,799
Operation and maintenance expense	290,640	257,177
Depreciation and amortization expense	177,755	154,625
Taxes, other than income	135,780	122,663
Operating income	510,549	495,090
Miscellaneous expense	(2,288)	(161)
Interest charges	58,813	57,974
Income from continuing operations before income taxes	449,448	436,955
Income tax (benefit) expense	(43,676)	160,905
Income from continuing operations	493,124	276,050
Income from discontinued operations, net of tax ($0 and $6,841)	—	10,994
Gain on sale of discontinued operations, net of tax ($0 and $10,215)	—	2,716
Net Income	$ 493,124	$ 289,760
Basic and diluted net income per share		
Income per share from continuing operations	$ 4.47	$ 2.61
Income per share from discontinued operations	—	0.13
Net income per share - basic and diluted	$ 4.47	$ 2.74
Cash dividends per share	$ 0.97	$ 0.90
Basic and diluted weighted average shares outstanding	110,135	105,610

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31		Six Months Ended March 31	
	2018	**2017**	**2018**	**2017**
	(Unaudited) (In thousands)			
Net income	$ 178,992	$ 164,728	$ 493,124	$ 289,760
Other comprehensive income (loss), net of tax				
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of $(276), $879, $(338) and $403	(939)	1,530	(1,046)	702
Cash flow hedges:				
Amortization and unrealized gain on interest rate agreements, net of tax of $6,575, $2,432, $6,026 and $54,861	22,244	4,230	21,289	95,444
Net unrealized gains on commodity cash flow hedges, net of tax of $0, $0, $0 and $3,183	—	—	—	4,982
Total other comprehensive income	21,305	5,760	20,243	101,128
Total comprehensive income	$ 200,297	$ 170,488	$ 513,367	$ 390,888

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended March 31	
	2018	2017
	(Unaudited) (In thousands)	
Cash Flows From Operating Activities		
Net income	$ 493,124	$ 289,760
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	177,755	154,810
Deferred income taxes	116,023	148,657
One-time income tax benefit	(165,675)	—
Gain on sale of discontinued operations	—	(12,931)
Discontinued cash flow hedging for natural gas marketing commodity contracts	—	(10,579)
Other	12,252	10,391
Net assets / liabilities from risk management activities	812	26,757
Net change in operating assets and liabilities	117,076	(54,862)
Net cash provided by operating activities	751,367	552,003
Cash Flows From Investing Activities		
Capital expenditures	(693,978)	(559,385)
Acquisition	—	(85,714)
Proceeds from the sale of discontinued operations	3,000	133,560
Available-for-sale securities activities, net	(1,175)	(8,918)
Other, net	4,009	3,787
Net cash used in investing activities	(688,144)	(516,670)
Cash Flows From Financing Activities		
Net decrease in short-term debt	(318,143)	(159,204)
Net proceeds from equity offering	395,092	49,400
Issuance of common stock through stock purchase and employee retirement plans	11,902	16,984
Proceeds from issuance of long-term debt	—	125,000
Interest rate agreements cash collateral	—	25,670
Cash dividends paid	(105,891)	(95,314)
Other	(1,518)	—
Net cash used in financing activities	(18,558)	(37,464)
Net increase (decrease) in cash and cash equivalents	44,665	(2,131)
Cash and cash equivalents at beginning of period	26,409	47,534
Cash and cash equivalents at end of period	$ 71,074	$ 45,403

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2018

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") is engaged in the regulated natural gas distribution and pipeline and storage businesses. 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 divisions and subsidiaries operate.

Our distribution business delivers 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 at March 31, 2018, covered service areas located in eight states.

Our pipeline and storage business, which is also subject to federal and state regulations, includes the transportation of natural gas to our Texas and Louisiana distribution systems and the management of our underground storage facilities used to support our distribution business in various states.

2. Unaudited Financial Information

These consolidated interim-period financial statements have been prepared in accordance with accounting principles generally accepted in the United States on the same basis as those used for the Company's audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. In the opinion of management, all material adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been made to the unaudited consolidated interim-period financial statements. These consolidated interim-period financial statements are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited consolidated financial statements of Atmos Energy Corporation included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. Because of seasonal and other factors, the results of operations for the six-month period ended March 31, 2018 are not indicative of our results of operations for the full 2018 fiscal year, which ends September 30, 2018.

Except for the filed formula rate mechanisms as discussed in Note 9, no events have occurred subsequent to the balance sheet date that would require recognition or disclosure in the condensed consolidated financial statements.

Significant accounting policies

Our accounting policies are described in Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

During the second quarter of fiscal 2018, we completed our annual goodwill impairment assessment using a qualitative assessment, as permitted under U.S. GAAP. We test goodwill for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit. Based on the assessment performed, we determined that our goodwill was not impaired.

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, an entity 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 may need to use more judgment and make more estimates than under current guidance. The new guidance will become effective for us 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 March 31, 2018, we had substantially completed the evaluation of our sources of revenue and the impact that the new guidance will have on our financial position, results of operations, cash flows and business processes. Based on this evaluation, we currently do not believe the implementation of the new guidance will have a material effect on our financial position, results of operations, cash flows or business processes. We expect to apply the new guidance using the modified retrospective method on the date of adoption. We are currently still evaluating the impact on our financial statement presentation and related disclosures.

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 on our financial position, results of operations and cash flows.

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. Additionally, in January 2018, the FASB issued amendments to the standard that provides a practical expedient for entities to not evaluate existing or expired land easements that were not previously accounted for as leases under the current guidance. We are currently evaluating the effect of this standard and amendments on our financial position, results of operations and cash flows.

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 on our financial position, results of operations and cash flows.

In January 2017, the FASB issued new guidance that simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test. Under the new guidance, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The new standard will be effective for our fiscal 2021 goodwill impairment test; however, early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. We early adopted the new standard, effective for our goodwill impairment test performed in our second fiscal quarter of 2018. The new standard did not have a material impact on our results of operations, consolidated balance sheets or cash flows.

In March 2017, the FASB issued new guidance related to the income statement presentation of the components of net periodic benefit cost for an entity's sponsored defined benefit pension and other postretirement plans. The new guidance requires entities to disaggregate the current service cost component of the net benefit cost from the other components and present it with other current compensation costs for related employees in the statement of income. The other components of net benefit cost will be presented outside of income from operations on the statement of income. In addition, only the service cost component of net benefit cost is eligible for capitalization (e.g., as part of inventory or property, plant, and equipment). The Federal Energy Regulatory Commission ("FERC"), which regulates interstate transmission pipelines and also establishes, through its Uniform System of Accounts, accounting practices of rate-regulated entities, has issued guidance that states it will permit an election to either continue to capitalize non-service benefit costs or to cease capitalizing such costs for regulatory purposes. Accounting guidelines by the FERC are typically also upheld by state commissions. As such, we plan to continue to capitalize all components of net periodic benefit cost for ratemaking purposes and will defer the non-service cost components as a regulatory asset for U.S. GAAP reporting purposes. The new guidance will be effective for us in the fiscal year beginning on October 1, 2018 and for interim periods within that year. The standard requires retrospective application of the amendment related to the presentation of non-service cost components outside of income from operations in the statement of income and prospective application of the change in eligible costs for capitalization. We do not anticipate the new standard will have a material impact on our financial position, results of operations and cash flows.

In February 2018, the FASB issued new guidance as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"), related to the treatment of certain tax effects from accumulated other comprehensive income. The new guidance allows entities to reclassify from accumulated other comprehensive income to retained earnings the stranded tax effects resulting from the adoption of the TCJA. The new guidance will be effective for us in the fiscal year beginning on October 1, 2019 and for interim periods within that year. Early adoption is permitted, including adoption in any interim period for public business entities for reporting periods for which financial statements have not yet been issued and should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. We are currently evaluating the impact of this new guidance on our financial results and disclosures.

Regulatory assets and liabilities

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 are permitted to be capitalized rather than expensed because they can be recovered through rates. We record certain costs as regulatory assets when future recovery through customer rates is considered probable. Regulatory liabilities are recorded when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process.

Substantially all of our regulatory assets are recorded as a component of deferred charges and other assets and a portion of our regulatory liabilities are recorded as a component of deferred credits and other liabilities. Deferred gas costs are recorded either in other current assets or liabilities and our regulatory excess deferred taxes and regulatory cost of removal obligation is reported separately.

Significant regulatory assets and liabilities as of March 31, 2018 and September 30, 2017 included the following:

	March 31, 2018	September 30, 2017
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs[1]	$ 20,918	$ 26,826
Infrastructure mechanisms[2]	65,286	46,437
Deferred gas costs	—	65,714
Recoverable loss on reacquired debt	9,954	11,208
Deferred pipeline record collection costs	14,646	11,692
APT annual adjustment mechanism	—	2,160
Rate case costs	3,016	2,629
Other	8,064	10,132
	$ 121,884	$ 176,798
Regulatory liabilities:		
Regulatory excess deferred taxes[3]	$ 737,798	$ —
Regulatory cost of service reserve[4]	29,042	—
Regulatory cost of removal obligation	526,483	521,330
Deferred gas costs	167,036	15,559
Asset retirement obligation	12,827	12,827
APT annual adjustment mechanism	5,081	—
Other	14,740	5,941
	$ 1,493,007	$ 555,657

(1) Includes $7.8 million and $9.4 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 deferred expenses until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recoverable through base rates.
(3) The TCJA resulted in the remeasurement of the net deferred tax liability included in our rate base. The excess deferred taxes will be returned to utility customers in accordance with regulatory requirements. See Note 6 for further information.
(4) Effective January 1, 2018, regulators in each of our service areas required us to establish a regulatory liability for the difference in recoverable federal taxes included in revenues based on the former 35% federal statutory rate and the new 21% federal statutory rate for service provided on or after January 1, 2018. This liability will be returned to utility customers in accordance with regulatory requirements. See Note 6 for further information.

3. Segment Information

We manage and review our consolidated operations through the following reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana.
- The *natural gas marketing segment* was comprised of our discontinued natural gas marketing business.

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 distribution segment operations are geographically dispersed, they are aggregated and reported as a single segment as each natural gas distribution division has similar economic characteristics. In addition, because the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana have similar economic characteristics, they have been aggregated and reported as a single segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies found in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. We evaluate performance based on net income or loss of the respective operating units. We allocate interest and pension expense to the pipeline and storage segment; however, there is no debt or pension liability recorded on the pipeline and storage segment balance sheet. 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. Income taxes are allocated to each segment as if each segment's taxes were calculated on a separate return basis.

Income statements and capital expenditures for the three and six months ended March 31, 2018 and 2017 by segment are presented in the following tables:

	Three Months Ended March 31, 2018			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 1,198,309	$ 21,100	$ —	$ 1,219,409
Intersegment revenues	982	99,855	(100,837)	—
Total operating revenues	1,199,291	120,955	(100,837)	1,219,409
Purchased gas cost	727,053	433	(100,526)	626,960
Operation and maintenance expense	131,991	29,393	(311)	161,073
Depreciation and amortization expense	65,649	23,732	—	89,381
Taxes, other than income	64,692	8,315	—	73,007
Operating income	209,906	59,082	—	268,988
Miscellaneous income (expense)	393	(646)	—	(253)
Interest charges	16,898	10,406	—	27,304
Income before income taxes	193,401	48,030	—	241,431
Income tax expense	48,158	14,281	—	62,439
Net income	$ 145,243	$ 33,749	$ —	$ 178,992
Capital expenditures	$ 224,235	$ 86,505	$ —	$ 310,740

	Three Months Ended March 31, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 962,217	$ 25,969	$ —	$ —	$ 988,186
Intersegment revenues	324	86,003	—	(86,327)	—
Total operating revenues	962,541	111,972	—	(86,327)	988,186
Purchased gas cost	513,096	725	—	(86,327)	427,494
Operation and maintenance expense	103,703	28,536	—	—	132,239
Depreciation and amortization expense	61,302	16,365	—	—	77,667
Taxes, other than income	57,636	7,978	—	—	65,614
Operating income	226,804	58,368	—	—	285,172
Miscellaneous income (expense)	1,029	(196)	—	—	833
Interest charges	16,925	10,019	—	—	26,944
Income from continuing operations before income taxes	210,908	48,153	—	—	259,061
Income tax expense	79,763	17,286	—	—	97,049
Income from continuing operations	131,145	30,867	—	—	162,012
Gain on sale of discontinued operations, net of tax	—	—	2,716	—	2,716
Net income	$ 131,145	$ 30,867	$ 2,716	$ —	$ 164,728
Capital expenditures	$ 208,185	$ 53,238	$ —	$ —	$ 261,423

	Six Months Ended March 31, 2018			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
		(In thousands)		
Operating revenues from external parties	$ 2,058,762	$ 49,839	$ —	$ 2,108,601
Intersegment revenues	1,321	197,579	(198,900)	—
Total operating revenues	2,060,083	247,418	(198,900)	2,108,601
Purchased gas cost	1,190,811	1,345	(198,279)	993,877
Operation and maintenance expense	235,728	55,533	(621)	290,640
Depreciation and amortization expense	131,083	46,672	—	177,755
Taxes, other than income	119,799	15,981	—	135,780
Operating income	382,662	127,887	—	510,549
Miscellaneous expense	(1,007)	(1,281)	—	(2,288)
Interest charges	38,266	20,547	—	58,813
Income before income taxes	343,389	106,059	—	449,448
Income tax (benefit) expense	(50,953)	7,277	—	(43,676)
Net income	$ 394,342	$ 98,782	$ —	$ 493,124
Capital expenditures	$ 465,484	$ 228,494	$ —	$ 693,978

	Six Months Ended March 31, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 1,716,483	$ 51,871	$ —	$ —	$ 1,768,354
Intersegment revenues	714	170,053	—	(170,767)	—
Total operating revenues	1,717,197	221,924	—	(170,767)	1,768,354
Purchased gas cost	908,442	1,080	—	(170,723)	738,799
Operation and maintenance expense	196,417	60,804	—	(44)	257,177
Depreciation and amortization expense	122,459	32,166	—	—	154,625
Taxes, other than income	108,182	14,481	—	—	122,663
Operating income	381,697	113,393	—	—	495,090
Miscellaneous income (expense)	396	(557)	—	—	(161)
Interest charges	38,043	19,931	—	—	57,974
Income from continuing operations before income taxes	344,050	92,905	—	—	436,955
Income tax expense	127,541	33,364	—	—	160,905
Income from continuing operations	216,509	59,541	—	—	276,050
Income from discontinued operations, net of tax	—	—	10,994	—	10,994
Gain on sale of discontinued operations, net of tax	—	—	2,716	—	2,716
Net income	$ 216,509	$ 59,541	$ 13,710	$ —	$ 289,760
Capital expenditures	$ 430,669	$ 128,716	$ —	$ —	$ 559,385

Balance sheet information at March 31, 2018 and September 30, 2017 by segment is presented in the following tables:

	March 31, 2018			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
		(In thousands)		
Property, plant and equipment, net	$ 7,202,673	$ 2,558,656	$ —	$ 9,761,329
Total assets	$ 10,723,398	$ 2,779,330	$ (2,146,406)	$ 11,356,322

	September 30, 2017			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
		(In thousands)		
Property, plant and equipment, net	$ 6,849,517	$ 2,409,665	$ —	$ 9,259,182
Total assets	$ 10,050,164	$ 2,621,601	$ (1,922,169)	$ 10,749,596

4. Earnings Per Share

We use the two-class method of computing earnings per share because we have participating securities in the form of non-vested restricted stock units with a nonforfeitable right to dividend equivalents, for which vesting is predicated solely on the passage of time. 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 three and six months ended March 31, 2018 and 2017 are calculated as follows:

	Three Months Ended March 31		Six Months Ended March 31	
	2018	2017	2018	2017
	(In thousands, except per share amounts)			
Basic and Diluted Earnings Per Share from continuing operations				
Income from continuing operations	$ 178,992	$ 162,012	$ 493,124	$ 276,050
Less: Income from continuing operations allocated to participating securities	161	193	459	348
Income from continuing operations available to common shareholders	$ 178,831	$ 161,819	$ 492,665	$ 275,702
Basic and diluted weighted average shares outstanding	111,706	105,935	110,135	105,610
Income from continuing operations per share — Basic and Diluted	$ 1.60	$ 1.52	$ 4.47	$ 2.61
Basic and Diluted Earnings Per Share from discontinued operations				
Income from discontinued operations	$ —	$ 2,716	$ —	$ 13,710
Less: Income from discontinued operations allocated to participating securities	—	2	—	15
Income from discontinued operations available to common shareholders	$ —	$ 2,714	$ —	$ 13,695
Basic and diluted weighted average shares outstanding	111,706	105,935	110,135	105,610
Income from discontinued operations per share — Basic and Diluted	$ —	$ 0.03	$ —	$ 0.13
Net income per share — Basic and Diluted	$ 1.60	$ 1.55	$ 4.47	$ 2.74

5. Debt

The nature and terms of our debt instruments and credit facilities are described in detail in Note 5 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. There were no material changes in the terms of our debt instruments during the six months ended March 31, 2018.

Long-term debt at March 31, 2018 and September 30, 2017 consisted of the following:

	March 31, 2018	September 30, 2017
	(In thousands)	
Unsecured 8.50% Senior Notes, due March 2019	$ 450,000	$ 450,000
Unsecured 3.00% Senior Notes, due 2027	500,000	500,000
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	750,000	750,000
Medium-term note Series A, 1995-1, 6.67%, due 2025	10,000	10,000
Unsecured 6.75% Debentures, due 2028	150,000	150,000
Floating-rate term loan, due September 2019[(1)]	125,000	125,000
Total long-term debt	3,085,000	3,085,000
Less:		
Original issue premium / discount on unsecured senior notes and debentures	(4,412)	(4,384)
Debt issuance cost	21,520	22,339
Current maturities	450,000	—
	$ 2,617,892	$ 3,067,045

(1) Up to $200 million can be drawn under this term loan.

We utilize short-term debt to provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves the Company's desired capital structure with an equity-to-total-capitalization ratio between 50% and 60%, inclusive of long-term and short-term debt. Our short-term borrowing requirements are affected primarily 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 our customers' needs could significantly affect our borrowing requirements. Our short-term borrowings typically reach their highest levels in the winter months.

Currently, our short-term borrowing requirements are satisfied through a combination of a $1.5 billion commercial paper program and three committed revolving credit facilities with third-party lenders that provide approximately $1.5 billion of total working capital funding. The primary source of our funding is our commercial paper program, which is supported by a five-year unsecured $1.5 billion credit facility. On March 26, 2018, we executed one of our two one-year extension options which extended the maturity date from September 25, 2021 to September 25, 2022. The 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. Additionally, the facility contains a $250 million accordion feature, which provides the opportunity to increase the total committed loan to $1.75 billion. At March 31, 2018 and September 30, 2017, a total of $129.6 million and $447.7 million was outstanding under our commercial paper program.

Additionally, we have a $25 million 364-day unsecured facility, which was renewed effective April 1, 2018 and expires March 31, 2019, and a $10 million 364-day unsecured revolving credit facility, which is used primarily to issue letters of credit. At March 31, 2018, there were no borrowings outstanding under either of these facilities; however, outstanding letters of credit reduced the total amount available to us under our $10 million facility to $4.4 million.

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 each of these facilities to maintain, at the end of each fiscal quarter, a ratio of total-debt-to-total-capitalization of no greater than 70 percent. At March 31, 2018, our total-debt-to-total-capitalization ratio, as defined in the agreements, was 41 percent. In addition, both the interest margin and the fee that we pay on unused amounts under certain of these facilities are subject to adjustment depending upon our credit ratings.

These credit facilities and our 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 certain of 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 March 31, 2018. 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.

6. Impact of the Tax Cuts and Jobs Act of 2017

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "TCJA") was signed into law. The TCJA introduced several significant changes to corporate income tax laws in the United States. The most significant change that affects Atmos Energy is the reduction of the federal statutory income tax rate from 35% to 21%. As a rate-regulated entity, the accelerated capital expensing and the limitation on interest deductibility provisions included in the TCJA are not applicable to us.

Under generally accepted accounting principles, we use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

At September 30, 2017, we measured our net deferred tax liability using the enacted federal statutory tax rate of 35%. The enactment of the TCJA on December 22, 2017 required us to remeasure our deferred tax assets and liabilities, including our U.S. federal income tax net operating loss carryforwards, at the newly enacted federal statutory income tax rate. As the Company’s fiscal year end is September 30, the Internal Revenue Code requires the Company to use a blended statutory federal corporate income tax rate of 24.5% for fiscal 2018.

The decrease in the federal statutory income tax rate reduced our net deferred tax liability by $903.5 million. Of this amount, $737.8 million relates to regulated operations and has been recorded as a regulatory liability, which will be returned to utility customers. The period and timing of these revenue adjustments are subject to Internal Revenue Code provisions and regulatory actions in each of the eight states in which we operate. The remaining $165.7 million has been reflected as a one-time income tax benefit in our condensed consolidated statement of income for the six months ended March 31, 2018, because these taxes were not considered in our cost of service ratemaking. During the three months ended March 31, 2018, we refined the calculations performed to remeasure the Company's net deferred tax liabilities, which resulted in the recognition of a $3.8 million income tax benefit.

At March 31, 2018, we had $274.7 million of remeasured federal net operating loss carryforwards. The federal net operating loss carryforwards are available to offset future taxable income and will begin to expire in 2029. The Company also has $10.1 million of federal alternative minimum tax credit carryforwards that do not expire and are expected to be fully refunded to us between 2019 and 2022 as a result of changes introduced by the TCJA. These credit carryforwards are now reflected as taxes receivable within the deferred charges and other assets line item on our condensed consolidated balance sheet. In addition, the Company has $5.2 million in remeasured charitable contribution carryforwards to offset future taxable income. The Company’s charitable contribution carryforwards expire between 2018 and 2023.

The Company also has $21.5 million of state net operating loss carryforwards and $1.5 million of state tax credit carryforwards (net of $5.7 million and $0.4 million of remeasured federal effects). Depending on the jurisdiction in which the state net operating loss was generated, the carryforwards will begin to expire between 2018 and 2032.

Due to the changes introduced by the TCJA, we now believe it is more likely than not that the benefit from certain charitable contribution carryforwards for which a valuation allowance was previously established will be realized. As a result, we reduced our valuation allowance by $4.2 million during the first quarter. This amount is included in the $165.7 million one-time income tax benefit.

The SEC issued guidance in Staff Accounting Bulletin 118 (SAB 118), which allows us to record provisional amounts during a one-year measurement period, similar to the measurement period in accounting for business combinations. The Company has determined a reasonable estimate for the measurement and accounting for certain effects of the TCJA, including the remeasurement of our net deferred tax liabilities and the establishment of a regulatory liability, which have been reflected as provisional amounts in the March 31, 2018 condensed consolidated financial statements and are described in further detail above. The amounts represent our best estimates based upon records, information and current guidance. We are still analyzing certain aspects of the TCJA, refining our calculations and expecting additional guidance relating to the TCJA from the U.S.

Department of the Treasury and the Internal Revenue Service. Any additional guidance issued or future actions of our regulators could potentially affect the final determination of the accounting effects arising from the implementation of the TCJA.

We are actively working with our regulators in each jurisdiction to address the impact of the TCJA on our cost of service based rates. Accounting orders have been issued for all our service areas that required us to establish, effective January 1, 2018, a separate regulatory liability for the difference in taxes included in our rates that have been calculated based on a 35% statutory income tax rate and the new 21% statutory income tax rate. The establishment of this regulatory liability relating to our cost of service rates resulted in a reduction to our revenues beginning in the second quarter of fiscal 2018. The period and timing of the return of these liabilities to utility customers will be determined by regulators in each of our jurisdictions.

During the fiscal 2018 second quarter, we received approval from regulators to update our cost of service rates to reflect the decrease in the statutory income tax rate in our Colorado, Kansas, Kentucky and Texas service areas. The return to customers of regulatory liabilities recorded for differences in our cost of service rates due to the change in the federal statutory income tax rate and the excess deferred taxes created upon implementation of the TCJA will be addressed in future regulatory proceedings. We are still working with regulators in Louisiana, Mississippi, Tennessee and Virginia to reflect the effects of the TCJA in our cost of service in rates.

7. Shareholders' Equity

Shelf Registration, At-the-Market Equity Sales Program and Equity Issuance

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 expires March 28, 2019. At March 31, 2018, approximately $1.2 billion of securities remained available for issuance under the shelf registration statement.

On November 14, 2017, we filed a prospectus supplement under the registration statement relating to an at-the-market (ATM) equity sales program under which we may issue and sell shares of our common stock up to an aggregate offering price of $500 million, which expires March 28, 2019. During the six months ended March 31, 2018, no shares of common stock were sold under the ATM program.

On November 30, 2017, we filed a prospectus supplement under the registration statement relating to an underwriting agreement to sell 4,558,404 shares of our common stock. We received aggregate gross proceeds of $400 million and received net proceeds, after expenses, of $395.1 million from the offering.

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in AOCI related to available-for-sale securities, interest rate cash flow hedges and prior to the sale of Atmos Energy Marketing, LLC (AEM) on January 3, 2017, 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 (loss):

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Total
		(In thousands)	
September 30, 2017	$ 7,048	$ (112,302)	$ (105,254)
Other comprehensive income (loss) before reclassifications	(167)	20,454	20,287
Amounts reclassified from accumulated other comprehensive income	(879)	835	(44)
Net current-period other comprehensive income (loss)	(1,046)	21,289	20,243
March 31, 2018	$ 6,002	$ (91,013)	$ (85,011)

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Commodity Contracts Cash Flow Hedges	Total
	(In thousands)			
September 30, 2016	$ 4,484	$ (187,524)	$ (4,982)	$ (188,022)
Other comprehensive income before reclassifications	634	95,271	9,847	105,752
Amounts reclassified from accumulated other comprehensive income	68	173	(4,865)	(4,624)
Net current-period other comprehensive income	702	95,444	4,982	101,128
March 31, 2017	$ 5,186	$ (92,080)	$ —	$ (86,894)

The following tables detail reclassifications out of AOCI for the three and six months ended March 31, 2018 and 2017. Amounts in parentheses below indicate decreases to net income in the statement of income:

	Three Months Ended March 31, 2018	
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	$ 1,139	Operation and maintenance expense
	1,139	Total before tax
	(260)	Tax expense
	$ 879	Net of tax
Cash flow hedges		
Interest rate agreements	$ (593)	Interest charges
	(593)	Total before tax
	135	Tax benefit
	$ (458)	Net of tax
Total reclassifications	$ 421	Net of tax

	Three Months Ended March 31, 2017	
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	$ (107)	Operation and maintenance expense
	(107)	Total before tax
	39	Tax benefit
	$ (68)	Net of tax
Cash flow hedges		
Interest rate agreements	$ (136)	Interest charges
	(136)	Total before tax
	50	Tax benefit
	$ (86)	Net of tax
Total reclassifications	$ (154)	Net of tax

Accumulated Other Comprehensive Income Components	Six Months Ended March 31, 2018 — Amount Reclassified from Accumulated Other Comprehensive Income (In thousands)	Affected Line Item in the Statement of Income
Available-for-sale securities	$ 1,139	Operation and maintenance expense
	1,139	Total before tax
	(260)	Tax expense
	$ 879	Net of tax
Cash flow hedges		
Interest rate agreements	$ (1,187)	Interest charges
	(1,187)	Total before tax
	352	Tax benefit
	$ (835)	Net of tax
Total reclassifications	$ 44	Net of tax

Accumulated Other Comprehensive Income Components	Six Months Ended March 31, 2017 — Amount Reclassified from Accumulated Other Comprehensive Income (In thousands)	Affected Line Item in the Statement of Income
Available-for-sale securities	$ (107)	Operation and maintenance expense
	(107)	Total before tax
	39	Tax benefit
	$ (68)	Net of tax
Cash flow hedges		
Interest rate agreements	$ (273)	Interest charges
Commodity contracts	7,967	Purchased gas cost[1]
	7,694	Total before tax
	(3,002)	Tax expense
	$ 4,692	Net of tax
Total reclassifications	$ 4,624	Net of tax

(1) Amount is presented as part of income from discontinued operations in the condensed consolidated statement of income.

8. Interim Pension and Other Postretirement Benefit Plan Information

The components of our net periodic pension cost for our pension and other postretirement benefit plans for the three and six months ended March 31, 2018 and 2017 are presented in the following tables. Most of these costs are recoverable through our tariff rates; however, a portion of these costs is capitalized into our rate base. The remaining costs are recorded as a component of operation and maintenance expense. In the second quarter of fiscal 2018, due to the retirement of certain executives, we recognized a settlement loss of $2.4 million associated with our Supplemental Executive Retirement Plan and revalued the net periodic pension cost for the remainder of fiscal 2018. The revaluation of the net periodic pension cost for our Supplemental Executive Retirement Plan resulted in an increase in the discount rate, effective March 1, 2018, to 4.12%, which will increase our net periodic pension cost by approximately $0.1 million for the remainder of the fiscal year.

	Three Months Ended March 31			
	Pension Benefits		Other Benefits	
	2018	2017	2018	2017
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 4,575	$ 5,217	$ 3,019	$ 3,109
Interest cost	6,433	6,297	2,727	2,670
Expected return on assets	(6,916)	(6,994)	(2,001)	(1,797)
Amortization of prior service cost (credit)	(58)	(58)	3	(411)
Amortization of actuarial (gain) loss	3,085	4,249	(1,619)	(707)
Settlements	2,415	—	—	—
Net periodic pension cost	$ 9,534	$ 8,711	$ 2,129	$ 2,864

	Six Months Ended March 31			
	Pension Benefits		Other Benefits	
	2018	2017	2018	2017
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 9,135	$ 10,433	$ 6,039	$ 6,218
Interest cost	12,863	12,594	5,454	5,340
Expected return on assets	(13,833)	(13,988)	(4,003)	(3,593)
Amortization of prior service cost (credit)	(116)	(116)	6	(822)
Amortization of actuarial (gain) loss	6,174	8,498	(3,237)	(1,414)
Settlements	2,415	—	—	—
Net periodic pension cost	$ 16,638	$ 17,421	$ 4,259	$ 5,729

The assumptions used to develop our net periodic pension cost for the three and six months ended March 31, 2018 and 2017 are as follows:

	Supplemental Executive Retirement Plan		Pension Benefits		Other Benefits	
	2018	2017	2018	2017	2018	2017
Discount rate	4.12%	3.73%	3.89%	3.73%	3.89%	3.73%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%	N/A	N/A
Expected return on plan assets	N/A	N/A	6.75%	7.00%	4.29%	4.45%

The discount rate used to compute the present value of a plan's liabilities generally is based on rates of high-grade corporate bonds with maturities similar to the average period over which the benefits will be paid. Generally, our funding policy has been to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974. In accordance with the Pension Protection Act of 2006 (PPA), we determined the funded status of our plan as of January 1, 2017. Based on that determination, we are not required to make a minimum contribution to our defined benefit plan during fiscal 2018; however, we may consider whether a voluntary contribution is prudent to maintain certain funding levels.

We contributed $7.5 million to our other post-retirement benefit plans during the six months ended March 31, 2018. We expect to contribute a total of between $10 million and $20 million to these plans during fiscal 2018.

9. Commitments and Contingencies

Litigation and Environmental Matters

In the normal course of business, we are subject to various legal and regulatory proceedings. For such matters, we record liabilities when they are considered probable and estimable, based on currently available facts, our historical experience, and our estimates of the ultimate outcome or resolution of the liability in the future. While the outcome of these proceedings is uncertain and a loss in excess of the amount we have accrued is possible though not reasonably estimable, it is the opinion of management that any amounts exceeding the accruals will not have a material adverse impact on our financial position, results of operations, or cash flows.

We maintain liability insurance for various risks associated with the operation of our natural gas pipelines and facilities, including for property damage and bodily injury. These liability insurance policies generally require us to be responsible for the first $1.0 million (self-insured retention) of each incident.

The National Transportation Safety Board (NTSB) is investigating an incident that occurred at a Dallas, Texas residence on February 23, 2018 that resulted in one fatality and injuries to four other residents. Together with the Railroad Commission of Texas and the Pipeline and Hazardous Materials Safety Administration, Atmos Energy is a party to the investigation and in that capacity is working closely with the NTSB to help determine the cause of this incident.

On March 29, 2018, a civil action was filed in Dallas, Texas against Atmos Energy in response to the February 23rd incident. The plaintiffs seek over $1.0 million in damages for, among with others, wrongful death and personal injury.

We are a party to various other litigation and environmental-related matters or claims that have arisen in the ordinary course of our business. While the results of such litigation and response actions to such environmental-related matters or claims cannot be predicted with certainty, we continue to believe the final outcome of such litigation and matters or claims will not have a material adverse effect on our financial condition, results of operations or cash flows.

Purchase Commitments

Our 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 hubs. At March 31, 2018, we were committed to purchase 55.0 Bcf within one year and 64.7 Bcf within two to three years under indexed contracts.

Regulatory Matters

Various regulatory agencies, including the SEC and the Commodities Futures Trading Commission, continue to adopt regulations implementing many of the provisions of the Dodd-Frank Act of 2010. We continue to enact new procedures and modify existing business practices and contractual arrangements to comply with such regulations. Additional rulemakings are pending which we believe will result in new reporting and disclosure obligations. The costs associated with hedging certain risks inherent in our business may be further increased when these expected additional regulations are adopted.

As of March 31, 2018, formula rate mechanisms were pending regulatory approval in our Louisiana and Tennessee service areas, infrastructure mechanisms were pending regulatory approval in our Mid-Tex, Mississippi and West Texas service areas as well as the Atmos Pipeline–Texas Division and rate cases were pending regulatory approval in our Colorado and Kentucky service areas. These regulatory proceedings are discussed in further detail below in *Management's Discussion and Analysis — Recent Ratemaking Developments*. On April 3, 2018, we filed formula rate mechanisms in our Mid-Tex and West Texas service areas, seeking increases in operating income. Additionally, as discussed in further detail in Note 6, all jurisdictions are addressing impacts of the TCJA.

10. Financial Instruments

We currently use financial instruments to mitigate commodity price risk and interest rate risk. The objectives and strategies for using financial instruments and the related accounting for these financial instruments are fully described in Notes 2 and 13 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. During the six months ended March 31, 2018, there were no material changes in our objectives, strategies and accounting for using financial instruments. Our financial instruments do not contain any credit-risk-related or other contingent features that could cause payments to be accelerated when our financial instruments are in net liability positions. The following summarizes those objectives and strategies.

Commodity Risk Management Activities

Our purchased gas cost adjustment mechanisms essentially insulate our distribution segment from commodity price risk; however, 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.

We typically seek to hedge between 25 and 50 percent of anticipated heating season gas purchases using financial instruments. For the 2017-2018 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 26 percent, or 15.0 Bcf of the winter flowing gas requirements. We have not designated these financial instruments as hedges for accounting purposes.

Interest Rate Risk Management Activities

We periodically manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

As of March 31, 2018, we had forward starting interest rate swaps to effectively fix the Treasury yield component associated with the anticipated issuance of $450 million unsecured senior notes in fiscal 2019 at 3.78%, which we designated as a cash flow hedge at the time the swaps were executed. As of March 31, 2018, we had $49.1 million of net realized losses in accumulated other comprehensive income (AOCI) associated with the settlement of financial instruments used to fix the Treasury yield component of the interest cost of financing various issuances of long-term debt and senior notes, which will be recognized as a component of interest expense over the life of the associated notes from the date of settlement. The remaining amortization periods for these settled amounts extend through fiscal 2045.

Quantitative Disclosures Related to Financial Instruments

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

As of March 31, 2018, 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 March 31, 2018, we had 6,251 MMcf of net short commodity contracts outstanding. These contracts have not been designated as hedges.

Financial Instruments on the Balance Sheet

The following tables present the fair value and balance sheet classification of our financial instruments as of March 31, 2018 and September 30, 2017. The gross amounts of recognized assets and liabilities are netted within our unaudited Condensed Consolidated Balance Sheets to the extent that we have netting arrangements with our counterparties.

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
March 31, 2018			
Designated As Hedges:			
Interest rate contracts	Other current assets / Other current liabilities	$ —	$ (85,948)
Total		—	(85,948)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	602	(996)
Total		602	(996)
Gross Financial Instruments		602	(86,944)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		—	—
Net Financial Instruments		602	(86,944)
Cash collateral		—	—
Net Assets/Liabilities from Risk Management Activities		$ 602	$ (86,944)

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
September 30, 2017			
Designated As Hedges:			
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	$ —	$ (112,076)
Total		—	(112,076)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	2,436	(322)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	803	—
Total		3,239	(322)
Gross Financial Instruments		3,239	(112,398)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		—	—
Net Financial Instruments		3,239	(112,398)
Cash collateral		—	—
Net Assets/Liabilities from Risk Management Activities		$ 3,239	$ (112,398)

Impact of Financial Instruments on the Income Statement

Cash Flow Hedges

As discussed above, our distribution segment has interest rate swap agreements, which we designated as a cash flow hedge at the time the swaps were executed. The net loss on settled interest rate agreements reclassified from AOCI into interest charges on our condensed consolidated statements of income for the three months ended March 31, 2018 and 2017 was $0.6 million and $0.1 million and for the six months ended March 31, 2018 and 2017 was $1.2 million and $0.3 million.

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 three and six months ended March 31, 2018 and 2017. The amounts included in the table below exclude gains and losses arising from ineffectiveness because those amounts are immediately recognized in the income statement as incurred.

	Three Months Ended March 31		Six Months Ended March 31	
	2018	2017 (1)	2018	2017 (1)
	(In thousands)			
Increase in fair value:				
Interest rate agreements	$ 21,786	$ 4,144	$ 20,454	$ 95,271
Forward commodity contracts(2)	—	—	—	9,847
Recognition of (gains) losses in earnings due to settlements:				
Interest rate agreements	458	86	835	173
Forward commodity contracts(2)	—	—	—	(4,865)
Total other comprehensive income from hedging, net of tax	$ 22,244	$ 4,230	$ 21,289	$ 100,426

(1) Utilizing an income tax rate ranging from 37 percent to 39 percent based on the effective rates in each taxing jurisdiction for the three and six-month period ended March 31, 2017.

(2) Due to the sale of AEM, these amounts are included in income from discontinued operations.

Deferred gains (losses) recorded in AOCI associated with our interest rate agreements are recognized in earnings as they are amortized over the terms of the underlying debt instruments. The following amounts, net of deferred taxes, represent the expected recognition in earnings, as of March 31, 2018, of the deferred losses recorded in AOCI associated with our financial instruments, based upon the fair values of these financial instruments at the date of settlement. However, the table below does not include the expected recognition in earnings of our outstanding interest rate agreements as those instruments have not yet settled.

	Interest Rate Agreements
	(In thousands)
Next twelve months	$ (1,833)
Thereafter	(47,281)
Total	$ (49,114)

Financial Instruments Not Designated as Hedges

As discussed above, financial instruments used in our distribution segment are not designated as hedges. However, there is no earnings impact on our 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.

11. 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 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. During the six months ended March 31, 2018, there were no changes in these methods.

Fair value measurements also apply to the valuation of our pension and postretirement plan assets. Current accounting guidance requires employers to annually disclose information about fair value measurements of the assets of a defined benefit pension or other postretirement plan. The fair value of these assets is presented in Note 7 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

Quantitative Disclosures

Financial Instruments

The classification of our fair value measurements requires judgment regarding the degree to which market data is observable or corroborated by observable market data. 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), with the lowest priority given to unobservable inputs (Level 3). 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 March 31, 2018 and September 30, 2017. 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	March 31, 2018
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 602	$ —	$ —	$ 602
Available-for-sale securities					
Registered investment companies	39,783	—	—	—	39,783
Bond mutual funds	16,308	—	—	—	16,308
Bonds	—	31,137	—	—	31,137
Money market funds	—	6,437	—	—	6,437
Total available-for-sale securities	56,091	37,574	—	—	93,665
Total assets	$ 56,091	$ 38,176	$ —	$ —	$ 94,267
Liabilities:					
Financial instruments	$ —	$ 86,944	$ —	$ —	$ 86,944

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)(1)	Significant Other Unobservable Inputs (Level 3)	Netting and Cash Collateral	September 30, 2017
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 3,239	$ —	$ —	$ 3,239
Available-for-sale securities					
Registered investment companies	41,097	—	—	—	41,097
Bond mutual funds	16,371	—	—	—	16,371
Bonds	—	29,104	—	—	29,104
Money market funds	—	1,837	—	—	1,837
Total available-for-sale securities	57,468	30,941	—	—	88,409
Total assets	$ 57,468	$ 34,180	$ —	$ —	$ 91,648
Liabilities:					
Financial instruments	$ —	$ 112,398	$ —	$ —	$ 112,398

(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.

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

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(In thousands)			
As of March 31, 2018				
Domestic equity mutual funds	$ 25,515	$ 8,194	$ (95)	$ 33,614
Foreign equity mutual funds	4,138	2,031	—	6,169
Bond mutual funds	16,548	—	(240)	16,308
Bonds	31,295	4	(162)	31,137
Money market funds	6,437	—	—	6,437
	$ 83,933	$ 10,229	$ (497)	$ 93,665
As of September 30, 2017				
Domestic equity mutual funds	$ 25,361	$ 8,920	$ —	$ 34,281
Foreign equity mutual funds	4,581	2,235	—	6,816
Bond mutual funds	16,391	2	(22)	16,371
Bonds	29,074	46	(16)	29,104
Money market funds	1,837	—	—	1,837
	$ 77,244	$ 11,203	$ (38)	$ 88,409

At March 31, 2018 and September 30, 2017, our available-for-sale securities included $46.2 million and $42.9 million related to assets held in separate rabbi trusts for our supplemental executive benefit plans. At March 31, 2018, we maintained investments in bonds that have contractual maturity dates ranging from April 2018 through January 2021.

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 a fund by fund 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 fund is written down to its estimated fair value and the other-than-temporary impairment is recognized in the income statement.

Other Fair Value Measures

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 March 31, 2018 and September 30, 2017:

	March 31, 2018	September 30, 2017
	(In thousands)	
Carrying Amount	$ 3,085,000	$ 3,085,000
Fair Value	$ 3,291,629	$ 3,382,272

12. Concentration of Credit Risk

Information regarding our concentration of credit risk is disclosed in Note 16 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. During the six months ended March 31, 2018, there were no material changes in our concentration of credit risk.

13. Discontinued Operations

On October 29, 2016, we entered into a Membership Interest Purchase Agreement (the Agreement) with CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy, Inc. (CES) to sell all of the equity interests of Atmos Energy Marketing, LLC (AEM). The transaction closed on January 3, 2017, with an effective date of January 1, 2017. CES paid a cash purchase price of $38.3 million plus working capital of $109.0 million for total cash consideration of $147.3 million. Of this amount, $7.0 million was placed into escrow and was to be paid to the Company within 24 months of the closing date, net of any indemnification claims agreed upon between the two companies. In January 2018, $3.0 million of this escrowed amount was released and received by the Company. We recognized a net gain of $0.03 per diluted share on the sale in the second quarter of fiscal 2017 and completed the working capital true–up during the third quarter of fiscal 2017.

The operating results of our natural gas marketing reportable segment have been reported on the condensed consolidated statement of income as income from discontinued operations, net of income tax, for the six months ended March 31, 2017. Accordingly, expenses related to allocable general corporate overhead and interest expense are not included in these results.

The tables below set forth selected financial information related to discontinued operations. Operating expenses include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income. At March 31, 2018 and September 30, 2017 we did not have any assets or liabilities held for sale. As AEM was sold effective January 1, 2017, no operating results are reported on the condensed consolidated statement of income as discontinued operations for the three months ended March 31, 2017. During the three months ended March 31, 2017, we recorded a gain on sale from discontinued operations for $2.7 million, net of tax of $10.2 million.

The following table presents statement of income data related to discontinued operations:

	Six Months Ended March 31, 2017	
	(In thousands)	
Operating revenues	$	303,474
Purchased gas cost		277,554
Operating expenses		7,874
Operating income		18,046
Other nonoperating expense		(211)
Income from discontinued operations before income taxes		17,835
Income tax expense		6,841
Income from discontinued operations		10,994
Gain on sale from discontinued operations, net of tax ($10,215)		2,716
Net income from discontinued operations	$	13,710

The following table presents statement of cash flow data related to discontinued operations:

	Six Months Ended March 31, 2017	
	(In thousands)	
Depreciation and amortization expense	$	185
Capital expenditures	$	—
Non-cash loss in commodity contract cash flow hedges	$	(8,165)

Natural Gas Marketing Commodity Risk Management Activities

Our discontinued natural gas marketing segment was exposed to risks associated with changes in the market price of natural gas through the purchase, sale and delivery of natural gas to its customers at competitive prices. Through December 31, 2016, we managed 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. Effective January 1, 2017, as a result of the sale of AEM, these activities were discontinued.

Due to the sale of AEM, we determined that the cash flows associated with our natural gas marketing commodity cash flow hedges were no longer probable of occurring; therefore, we discontinued hedge accounting as of December 31, 2016. As a result, we reclassified the gain in accumulated other comprehensive income associated with the commodity contracts into earnings as a reduction of purchased gas cost and recognized a pre-tax gain of $10.6 million, which is included in income from discontinued operations on the condensed consolidated statement of income for the six months ended March 31, 2017.

The Company's other risk management activities are discussed in Note 10.

Impact of Financial Instruments on the Income Statement

Hedge ineffectiveness for our natural gas marketing segment was recorded as a component of purchased gas cost, which is included in discontinued operations on the condensed consolidated statements of income, and primarily results from differences in the location and timing of the derivative instrument and the hedged item. For the six months ended March 31, 2017, we recognized a gain arising from fair value and cash flow hedge ineffectiveness of $3.4 million. Additional information regarding ineffectiveness recognized in the income statement is included in the tables below.

Fair Value Hedges

The impact of our natural gas marketing segment commodity contracts designated as fair value hedges and the related hedged item on the results of discontinued operations on our condensed consolidated income statement for the six months ended March 31, 2017 is presented below.

	Six Months Ended March 31, 2017 (In thousands)
Commodity contracts	$ (9,567)
Fair value adjustment for natural gas inventory designated as the hedged item	12,858
Total decrease in purchased gas cost reflected in income from discontinued operations	$ 3,291
The decrease in purchased gas cost reflected in income from discontinued operations is comprised of the following:	
Basis ineffectiveness	$ (597)
Timing ineffectiveness	3,888
	$ 3,291

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.

Cash Flow Hedges

The impact of our natural gas marketing segment cash flow hedges on our condensed consolidated income statements for the six months ended March 31, 2017 is presented below:

	Six Months Ended March 31, 2017 (In thousands)
Loss reclassified from AOCI for effective portion of natural gas marketing commodity contracts	$ (2,612)
Gain arising from ineffective portion of natural gas marketing commodity contracts	111
Gain on discontinuance of cash flow hedging of natural gas marketing commodity contracts reclassified from AOCI	10,579
Total impact on purchased gas cost reflected in income from discontinued operations	$ 8,078

Financial Instruments Not Designated as Hedges

The impact of the natural gas marketing segment's financial instruments that had not been designated as hedges on our condensed consolidated income statements for the six months ended March 31, 2017 was a decrease in purchased gas cost of $6.8 million, which is included in discontinued operations on the condensed consolidated statements of income.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have reviewed the condensed consolidated balance sheet of Atmos Energy Corporation as of March 31, 2018 and the related condensed consolidated statements of income and comprehensive income for the three and six month periods ended March 31, 2018 and 2017 and the condensed consolidated statements of cash flows for the six month periods ended March 31, 2018 and 2017. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Atmos Energy Corporation as of September 30, 2017, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated November 13, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheets from which it has been derived.

/s/ ERNST & YOUNG LLP

Dallas, Texas
May 2, 2018

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

INTRODUCTION

The following discussion should be read in conjunction with the condensed consolidated financial statements in this Quarterly Report on Form 10-Q and Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended September 30, 2017.

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

The statements contained in this Quarterly Report on Form 10-Q 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 and capital markets to execute our business strategy; 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 performance or creditworthiness and interest rate risk; the concentration of our operations in Texas; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; the capital-intensive nature of our 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 operational, technical and managerial 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 change or related additional legislation or regulation in the future; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the threat of cyber-attacks or acts of cyber-terrorism that 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; 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.

OVERVIEW

Atmos Energy and our subsidiaries are engaged in the regulated natural gas distribution and pipeline and storage businesses. We distribute natural gas through sales and transportation arrangements to over three million residential, commercial, public authority and industrial customers throughout our six distribution divisions, which at March 31, 2018 covered service areas located in eight states. In addition, we transport natural gas for others through our distribution and pipeline systems.

We manage and review our consolidated operations through the following reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana.
- The *natural gas marketing segment* was comprised of our discontinued natural gas marketing business.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Our condensed 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 based our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. On an ongoing basis, we evaluate our estimates, including those related to risk management and trading activities, the allowance for doubtful accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and the valuation of goodwill, indefinite-lived intangible assets and other long-lived assets. Actual results may differ from such estimates.

Our critical accounting policies used in the preparation of our consolidated financial statements are described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017 and include the following:

- Regulation
- Unbilled revenue
- Pension and other postretirement plans
- Impairment assessments

Our critical accounting policies are reviewed periodically by the Audit Committee of our Board of Directors. There were no significant changes to these critical accounting policies during the six months ended March 31, 2018.

Non-GAAP Financial Measures

Our operations are affected by the cost of natural gas, which is passed through to our customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees and settlements of financial instruments used to mitigate commodity price risk. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, we believe contribution margin, a non-GAAP financial measure, defined as operating revenues less purchased gas cost, is a more useful and relevant measure to analyze our financial performance than operating revenues. As such, the following discussion and analysis of our financial performance will reference contribution margin rather than operating revenues and purchased gas cost individually. Further, the term contribution margin is not intended to represent operating income, the most comparable GAAP financial measure, as an indicator of operating performance and is not necessarily comparable to similarly titled measures reported by other companies.

As described further in Note 6, the enactment of the Tax Cuts and Jobs Act of 2017 (the "TCJA") required us to remeasure our deferred tax assets and liabilities at our new federal statutory income tax rate as of December 22, 2017. The remeasurement of our net deferred tax liabilities resulted in the recognition of a one-time, non-cash income tax benefit of $165.7 million for the six months ended March 31, 2018. During the three months ended March 31, 2018, we recognized a $3.8 million benefit after we refined the initial measurement calculations performed during the first quarter. Due to the non-recurring nature of this benefit, we believe that income from continuing operations and diluted earnings per share from continuing operations before the one-time, non-cash income tax benefit provide a more relevant measure to analyze our financial performance than income from continuing operations and consolidated diluted earnings per share from continuing operations. Accordingly, the following discussion and analysis of our financial performance will reference adjusted income from continuing operations and diluted earnings per share, which is calculated as follows:

	Three Months Ended March 31		
	2018	2017	Change
	(In thousands, except per share data)		
Income from continuing operations	$ 178,992	$ 162,012	$ 16,980
TCJA non-cash income tax benefit	3,791	—	3,791
Adjusted income from continuing operations	$ 175,201	$ 162,012	$ 13,189
Consolidated diluted EPS from continuing operations	$ 1.60	$ 1.52	$ 0.08
Diluted EPS from TCJA non-cash income tax benefit	0.03	—	0.03
Adjusted diluted EPS from continuing operations	$ 1.57	$ 1.52	$ 0.05

	Six Months Ended March 31		
	2018	2017	Change
	(In thousands, except per share data)		
Income from continuing operations	$ 493,124	$ 276,050	$ 217,074
TCJA non-cash income tax benefit	165,675	—	165,675
Adjusted income from continuing operations	$ 327,449	$ 276,050	$ 51,399
Consolidated diluted EPS from continuing operations	$ 4.47	$ 2.61	$ 1.86
Diluted EPS from TCJA non-cash income tax benefit	1.50	—	1.50
Adjusted diluted EPS from continuing operations	$ 2.97	$ 2.61	$ 0.36

RESULTS OF OPERATIONS

Executive Summary

Atmos Energy strives to operate our businesses safely and reliably while delivering superior shareholder value. Our commitment to modernizing our natural gas distribution and transmission systems requires significant levels of capital spending. We have the ability to begin recovering a significant portion of these investments timely through rate designs that reduce or eliminate regulatory lag and separate the recovery of our approved rate from customer usage patterns. The execution of our capital spending program, the ability to recover these investments timely and our ability to access the capital markets to satisfy our financing needs are the primary drivers that affect our financial performance.

During the six months ended March 31, 2018, we recorded income from continuing operations of $493.1 million, or $4.47 per diluted share, compared to income from continuing operations of $276.1 million, or $2.61 per diluted share for the six months ended March 31, 2017.

After adjusting for the nonrecurring benefit recognized after implementing the TCJA, we recorded adjusted income from continuing operations of $327.4 million, or $2.97 per diluted share for the six months ended March 31, 2018, compared to adjusted income from continuing operations of $276.1 million, or $2.61 per diluted share for the six months ended March 31, 2017. The period-over-period increase of $51.3 million, or 19 percent, largely reflects positive rate outcomes, weather that was 33 percent colder than the prior year, customer growth in our distribution business and the impact of the TCJA on our effective income tax rate, partially offset by reduced revenues as a result of implementing the TCJA. During the six months ended March 31, 2018, we completed ten regulatory proceedings, resulting in an increase in annual operating income of $47.4 million and had ten ratemaking efforts in progress at March 31, 2018 seeking a total increase in annual operating income of $65.3 million. On April 3, 2018, we filed formula rate mechanisms in our Mid-Tex and West Texas service areas, seeking increases in operating income of $28.0 million and $4.0 million.

Capital expenditures for the first six months of fiscal 2018 were $694.0 million. Over 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. We expect our capital expenditures to approximate $1.4 billion for fiscal 2018. We funded our capital expenditures program primarily through operating cash flows of $751.4 million. Additionally, we issued $400 million of common stock during the six months ended March 31, 2018. The net proceeds from the issuance were primarily used to repay short-term debt under our commercial paper program, to fund capital spending and for general corporate purposes.

As a result of our sustained financial performance, improved cash flows and capital structure, our Board of Directors increased the quarterly dividend by 7.8 percent for fiscal 2018.

TCJA Impact

The TCJA introduced several significant changes to corporate income tax laws in the United States, which have been reflected in our condensed consolidated financial statements for the period ended March 31, 2018. As a rate regulated entity, the effects of lower tax rates included in our cost of service rates will ultimately flow through to our utility customers in the form of adjusted rates. Therefore, the favorable impact of the reduction in our federal statutory income tax rate on our financial performance will be limited to items that impact our income before income taxes in the current period that have not yet been reflected in our rates (most notably increases to and decreases in commission-approved regulatory assets and liabilities recorded on our condensed consolidated balance sheet) and market-based revenues that are earned from customers who utilize our assets. Note 6 to the condensed consolidated financial statements details the various impacts of the TCJA on our financial position and results from operations. The most significant changes are summarized as follows:

- Because our fiscal year started on October 1, 2017, our federal statutory income tax rate for fiscal 2018 was reduced from 35% to 24.5%. We anticipate our effective income tax rate for fiscal 2018 will range from 26% to 28%, before the effect of the return of the excess deferred tax liability and the one-time, non-cash income tax benefit. Our federal statutory income tax rate will decline to 21% on October 1, 2018.
- As a result of implementing the TCJA, we remeasured our net deferred tax liability using our new federal statutory income tax rate, which reduced our net deferred tax liability by $903.5 million. Of this amount, $737.8 million was reclassified to a regulatory liability, which will be returned to utility customers. The remaining $165.7 million was recognized as a one-time, non-cash income tax benefit in our condensed consolidated statement of income for the six months ended March 31, 2018. Of this amount, $3.8 million was recorded during the second quarter as we refined the remeasurement calculations performed during the first quarter.
- Atmos Energy supports our regulators' efforts to ensure our utility customers receive the full benefits of changes in our cost of service rates arising from tax reform. Income taxes, like other costs, are passed through to our customers in our rates; however, changes to customer rates must be approved by our regulators. Beginning in the second quarter of fiscal 2018, we established regulatory liabilities in all our jurisdictions for the difference in taxes included in our cost of service rates that have been calculated based on a 35% statutory income tax rate and a 21% statutory income tax rate. The establishment of these regulatory liabilities for our cost of service rates reduced our revenues. The period and timing of the return of these liabilities to utility customers will be determined by regulators in each of our jurisdictions. During the second quarter of fiscal 2018, some of our jurisdictions have approved changes to customer rates as discussed in Note 6, which have been reflected in customer bills as of the effective dates stipulated in the regulatory or statutory proceeding. Return to customers of the regulatory liabilities related to the TCJA in these jurisdictions will be addressed in future regulatory proceedings.
- The enactment of the TCJA is expected to reduce our cash flows from operations primarily due to 1) the collection of taxes at a lower rate and 2) the return of regulatory liabilities established in response to the enactment of the TCJA and regulatory activities to our utility customers. We intend to externally finance this reduction in operating cash flow in a balanced fashion in order to maintain an equity-to-total-capitalization ratio ranging from 50% to 60% to maintain our current credit ratings. We currently anticipate this external financing need will range from $500 million to $600 million through fiscal 2022.

The following discusses the results of operations for each of our operating segments.

Distribution Segment

The distribution segment is primarily comprised of our regulated natural gas distribution and related sales operations in eight states. The primary factors that impact the results of this segment 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 of return 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.

Seasonal weather patterns can also affect our distribution operations. However, the effect of weather that is above or below normal is substantially offset through weather normalization adjustments, known as WNA, which has been approved by state regulatory commissions for approximately 97 percent of our residential and commercial meters in the following states for the following time periods:

Kansas, West Texas	October — May
Tennessee	October — April
Kentucky, Mississippi, Mid-Tex	November — April
Louisiana	December — March
Virginia	January — December

Our distribution operations are also affected by the cost of natural gas. The cost of gas is passed through to our customers without markup. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Contribution margin in our Texas and Mississippi service areas includes franchise fees and gross receipts taxes, which are calculated as a percentage of revenue (inclusive of gas costs). Therefore, the amount of these taxes included in revenues is influenced by the cost of gas and the level of gas sales volumes. We record the associated tax expense as a component of taxes, other than income. Although changes in these revenue-related taxes arising from changes in gas costs affect contribution margin, over time the impact is offset within operating income.

As discussed above, the cost of gas typically does not have a direct impact on our contribution margin. However, higher gas costs mean higher bills for our customers, which 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. However, gas cost risk has been mitigated in recent years through improvements in rate design that allow 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.

Three Months Ended March 31, 2018 compared with Three Months Ended March 31, 2017

Financial and operational highlights for our distribution segment for the three months ended March 31, 2018 and 2017 are presented below.

	Three Months Ended March 31		
	2018	**2017**	**Change**
	(In thousands, unless otherwise noted)		
Operating revenues	$ 1,199,291	$ 962,541	$ 236,750
Purchased gas cost	727,053	513,096	213,957
Contribution margin	472,238	449,445	22,793
Operating expenses	262,332	222,641	39,691
Operating income	209,906	226,804	(16,898)
Miscellaneous income	393	1,029	(636)
Interest charges	16,898	16,925	(27)
Income before income taxes	193,401	210,908	(17,507)
TCJA non-cash income tax benefit	(3,791)	—	(3,791)
Income tax expense	51,949	79,763	(27,814)
Net income	$ 145,243	$ 131,145	$ 14,098
Consolidated distribution sales volumes — MMcf	134,046	97,754	36,292
Consolidated distribution transportation volumes — MMcf	45,932	39,915	6,017
Total consolidated distribution throughput — MMcf	179,978	137,669	42,309
Consolidated distribution average cost of gas per Mcf sold	$ 5.42	$ 5.25	$ 0.17

Income before income taxes for our distribution segment decreased 8 percent, primarily due to a $39.7 million increase in operating expenses, partially offset by a $22.8 million increase in contribution margin. The quarter-over-quarter increase in contribution margin primarily reflects:

- a $27.6 million net increase in rate adjustments, before the effect of the TCJA, primarily in our Mid-Tex and West Texas Divisions.
- a $9.3 million increase in residential and commercial net consumption, primarily in our Mid-Tex and Mississippi Divisions.
- an $8.9 million increase in revenue-related taxes primarily in our Mid-Tex Division, offset by a corresponding $5.4 million increase in the related tax expense.
- a $4.3 million increase in transportation margin primarily in our Kentucky/Mid-States and West Texas Divisions.
- a $26.2 million decrease in contribution margin due to the inclusion of the lower statutory rate in our revenues due to implementation of the TCJA. Of this amount, $4.8 million has been reflected in customer bills. The remaining $21.4 million relates to the establishment of regulatory liabilities for the difference between the former 35% federal statutory rate and the current 21% federal statutory rate as further described in Note 6.

The increase in operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, largely reflects expenses incurred after we decided to undertake a planned outage of our natural gas distribution system in Northwest Dallas. In late February 2018, there were gas-related incidents in Northwest Dallas, one of which resulted in a fatality and injuries to four other residents. The National Transportation Safety Board (NTSB) is investigating the latter incident. Together with the Railroad Commission of Texas and the Pipeline and Hazardous Materials Safety Administration, we are a party to the investigation and in that capacity we are working closely with the NTSB to help determine the cause of this incident. On March 1, 2018, we initiated a planned outage of a portion of our natural gas distribution system in Northwest Dallas that affected approximately 2,400 homes. The outage was initiated after we experienced a sudden and unexplainable increase in leaks in this confined geographic area in less than a week's time. Based upon our preliminary assessment, we believe an extraordinary combination of events and circumstances that could not have been predicted, anticipated, readily modeled or foreseen damaged our pipeline system in that area. These events and circumstances, include, but are not limited to, geology, hydrology, soil conditions and record rainfall. The system was replaced and placed into service by March 31, 2018. While the system was replaced, we provided financial assistance to the affected residents and incurred other related costs of approximately $23 million.

The remaining increase in operating expenses is attributable to incremental system integrity activities, increased depreciation and property taxes associated with increased capital investments.

The decrease in income tax expense reflects a reduction in our effective tax rate from 37.8% to 26.9%, as a result of the TCJA.

The following table shows our operating income by distribution division, in order of total rate base, for the three months ended March 31, 2018 and 2017. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	Three Months Ended March 31		
	2018	2017	Change
		(In thousands)	
Mid-Tex	$ 78,190	$ 90,809	$ (12,619)
Kentucky/Mid-States	36,529	34,010	2,519
Louisiana	30,760	30,362	398
West Texas	21,430	21,023	407
Mississippi	25,096	25,802	(706)
Colorado-Kansas	17,474	18,331	(857)
Other	427	6,467	(6,040)
Total	$ 209,906	$ 226,804	$ (16,898)

Six Months Ended March 31, 2018 compared with Six Months Ended March 31, 2017

Financial and operational highlights for our distribution segment for the six months ended March 31, 2018 and 2017 are presented below.

	Six Months Ended March 31		
	2018	2017	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 2,060,083	$ 1,717,197	$ 342,886
Purchased gas cost	1,190,811	908,442	282,369
Contribution margin	869,272	808,755	60,517
Operating expenses	486,610	427,058	59,552
Operating income	382,662	381,697	965
Miscellaneous (expense) income	(1,007)	396	(1,403)
Interest charges	38,266	38,043	223
Income before income taxes	343,389	344,050	(661)
One-time, non-cash income tax benefit	(143,942)	—	(143,942)
Income tax expense	92,989	127,541	(34,552)
Net income	$ 394,342	$ 216,509	$ 177,833
Consolidated regulated distribution sales volumes — MMcf	220,353	172,184	48,169
Consolidated regulated distribution transportation volumes — MMcf	83,982	76,090	7,892
Total consolidated regulated distribution throughput — MMcf	304,335	248,274	56,061
Consolidated regulated distribution average cost of gas per Mcf sold	$ 5.40	$ 5.28	$ 0.12

Income before income taxes for our distribution segment was flat compared to the prior year, primarily due to a $59.6 million increase in operating expenses offset with a $60.5 million increase in contribution margin. The year-over-year increase in contribution margin primarily reflects:

- a $53.1 million net increase in rate adjustments, excluding rate adjustments resulting from the TCJA, primarily in our Mid-Tex, Kentucky/Mid-States and West Texas Divisions.
- a $15.0 million increase in residential and commercial net consumption, primarily in our Mid-Tex and Mississippi Divisions.
- an $11.2 million increase in revenue-related taxes primarily in our Mid-Tex Division, offset by a corresponding $7.7 million increase in the related tax expense.
- a $6.0 million increase in transportation margin primarily in our Kentucky/Mid-States Division.
- a $26.2 million decrease in contribution margin as a result of lower taxes included in our cost of service rates due to implementation of the TCJA, as discussed above.

The increase in operating expenses reflects expenses incurred with the planned outage we initiated in March 2018, as discussed above, combined with incremental system integrity activities, property taxes and depreciation expense associated with increased capital investments.

The decrease in income tax expense reflects a reduction in our effective tax rate from 37.1% to 27.1%, as a result of the TCJA.

The following table shows our operating income by distribution division, in order of total rate base, for the six months ended March 31, 2018 and 2017. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	Six Months Ended March 31		
	2018	2017	Change
		(In thousands)	
Mid-Tex	$ 151,115	$ 163,552	$ (12,437)
Kentucky/Mid-States	64,658	56,748	7,910
Louisiana	54,028	50,225	3,803
West Texas	37,191	35,951	1,240
Mississippi	43,371	37,760	5,611
Colorado-Kansas	30,405	30,036	369
Other	1,894	7,425	(5,531)
Total	$ 382,662	$ 381,697	$ 965

Recent Ratemaking Developments

The amounts described in the following sections represent the operating income that was requested or received in each rate filing, which may not necessarily reflect the stated amount referenced in the final order, as certain operating costs may have changed as a result of a commission's or other governmental authority's final ruling. During the first six months of fiscal 2018, we completed nine regulatory proceedings, resulting in an $18.4 million increase in annual operating income as summarized below.

Rate Action	Annual Increase in Operating Income
	(In thousands)
Annual formula rate mechanisms	$ 17,897
Rate case filings	84
Other rate activity	457
	$ 18,438

The following ratemaking efforts seeking $23.1 million in increased annual operating income were in progress as of March 31, 2018:

Division	Rate Action	Jurisdiction	Operating Income Requested
			(In thousands)
Colorado-Kansas	Rate Case	Colorado[1]	$ 2,916
Kentucky/Mid-States	Rate Case	Kentucky[1]	4,778
Kentucky/Mid-States	Formula Rate Mechanism	Tennessee[1]	850
Louisiana	Formula Rate Mechanism	Trans La [1][3]	1,195
Louisiana	Formula Rate Mechanism	LGS [2]	(1,521)
Mid-Tex	Infrastructure Mechanism	Environs [2]	1,604
Mississippi	Infrastructure Mechanism	Mississippi [2]	8,000
West Texas	Infrastructure Mechanism	Cities of Amarillo, Channing, Dalhart, and Lubbock [2]	4,418
West Texas	Infrastructure Mechanism	Environs [2]	826
			$ 23,066

(1) These filings were filed prior to the enactment of the TCJA. The impact of the TCJA along with other items considered in establishing rates will result in a difference between the requested amounts and the final amount approved by the commission.
(2) The filing amount reflects a 21% federal income tax rate resulting from the TCJA.
(3) The Louisiana Public Service Commission Staff issued a report, reflecting the impact of TCJA, which recommends a base rate decrease of $1.9 million, effective May 1, 2018.

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 the service areas in our Texas divisions. Additionally, we have specific infrastructure programs in substantially all of our distribution divisions 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 annual formula rate mechanisms were approved during the six months ended March 31, 2018:

Division	Jurisdiction	Test Year Ended	Increase in Annual Operating Income	Effective Date
			(In thousands)	
2018 Filings:				
Colorado-Kansas	Kansas GSRS	09/30/2018	$ 820	02/27/2018
Colorado-Kansas	Colorado SSIR	12/31/2018	2,228	12/20/2017
Mississippi	Mississippi - SIR	10/31/2018	7,658	12/05/2017
Mississippi	Mississippi - SGR (1)	10/31/2018	1,245	12/05/2017
Mississippi	Mississippi - SRF (1)	10/31/2018	—	12/05/2017
Kentucky/Mid-States	Kentucky - PRP	09/30/2018	5,638	10/27/2017
Kentucky/Mid-States	Virginia - SAVE (2)	09/30/2017	308	10/01/2017
Total 2018 Filings			$ 17,897	

(1) In our next SRF filing, the SGR rate base will be combined with the SRF rate base, per Commission order.
(2) The Company completed our Steps to Advance Virginia Energy (SAVE) program. On October 1, 2017 a refund factor was removed from the rate resulting in an operating income increase of $0.3 million.

Rate Case Filings

A rate case is a formal request from Atmos Energy to a regulatory authority to increase rates that are charged to our 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 and ensure that we continue to deliver reliable, reasonably priced natural gas service safely to our customers. The following table summarizes the rate cases that were completed during the six months ended March 31, 2018.

Division	State	Increase in Annual Operating Income	Effective Date
		(In thousands)	
2018 Rate Case Filings:			
Mid-Tex	City of Dallas (1)	$ 84	02/14/2018
Total 2018 Rate Case Filings		$ 84	

(1) The operating income reflects a 21% federal income tax rate resulting from the TCJA.

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the six months ended March 31, 2018.

Division	Jurisdiction	Rate Activity	Additional Annual Operating Income	Effective Date
			(In thousands)	
2018 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad Valorem(1)	$ 457	02/01/2018
Total 2018 Other Rate Activity			$ 457	

(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.

Pipeline and Storage Segment

Our pipeline and storage segment consists of the pipeline and storage operations of our Atmos Pipeline–Texas Division (APT) and our natural gas transmission operations in Louisiana. 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, eastern and western Texas, extending into or near the major producing areas of the Barnett Shale, the Texas Gulf Coast and the Delaware and Midland 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, as well as marketers and producers. As part of its pipeline operations, APT manages five underground storage facilities in Texas.

Our natural gas transmission operations in Louisiana are comprised of a proprietary 21-mile pipeline located in the New Orleans, Louisiana area that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and on a more limited basis, to third parties. The demand fee charged to our Louisiana distribution division for these services is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans which have been approved by applicable state regulatory commissions. Generally, these asset management plans require us to share with our distribution customers a significant portion of the cost savings earned from these arrangements.

Our pipeline and storage segment is impacted by seasonal weather patterns, competitive factors in the energy industry and economic conditions in our Texas and Louisiana service areas. Natural gas prices do not directly impact the results of this segment as revenues are derived from the transportation and storage 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 in Texas could influence the volumes of gas transported for shippers through our Texas pipeline system and the rates for such transportation.

The results of APT are also significantly impacted by the natural gas requirements of its local distribution company customers. Additionally, its operations may be impacted by the timing of when costs and expenses are incurred and when these costs and expenses are recovered through its tariffs.

APT annually uses GRIP to recover capital costs incurred in the prior calendar year. Following the conclusion of its rate case in August 2017, APT made a GRIP filing that covered changes in net investment from October 1, 2016 through December 31, 2016 with a requested increase in operating income of $29.0 million. On December 5, 2017, the filing was approved. On February 15, 2018, APT made a GRIP filing that covered changes in net investment from January 1, 2017 through December 31, 2017 with a requested increase in operating income of $42.2 million.

On December 21, 2016, the Louisiana Public Service Commission approved an annual increase of five percent to the demand fee charged by our natural gas transmission pipeline for each of the next 10 years, effective October 1, 2017.

Three Months Ended March 31, 2018 compared with Three Months Ended March 31, 2017

Financial and operational highlights for our pipeline and storage segment for the three months ended March 31, 2018 and 2017 are presented below.

	Three Months Ended March 31		
	2018	2017	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 89,631	$ 84,292	$ 5,339
Third-party transportation revenue	28,414	22,824	5,590
Other revenue	2,910	4,856	(1,946)
Total operating revenues	120,955	111,972	8,983
Total purchased gas cost	433	725	(292)
Contribution margin	120,522	111,247	9,275
Operating expenses	61,440	52,879	8,561
Operating income	59,082	58,368	714
Miscellaneous expense	(646)	(196)	(450)
Interest charges	10,406	10,019	387
Income before income taxes	48,030	48,153	(123)
Income tax expense	14,281	17,286	(3,005)
Net income	$ 33,749	$ 30,867	$ 2,882
Gross pipeline transportation volumes — MMcf	237,167	195,233	41,934
Consolidated pipeline transportation volumes — MMcf	148,980	131,151	17,829

Income before income taxes for our pipeline and storage segment was flat year over year, due to a $9.3 million increase in contribution margin, partially offset by an $8.6 million increase in operating expenses. The increase in contribution margin primarily reflects:

- a $16.5 million increase in rates from the approved APT rate case and the GRIP filing approved in December 2017.
- a net increase of $1.7 million due to wider spreads and positive supply and demand dynamics affecting the Permian Basin.
- an $8.0 million decrease due to the inclusion of the lower statutory rate in our revenues due to implementation of the TCJA. Of this amount, $0.2 million has been reflected in customer bills. The remaining $7.8 million relates to the establishment of regulatory liabilities for the difference between the former 35% federal statutory rate and the current 21% federal statutory rate as further described in Note 6.

Operating expenses increased $8.6 million, primarily due to higher depreciation expense and higher system maintenance expense.

The decrease in income tax expense reflects a reduction in our effective tax rate from 35.9% to 29.7%, as a result of the TCJA.

Six Months Ended March 31, 2018 and Six Months Ended March 31, 2017

Financial and operational highlights for our pipeline and storage segment for the six months ended March 31, 2018 and 2017 are presented below.

	Six Months Ended March 31		
	2018	2017	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 183,529	$ 166,760	$ 16,769
Third-party transportation revenue	57,345	45,044	12,301
Other revenue	6,544	10,120	(3,576)
Total operating revenues	247,418	221,924	25,494
Total purchased gas cost	1,345	1,080	265
Contribution margin	246,073	220,844	25,229
Operating expenses	118,186	107,451	10,735
Operating income	127,887	113,393	14,494
Miscellaneous expense	(1,281)	(557)	(724)
Interest charges	20,547	19,931	616
Income before income taxes	106,059	92,905	13,154
One-time, non-cash income tax benefit	(21,733)	—	(21,733)
Income tax expense	29,010	33,364	(4,354)
Net income	$ 98,782	$ 59,541	$ 39,241
Gross pipeline transportation volumes — MMcf	450,304	382,013	68,291
Consolidated pipeline transportation volumes — MMcf	304,085	266,127	37,958

Income before income taxes for our pipeline and storage segment increased 14 percent, primarily due to a $25.2 million increase in contribution margin, offset by a $10.7 million increase in operating expenses. The increase in contribution margin primarily reflects:

- a $30.4 million increase in rates from the approved APT rate case and the GRIP filing approved in December 2017.
- a net increase of $3.1 million due to wider spreads and positive supply and demand dynamics affecting the Permian Basin.
- an $8.0 million decrease in rates due to the implementation of the TCJA, as discussed above.

Operating expenses increased $10.7 million, primarily due to higher depreciation expense partially offset by the timing of system maintenance expense.

The decrease in income tax expense primarily reflects a reduction in our effective tax rate from 35.9% to 27.4%, as a result of the TCJA.

Natural Gas Marketing Segment

Through December 31, 2016, we were engaged in an unregulated natural gas marketing business, which was conducted by Atmos Energy Marketing (AEM). AEM's primary business was to aggregate and purchase gas supply, arrange transportation and storage logistics and ultimately deliver gas to customers at competitive prices. Additionally, AEM utilized proprietary and customer-owned transportation and storage assets to provide various services its customers requested.

As more fully described in Note 13, effective January 1, 2017, we sold all of the equity interests of AEM to CenterPoint Energy Services, Inc. (CES), a subsidiary of CenterPoint Energy Inc. As a result of the sale, Atmos Energy fully exited the nonregulated natural gas marketing business. Accordingly, a gain on sale from discontinued operations for $2.7 million was recorded for the three and six months ended March 31, 2017 and net income of $11.0 million for AEM is reported as discontinued operations for the six months ended March 31, 2017.

Liquidity and Capital Resources

The liquidity required to fund our working capital, capital expenditures and other cash needs is provided from a combination of internally generated cash flows and external debt and equity financing. External debt financing is provided primarily through the issuance of long-term debt, a $1.5 billion commercial paper program and three committed revolving credit facilities with a total availability from third-party lenders of approximately $1.5 billion. The commercial paper program and credit facilities provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves the Company's desired capital structure with an equity-to-total-capitalization ratio between 50% and 60%, inclusive of long-term and short-term debt. Additionally, we have various uncommitted trade credit lines with our gas suppliers that we utilize to purchase natural gas on a monthly basis. The liquidity provided by these sources is expected to be sufficient to fund the Company's working capital needs and capital expenditure program for the remainder of fiscal year 2018 and beyond. Please refer to the TCJA Impact section above regarding anticipated impacts on our liquidity, capital resources and cash flows.

To support our capital market activities, we have a registration statement on file with the SEC that permits us to issue a total of $2.5 billion in common stock and/or debt securities. Under the shelf registration statement, we recently filed a prospectus supplement for an at-the-market (ATM) equity distribution program under which we may issue and sell shares of our common stock up to an aggregate offering price of $500 million. At March 31, 2018, approximately $1.2 billion of securities remained available for issuance under the shelf registration statement.

The following table presents our capitalization inclusive of short-term debt and the current portion of long-term debt as of March 31, 2018, September 30, 2017 and March 31, 2017:

	March 31, 2018		September 30, 2017		March 31, 2017	
			(In thousands, except percentages)			
Short-term debt	$ 129,602	1.6%	$ 447,745	6.0%	$ 670,607	9.5%
Long-term debt[(1)]	3,067,892	38.8%	3,067,045	41.4%	2,564,620	36.3%
Shareholders' equity	4,721,346	59.6%	3,898,666	52.6%	3,834,864	54.2%
Total	$ 7,918,840	100.0%	$ 7,413,456	100.0%	$ 7,070,091	100.0%

(1) In March 2019, $450 million of long-term debt will mature. We plan to issue new senior notes to replace the maturing debt. We have executed forward starting interest rate swaps to effectively fix the Treasury yield component associated with this anticipated issuance at 3.78%.

Cash Flows

Our internally generated funds may change in the future due to a number of factors, some of which we cannot control. These include regulatory changes, prices for our products and services, 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 six months ended March 31, 2018 and 2017 are presented below.

	Six Months Ended March 31		
	2018	2017	Change
		(In thousands)	
Total cash provided by (used in)			
Operating activities	$ 751,367	$ 552,003	$ 199,364
Investing activities	(688,144)	(516,670)	(171,474)
Financing activities	(18,558)	(37,464)	18,906
Change in cash and cash equivalents	44,665	(2,131)	46,796
Cash and cash equivalents at beginning of period	26,409	47,534	(21,125)
Cash and cash equivalents at end of period	$ 71,074	$ 45,403	$ 25,671

Cash flows from operating activities

Period-over-period changes in our operating cash flows are primarily attributable to changes in net income and working capital changes, particularly within our 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.

For the six months ended March 31, 2018, we generated cash flow of $751.4 million from operating activities compared with $552.0 million for the six months ended March 31, 2017. The $199.4 million increase in operating cash flows reflects the positive cash effects of successful rate case outcomes achieved in fiscal 2017 and changes in working capital, primarily as a result of the timing of gas cost recoveries under our purchase gas cost mechanisms as a result of a period-over-period increase in sales volumes. This increase in sale volumes also contributed to the period-over-period increase in operating cash flow.

Cash flows from investing activities

In recent years, we have incurred capital expenditures to support our distribution and transmission system modernization and integrity enhancement efforts, expand our natural gas distribution services and 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.

For the six months ended March 31, 2018, cash used for investing activities was $688.1 million compared to $516.7 million in the prior-year period. Capital spending increased by $134.6 million, or 24 percent, as a result of planned increases in our distribution segment to repair and replace vintage pipe, and increases in spending in our pipeline and storage segment to improve the reliability of gas service to our local distribution company customers. The period-over-period increase also reflects the absence in the current year period of $133.6 million in net proceeds received from the sale of AEM and the $85.7 million used to acquire the North Texas Pipeline in December 2016.

Cash flows from financing activities

For the six months ended March 31, 2018, our financing activities used $18.6 million of cash compared with $37.5 million in the prior-year period. The $18.9 million decrease in cash used in financing activities primarily reflects an increase in operating cash flow that exceeded an increase in cash used for investing activities during the six months ended March 31, 2018.

In the six months ended March 31, 2018, we used $395.1 million in net proceeds from equity financing to reduce short-term debt, to support our capital spending and for other general corporate purposes. Cash dividends increased due to a 7.8% increase in our dividend rate and an increase in shares outstanding.

In the six months ended March 31, 2017, we issued $125 million of long-term debt under our three year, $200 million term loan agreement and received $49.4 million from the issuance of common stock under our ATM program. The net proceeds from these debt and equity issuances were used to reduce short-term debt and support our capital expenditures program. Additionally, the return of cash collateral related to our forward-starting interest rate swaps due to an increase in interest rates provided cash from financing activities of $25.7 million.

The following table summarizes our share issuances for the six months ended March 31, 2018 and 2017:

	Six Months Ended March 31	
	2018	2017
Shares issued:		
Direct Stock Purchase Plan	90,042	54,366
1998 Long-Term Incentive Plan	257,400	426,835
Retirement Savings Plan and Trust	49,848	172,932
At-the-Market (ATM) Equity Distribution Program	—	690,812
Equity Issuance	4,558,404	—
Total shares issued	4,955,694	1,344,945

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 businesses and the regulatory structures that govern our rates in the states where we operate.

Our debt is rated by two rating agencies: Standard & Poor's Corporation (S&P) and Moody's Investors Service (Moody's). As of March 31, 2018, both rating agencies maintained a stable outlook. Our current debt ratings are all considered investment grade and are as follows:

	S&P	Moody's
Senior unsecured long-term debt	A	A2
Short-term debt	A-1	P-1

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 and Aaa for Moody's. The lowest investment grade credit rating is BBB- for S&P and Baa3 for Moody's. 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 March 31, 2018. Our debt covenants are described in greater detail in Note 5 to the unaudited condensed consolidated financial statements.

Contractual Obligations and Commercial Commitments

Except as noted in Note 9 to the unaudited condensed consolidated financial statements, there were no significant changes in our contractual obligations and commercial commitments during the six months ended March 31, 2018.

Risk Management Activities

In our distribution and pipeline and storage segments, 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. Additionally, we manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings. Through December 31, 2016, we managed our exposure to the risk of natural gas price changes in our natural gas marketing segment by locking in our contribution margin through a combination of storage and financial instruments, including futures, over-the-counter and exchange-traded options and swap contracts with counterparties.

The following table shows the components of the change in fair value of our financial instruments for the three and six months ended March 31, 2018 and 2017:

	Three Months Ended March 31		Six Months Ended March 31	
	2018	2017	2018	2017
	(In thousands)			
Fair value of contracts at beginning of period	$ (116,529)	$ (121,722)	$ (109,159)	$ (279,543)
Contracts realized/settled	(2,360)	1,793	(1,200)	11,756
Fair value of new contracts	(147)	(2,560)	(716)	(1,597)
Other changes in value	32,694	8,485	24,733	155,380
Fair value of contracts at end of period	(86,342)	(114,004)	(86,342)	(114,004)
Netting of cash collateral	—	—	—	—
Cash collateral and fair value of contracts at period end	$ (86,342)	$ (114,004)	$ (86,342)	$ (114,004)

The fair value of our financial instruments at March 31, 2018 is presented below by time period and fair value source:

	Fair Value of Contracts at March 31, 2018				
	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	$ (86,342)	$ —	$ —	$ —	$ (86,342)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$ (86,342)	$ —	$ —	$ —	$ (86,342)

Pension and Postretirement Benefits Obligations

For the six months ended March 31, 2018 and 2017, our total net periodic pension and other benefits costs were $20.9 million and $23.2 million. A substantial portion of those costs is recoverable through our rates; however, a portion of these costs is capitalized into our rate base. The remaining costs are recorded as a component of operation and maintenance expense.

Our fiscal 2018 costs were determined using a September 30, 2017 measurement date. As of September 30, 2017, interest and corporate bond rates were higher than the rates as of September 30, 2016. Therefore, we increased the discount rate used to measure our fiscal 2018 net periodic cost from 3.73 percent to 3.89 percent. We lowered the expected return on plan assets to 6.75 percent in the determination of our fiscal 2018 net periodic pension cost based upon expected market returns for our targeted asset allocation. As a result of the net impact of changes in these and other assumptions, we expect our fiscal 2018 net periodic pension cost to be approximately 25 percent lower than fiscal 2017.

The amount of funding required for our defined benefit plan is determined in accordance with the Pension Protection Act of 2006 (PPA) and is influenced by the funded position of the plan when the funding requirements are determined on January 1 of each year. Based upon the determination as of January 1, 2017, we were not required to make a minimum contribution to our defined benefit plan during fiscal 2018. However, we will consider whether a voluntary contribution is prudent to maintain certain funding levels.

For the six months ended March 31, 2018 we contributed $7.5 million to our postretirement medical plans. We anticipate contributing a total of between $10 million and $20 million to our postretirement plans during fiscal 2018.

The projected pension liability, future funding requirements and the amount of pension expense or income recognized for the plans are subject to change, depending upon the actuarial value of plan assets in the plans and the determination of future benefit obligations as of each subsequent actuarial calculation date. These amounts will be determined by actual investment returns, changes in interest rates, values of assets in the plans and changes in the demographic composition of the participants in the plans.

OPERATING STATISTICS AND OTHER INFORMATION

The following tables present certain operating statistics for our distribution and pipeline and storage segments for the three and six-month periods ended March 31, 2018 and 2017.

Distribution Sales and Statistical Data

	Three Months Ended March 31		Six Months Ended March 31	
	2018	2017	2018	2017
METERS IN SERVICE, end of period				
Residential	2,964,137	2,929,455	2,964,137	2,929,455
Commercial	270,795	269,055	270,795	269,055
Industrial	1,673	1,690	1,673	1,690
Public authority and other	8,407	8,332	8,407	8,332
Total meters	3,245,012	3,208,532	3,245,012	3,208,532
INVENTORY STORAGE BALANCE — Bcf	29.7	40.0	29.7	40.0
SALES VOLUMES — MMcf[1]				
Gas sales volumes				
Residential	80,525	56,931	129,473	98,431
Commercial	40,956	31,739	67,905	55,475
Industrial	9,708	6,708	18,166	14,140
Public authority and other	2,857	2,376	4,809	4,138
Total gas sales volumes	134,046	97,754	220,353	172,184
Transportation volumes	47,843	42,142	87,702	81,207
Total throughput	181,889	139,896	308,055	253,391
OPERATING REVENUES (000's)[1]				
Gas sales revenues				
Residential	$ 805,134	$ 609,771	$ 1,361,654	$ 1,091,444
Commercial	318,312	251,174	541,892	451,662
Industrial	39,604	47,986	73,017	78,017
Public authority and other	19,008	17,607	32,569	29,716
Total gas sales revenues	1,182,058	926,538	2,009,132	1,650,839
Transportation revenues	29,939	24,307	55,301	46,788
Other gas revenues	(12,706)	11,696	(4,350)	19,570
Total operating revenues	$ 1,199,291	$ 962,541	$ 2,060,083	$ 1,717,197
Average cost of gas per Mcf sold	$ 5.42	$ 5.25	$ 5.40	$ 5.28

See footnote following these tables.

Pipeline and Storage Operations Sales and Statistical Data

	Three Months Ended March 31		Six Months Ended March 31	
	2018	2017	2018	2017
CUSTOMERS, end of period				
Industrial	92	91	92	91
Other	231	226	231	226
Total	323	317	323	317
INVENTORY STORAGE BALANCE — Bcf	0.4	0.6	0.4	0.6
PIPELINE TRANSPORTATION VOLUMES — MMcf(1)	237,167	195,233	450,304	382,013
OPERATING REVENUES (000's)(1)	$ 120,955	$ 111,972	$ 247,418	$ 221,924

Note to preceding tables:

(1) Sales volumes and revenues reflect segment operations, including intercompany sales and transportation amounts.

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 unaudited condensed consolidated financial statements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Information regarding our quantitative and qualitative disclosures about market risk are disclosed in Item 7A in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. During the six months ended March 31, 2018, there were no material changes in our quantitative and qualitative disclosures about market risk.

Item 4. *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 Rules 13a-15(e) and 15d-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 March 31, 2018 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.

Changes in Internal Control over Financial Reporting

We did not make any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the second quarter of the fiscal year ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

During the six months ended March 31, 2018, except as noted in Note 9 to the unaudited condensed consolidated financial statements, there were no material changes in the status of the litigation and other matters that were disclosed in Note 11 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. We continue to believe that the final outcome of such litigation and other matters or claims will not have a material adverse effect on our financial condition, results of operations or cash flows.

Item 6. *Exhibits*

The following exhibits are filed as part of this Quarterly Report.

Exhibit Number	Description	Page Number or Incorporation by Reference to
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)
10	Equity Distribution Agreement, dated as of November 14, 2017, among Atmos Energy Corporation, Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, and J.P. Morgan Securities LLC	Exhibit 1.1 to Form 8-K dated November 14, 2017 (File No. 1-10042)
12	Computation of ratio of earnings to fixed charges	
15	Letter regarding unaudited interim financial information	
31	Rule 13a-14(a)/15d-14(a) Certifications	
32	Section 1350 Certifications*	
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	

* These certifications, which were made 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 Quarterly Report on Form 10-Q, will not be deemed to be filed with the 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.

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, thereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and Chief Financial Officer
(Duly authorized signatory)

Date: May 2, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

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)*

(972) 934-9227

(Registrant's telephone number, including area code)

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

Large Accelerated Filer ☑ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☐ Emerging growth company ☐

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of shares outstanding of each of the issuer's classes of common stock, as of August 3, 2018.

Class	Shares Outstanding
No Par Value	111,200,632

GLOSSARY OF KEY TERMS

Adjusted diluted EPS from continuing operations	Non-GAAP measure defined as diluted earnings per share from continuing operations before the one-time, non-cash income tax benefit
Adjusted income from continuing operations	Non-GAAP measure defined as income from continuing operations before the one-time, non-cash income tax benefit
AEC	Atmos Energy Corporation
AEH	Atmos Energy Holdings, Inc.
AEM	Atmos Energy Marketing, LLC
AOCI	Accumulated other comprehensive income
ARM	Annual Rate Mechanism
Bcf	Billion cubic feet
Contribution Margin	Non-GAAP measure defined as operating revenues less purchased gas cost
DARR	Dallas Annual Rate Review
ERISA	Employee Retirement Income Security Act of 1974
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
Mcf	Thousand cubic feet
MMcf	Million cubic feet
Moody's	Moody's Investors Services, Inc.
NTSB	National Transportation Safety Board
PPA	Pension Protection Act of 2006
PRP	Pipeline Replacement Program
RRC	Railroad Commission of Texas
RRM	Rate Review Mechanism
RSC	Rate Stabilization Clause
S&P	Standard & Poor's Corporation
SAVE	Steps to Advance Virginia Energy
SEC	United States Securities and Exchange Commission
SGR	Supplemental Growth Filing
SIR	System Integrity Rider
SRF	Stable Rate Filing
SSIR	System Safety and Integrity Rider
TCJA	Tax Cuts and Jobs Act of 2017
WNA	Weather Normalization Adjustment

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2018	September 30, 2017
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 12,260,376	$ 11,301,304
Less accumulated depreciation and amortization	2,188,516	2,042,122
Net property, plant and equipment	10,071,860	9,259,182
Current assets		
Cash and cash equivalents	20,930	26,409
Accounts receivable, net	253,546	222,263
Gas stored underground	126,010	184,653
Other current assets	52,369	106,321
Total current assets	452,855	539,646
Goodwill	730,132	730,132
Deferred charges and other assets	252,777	220,636
	$ 11,507,624	$ 10,749,596
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at $0.005 per share); 200,000,000 shares authorized; issued and outstanding: June 30, 2018 — 111,195,448 shares; September 30, 2017 — 106,104,634 shares	$ 556	$ 531
Additional paid-in capital	2,964,043	2,536,365
Accumulated other comprehensive loss	(76,381)	(105,254)
Retained earnings	1,871,334	1,467,024
Shareholders' equity	4,759,552	3,898,666
Long-term debt	2,618,315	3,067,045
Total capitalization	7,377,867	6,965,711
Current liabilities		
Accounts payable and accrued liabilities	198,172	233,050
Other current liabilities	573,012	332,648
Short-term debt	244,777	447,745
Current maturities of long-term debt	450,000	—
Total current liabilities	1,465,961	1,013,443
Deferred income taxes	1,133,622	1,878,699
Regulatory excess deferred taxes (See Note 6)	733,509	—
Regulatory cost of removal obligation	482,001	485,420
Pension and postretirement liabilities	239,946	230,588
Deferred credits and other liabilities	74,718	175,735
	$ 11,507,624	$ 10,749,596

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30	
	2018	2017
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 535,488	$ 494,060
Pipeline and storage segment	127,633	117,283
Intersegment eliminations	(100,876)	(84,842)
Total operating revenues	562,245	526,501
Purchased gas cost		
Distribution segment	230,887	197,767
Pipeline and storage segment	561	1,251
Intersegment eliminations	(100,562)	(84,842)
Total purchased gas cost	130,886	114,176
Operation and maintenance expense	145,075	128,690
Depreciation and amortization expense	90,671	80,023
Taxes, other than income	72,620	62,948
Operating income	122,993	140,664
Miscellaneous expense	(2,003)	(289)
Interest charges	23,349	28,498
Income before income taxes	97,641	111,877
Income tax expense	26,448	41,069
Net income	$ 71,193	$ 70,808
Basic and diluted net income per share	$ 0.64	$ 0.67
Cash dividends per share	$ 0.485	$ 0.450
Basic and diluted weighted average shares outstanding	111,851	106,364

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Nine Months Ended June 30	
	2018	2017
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 2,595,571	$ 2,211,257
Pipeline and storage segment	375,051	339,207
Intersegment eliminations	(299,776)	(255,609)
Total operating revenues	2,670,846	2,294,855
Purchased gas cost		
Distribution segment	1,421,698	1,106,209
Pipeline and storage segment	1,906	2,331
Intersegment eliminations	(298,841)	(255,565)
Total purchased gas cost	1,124,763	852,975
Operation and maintenance expense	435,715	385,867
Depreciation and amortization expense	268,426	234,648
Taxes, other than income	208,400	185,611
Operating income	633,542	635,754
Miscellaneous expense	(4,291)	(450)
Interest charges	82,162	86,472
Income from continuing operations before income taxes	547,089	548,832
Income tax (benefit) expense	(17,228)	201,974
Income from continuing operations	564,317	346,858
Income from discontinued operations, net of tax ($0 and $6,841)	—	10,994
Gain on sale of discontinued operations, net of tax ($0 and $10,215)	—	2,716
Net income	$ 564,317	$ 360,568
Basic and diluted net income per share		
Income per share from continuing operations	$ 5.09	$ 3.27
Income per share from discontinued operations	—	0.13
Net income per share - basic and diluted	$ 5.09	$ 3.40
Cash dividends per share	$ 1.455	$ 1.350
Basic and diluted weighted average shares outstanding	110,707	105,862

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30		Nine Months Ended June 30	
	2018	2017	2018	2017
	(Unaudited) (In thousands)			
Net income	$ 71,193	$ 70,808	$ 564,317	$ 360,568
Other comprehensive income (loss), net of tax				
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of $92, $490, $(246) and $893	310	851	(736)	1,553
Cash flow hedges:				
Amortization and unrealized gain (loss) on interest rate agreements, net of tax of $2,460, $(10,667), $8,486 and $44,194	8,320	(18,556)	29,609	76,888
Net unrealized gains on commodity cash flow hedges, net of tax of $0, $0, $0 and $3,183	—	—	—	4,982
Total other comprehensive income (loss)	8,630	(17,705)	28,873	83,423
Total comprehensive income	$ 79,823	$ 53,103	$ 593,190	$ 443,991

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended June 30	
	2018	2017
	(Unaudited) (In thousands)	
Cash Flows From Operating Activities		
Net income	$ 564,317	$ 360,568
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	268,426	234,833
Deferred income taxes	139,852	188,256
One-time income tax benefit	(165,522)	—
Gain on sale of discontinued operations	—	(12,931)
Discontinued cash flow hedging for natural gas marketing commodity contracts	—	(10,579)
Other	18,007	14,892
Net assets / liabilities from risk management activities	912	25,661
Net change in operating assets and liabilities	209,304	(55,139)
Net cash provided by operating activities	1,035,296	745,561
Cash Flows From Investing Activities		
Capital expenditures	(1,088,472)	(812,148)
Acquisition	—	(86,128)
Proceeds from the sale of discontinued operations	3,000	140,253
Available-for-sale securities activities, net	(7,857)	(14,329)
Use tax refund	—	18,562
Other, net	6,105	6,435
Net cash used in investing activities	(1,087,224)	(747,355)
Cash Flows From Financing Activities		
Net decrease in short-term debt	(202,968)	(571,238)
Net proceeds from equity offering	395,092	98,755
Issuance of common stock through stock purchase and employee retirement plans	15,850	22,673
Proceeds from issuance of long-term debt	—	884,911
Settlement of interest rate agreements	—	(36,996)
Interest rate agreements cash collateral	—	25,670
Repayment of long-term debt	—	(250,000)
Cash dividends paid	(160,007)	(143,075)
Debt issuance costs	—	(6,663)
Other	(1,518)	—
Net cash provided by financing activities	46,449	24,037
Net increase (decrease) in cash and cash equivalents	(5,479)	22,243
Cash and cash equivalents at beginning of period	26,409	47,534
Cash and cash equivalents at end of period	$ 20,930	$ 69,777

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2018

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") is engaged in the regulated natural gas distribution and pipeline and storage businesses. 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 divisions and subsidiaries operate.

Our distribution business delivers 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 at June 30, 2018, covered service areas located in eight states.

Our pipeline and storage business, which is also subject to federal and state regulations, includes the transportation of natural gas to our Texas and Louisiana distribution systems and the management of our underground storage facilities used to support our distribution business in various states.

2. Unaudited Financial Information

These consolidated interim-period financial statements have been prepared in accordance with accounting principles generally accepted in the United States on the same basis as those used for the Company's audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. In the opinion of management, all material adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been made to the unaudited consolidated interim-period financial statements. These consolidated interim-period financial statements are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited consolidated financial statements of Atmos Energy Corporation included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. Because of seasonal and other factors, the results of operations for the nine-month period ended June 30, 2018 are not indicative of our results of operations for the full 2018 fiscal year, which ends September 30, 2018.

No events have occurred subsequent to the balance sheet date that would require recognition or disclosure in the condensed consolidated financial statements.

Significant accounting policies

Our accounting policies are described in Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

During the second quarter of fiscal 2018, we completed our annual goodwill impairment assessment. Based on the assessment performed, we determined that our goodwill was not impaired.

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, an entity 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 may need to use more judgment and make more estimates than under current guidance. The new guidance will become effective for us 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 June 30, 2018, we had substantially completed the evaluation of our sources of revenue and the impact that the new guidance will have on our financial position, results of operations, cash flows and business processes. Based on this evaluation, we currently do not believe the implementation of the new guidance will have a material effect on our financial position, results of operations, cash flows or business processes. We expect to apply the new guidance using the modified retrospective method on the date of adoption. We are currently still evaluating the impact on our financial statement presentation and related disclosures.

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. The standard will require that changes in fair value of our available-for-sale equity securities be recorded in net income. The new guidance will be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. We do not anticipate the new standard will have a material impact on our financial position, results of operations or cash flows. We are currently still evaluating the impact on our financial statement presentation and related disclosures.

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. Additionally, in January 2018, the FASB issued amendments to the standard that provides a practical expedient for entities to not evaluate existing or expired land easements that were not previously accounted for as leases under the current guidance. In July 2018, the FASB issued an amendment to the standard that provides an additional and optional transition method to adopt the standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. We are currently evaluating the effect of this standard and amendments on our financial position, results of operations and cash flows.

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 on our financial position, results of operations and cash flows.

In March 2017, the FASB issued new guidance related to the income statement presentation of the components of net periodic benefit cost for an entity's sponsored defined benefit pension and other postretirement plans. The new guidance requires entities to disaggregate the current service cost component of the net benefit cost from the other components and present it with other current compensation costs for related employees in the statement of income. The other components of net benefit cost will be presented outside of income from operations on the statement of income. In addition, only the service cost component of net benefit cost is eligible for capitalization (e.g., as part of inventory or property, plant, and equipment). The Federal Energy Regulatory Commission ("FERC"), which regulates interstate transmission pipelines and also establishes, through its Uniform System of Accounts, accounting practices of rate-regulated entities, has issued guidance that states it will permit an election to either continue to capitalize non-service benefit costs or to cease capitalizing such costs for regulatory purposes. Accounting guidelines by the FERC are typically also followed by state commissions. As such, we plan to continue to capitalize all components of net periodic benefit cost for ratemaking purposes and will defer the non-service cost components as a regulatory asset for U.S. GAAP reporting purposes. The new guidance will be effective for us in the fiscal year beginning on October 1, 2018 and for interim periods within that year. The standard requires retrospective application of the amendment related to the presentation of non-service cost components outside of income from operations in the statement of income and prospective application of the change in eligible costs for capitalization. We do not anticipate the new standard will have a material impact on our financial position, results of operations or cash flows.

In February 2018, the FASB issued new guidance as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"), related to the treatment of certain tax effects from accumulated other comprehensive income. The new guidance allows entities to reclassify from accumulated other comprehensive income to retained earnings the stranded tax effects resulting from the adoption of the TCJA. The new guidance will be effective for us in the fiscal year beginning on October 1, 2019 and for interim periods within that year. Early adoption is permitted, including adoption in any interim period for public business entities for reporting periods for which financial statements have not yet been issued and should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. We plan to early adopt the new standard effective as of September 30, 2018, and reclassify the stranded tax effects resulting from the TCJA from accumulated other comprehensive income to retained earnings. We do not anticipate the new standard will have a material impact on our financial position, results of operations or cash flows.

Regulatory assets and liabilities

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 are permitted to be capitalized rather than expensed because they can be recovered through rates. We record certain costs as regulatory assets when future recovery through customer rates is considered probable. Regulatory liabilities are recorded when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process. Substantially all of our regulatory assets are recorded as a component of deferred charges and other assets and a portion of our regulatory liabilities are recorded as a component of other current liabilities and deferred credits and other liabilities. Deferred gas costs are recorded either in other current assets or liabilities and our regulatory excess deferred taxes and regulatory cost of removal obligation is reported separately.

Significant regulatory assets and liabilities as of June 30, 2018 and September 30, 2017 included the following:

	June 30, 2018	September 30, 2017
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs(1)	$ 17,546	$ 26,826
Infrastructure mechanisms(2)	77,387	46,437
Deferred gas costs	347	65,714
Recoverable loss on reacquired debt	9,328	11,208
Deferred pipeline record collection costs	16,963	11,692
APT annual adjustment mechanism	—	2,160
Rate case costs	3,041	2,629
Other	5,131	10,132
	$ 129,743	$ 176,798
Regulatory liabilities:		
Regulatory excess deferred taxes(3)	$ 737,746	$ —
Regulatory cost of service reserve(4)	30,930	—
Regulatory cost of removal obligation	528,709	521,330
Deferred gas costs	159,201	15,559
Asset retirement obligation	12,827	12,827
APT annual adjustment mechanism	20,551	—
Other	9,783	5,941
	$ 1,499,747	$ 555,657

(1) Includes $7.1 million and $9.4 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 deferred expenses until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recoverable through base rates.
(3) The TCJA resulted in the remeasurement of the net deferred tax liability included in our rate base. Of this amount, $4.2 million is recorded in Other current liabilities. The period and timing of the return of the excess deferred taxes is being determined by regulators in each of our jurisdictions. See Note 6 for further information.
(4) Effective January 1, 2018, regulators in each of our service areas required us to establish a regulatory liability for the difference in recoverable federal taxes included in revenues based on the former 35% federal statutory rate and the new 21% federal statutory rate for service provided on or after January 1, 2018. The period and timing of the return of this liability to utility customers is being determined by regulators in each of our jurisdictions. See Note 6 for further information.

3. Segment Information

We manage and review our consolidated operations through the following reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana.
- The *natural gas marketing segment* was comprised of our discontinued natural gas marketing business.

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 distribution segment operations are geographically dispersed, they are aggregated and reported as a single segment as each natural gas distribution division has similar economic characteristics. In addition, because the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana have similar economic characteristics, they have been aggregated and reported as a single segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies found in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. We evaluate performance based on net income or loss of the respective operating units. We allocate interest and pension expense to the pipeline and storage segment; however, there is no debt or pension liability recorded on the pipeline and storage segment balance sheet. 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. Income taxes are allocated to each segment as if each segment's taxes were calculated on a separate return basis.

Income statements and capital expenditures for the three and nine months ended June 30, 2018 and 2017 by segment are presented in the following tables:

	Three Months Ended June 30, 2018			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 534,816	$ 27,429	$ —	$ 562,245
Intersegment revenues	672	100,204	(100,876)	—
Total operating revenues	535,488	127,633	(100,876)	562,245
Purchased gas cost	230,887	561	(100,562)	130,886
Operation and maintenance expense	111,895	33,494	(314)	145,075
Depreciation and amortization expense	66,504	24,167	—	90,671
Taxes, other than income	64,420	8,200	—	72,620
Operating income	61,782	61,211	—	122,993
Miscellaneous expense	(1,191)	(812)	—	(2,003)
Interest charges	13,315	10,034	—	23,349
Income before income taxes	47,276	50,365	—	97,641
Income tax expense	11,932	14,516	—	26,448
Net income	$ 35,344	$ 35,849	$ —	$ 71,193
Capital expenditures	$ 284,209	$ 110,285	$ —	$ 394,494

	Three Months Ended June 30, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
	(In thousands)				
Operating revenues from external parties	$ 493,738	$ 32,763	$ —	$ —	$ 526,501
Intersegment revenues	322	84,520	—	(84,842)	—
Total operating revenues	494,060	117,283	—	(84,842)	526,501
Purchased gas cost	197,767	1,251	—	(84,842)	114,176
Operation and maintenance expense	99,631	29,059	—	—	128,690
Depreciation and amortization expense	62,760	17,263	—	—	80,023
Taxes, other than income	56,850	6,098	—	—	62,948
Operating income	77,052	63,612	—	—	140,664
Miscellaneous expense	(62)	(227)	—	—	(289)
Interest charges	18,394	10,104	—	—	28,498
Income before income taxes	58,596	53,281	—	—	111,877
Income tax expense	22,082	18,987	—	—	41,069
Net income	$ 36,514	$ 34,294	$ —	$ —	$ 70,808
Capital expenditures	$ 205,780	$ 46,983	$ —	$ —	$ 252,763

	Nine Months Ended June 30, 2018			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 2,593,578	$ 77,268	$ —	$ 2,670,846
Intersegment revenues	1,993	297,783	(299,776)	—
Total operating revenues	2,595,571	375,051	(299,776)	2,670,846
Purchased gas cost	1,421,698	1,906	(298,841)	1,124,763
Operation and maintenance expense	347,623	89,027	(935)	435,715
Depreciation and amortization expense	197,587	70,839	—	268,426
Taxes, other than income	184,219	24,181	—	208,400
Operating income	444,444	189,098	—	633,542
Miscellaneous expense	(2,198)	(2,093)	—	(4,291)
Interest charges	51,581	30,581	—	82,162
Income before income taxes	390,665	156,424	—	547,089
Income tax (benefit) expense	(39,021)	21,793	—	(17,228)
Net income	$ 429,686	$ 134,631	$ —	$ 564,317
Capital expenditures	$ 749,693	$ 338,779	$ —	$ 1,088,472

	Nine Months Ended June 30, 2017				
	Distribution	Pipeline and Storage	Natural Gas Marketing	Eliminations	Consolidated
	(In thousands)				
Operating revenues from external parties	$ 2,210,221	$ 84,634	$ —	$ —	$ 2,294,855
Intersegment revenues	1,036	254,573	—	(255,609)	—
Total operating revenues	2,211,257	339,207	—	(255,609)	2,294,855
Purchased gas cost	1,106,209	2,331	—	(255,565)	852,975
Operation and maintenance expense	296,048	89,863	—	(44)	385,867
Depreciation and amortization expense	185,219	49,429	—	—	234,648
Taxes, other than income	165,032	20,579	—	—	185,611
Operating income	458,749	177,005	—	—	635,754
Miscellaneous income (expense)	334	(784)	—	—	(450)
Interest charges	56,437	30,035	—	—	86,472
Income from continuing operations before income taxes	402,646	146,186	—	—	548,832
Income tax expense	149,623	52,351	—	—	201,974
Income from continuing operations	253,023	93,835	—	—	346,858
Income from discontinued operations, net of tax	—	—	10,994	—	10,994
Gain on sale of discontinued operations, net of tax	—	—	2,716	—	2,716
Net income	$ 253,023	$ 93,835	$ 13,710	$ —	$ 360,568
Capital expenditures	$ 636,449	$ 175,699	$ —	$ —	$ 812,148

Balance sheet information at June 30, 2018 and September 30, 2017 by segment is presented in the following tables:

	June 30, 2018			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 7,427,486	$ 2,644,374	$ —	$ 10,071,860
Total assets	$ 10,840,846	$ 2,866,266	$ (2,199,488)	$ 11,507,624

	September 30, 2017			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 6,849,517	$ 2,409,665	$ —	$ 9,259,182
Total assets	$ 10,050,164	$ 2,621,601	$ (1,922,169)	$ 10,749,596

4. Earnings Per Share

We use the two-class method of computing earnings per share because we have participating securities in the form of non-vested restricted stock units with a nonforfeitable right to dividend equivalents, for which vesting is predicated solely on the passage of time. 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 three and nine months ended June 30, 2018 and 2017 are calculated as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2018	2017	2018	2017
	(In thousands, except per share amounts)			
Basic and Diluted Earnings Per Share from continuing operations				
Income from continuing operations	$ 71,193	$ 70,808	$ 564,317	$ 346,858
Less: Income from continuing operations allocated to participating securities	59	75	545	424
Income from continuing operations available to common shareholders	$ 71,134	$ 70,733	$ 563,772	$ 346,434
Basic and diluted weighted average shares outstanding	111,851	106,364	110,707	105,862
Income from continuing operations per share — Basic and Diluted	$ 0.64	$ 0.67	$ 5.09	$ 3.27
Basic and Diluted Earnings Per Share from discontinued operations				
Income from discontinued operations	$ —	$ —	$ —	$ 13,710
Less: Income from discontinued operations allocated to participating securities	—	—	—	15
Income from discontinued operations available to common shareholders	$ —	$ —	$ —	$ 13,695
Basic and diluted weighted average shares outstanding	111,851	106,364	110,707	105,862
Income from discontinued operations per share — Basic and Diluted	$ —	$ —	$ —	$ 0.13
Net income per share — Basic and Diluted	$ 0.64	$ 0.67	$ 5.09	$ 3.40

5. Debt

The nature and terms of our debt instruments and credit facilities are described in detail in Note 5 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. There were no material changes in the terms of our debt instruments during the nine months ended June 30, 2018.

Long-term debt at June 30, 2018 and September 30, 2017 consisted of the following:

	June 30, 2018	September 30, 2017
	(In thousands)	
Unsecured 8.50% Senior Notes, due March 2019	$ 450,000	$ 450,000
Unsecured 3.00% Senior Notes, due 2027	500,000	500,000
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	750,000	750,000
Medium-term note Series A, 1995-1, 6.67%, due 2025	10,000	10,000
Unsecured 6.75% Debentures, due 2028	150,000	150,000
Floating-rate term loan, due September 2019[(1)]	125,000	125,000
Total long-term debt	3,085,000	3,085,000
Less:		
Original issue (premium) / discount on unsecured senior notes and debentures	(4,425)	(4,384)
Debt issuance cost	21,110	22,339
Current maturities	450,000	—
	$ 2,618,315	$ 3,067,045

(1) Up to $200 million can be drawn under this term loan.

We utilize short-term debt to provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves the Company's desired capital structure with an equity-to-total-capitalization ratio between 50% and 60%, inclusive of long-term and short-term debt. Our short-term borrowing requirements are affected primarily 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 our customers' needs could significantly affect our borrowing requirements. Our short-term borrowings typically reach their highest levels in the winter months.

Currently, our short-term borrowing requirements are satisfied through a combination of a $1.5 billion commercial paper program and three committed revolving credit facilities with third-party lenders that provide approximately $1.5 billion of total working capital funding. The primary source of our funding is our commercial paper program, which is supported by a five-year unsecured $1.5 billion credit facility. On March 26, 2018, we executed one of our two one-year extension options which extended the maturity date from September 25, 2021 to September 25, 2022. The 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. Additionally, the facility contains a $250 million accordion feature, which provides the opportunity to increase the loan, total committed availability to $1.75 billion. At June 30, 2018 and September 30, 2017, a total of $244.8 million and $447.7 million was outstanding under our commercial paper program.

Additionally, we have a $25 million 364-day unsecured facility, which was renewed effective April 1, 2018 and expires March 31, 2019, and a $10 million 364-day unsecured revolving credit facility, which is used primarily to issue letters of credit. At June 30, 2018, there were no borrowings outstanding under either of these facilities; however, outstanding letters of credit reduced the total amount available to us under our $10 million facility to $4.4 million.

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 each of these facilities to maintain, at the end of each fiscal quarter, a ratio of total-debt-to-total-capitalization of no greater than 70 percent. At June 30, 2018, our total-debt-to-total-capitalization ratio, as defined in the agreements, was 42 percent. In addition, both the interest margin and the fee that we pay on unused amounts under certain of these facilities are subject to adjustment depending upon our credit ratings.

These credit facilities and our 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 certain of 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 June 30, 2018. 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.

6. Impact of the Tax Cuts and Jobs Act of 2017

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "TCJA") was signed into law. The TCJA introduced several significant changes to corporate income tax laws in the United States. The most significant change that affects Atmos Energy is the reduction of the federal statutory income tax rate from 35% to 21%. As a rate-regulated entity, the accelerated capital expensing and the limitation on interest deductibility provisions included in the TCJA are not applicable to us.

Under generally accepted accounting principles, we use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

At September 30, 2017, we measured our net deferred tax liability using the enacted federal statutory tax rate of 35%. The enactment of the TCJA on December 22, 2017 required us to remeasure our deferred tax assets and liabilities, including our U.S. federal income tax net operating loss carryforwards, at the newly enacted federal statutory income tax rate. As the Company's fiscal year end is September 30, the Internal Revenue Code requires the Company to use a blended statutory federal corporate income tax rate of 24.5% for fiscal 2018.

The decrease in the federal statutory income tax rate reduced our net deferred tax liability by $903.7 million. Of this amount, $738.2 million relates to regulated operations and has been recorded as a regulatory liability, a portion of which is currently being returned to utility customers. The period and timing of these revenue adjustments are subject to Internal Revenue Code provisions and regulatory actions in each of the eight states in which we operate. During the third quarter of fiscal 2018, the Company amortized $0.5 million of this regulatory liability. The remaining $165.5 million has been reflected as a one-time income tax benefit in our condensed consolidated statement of income for the nine months ended June 30, 2018, because these taxes are not related to our cost of service ratemaking.

At June 30, 2018, we had $270.7 million of remeasured federal net operating loss carryforwards. The federal net operating loss carryforwards are available to offset future taxable income and will begin to expire in 2029. The Company also has $10.1 million of federal alternative minimum tax credit carryforwards that do not expire and are expected to be fully refunded to us between 2019 and 2022 as a result of changes introduced by the TCJA. These credit carryforwards are now reflected as taxes receivable within the deferred charges and other assets line item on our condensed consolidated balance sheet. In addition, the Company has $5.3 million in remeasured charitable contribution carryforwards to offset future taxable income. The Company's charitable contribution carryforwards expire between 2018 and 2023.

The Company also has $21.2 million of state net operating loss carryforwards and $1.5 million of state tax credit carryforwards (net of $5.6 million and $0.4 million of remeasured federal effects). Depending on the jurisdiction in which the state net operating loss was generated, the carryforwards will begin to expire between 2018 and 2032.

Due to the changes introduced by the TCJA, we now believe it is more likely than not that the benefit from certain charitable contribution carryforwards for which a valuation allowance was previously established will be realized. As a result, we reduced our valuation allowance by $4.2 million during the first quarter. This amount is included in the $165.5 million one-time income tax benefit.

The SEC issued guidance in Staff Accounting Bulletin 118 (SAB 118), which allows us to record provisional amounts during a one-year measurement period, similar to the measurement period in accounting for business combinations. The Company has determined a reasonable estimate for the measurement and accounting for certain effects of the TCJA, including the remeasurement of our net deferred tax liabilities and the establishment of a regulatory liability, which have been reflected as provisional amounts in the June 30, 2018 condensed consolidated financial statements and are described in further detail above. The amounts represent our best estimates based upon records, information and current guidance. We are still analyzing certain aspects of the TCJA, refining our calculations and expecting additional guidance relating to the TCJA from the U.S. Department of the Treasury and the Internal Revenue Service. Any additional guidance issued or future actions of our regulators could potentially affect the final determination of the accounting effects arising from the implementation of the TCJA.

We are actively working with our regulators in each jurisdiction to address the impact of the TCJA on our cost of service based rates. Accounting orders were issued for all our service areas that required us to establish, effective January 1, 2018, a separate regulatory liability for the difference in taxes included in our rates that have been calculated based on a 35% statutory income tax rate and the new 21% statutory income tax rate. The establishment of this regulatory liability relating to our cost of service rates resulted in a reduction to our revenues beginning in the second quarter of fiscal 2018. The period and timing of the return of these liabilities to utility customers is being determined by regulators in each of our jurisdictions. As of June 30, 2018, this regulatory liability was $30.9 million.

We have received approval from regulators to update our cost of service rates to reflect the decrease in the statutory income tax rate in our Colorado, Kansas, Kentucky, Louisiana and Texas service areas. We are still working with regulators in Mississippi, Tennessee and Virginia to reflect the effects of the lower statutory income tax rate in our cost of service in rates. During the third quarter of fiscal 2018, we received approval from regulators to return amounts to customers related to the regulatory liabilities recorded for differences in our cost of service rates due to change in the federal statutory income tax rate in Colorado and Kansas, in accordance with regulatory proceedings within one year.

During the third quarter of fiscal 2018, we received approval from regulators to return amounts to customers related to the regulatory liabilities recorded for the excess deferred taxes created upon implementation of the TCJA in Colorado, Kentucky and Louisiana in accordance with regulatory proceedings on a provisional basis over periods ranging from 18 to 40 years. In our remaining jurisdictions, the treatment of the effects of the TCJA in rates is being addressed in ongoing or will be addressed in future regulatory proceedings.

7. Shareholders' Equity

Shelf Registration, At-the-Market Equity Sales Program and Equity Issuance

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 expires March 28, 2019. At June 30, 2018, approximately $650 million of securities remained available for issuance under the shelf registration statement.

On November 14, 2017, we filed a prospectus supplement under the registration statement relating to an at-the-market (ATM) equity sales program under which we may issue and sell shares of our common stock up to an aggregate offering price of $500 million, which expires March 28, 2019. During the nine months ended June 30, 2018, no shares of common stock were sold under the ATM program.

On November 30, 2017, we filed a prospectus supplement under the registration statement relating to an underwriting agreement to sell 4,558,404 shares of our common stock for $400 million. After expenses, net proceeds from the offering were $395.1 million.

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in AOCI related to available-for-sale securities, interest rate cash flow hedges and prior to the sale of Atmos Energy Marketing, LLC (AEM) on January 1, 2017, 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 (loss):

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Total
		(In thousands)	
September 30, 2017	$ 7,048	$ (112,302)	$ (105,254)
Other comprehensive income before reclassifications	148	28,315	28,463
Amounts reclassified from accumulated other comprehensive income	(884)	1,294	410
Net current-period other comprehensive income (loss)	(736)	29,609	28,873
June 30, 2018	$ 6,312	$ (82,693)	$ (76,381)

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Commodity Contracts Cash Flow Hedges	Total
	(In thousands)			
September 30, 2016	$ 4,484	$ (187,524)	$ (4,982)	$ (188,022)
Other comprehensive income before reclassifications	1,485	76,602	9,847	87,934
Amounts reclassified from accumulated other comprehensive income	68	286	(4,865)	(4,511)
Net current-period other comprehensive income	1,553	76,888	4,982	83,423
June 30, 2017	$ 6,037	$ (110,636)	$ —	$ (104,599)

The following tables detail reclassifications out of AOCI for the three and nine months ended June 30, 2018 and 2017. Amounts in parentheses below indicate decreases to net income in the statement of income:

	Three Months Ended June 30, 2018	
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	$ 7	Operation and maintenance expense
	7	Total before tax
	(2)	Tax expense
	$ 5	Net of tax
Cash flow hedges		
Interest rate agreements	$ (594)	Interest charges
	(594)	Total before tax
	135	Tax benefit
	$ (459)	Net of tax
Total reclassifications	$ (454)	Net of tax

	Three Months Ended June 30, 2017	
Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
	(In thousands)	
Cash flow hedges		
Interest rate agreements	$ (177)	Interest charges
	(177)	Total before tax
	64	Tax benefit
Total reclassifications	$ (113)	Net of tax

Accumulated Other Comprehensive Income Components	Nine Months Ended June 30, 2018 — Amount Reclassified from Accumulated Other Comprehensive Income (In thousands)	Affected Line Item in the Statement of Income
Available-for-sale securities	$ 1,146	Operation and maintenance expense
	1,146	Total before tax
	(262)	Tax expense
	$ 884	Net of tax
Cash flow hedges		
Interest rate agreements	$ (1,781)	Interest charges
	(1,781)	Total before tax
	487	Tax benefit
	$ (1,294)	Net of tax
Total reclassifications	$ (410)	Net of tax

Accumulated Other Comprehensive Income Components	Nine Months Ended June 30, 2017 — Amount Reclassified from Accumulated Other Comprehensive Income (In thousands)	Affected Line Item in the Statement of Income
Available-for-sale securities	$ (107)	Operation and maintenance expense
	(107)	Total before tax
	39	Tax benefit
	$ (68)	Net of tax
Cash flow hedges		
Interest rate agreements	$ (450)	Interest charges
Commodity contracts	7,967	Purchased gas cost(1)
	7,517	Total before tax
	(2,938)	Tax expense
	$ 4,579	Net of tax
Total reclassifications	$ 4,511	Net of tax

(1) Amount is presented as part of income from discontinued operations in the condensed consolidated statement of income.

8. Interim Pension and Other Postretirement Benefit Plan Information

The components of our net periodic pension cost for our pension and other postretirement benefit plans for the three and nine months ended June 30, 2018 and 2017 are presented in the following tables. Most of these costs are recoverable through our tariff rates. A portion of these costs is capitalized into our rate base. The remaining costs are recorded as a component of operation and maintenance expense.

In the second quarter of fiscal 2018, due to the retirement of certain executives, we recognized a settlement loss of $2.4 million associated with our Supplemental Executive Retirement Plan and revalued the net periodic pension cost for the remainder of fiscal 2018. The revaluation of the net periodic pension cost for our Supplemental Executive Retirement Plan resulted in an increase in the discount rate, effective March 1, 2018, to 4.12% from 3.89%, which will increase our net periodic pension cost by approximately $0.1 million for the remainder of the fiscal year.

In the third quarter of fiscal 2018, due to the retirement of one of our executives, we recognized a settlement loss of $0.9 million associated with our Supplemental Executive Retirement Plan and revalued the net periodic pension cost for the remainder of fiscal 2018. The revaluation of the net periodic pension cost for our Supplemental Executive Retirement Plan resulted in an increase in the discount rate, effective June 5, 2018, to 4.29% from 4.12%, which will increase our net periodic pension cost by approximately $0.2 million for the remainder of the fiscal year.

	Three Months Ended June 30			
	Pension Benefits		Other Benefits	
	2018	2017	2018	2017
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 4,794	$ 5,216	$ 3,020	$ 3,109
Interest cost	6,448	6,296	2,726	2,669
Expected return on assets	(6,917)	(6,993)	(2,002)	(1,796)
Amortization of prior service cost (credit)	(57)	(57)	2	(411)
Amortization of actuarial (gain) loss	3,050	4,248	(1,618)	(706)
Settlements	888	—	—	—
Net periodic pension cost	$ 8,206	$ 8,710	$ 2,128	$ 2,865

	Nine Months Ended June 30			
	Pension Benefits		Other Benefits	
	2018	2017	2018	2017
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 13,929	$ 15,649	$ 9,059	$ 9,327
Interest cost	19,311	18,890	8,180	8,009
Expected return on assets	(20,750)	(20,981)	(6,005)	(5,389)
Amortization of prior service cost (credit)	(173)	(173)	8	(1,233)
Amortization of actuarial (gain) loss	9,224	12,746	(4,855)	(2,120)
Settlements	3,303	—	—	—
Net periodic pension cost	$ 24,844	$ 26,131	$ 6,387	$ 8,594

The assumptions used to develop our net periodic pension cost for the three and nine months ended June 30, 2018 and 2017 are as follows:

	Supplemental Executive Retirement Plan		Pension Benefits		Other Benefits	
	2018	2017	2018	2017	2018	2017
Discount rate	4.29%	3.73%	3.89%	3.73%	3.89%	3.73%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%	N/A	N/A
Expected return on plan assets	N/A	N/A	6.75%	7.00%	4.29%	4.45%

The discount rate used to compute the present value of a plan's liabilities generally is based on rates of high-grade corporate bonds with maturities similar to the average period over which the benefits will be paid. Generally, our funding policy has been to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974. In accordance with the Pension Protection Act of 2006 (PPA), we determined the funded status of our plan as of January 1, 2018. Based on that determination, we are not required to make a minimum contribution to our defined benefit plan during fiscal 2018; however, we may consider whether a voluntary contribution is prudent to maintain certain funding levels.

We contributed $11.4 million to our other post-retirement benefit plans during the nine months ended June 30, 2018. We expect to contribute a total of between $10 million and $20 million to these plans during fiscal 2018.

9. Commitments and Contingencies

Litigation and Environmental Matters

In the normal course of business, we are subject to various legal and regulatory proceedings. For such matters, we record liabilities when they are considered probable and estimable, based on currently available facts, our historical experience, and our estimates of the ultimate outcome or resolution of the liability in the future. While the outcome of these proceedings is uncertain and a loss in excess of the amount we have accrued is possible though not reasonably estimable, it is the opinion of management that any amounts exceeding the accruals will not have a material adverse impact on our financial position, results of operations or cash flows.

We maintain liability insurance for various risks associated with the operation of our natural gas pipelines and facilities, including for property damage and bodily injury. These liability insurance policies generally require us to be responsible for the first $1.0 million (self-insured retention) of each incident.

The National Transportation Safety Board (NTSB) is investigating an incident that occurred at a Dallas, Texas residence on February 23, 2018 that resulted in one fatality and injuries to four other residents. Together with the Railroad Commission of Texas and the Pipeline and Hazardous Materials Safety Administration, Atmos Energy is a party to the investigation and in that capacity is working closely with the NTSB to help determine the cause of this incident.

On March 29, 2018, a civil action was filed in Dallas, Texas against Atmos Energy in response to the February 23rd incident. The plaintiffs seek over $1.0 million in damages for, among with others, wrongful death and personal injury.

We are a party to various other litigation and environmental-related matters or claims that have arisen in the ordinary course of our business. While the results of such litigation and response actions to such environmental-related matters or claims cannot be predicted with certainty, we continue to believe the final outcome of such litigation and matters or claims will not have a material adverse effect on our financial condition, results of operations or cash flows.

Purchase Commitments

Our 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 hubs. At June 30, 2018, we were committed to purchase 53.6 Bcf within one year and 51.2 Bcf within two to three years under indexed contracts.

Regulatory Matters

Various regulatory agencies, including the SEC and the Commodities Futures Trading Commission, continue to adopt regulations implementing many of the provisions of the Dodd-Frank Act of 2010. We continue to enact new procedures and modify existing business practices and contractual arrangements to comply with such regulations. Additional rulemakings are pending which we believe will result in new reporting and disclosure obligations. The costs associated with hedging certain risks inherent in our business may be further increased when these expected additional regulations are adopted.

As of June 30, 2018, formula rate mechanisms were pending regulatory approval in our Louisiana, Mid-Tex, Tennessee and West Texas service areas, infrastructure mechanisms were pending regulatory approval in our Mississippi service area and rate cases were pending regulatory approval in our Mid-Tex, Virginia and West Texas service areas. These regulatory proceedings are discussed in further detail below in *Management's Discussion and Analysis — Recent Ratemaking Developments*. Additionally, as discussed in further detail in Note 6, all jurisdictions are addressing impacts of the TCJA.

10. Financial Instruments

We currently use financial instruments to mitigate commodity price risk and interest rate risk. The objectives and strategies for using financial instruments and the related accounting for these financial instruments are fully described in Notes 2 and 13 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. During the nine months ended June 30, 2018, there were no material changes in our objectives, strategies and accounting for using financial instruments. Our financial instruments do not contain any credit-risk-related or other contingent features that could cause payments to be accelerated when our financial instruments are in net liability positions. The following summarizes those objectives and strategies.

Commodity Risk Management Activities

Our purchased gas cost adjustment mechanisms essentially insulate our distribution segment from commodity price risk; however, 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.

We typically seek to hedge between 25 and 50 percent of anticipated heating season gas purchases using financial instruments. For the 2017-2018 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 26 percent, or 15.0 Bcf of the winter flowing gas requirements. We have not designated these financial instruments as hedges for accounting purposes.

Interest Rate Risk Management Activities

We periodically manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

As of June 30, 2018, we had forward starting interest rate swaps to effectively fix the Treasury yield component associated with the anticipated issuance of $450 million unsecured senior notes in fiscal 2019 at 3.78%, which we designated as a cash flow hedge at the time the swaps were executed. As of June 30, 2018, we had $48.7 million of net realized losses in accumulated other comprehensive income (AOCI) associated with the settlement of financial instruments used to fix the Treasury yield component of the interest cost of financing various issuances of long-term debt and senior notes, which will be recognized as a component of interest expense over the life of the associated notes from the date of settlement. The remaining amortization periods for these settled amounts extend through fiscal 2045.

Quantitative Disclosures Related to Financial Instruments

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

As of June 30, 2018, 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 June 30, 2018, we had 11,446 MMcf of net long commodity contracts outstanding. These contracts have not been designated as hedges.

Financial Instruments on the Balance Sheet

The following tables present the fair value and balance sheet classification of our financial instruments as of June 30, 2018 and September 30, 2017. The gross amounts of recognized assets and liabilities are netted within our unaudited Condensed Consolidated Balance Sheets to the extent that we have netting arrangements with our counterparties.

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
June 30, 2018			
Designated As Hedges:			
Interest rate contracts	Other current assets / Other current liabilities	$ —	$ (75,763)
Total		—	(75,763)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	869	(741)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	108	—
Total		977	(741)
Gross Financial Instruments		977	(76,504)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		—	—
Net Financial Instruments		977	(76,504)
Cash collateral		—	—
Net Assets/Liabilities from Risk Management Activities		$ 977	$ (76,504)

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
September 30, 2017			
Designated As Hedges:			
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	$ —	$ (112,076)
Total		—	(112,076)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	2,436	(322)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	803	—
Total		3,239	(322)
Gross Financial Instruments		3,239	(112,398)
Gross Amounts Offset on Consolidated Balance Sheet:			
Contract netting		—	—
Net Financial Instruments		3,239	(112,398)
Cash collateral		—	—
Net Assets/Liabilities from Risk Management Activities		$ 3,239	$ (112,398)

Impact of Financial Instruments on the Income Statement

Cash Flow Hedges

As discussed above, our distribution segment has interest rate swap agreements, which we designated as a cash flow hedge at the time the swaps were executed. The net loss on settled interest rate agreements reclassified from AOCI into interest charges on our condensed consolidated statements of income for the three months ended June 30, 2018 and 2017 was $0.6 million and $0.2 million and for the nine months ended June 30, 2018 and 2017 was $1.8 million and $0.5 million.

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 three and nine months ended June 30, 2018 and 2017. The amounts included in the table below exclude gains and losses arising from ineffectiveness because those amounts are immediately recognized in the income statement as incurred.

	Three Months Ended June 30		Nine Months Ended June 30	
	2018	2017 (1)	2018	2017 (1)
	(In thousands)			
Increase (decrease) in fair value:				
Interest rate agreements	$ 7,861	$ (18,669)	$ 28,315	$ 76,602
Forward commodity contracts(2)	—	—	—	9,847
Recognition of (gains) losses in earnings due to settlements:				
Interest rate agreements	459	113	1,294	286
Forward commodity contracts(2)	—	—	—	(4,865)
Total other comprehensive income (loss) from hedging, net of tax	$ 8,320	$ (18,556)	$ 29,609	$ 81,870

(1) Utilizing an income tax rate ranging from 37 percent to 39 percent based on the effective rates in each taxing jurisdiction for the three and nine-month periods ended June 30, 2017.

(2) Due to the sale of AEM, these amounts are included in income from discontinued operations.

Deferred gains (losses) recorded in AOCI associated with our interest rate agreements are recognized in earnings as they are amortized over the terms of the underlying debt instruments. The following amounts, net of deferred taxes, represent the expected recognition in earnings, as of June 30, 2018, of the deferred losses recorded in AOCI associated with our financial instruments, based upon the fair values of these financial instruments at the date of settlement. However, the table below does not include the expected recognition in earnings of our outstanding interest rate agreements as those instruments have not yet settled.

	Interest Rate Agreements	
	(In thousands)	
Next twelve months	$	(1,848)
Thereafter		(46,808)
Total	$	(48,656)

Financial Instruments Not Designated as Hedges

As discussed above, financial instruments used in our distribution segment are not designated as hedges. However, there is no earnings impact on our 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.

11. 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 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. During the nine months ended June 30, 2018, there were no changes in these methods.

Fair value measurements also apply to the valuation of our pension and postretirement plan assets. Current accounting guidance requires employers to annually disclose information about fair value measurements of the assets of a defined benefit pension or other postretirement plan. The fair value of these assets is presented in Note 7 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

Quantitative Disclosures

Financial Instruments

The classification of our fair value measurements requires judgment regarding the degree to which market data is observable or corroborated by observable market data. 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), with the lowest priority given to unobservable inputs (Level 3). 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 June 30, 2018 and September 30, 2017. 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		June 30, 2018
					(In thousands)				
Assets:									
Financial instruments	$	—	$	977	$	—	$	—	$	977
Available-for-sale securities										
Registered investment companies		43,548		—		—		—		43,548
Bond mutual funds		21,378		—		—		—		21,378
Bonds		—		30,303		—		—		30,303
Money market funds		—		2,195		—		—		2,195
Total available-for-sale securities		64,926		32,498		—		—		97,424
Total assets	$	64,926	$	33,475	$	—	$	—	$	98,401
Liabilities:										
Financial instruments	$	—	$	76,504	$	—	$	—	$	76,504

		Quoted Prices in Active Markets (Level 1)		Significant Other Observable Inputs (Level 2)(1)		Significant Other Unobservable Inputs (Level 3)		Netting and Cash Collateral		September 30, 2017
						(In thousands)				
Assets:										
Financial instruments	$	—	$	3,239	$	—	$	—	$	3,239
Available-for-sale securities										
Registered investment companies		41,097		—		—		—		41,097
Bond mutual funds		16,371		—		—		—		16,371
Bonds		—		29,104		—		—		29,104
Money market funds		—		1,837		—		—		1,837
Total available-for-sale securities		57,468		30,941		—		—		88,409
Total assets	$	57,468	$	34,180	$	—	$	—	$	91,648
Liabilities:										
Financial instruments	$	—	$	112,398	$	—	$	—	$	112,398

(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 that are valued at cost.

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

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(In thousands)			
As of June 30, 2018				
Domestic equity mutual funds	$ 28,283	$ 8,973	$ (293)	$ 36,963
Foreign equity mutual funds	4,656	1,929	—	6,585
Bond mutual funds	21,673	—	(295)	21,378
Bonds	30,434	8	(139)	30,303
Money market funds	2,195	—	—	2,195
	$ 87,241	$ 10,910	$ (727)	$ 97,424
As of September 30, 2017				
Domestic equity mutual funds	$ 25,361	$ 8,920	$ —	$ 34,281
Foreign equity mutual funds	4,581	2,235	—	6,816
Bond mutual funds	16,391	2	(22)	16,371
Bonds	29,074	46	(16)	29,104
Money market funds	1,837	—	—	1,837
	$ 77,244	$ 11,203	$ (38)	$ 88,409

At June 30, 2018 and September 30, 2017, our available-for-sale securities included $45.7 million and $42.9 million related to assets held in separate rabbi trusts for our supplemental executive benefit plans. At June 30, 2018, we maintained investments in bonds that have contractual maturity dates ranging from July 2018 through June 2021.

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 a fund by fund 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 fund is written down to its estimated fair value and the other-than-temporary impairment is recognized in the income statement.

Other Fair Value Measures

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 June 30, 2018 and September 30, 2017:

	June 30, 2018	September 30, 2017
	(In thousands)	
Carrying Amount	$ 3,085,000	$ 3,085,000
Fair Value	$ 3,216,893	$ 3,382,272

12. Concentration of Credit Risk

Information regarding our concentration of credit risk is disclosed in Note 16 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. During the nine months ended June 30, 2018, there were no material changes in our concentration of credit risk.

13. Discontinued Operations

On October 29, 2016, we entered into a Membership Interest Purchase Agreement (the Agreement) with CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy, Inc. (CES) to sell all of the equity interests of Atmos Energy Marketing, LLC (AEM). The transaction closed on January 3, 2017, with an effective date of January 1, 2017. CES paid a cash purchase price of $38.3 million plus working capital of $109.0 million for total cash consideration of $147.3 million. Of this amount, $7.0 million was placed into escrow and was to be paid to the Company within 24 months of the closing date, net of any indemnification claims agreed upon between the two companies. In January 2018, $3.0 million of this escrowed amount was released and received by the Company. We recognized a net gain of $0.03 per diluted share on the sale in the second quarter of fiscal 2017 and completed the working capital true–up during the third quarter of fiscal 2017.

The operating results of our natural gas marketing reportable segment have been reported on the condensed consolidated statement of income as income from discontinued operations, net of income tax, for the nine months ended June 30, 2017. Accordingly, expenses related to allocable general corporate overhead and interest expense are not included in these results.

The tables below set forth selected financial information related to discontinued operations. Operating expenses include operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income. At June 30, 2018 and September 30, 2017 we did not have any assets or liabilities held for sale.

The following table presents statement of income data related to discontinued operations:

	Nine Months Ended June 30, 2017
	(In thousands)
Operating revenues	$ 303,474
Purchased gas cost	277,554
Operating expenses	7,874
Operating income	18,046
Other nonoperating expense	(211)
Income from discontinued operations before income taxes	17,835
Income tax expense	6,841
Income from discontinued operations	10,994
Gain on sale from discontinued operations, net of tax ($10,215)	2,716
Net income from discontinued operations	$ 13,710

The following table presents statement of cash flow data related to discontinued operations:

	Nine Months Ended June 30, 2017
	(In thousands)
Depreciation and amortization expense	$ 185
Capital expenditures	$ —
Non-cash loss in commodity contract cash flow hedges	$ (8,165)

Natural Gas Marketing Commodity Risk Management Activities

Our discontinued natural gas marketing segment was exposed to risks associated with changes in the market price of natural gas through the purchase, sale and delivery of natural gas to its customers at competitive prices. Through December 31, 2016, we managed 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. Effective January 1, 2017, as a result of the sale of AEM, these activities were discontinued.

Due to the sale of AEM, we determined that the cash flows associated with our natural gas marketing commodity cash flow hedges were no longer probable of occurring; therefore, we discontinued hedge accounting as of December 31, 2016. As a result, we reclassified the gain in accumulated other comprehensive income associated with the commodity contracts into earnings as a reduction of purchased gas cost and recognized a pre-tax gain of $10.6 million, which is included in income from discontinued operations on the condensed consolidated statement of income for the nine months ended June 30, 2017.

The Company's other risk management activities are discussed in Note 10.

Impact of Financial Instruments on the Income Statement

Hedge ineffectiveness for our natural gas marketing segment was recorded as a component of purchased gas cost, which is included in discontinued operations on the condensed consolidated statements of income, and primarily results from differences in the location and timing of the derivative instrument and the hedged item. For the nine months ended June 30, 2017, we recognized a gain arising from fair value and cash flow hedge ineffectiveness of $3.4 million. Additional information regarding ineffectiveness recognized in the income statement is included in the tables below.

Fair Value Hedges

The impact of our natural gas marketing segment commodity contracts designated as fair value hedges and the related hedged item on the results of discontinued operations on our condensed consolidated income statement for the nine months ended June 30, 2017 is presented below.

	Nine Months Ended June 30, 2017
	(In thousands)
Commodity contracts	$ (9,567)
Fair value adjustment for natural gas inventory designated as the hedged item	12,858
Total decrease in purchased gas cost reflected in income from discontinued operations	$ 3,291
The decrease in purchased gas cost reflected in income from discontinued operations is comprised of the following:	
Basis ineffectiveness	$ (597)
Timing ineffectiveness	3,888
	$ 3,291

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.

Cash Flow Hedges

The impact of our natural gas marketing segment cash flow hedges on our condensed consolidated income statements for the nine months ended June 30, 2017 is presented below:

	Nine Months Ended June 30, 2017
	(In thousands)
Loss reclassified from AOCI for effective portion of natural gas marketing commodity contracts	$ (2,612)
Gain arising from ineffective portion of natural gas marketing commodity contracts	111
Gain on discontinuance of cash flow hedging of natural gas marketing commodity contracts reclassified from AOCI	10,579
Total impact on purchased gas cost reflected in income from discontinued operations	$ 8,078

Financial Instruments Not Designated as Hedges

The impact of the natural gas marketing segment's financial instruments that had not been designated as hedges on our condensed consolidated income statements for the nine months ended June 30, 2017 was a decrease in purchased gas cost of $6.8 million, which is included in discontinued operations on the condensed consolidated statements of income.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have reviewed the condensed consolidated balance sheet of Atmos Energy Corporation as of June 30, 2018 and the related condensed consolidated statements of income and comprehensive income for the three and nine month periods ended June 30, 2018 and 2017 and the condensed consolidated statements of cash flows for the nine month periods ended June 30, 2018 and 2017. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Atmos Energy Corporation as of September 30, 2017, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated November 13, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheets from which it has been derived.

/s/ ERNST & YOUNG LLP

Dallas, Texas
August 8, 2018

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

INTRODUCTION

The following discussion should be read in conjunction with the condensed consolidated financial statements in this Quarterly Report on Form 10-Q and Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended September 30, 2017.

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

The statements contained in this Quarterly Report on Form 10-Q 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 and capital markets to execute our business strategy; 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 performance or creditworthiness and interest rate risk; the concentration of our operations in Texas; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; the capital-intensive nature of our 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 operational, technical and managerial 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 change or related additional legislation or regulation in the future; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the threat of cyber-attacks or acts of cyber-terrorism that 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; 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.

OVERVIEW

Atmos Energy and our subsidiaries are engaged in the regulated natural gas distribution and pipeline and storage businesses. We distribute natural gas through sales and transportation arrangements to over three million residential, commercial, public authority and industrial customers throughout our six distribution divisions, which at June 30, 2018 covered service areas located in eight states. In addition, we transport natural gas for others through our distribution and pipeline systems.

We manage and review our consolidated operations through the following reportable segments:

- The *distribution segment* is primarily comprised of our regulated natural gas distribution and related sales operations in eight states.
- The *pipeline and storage segment* is comprised primarily of the pipeline and storage operations of our Atmos Pipeline-Texas division and our natural gas transmission operations in Louisiana.
- The *natural gas marketing segment* was comprised of our discontinued natural gas marketing business.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Our condensed 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 based our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. On an ongoing basis, we evaluate our estimates, including those related to risk management and trading activities, the allowance for doubtful accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and the valuation of goodwill, indefinite-lived intangible assets and other long-lived assets. Actual results may differ from such estimates.

Our critical accounting policies used in the preparation of our consolidated financial statements are described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017 and include the following:

- Regulation
- Unbilled revenue
- Pension and other postretirement plans
- Impairment assessments

Our critical accounting policies are reviewed periodically by the Audit Committee of our Board of Directors. There were no significant changes to these critical accounting policies during the nine months ended June 30, 2018.

Non-GAAP Financial Measures

Our operations are affected by the cost of natural gas, which is passed through to our customers without markup and includes commodity price, transportation, storage, injection and withdrawal fees and settlements of financial instruments used to mitigate commodity price risk. These costs are reflected in the income statement as purchased gas cost. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, we believe contribution margin, a non-GAAP financial measure, defined as operating revenues less purchased gas cost, is a more useful and relevant measure to analyze our financial performance than operating revenues. As such, the following discussion and analysis of our financial performance will reference contribution margin rather than operating revenues and purchased gas cost individually. Further, the term contribution margin is not intended to represent operating income, the most comparable GAAP financial measure, as an indicator of operating performance and is not necessarily comparable to similarly titled measures reported by other companies.

As described further in Note 6, the enactment of the Tax Cuts and Jobs Act of 2017 (the "TCJA") required us to remeasure our deferred tax assets and liabilities at our new federal statutory income tax rate as of December 22, 2017. The remeasurement of our net deferred tax liabilities resulted in the recognition of a non-cash income tax benefit of $165.5 million for the nine months ended June 30, 2018. Due to the non-recurring nature of this benefit, we believe that income from continuing operations and diluted earnings per share from continuing operations before the non-cash income tax benefit provide a more relevant measure to analyze our financial performance than income from continuing operations and consolidated diluted earnings per share from continuing operations. Accordingly, the following discussion and analysis of our financial performance will reference adjusted income from continuing operations and diluted earnings per share, which is calculated as follows:

	Nine Months Ended June 30		
	2018	2017	Change
	(In thousands, except per share data)		
Income from continuing operations	$ 564,317	$ 346,858	$ 217,459
TCJA non-cash income tax benefit	165,522	—	165,522
Adjusted income from continuing operations	$ 398,795	$ 346,858	$ 51,937
Consolidated diluted EPS from continuing operations	$ 5.09	$ 3.27	$ 1.82
Diluted EPS from TCJA non-cash income tax benefit	1.49	—	1.49
Adjusted diluted EPS from continuing operations	$ 3.60	$ 3.27	$ 0.33

RESULTS OF OPERATIONS

Executive Summary

Atmos Energy strives to operate our businesses safely and reliably while delivering superior shareholder value. Our commitment to modernizing our natural gas distribution and transmission systems requires a significant level of capital spending. We have the ability to begin recovering a significant portion of these investments timely through rate designs and mechanisms that reduce or eliminate regulatory lag and separate the recovery of our approved rate from customer usage patterns. The execution of our capital spending program, the ability to recover these investments timely and our ability to access the capital markets to satisfy our financing needs are the primary drivers that affect our financial performance.

During the nine months ended June 30, 2018, we recorded income from continuing operations of $564.3 million, or $5.09 per diluted share, compared to income from continuing operations of $346.9 million, or $3.27 per diluted share for the nine months ended June 30, 2017.

After adjusting for the nonrecurring benefit recognized after implementing the TCJA, we recorded adjusted income from continuing operations of $398.8 million, or $3.60 per diluted share for the nine months ended June 30, 2018, compared to adjusted income from continuing operations of $346.9 million, or $3.27 per diluted share for the nine months ended June 30, 2017. The period-over-period increase of $51.9 million, or 15 percent, largely reflects positive rate outcomes, weather that was 36 percent colder than the prior year, customer growth in our distribution business and the impact of the TCJA on our effective income tax rate, partially offset by reduced revenues as a result of implementing the TCJA. During the nine months ended June 30, 2018, we completed 18 regulatory proceedings, resulting in an increase in annual operating income of $82.0 million and had nine ratemaking efforts in progress at June 30, 2018, seeking a total increase in annual operating income of $36.0 million.

Capital expenditures for the first nine months of fiscal 2018 were $1.1 billion. Over 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. We expect our capital expenditures to total approximately $1.4 billion for fiscal 2018. We funded our capital expenditures program primarily through operating cash flows of $1.0 billion. Additionally, we issued $400 million of common stock during the nine months ended June 30, 2018. The net proceeds from the issuance were primarily used to repay short-term debt under our commercial paper program, to fund capital spending and for general corporate purposes.

As a result of our sustained financial performance, improved cash flows and capital structure, our Board of Directors increased the quarterly dividend by 7.8 percent for fiscal 2018.

TCJA Impact

The TCJA introduced several significant changes to corporate income tax laws in the United States, which have been reflected in our condensed consolidated financial statements for the period ended June 30, 2018. As a rate regulated entity, the effects of lower tax rates included in our cost of service rates will ultimately flow through to our utility customers in the form of adjusted rates. Therefore, the favorable impact of the reduction in our federal statutory income tax rate on our financial performance will be limited to items that impact our income before income taxes in the current period that have not yet been reflected in our rates (most notably increases to and decreases in commission-approved regulatory assets and liabilities recorded on our condensed consolidated balance sheet) and market-based revenues that are earned from customers who utilize our assets. Note 6 to the condensed consolidated financial statements details the various impacts of the TCJA on our financial position and results from operations. The most significant changes are summarized as follows:

- Because our fiscal year started on October 1, 2017, our federal statutory income tax rate for fiscal 2018 was reduced from 35% to 24.5%. We anticipate our effective income tax rate for fiscal 2018 will range from 26% to 28%, before the effect of the return of the excess deferred tax liability and the one-time, non-cash income tax benefit. Our federal statutory income tax rate will decline to 21% on October 1, 2018.
- As a result of implementing the TCJA, we remeasured our net deferred tax liability using our new federal statutory income tax rate, which reduced our net deferred tax liability by $903.7 million. Of this amount, $738.2 million was reclassified to a regulatory liability, which will be, and as discussed further below is being returned to utility customers in some of our jurisdictions. During the third quarter of fiscal 2018, we amortized $0.5 million of this regulatory liability. The remaining $165.5 million was recognized as a one-time, non-cash income tax benefit in our condensed consolidated statement of income for the nine months ended June 30, 2018.
- Atmos Energy supports our regulators' efforts to ensure our utility customers receive the full benefits of changes in our cost of service rates arising from tax reform. Income taxes, like other costs, are passed through to our customers in our rates; however, changes to customer rates must be approved by our regulators. Beginning in the second quarter of fiscal 2018, we established regulatory liabilities in all our jurisdictions for the difference in taxes included

in our cost of service rates that have been calculated based on a 35% statutory income tax rate and a 21% statutory income tax rate, which reduced our revenues. As described in Note 6, as of June 30, 2018, we have received approval from most of our regulators to adjust customer rates for the lower statutory income tax rate. We have also received approval from regulators in Colorado and Kansas to return amounts to customers related to the regulatory liability recorded for differences in our cost of service rates due to the change in the statutory income tax rate within one year. Additionally, in Colorado, Louisiana and Kentucky, we have received approval from regulators to return the excess deferred taxes created upon implementation of the TCJA over a period ranging from 18 to 40 years. In our remaining jurisdictions, the treatment of the effects of the TCJA in rates is being addressed in ongoing or future regulatory proceedings.

- The enactment of the TCJA is expected to reduce our cash flows from operations primarily due to 1) the collection of taxes at a lower rate and 2) the return of regulatory liabilities established in response to the enactment of the TCJA and regulatory activities to our utility customers. We intend to externally finance this reduction in operating cash flow in a balanced fashion in order to maintain an equity-to-total-capitalization ratio ranging from 50% to 60% to maintain our current credit ratings. We currently anticipate this external financing need will range from a total of $500 million to $600 million through fiscal 2022.

The following discusses the results of operations for each of our operating segments.

Distribution Segment

The distribution segment is primarily comprised of our regulated natural gas distribution and related sales operations in eight states. The primary factors that impact the results of this segment 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 of return 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.

Seasonal weather patterns can also affect our distribution operations. However, the effect of weather that is above or below normal is substantially offset through weather normalization adjustments, known as WNA, which has been approved by state regulatory commissions for approximately 97 percent of our residential and commercial meters in the following states for the following time periods:

Kansas, West Texas	October — May
Tennessee	October — April
Kentucky, Mississippi, Mid-Tex	November — April
Louisiana	December — March
Virginia	January — December

Our distribution operations are also affected by the cost of natural gas. The cost of gas is passed through to our customers without markup. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Contribution margin in our Texas and Mississippi service areas includes franchise fees and gross receipts taxes, which are calculated as a percentage of revenue (inclusive of gas costs). Therefore, the amount of these taxes included in revenues is influenced by the cost of gas and the level of gas sales volumes. We record the associated tax expense as a component of taxes, other than income. Although changes in these revenue-related taxes arising from changes in gas costs affect contribution margin, over time the impact is offset within operating income.

As discussed above, the cost of gas typically does not have a direct impact on our contribution margin. However, higher gas costs mean higher bills for our customers, which 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. However, gas cost risk has been mitigated in recent years through improvements in rate design that allow 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.

Three Months Ended June 30, 2018 compared with Three Months Ended June 30, 2017

Financial and operational highlights for our distribution segment for the three months ended June 30, 2018 and 2017 are presented below.

	Three Months Ended June 30		
	2018	2017	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 535,488	$ 494,060	$ 41,428
Purchased gas cost	230,887	197,767	33,120
Contribution margin	304,601	296,293	8,308
Operating expenses	242,819	219,241	23,578
Operating income	61,782	77,052	(15,270)
Miscellaneous expense	(1,191)	(62)	(1,129)
Interest charges	13,315	18,394	(5,079)
Income before income taxes	47,276	58,596	(11,320)
Income tax expense	11,932	22,082	(10,150)
Net income	$ 35,344	$ 36,514	$ (1,170)
Consolidated distribution sales volumes — MMcf	49,369	42,974	6,395
Consolidated distribution transportation volumes — MMcf	33,079	33,307	(228)
Total consolidated distribution throughput — MMcf	82,448	76,281	6,167
Consolidated distribution average cost of gas per Mcf sold	$ 4.68	$ 4.60	$ 0.08

Income before income taxes for our distribution segment decreased 19 percent, primarily due to a $23.6 million increase in operating expenses, partially offset by an $8.3 million increase in contribution margin. The quarter-over-quarter increase in contribution margin primarily reflects:

- an $11.2 million net increase in rate adjustments, before the effect of the TCJA, primarily in our Mid-Tex and Kentucky/Mid-States Divisions.
- a $4.2 million increase in revenue-related taxes primarily in our Mid-Tex Division, offset by a corresponding $7.3 million increase in the related tax expense.
- a $2.7 million increase in transportation margin primarily in our Kentucky/Mid-States Division.
- a $12.4 million decrease in contribution margin due to the inclusion of the lower statutory federal income tax rate in our revenues due to implementation of the TCJA.

The increase in operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, is attributable to an increase in employee-related costs, incremental system integrity activities and increased depreciation and property taxes associated with increased capital investments.

The decrease in income tax expense reflects a reduction in our effective tax rate from 37.7% to 25.2%, as a result of the TCJA.

The following table shows our operating income by distribution division, in order of total rate base, for the three months ended June 30, 2018 and 2017. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	Three Months Ended June 30		
	2018	2017	Change
	(In thousands)		
Mid-Tex	$ 24,612	$ 37,055	$ (12,443)
Kentucky/Mid-States	11,546	13,073	(1,527)
Louisiana	10,821	11,051	(230)
West Texas	5,135	6,639	(1,504)
Mississippi	5,421	3,437	1,984
Colorado-Kansas	2,043	3,842	(1,799)
Other	2,204	1,955	249
Total	$ 61,782	$ 77,052	$ (15,270)

Nine Months Ended June 30, 2018 compared with Nine Months Ended June 30, 2017

Financial and operational highlights for our distribution segment for the nine months ended June 30, 2018 and 2017 are presented below.

	Nine Months Ended June 30		
	2018	2017	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 2,595,571	$ 2,211,257	$ 384,314
Purchased gas cost	1,421,698	1,106,209	315,489
Contribution margin	1,173,873	1,105,048	68,825
Operating expenses	729,429	646,299	83,130
Operating income	444,444	458,749	(14,305)
Miscellaneous (expense) income	(2,198)	334	(2,532)
Interest charges	51,581	56,437	(4,856)
Income before income taxes	390,665	402,646	(11,981)
One-time, non-cash income tax benefit	(143,789)	—	(143,789)
Income tax expense	104,768	149,623	(44,855)
Net income	$ 429,686	$ 253,023	$ 176,663
Consolidated regulated distribution sales volumes — MMcf	269,722	215,158	54,564
Consolidated regulated distribution transportation volumes — MMcf	117,061	109,397	7,664
Total consolidated regulated distribution throughput — MMcf	386,783	324,555	62,228
Consolidated regulated distribution average cost of gas per Mcf sold	$ 5.27	$ 5.14	$ 0.13

Income before income taxes for our distribution segment decreased three percent, primarily due to an $83.1 million increase in operating expenses, partially offset with a $68.8 million increase in contribution margin. The year-over-year increase in contribution margin primarily reflects:

- a $64.4 million net increase in rate adjustments, excluding rate adjustments resulting from the TCJA, primarily in our Mid-Tex, Kentucky/Mid-States, Mississippi and West Texas Divisions.
- a $14.2 million increase in residential and commercial net consumption, primarily in our Mid-Tex and Kentucky/Mid-States Divisions.
- a $15.4 million increase in revenue-related taxes primarily in our Mid-Tex Division, offset by a corresponding $15.0 million increase in the related tax expense.
- an $8.6 million increase in transportation margin primarily in our Kentucky/Mid-States Division.
- a $5.8 million increase from customer growth, primarily in our Mid-Tex Division.
- a $38.7 million decrease in contribution margin due to the inclusion of the lower statutory federal income tax rate in our revenues due to implementation of the TCJA. Of this amount, $17.3 million has been reflected in customer

bills. The remaining $21.4 million relates to the establishment of regulatory liabilities for the difference between the former 35% federal statutory income tax rate and the current 21% rate.

The increase in operating expenses largely reflects expenses incurred after we decided to undertake a planned outage of our natural gas distribution system in Northwest Dallas. In late February 2018, there were gas-related incidents in Northwest Dallas, one of which resulted in a fatality and injuries to four other residents. The National Transportation Safety Board (NTSB) is investigating the latter incident. Together with the Railroad Commission of Texas and the Pipeline and Hazardous Materials Safety Administration, we are a party to the investigation and in that capacity we are working closely with the NTSB to help determine the cause of this incident. On March 1, 2018, we initiated a planned outage of a portion of our natural gas distribution system in Northwest Dallas that affected approximately 2,400 homes. The outage was initiated after we experienced a sudden and unexplainable increase in leaks in this confined geographic area in less than a week's time. Based upon our preliminary assessment, we believe an extraordinary combination of events and circumstances that could not have been predicted, anticipated, readily modeled or foreseen damaged our pipeline system in that area. These events and circumstances, include, but are not limited to, geology, hydrology, soil conditions and record rainfall. The system was replaced and placed into service by March 31, 2018. While the system was replaced, we provided financial assistance to the affected residents and incurred other related costs of approximately $24 million.

The remaining increase in operating expenses is attributable to an increase in employee-related costs, incremental system integrity activities and increased depreciation and property taxes associated with increased capital investments.

The decrease in income tax expense reflects a reduction in our effective tax rate from 37.2% to 26.8%, as a result of the TCJA.

The following table shows our operating income by distribution division, in order of total rate base, for the nine months ended June 30, 2018 and 2017. The presentation of our distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	Nine Months Ended June 30		
	2018	2017	Change
		(In thousands)	
Mid-Tex	$ 175,727	$ 200,607	$ (24,880)
Kentucky/Mid-States	76,204	69,821	6,383
Louisiana	64,849	61,276	3,573
West Texas	42,326	42,590	(264)
Mississippi	48,792	41,197	7,595
Colorado-Kansas	32,448	33,878	(1,430)
Other	4,098	9,380	(5,282)
Total	$ 444,444	$ 458,749	$ (14,305)

Recent Ratemaking Developments

The amounts described in the following sections represent the operating income that was requested or received in each rate filing, which may not necessarily reflect the stated amount referenced in the final order, as certain operating costs may have changed as a result of a commission's or other governmental authority's final ruling. During the first nine months of fiscal 2018, we completed 16 regulatory proceedings, resulting in a $10.8 million increase in annual operating income as summarized below. The recent ratemaking activities and changes to operating income discussed below that include the impacts of tax reform are not reflective of the true economic benefit of the rate case outcome as it does not include the corresponding benefit we will receive in income tax expense due to the decrease in our statutory tax rate from 35% to 21%.

Rate Action	Annual Increase (Decrease) in Operating Income
	(In thousands)
Annual formula rate mechanisms	$ 23,214
Rate case filings	(12,853)
Other rate activity	457
	$ 10,818

The following ratemaking efforts seeking $36.0 million in increased annual operating income were in progress as of June 30, 2018:

Division	Rate Action	Jurisdiction	Operating Income Requested
			(In thousands)
Louisiana	Formula Rate Mechanism	LGS [1][2]	$ (1,521)
Mid-Tex	Formula Rate Mechanism	Mid-Tex Cities[2]	28,036
Mid-Tex	Rate Case	ATM Cities [2]	4,252
Mid-Tex	Rate Case	Environs [2]	(1,875)
Mississippi	Infrastructure Mechanism	Mississippi [2]	7,976
Kentucky/Mid-States	Formula Rate Mechanism	Tennessee [2]	(5,032)
Kentucky/Mid-States	Rate Case	Virginia [2]	605
West Texas	Formula Rate Mechanism	WT Cities [2]	4,030
West Texas	Rate Case	Environs [2]	(485)
			$ 35,986

(1) The Louisiana Public Service Commission Staff issued a report, reflecting the impact of TCJA, which recommends an operating income decrease of $1.5 million, effective July 1, 2018.
(2) The filing amount reflects a 21% federal income tax rate resulting from the TCJA.

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 the service areas in our Texas divisions. Additionally, we have specific infrastructure programs in substantially all of our distribution divisions 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 annual formula rate mechanisms were approved during the nine months ended June 30, 2018:

Division	Jurisdiction	Test Year Ended	Increase (Decrease) in Annual Operating Income (In thousands)	Effective Date
2018 Filings:				
Kentucky/Mid-States	Tennessee - ARM True-up	05/31/2017	$ 382	10/15/2018
West Texas	Amarillo, Lubbock, Dalhart and Channing[1]	12/31/2017	4,418	06/08/2018
Mid-Tex	Environs[1]	12/31/2017	1,604	06/05/2018
West Texas	Environs[1]	12/31/2017	826	06/05/2018
Louisiana	Trans La[1]	09/30/2017	(1,913)	05/01/2018
Colorado-Kansas	Kansas GSRS	09/30/2018	820	02/27/2018
Colorado-Kansas	Colorado SSIR	12/31/2018	2,228	12/20/2017
Mississippi	Mississippi - SIR	10/31/2018	7,658	12/05/2017
Mississippi	Mississippi - SGR [2]	10/31/2018	1,245	12/05/2017
Mississippi	Mississippi - SRF [2]	10/31/2018	—	12/05/2017
Kentucky/Mid-States	Kentucky - PRP	09/30/2018	5,638	10/27/2017
Kentucky/Mid-States	Virginia - SAVE [3]	09/30/2017	308	10/01/2017
Total 2018 Filings			$ 23,214	

(1) The operating income reflects a 21% federal income tax rate resulting from the TCJA.
(2) In our next SRF filing, the SGR rate base will be combined with the SRF rate base, per Commission order.
(3) The Company completed our Steps to Advance Virginia Energy (SAVE) program. On October 1, 2017 a refund factor was removed from the rate resulting in an operating income increase of $0.3 million.

Rate Case Filings

A rate case is a formal request from Atmos Energy to a regulatory authority to increase rates that are charged to our 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 and ensure that we continue to deliver reliable, reasonably priced natural gas service safely to our customers. The following table summarizes the rate cases that were completed during the nine months ended June 30, 2018.

Division	State	Increase (Decrease) in Annual Operating Income (In thousands)	Effective Date
2018 Rate Case Filings:			
Colorado-Kansas	Colorado [1]	$ (241)	05/03/2018
Kentucky/Mid-States	Kentucky [1]	(7,504)	05/03/2018
Mid-Tex	City of Dallas [1]	(5,108)	02/14/2018
Total 2018 Rate Case Filings		$ (12,853)	

(1) The operating income reflects a 21% federal income tax rate resulting from the TCJA.

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the nine months ended June 30, 2018.

Division	Jurisdiction	Rate Activity	Additional Annual Operating Income	Effective Date
			(In thousands)	
2018 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad Valorem[(1)]	$ 457	02/01/2018
Total 2018 Other Rate Activity			$ 457	

(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.

Pipeline and Storage Segment

Our pipeline and storage segment consists of the pipeline and storage operations of our Atmos Pipeline–Texas Division (APT) and our natural gas transmission operations in Louisiana. 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, eastern and western Texas, extending into or near the major producing areas of the Barnett Shale, the Texas Gulf Coast and the Delaware and Midland 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, as well as marketers and producers. As part of its pipeline operations, APT manages five underground storage facilities in Texas.

Our natural gas transmission operations in Louisiana are comprised of a proprietary 21-mile pipeline located in the New Orleans, Louisiana area that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and on a more limited basis, to third parties. The demand fee charged to our Louisiana distribution division for these services is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans, which have been approved by applicable state regulatory commissions. Generally, these asset management plans require us to share with our distribution customers a significant portion of the cost savings earned from these arrangements.

Our pipeline and storage segment is impacted by seasonal weather patterns, competitive factors in the energy industry and economic conditions in our Texas and Louisiana service areas. Natural gas prices do not directly impact the results of this segment as revenues are derived from the transportation and storage 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 in Texas could influence the volumes of gas transported for shippers through our Texas pipeline system and the rates for such transportation.

The results of APT are also significantly impacted by the natural gas requirements of its local distribution company customers. Additionally, its operations may be impacted by the timing of when costs and expenses are incurred and when these costs and expenses are recovered through its tariffs.

APT annually uses GRIP to recover capital costs incurred in the prior calendar year. Following the conclusion of its rate case in August 2017, APT made a GRIP filing that covered changes in net investment from October 1, 2016 through December 31, 2016 with a requested increase in operating income of $29.0 million. On December 5, 2017, the filing was approved. On February 15, 2018, APT made a GRIP filing that covered changes in net investment from January 1, 2017 through December 31, 2017 with a requested increase in operating income of $42.2 million. On May 22, 2018, the filing was approved.

On December 21, 2016, the Louisiana Public Service Commission approved an annual increase of five percent to the demand fee charged by our natural gas transmission pipeline for each of the next 10 years, effective October 1, 2017.

Three Months Ended June 30, 2018 compared with Three Months Ended June 30, 2017

Financial and operational highlights for our pipeline and storage segment for the three months ended June 30, 2018 and 2017 are presented below.

	Three Months Ended June 30		
	2018	2017	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 83,592	$ 84,594	$ (1,002)
Third-party transportation revenue	40,515	27,369	13,146
Other revenue	3,526	5,320	(1,794)
Total operating revenues	127,633	117,283	10,350
Total purchased gas cost	561	1,251	(690)
Contribution margin	127,072	116,032	11,040
Operating expenses	65,861	52,420	13,441
Operating income	61,211	63,612	(2,401)
Miscellaneous expense	(812)	(227)	(585)
Interest charges	10,034	10,104	(70)
Income before income taxes	50,365	53,281	(2,916)
Income tax expense	14,516	18,987	(4,471)
Net income	$ 35,849	$ 34,294	$ 1,555
Gross pipeline transportation volumes — MMcf	215,775	192,543	23,232
Consolidated pipeline transportation volumes — MMcf	180,371	159,023	21,348

Income before income taxes for our pipeline and storage segment decreased five percent, primarily due to a $13.4 million increase in operating expenses, partially offset by an $11.0 million increase in contribution margin. The increase in contribution margin primarily reflects:

- a $23.7 million increase in rates from the approved APT rate case and the GRIP filings approved in December 2017 and May 2018.
- an $8.0 million decrease in contribution margin due to the inclusion of the lower statutory federal income tax rate in our revenues due to implementation of the TCJA. Of this amount, $3.1 million has been reflected in customer bills. The remaining $4.9 million relates to the establishment of regulatory liabilities for the difference between the former 35% federal statutory rate and the current 21% federal statutory rate as further described in Note 6.

Operating expenses increased $13.4 million, primarily due to higher depreciation expense associated with increased capital investments and higher system maintenance expense.

The decrease in income tax expense reflects a reduction in our effective tax rate from 35.6% to 28.8%, as a result of the TCJA.

Nine Months Ended June 30, 2018 compared with Nine Months Ended June 30, 2017

Financial and operational highlights for our pipeline and storage segment for the nine months ended June 30, 2018 and 2017 are presented below.

	Nine Months Ended June 30		
	2018	2017	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 267,121	$ 251,354	$ 15,767
Third-party transportation revenue	97,860	72,414	25,446
Other revenue	10,070	15,439	(5,369)
Total operating revenues	375,051	339,207	35,844
Total purchased gas cost	1,906	2,331	(425)
Contribution margin	373,145	336,876	36,269
Operating expenses	184,047	159,871	24,176
Operating income	189,098	177,005	12,093
Miscellaneous expense	(2,093)	(784)	(1,309)
Interest charges	30,581	30,035	546
Income before income taxes	156,424	146,186	10,238
One-time, non-cash income tax benefit	(21,733)	—	(21,733)
Income tax expense	43,526	52,351	(8,825)
Net income	$ 134,631	$ 93,835	$ 40,796
Gross pipeline transportation volumes — MMcf	666,079	574,556	91,523
Consolidated pipeline transportation volumes — MMcf	484,456	425,150	59,306

Income before income taxes for our pipeline and storage segment increased seven percent, primarily due to a $36.3 million increase in contribution margin, partially offset by a $24.2 million increase in operating expenses. The increase in contribution margin primarily reflects:

- a $54.0 million increase in rates from the approved APT rate case and the GRIP filings approved in December 2017 and May 2018.
- a $16.1 million decrease in contribution margin due to the inclusion of the lower statutory federal income tax rate in our revenues due to implementation of the TCJA. Of this amount, $3.4 million has been reflected in customer bills. The remaining $12.7 million relates to the establishment of regulatory liabilities, as discussed above.

Operating expenses increased $24.2 million, primarily due to higher depreciation expense associated with increased capital investments partially offset by the timing of system maintenance expense.

The decrease in income tax expense primarily reflects a reduction in our effective tax rate from 35.8% to 27.8%, as a result of the TCJA.

Natural Gas Marketing Segment

Through December 31, 2016, we were engaged in an unregulated natural gas marketing business, which was conducted by Atmos Energy Marketing (AEM). AEM's primary business was to aggregate and purchase gas supply, arrange transportation and storage logistics and ultimately deliver gas to customers at competitive prices. Additionally, AEM utilized proprietary and customer-owned transportation and storage assets to provide various services its customers requested.

As more fully described in Note 13, effective January 1, 2017, we sold all of the equity interests of AEM to CenterPoint Energy Services, Inc. (CES), a subsidiary of CenterPoint Energy Inc. As a result of the sale, Atmos Energy fully exited the nonregulated natural gas marketing business. Accordingly, a gain on sale from discontinued operations for $2.7 million was recorded and net income of $11.0 million for AEM is reported as discontinued operations for the nine months ended June 30, 2017.

Liquidity and Capital Resources

The liquidity required to fund our working capital, capital expenditures and other cash needs is provided from a combination of internally generated cash flows and external debt and equity financing. External debt financing is provided primarily through the issuance of long-term debt, a $1.5 billion commercial paper program and three committed revolving credit facilities with a total availability from third-party lenders of approximately $1.5 billion. The commercial paper program and credit facilities provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves the Company's desired capital structure with an equity-to-total-capitalization ratio between 50% and 60%, inclusive of long-term and short-term debt. Additionally, we have various uncommitted trade credit lines with our gas suppliers that we utilize to purchase natural gas on a monthly basis. The liquidity provided by these sources is expected to be sufficient to fund the Company's working capital needs and capital expenditure program for the remainder of fiscal year 2018 and beyond. Please refer to the TCJA Impact section above regarding anticipated impacts on our liquidity, capital resources and cash flows.

To support our capital market activities, we have a registration statement on file with the SEC that permits us to issue a total of $2.5 billion in common stock and/or debt securities. Under the shelf registration statement, in November 2017, we filed a prospectus supplement for an at-the-market (ATM) equity distribution program under which we may issue and sell shares of our common stock up to an aggregate offering price of $500 million. At June 30, 2018, approximately $650 million of securities remained available for issuance under the shelf registration statement.

The following table presents our capitalization inclusive of short-term debt and the current portion of long-term debt as of June 30, 2018, September 30, 2017 and June 30, 2017:

	June 30, 2018		September 30, 2017		June 30, 2017	
			(In thousands, except percentages)			
Short-term debt	$ 244,777	3.0%	$ 447,745	6.0%	$ 258,573	3.6%
Long-term debt[(1)]	3,068,315	38.0%	3,067,045	41.4%	3,066,734	42.4%
Shareholders' equity	4,759,552	59.0%	3,898,666	52.6%	3,901,710	54.0%
Total	$ 8,072,644	100.0%	$ 7,413,456	100.0%	$ 7,227,017	100.0%

(1) In March 2019, $450 million of long-term debt will mature. We plan to issue new senior notes to replace the maturing debt. We have executed forward starting interest rate swaps to effectively fix the Treasury yield component associated with this anticipated issuance at 3.78%.

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, prices for our products and services, 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 nine months ended June 30, 2018 and 2017 are presented below.

	Nine Months Ended June 30		
	2018	2017	Change
		(In thousands)	
Total cash provided by (used in)			
Operating activities	$ 1,035,296	$ 745,561	$ 289,735
Investing activities	(1,087,224)	(747,355)	(339,869)
Financing activities	46,449	24,037	22,412
Change in cash and cash equivalents	(5,479)	22,243	(27,722)
Cash and cash equivalents at beginning of period	26,409	47,534	(21,125)
Cash and cash equivalents at end of period	$ 20,930	$ 69,777	$ (48,847)

Cash flows from operating activities

Period-over-period changes in our operating cash flows are primarily attributable to changes in net income and working capital changes, particularly within our 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.

For the nine months ended June 30, 2018, we generated cash flow from operating activities of over $1.0 billion compared with $745.6 million for the nine months ended June 30, 2017. The $289.7 million increase in operating cash flows reflects the positive cash effects of successful rate case outcomes achieved in fiscal 2017 and changes in working capital, primarily as a result of the timing of gas cost recoveries under our purchase gas cost mechanisms as a result of a period-over-period increase in sales volumes. This increase in sales volumes also contributed to the period-over-period increase in operating cash flow.

Cash flows from investing activities

In recent years, we have incurred capital expenditures to support our distribution and transmission system modernization and integrity enhancement efforts, expand our natural gas distribution services and 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.

For the nine months ended June 30, 2018, cash used for investing activities was $1.1 billion compared to $747.4 million for the nine months ended June 30, 2017. Capital spending increased by $276.3 million, or 34 percent, as a result of planned increases in our distribution segment to repair and replace vintage pipe, and increases in spending in our pipeline and storage segment to improve the reliability of gas service to our local distribution company customers. The period-over-period increase also reflects the absence in the current year period of $140.3 million in net proceeds received from the sale of AEM, $18.6 million in proceeds received from the completion of the State of Texas use tax audit and the $86.1 million used to acquire the North Texas Pipeline in December 2016.

Cash flows from financing activities

For the nine months ended June 30, 2018, our financing activities provided $46.4 million of cash compared with $24.0 million in the prior-year period. The $22.4 million increase in cash provided by financing activities primarily reflects an increase in cash used for investing activities that exceeded the increase in cash flows provided by operating activities during the nine months ended June 30, 2018.

In the nine months ended June 30, 2018, we used $395.1 million in net proceeds from equity financing to reduce short-term debt, to support our capital spending and for other general corporate purposes. Cash dividends increased due to a 7.8% increase in our dividend rate and an increase in shares outstanding.

In the nine months ended June 30, 2017, we issued $750 million of senior notes, as well as $125 million of long-term debt under our three year, $200 million term loan agreement and received $98.8 million in proceeds from the issuance of common stock under our ATM program. The net proceeds from these debt and equity issuances were used to reduce short and long-term debt, support our capital expenditures program and other general corporate purposes. Additionally, the return of cash collateral related to our forward-starting interest rate swaps due to an increase in interest rates provided cash from financing activities of $25.7 million. However, this was offset by the settlement of our forward starting interest rate swaps, which resulted in cash outflows of $37.0 million.

The following table summarizes our share issuances for the nine months ended June 30, 2018 and 2017:

	Nine Months Ended June 30	
	2018	**2017**
Shares issued:		
Direct Stock Purchase Plan	111,727	90,789
1998 Long-Term Incentive Plan	347,213	529,060
Retirement Savings Plan and Trust	73,470	205,972
At-the-Market (ATM) Equity Distribution Program	—	1,303,494
Equity Issuance	4,558,404	—
Total shares issued	5,090,814	2,129,315

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 businesses and the regulatory structures that govern our rates in the states where we operate.

Our debt is rated by two rating agencies: Standard & Poor’s Corporation (S&P) and Moody’s Investors Service (Moody’s). As of June 30, 2018, both rating agencies maintained a stable outlook. Our current debt ratings are all considered investment grade and are as follows:

	S&P	**Moody’s**
Senior unsecured long-term debt	A	A2
Short-term debt	A-1	P-1

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 and Aaa for Moody's. The lowest investment grade credit rating is BBB- for S&P and Baa3 for Moody's. 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 June 30, 2018. Our debt covenants are described in greater detail in Note 5 to the unaudited condensed consolidated financial statements.

Contractual Obligations and Commercial Commitments

Except as noted in Note 9 to the unaudited condensed consolidated financial statements, there were no significant changes in our contractual obligations and commercial commitments during the nine months ended June 30, 2018.

Risk Management Activities

In our distribution and pipeline and storage segments, 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. Additionally, we manage interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings. Through December 31, 2016, we managed our exposure to the risk of natural gas price changes in our natural gas marketing segment by locking in our contribution margin through a combination of storage and financial instruments, including futures, over-the-counter and exchange-traded options and swap contracts with counterparties.

The following table shows the components of the change in fair value of our financial instruments for the three and nine months ended June 30, 2018 and 2017:

	Three Months Ended June 30		Nine Months Ended June 30	
	2018	2017	2018	2017
	(In thousands)			
Fair value of contracts at beginning of period	$ (86,342)	$ (114,004)	$ (109,159)	$ (279,543)
Contracts realized/settled	(13)	37,172	(1,213)	48,928
Fair value of new contracts	109	557	(607)	(1,040)
Other changes in value	10,719	(29,869)	35,452	125,511
Fair value of contracts at end of period	(75,527)	(106,144)	(75,527)	(106,144)
Netting of cash collateral	—	—	—	—
Cash collateral and fair value of contracts at period end	$ (75,527)	$ (106,144)	$ (75,527)	$ (106,144)

The fair value of our financial instruments at June 30, 2018 is presented below by time period and fair value source:

	Fair Value of Contracts at June 30, 2018				
	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	$ (75,635)	$ 108	$ —	$ —	$ (75,527)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$ (75,635)	$ 108	$ —	$ —	$ (75,527)

Pension and Postretirement Benefits Obligations

For the nine months ended June 30, 2018 and 2017, our total net periodic pension and other benefits costs were $31.2 million and $34.7 million. Most of these costs are recoverable through our tariff rates. A portion of these costs is capitalized into our rate base. The remaining costs are recorded as a component of operation and maintenance expense.

Our fiscal 2018 costs were determined using a September 30, 2017 measurement date. As of September 30, 2017, interest and corporate bond rates were higher than the rates as of September 30, 2016. Therefore, we increased the discount rate used to measure our fiscal 2018 net periodic cost from 3.73 percent to 3.89 percent. We lowered the expected return on plan assets to 6.75 percent in the determination of our fiscal 2018 net periodic pension cost based upon expected market returns for our targeted asset allocation. As a result of the net impact of changes in these and other assumptions, we expect our fiscal 2018 net periodic pension cost to be approximately 25 percent lower than fiscal 2017.

The amount of funding required for our defined benefit plan is determined in accordance with the Pension Protection Act of 2006 (PPA) and is influenced by the funded position of the plan when the funding requirements are determined on January 1 of each year. Based upon the determination as of January 1, 2018, we were not required to make a minimum contribution to our defined benefit plan during fiscal 2018. However, we will consider whether a voluntary contribution is prudent to maintain certain funding levels.

For the nine months ended June 30, 2018 we contributed $11.4 million to our postretirement medical plans. We anticipate contributing a total of between $10 million and $20 million to our postretirement plans during fiscal 2018.

The projected pension liability, future funding requirements and the amount of pension expense or income recognized for the plans are subject to change, depending upon the actuarial value of plan assets in the plans and the determination of future benefit obligations as of each subsequent actuarial calculation date. These amounts will be determined by actual investment returns, changes in interest rates, values of assets in the plans and changes in the demographic composition of the participants in the plans.

OPERATING STATISTICS AND OTHER INFORMATION

The following tables present certain operating statistics for our distribution and pipeline and storage segments for the three and nine-month periods ended June 30, 2018 and 2017.

Distribution Sales and Statistical Data

	Three Months Ended June 30		Nine Months Ended June 30	
	2018	2017	2018	2017
METERS IN SERVICE, end of period				
Residential	2,969,270	2,935,136	2,969,270	2,935,136
Commercial	270,455	268,734	270,455	268,734
Industrial	1,667	1,682	1,667	1,682
Public authority and other	8,388	8,301	8,388	8,301
Total meters	3,249,780	3,213,853	3,249,780	3,213,853
INVENTORY STORAGE BALANCE — Bcf	47.5	50.4	47.5	50.4
SALES VOLUMES — MMcf[(1)]				
Gas sales volumes				
Residential	21,399	17,137	150,872	115,568
Commercial	17,368	15,960	85,273	71,435
Industrial	9,325	8,719	27,491	22,859
Public authority and other	1,277	1,158	6,086	5,296
Total gas sales volumes	49,369	42,974	269,722	215,158
Transportation volumes	34,989	35,020	122,691	116,227
Total throughput	84,358	77,994	392,413	331,385
OPERATING REVENUES (000's)[(1)]				
Gas sales revenues				
Residential	$ 318,501	$ 294,000	$ 1,680,155	$ 1,385,444
Commercial	145,685	136,611	687,577	588,273
Industrial	31,283	28,150	104,300	106,167
Public authority and other	8,581	8,591	41,150	38,307
Total gas sales revenues	504,050	467,352	2,513,182	2,118,191
Transportation revenues	23,965	20,439	79,266	67,227
Other gas revenues	7,473	6,269	3,123	25,839
Total operating revenues	$ 535,488	$ 494,060	$ 2,595,571	$ 2,211,257
Average cost of gas per Mcf sold	$ 4.68	$ 4.60	$ 5.27	$ 5.14

See footnote following these tables.

Pipeline and Storage Operations Sales and Statistical Data

	Three Months Ended June 30		Nine Months Ended June 30	
	2018	2017	2018	2017
CUSTOMERS, end of period				
Industrial	93	92	93	92
Other	237	239	237	239
Total	330	331	330	331
INVENTORY STORAGE BALANCE — Bcf	0.5	1.1	0.5	1.1
PIPELINE TRANSPORTATION VOLUMES — MMcf(1)	215,775	192,543	666,079	574,556
OPERATING REVENUES (000's)(1)	$ 127,633	$ 117,283	$ 375,051	$ 339,207

Note to preceding tables:

(1) Sales volumes and revenues reflect segment operations, including intercompany sales and transportation amounts.

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 unaudited condensed consolidated financial statements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Information regarding our quantitative and qualitative disclosures about market risk are disclosed in Item 7A in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. During the nine months ended June 30, 2018, there were no material changes in our quantitative and qualitative disclosures about market risk.

Item 4. *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 Rules 13a-15(e) and 15d-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 June 30, 2018 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.

Changes in Internal Control over Financial Reporting

We did not make any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the third quarter of the fiscal year ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

During the nine months ended June 30, 2018, except as noted in Note 9 to the unaudited condensed consolidated financial statements, there were no material changes in the status of the litigation and other matters that were disclosed in Note 11 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. We continue to believe that the final outcome of such litigation and other matters or claims will not have a material adverse effect on our financial condition, results of operations or cash flows.

Item 6. *Exhibits*

The following exhibits are filed as part of this Quarterly Report.

Exhibit Number	Description	Page Number or Incorporation by Reference to
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)
10	Equity Distribution Agreement, dated as of November 14, 2017, among Atmos Energy Corporation, Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, and J.P. Morgan Securities LLC	Exhibit 1.1 to Form 8-K dated November 14, 2017 (File No. 1-10042)
12	Computation of ratio of earnings to fixed charges	
15	Letter regarding unaudited interim financial information	
31	Rule 13a-14(a)/15d-14(a) Certifications	
32	Section 1350 Certifications*	
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	

* These certifications, which were made 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 Quarterly Report on Form 10-Q, will not be deemed to be filed with the 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.

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, thereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

By: /s/ CHRISTOPHER T. FORSYTHE

Christopher T. Forsythe
Senior Vice President and Chief Financial Officer
(Duly authorized signatory)

Date: August 8, 2018

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:

- (q) The independent auditor's annual opinion report, with any written communication from the independent auditor to the utility that indicates the existence of a material weakness in the utility's internal controls;

RESPONSE:

Please see attachment FR_16(7)(q)_Att1 for the 2017 independent auditor's report.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(7)(q)_Att1 - 2017 Independent Auditor Report.pdf, 2 Pages.

Respondent: Laura Gillham

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, 2017 and 2016, 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, 2017. 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, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2017, 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, 2017, 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 13, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
November 13, 2017

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, 2017, 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, 2017, 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, 2017 and 2016, 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, 2017 of Atmos Energy Corporation and our report dated November 13, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
November 13, 2017

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:

(r) The quarterly reports to the stockholders for the most recent five (5) quarters;

RESPONSE:

Please see the Company's response to FR 16(7)(p).

Respondent: Laura Gillham

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:

(s) The summary of the latest depreciation study with schedules itemized by major plant accounts, except that telecommunications utilities that have adopted the commission's average depreciation rates shall provide a schedule that identifies the current and base period depreciation rates used by major plant accounts. If the required information has been filed in another commission case, a reference to that case's number shall be sufficient;

RESPONSE:

The Company is proposing changes to its Kentucky Direct and Kentucky Mid-States General Office depreciation rates. Please see the following exhibits to the direct testimony of Dane Watson, provided in the Company's response to FR 16(7)(a):

Exhibit DAW-2 - Atmos Energy Corporation - Kentucky Properties Depreciation Rate Study at September 30, 2017;

Exhibit DAW-3 - Atmos Energy Corporation - Kentucky Mid-States General Office Property Depreciation Rate Study at September 30, 2017.

The Company is not proposing any changes to its Shared Services depreciation rates. Therefore, please see Attachment 1 for the Shared Services Unit Depreciation Rate Study at September 30, 2014. This study was presented and approved in Case No. 2015-00343.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(7)(s)_Att1 - 2014 SSU Depreciation Study Report.pdf, 50 Pages.

Respondent: Dane Watson

ATMOS ENERGY CORPORATION

SHARED SERVICES UNIT

DEPRECIATION RATE STUDY

As of September 30, 2014

ALLIANCE CONSULTING GROUP

http://www.utilityalliance.com

ATMOS ENERGY CORPORATION - SHARED SERVICES UNIT
DEPRECIATION RATE STUDY
EXECUTIVE SUMMARY

Atmos Energy Corporation ("Atmos" or "Company") engaged Alliance Consulting Group to conduct a depreciation study of the Company's Shared Services Unit ("SSU" or "Shared Services") operations depreciable assets as of fiscal year end September 30, 2014. SSU provides support to Atmos Energy Corporation's regulated utility divisions.

The regulated natural gas utility divisions during the year ended September 30, 2014 were:

- Atmos Colorado-Kansas Division
- Atmos Louisiana Division
- Atmos Kentucky Mid-States (Kentucky, Tennessee, and Virginia) Division
- Atmos Mississippi Division
- Atmos Mid-Tex Division
- Atmos West Texas Division
- Atmos Pipeline Texas Division

The depreciation rates are based on the straight-line method, equal life group ("ELG") procedure, and remaining-life technique. This study results in an annual depreciation expense accrual of $21.7 million when applied to depreciable plant balances as of September 30, 2014.

The depreciation study we conducted analyzed and developed depreciation recommendations at an account level. The resulting annual depreciation accrual amounts and depreciation rates contained in this study are at the account level. The Company will accrue depreciation expense based on the account level depreciation rates developed in this study. Appendix A demonstrates the annual depreciation expense.

ATMOS ENERGY CORPORATION
ATMOS SHARED SERVICES UNIT
DEPRECIATION RATE STUDY
As of September 30, 2014
Table of Contents

PURPOSE

The purpose of this study is to develop depreciation rates for the depreciable property as recorded on Shared Services' books at September 30, 2014. The account based depreciation rates were designed to recover the total remaining undepreciated investment, adjusted for net salvage, over the remaining life of Shared Services' property on a straight-line basis. Non-depreciable property and property which is amortized, such as intangibles were excluded from this study.

Shared Services is a division of Atmos Corporation dedicated to providing various support services to its operating companies. As of the study date, Shared Services supported regulated gas utility divisions operating in eight different states.

STUDY RESULTS

The existing and current study annual depreciation expense results from the use of Iowa Curve dispersion patterns with average service life, the equal life group ("ELG") procedure and remaining-life technique, and consideration of net salvage in the development of the study recommended depreciation rates. Detailed information for each of these factors will follow in this report.

Overall depreciation rates for Shared Services depreciable property are shown in Appendix A. These rates translate into an annual depreciation accrual of $21.7 million based on Shared Services' depreciable investment at September 30, 2014.

Appendix A presents the recommended study annual accrual rates and amounts. Appendix B presents the development of the depreciation rates and annual accruals. Appendix C presents the recommended study mortality and net salvage parameters by account. Appendix D shows net salvage history by plant account.

GENERAL DISCUSSION

Definition

The term "depreciation" as used in this study is considered in the accounting sense, that is, a system of accounting that distributes the cost of assets, less net salvage (if any), over the estimated useful life of the assets in a systematic and rational manner. It is a process of allocation, not valuation. This expense is systematically allocated to accounting periods over the life of the properties. The amount allocated to any one accounting period does not necessarily represent the loss or decrease in value that will occur during that particular period. The Company accrues depreciation on the basis of the original cost of all depreciable property included in each functional property group. On retirement the full cost of depreciable property, less the net salvage value, is charged to the depreciation reserve.

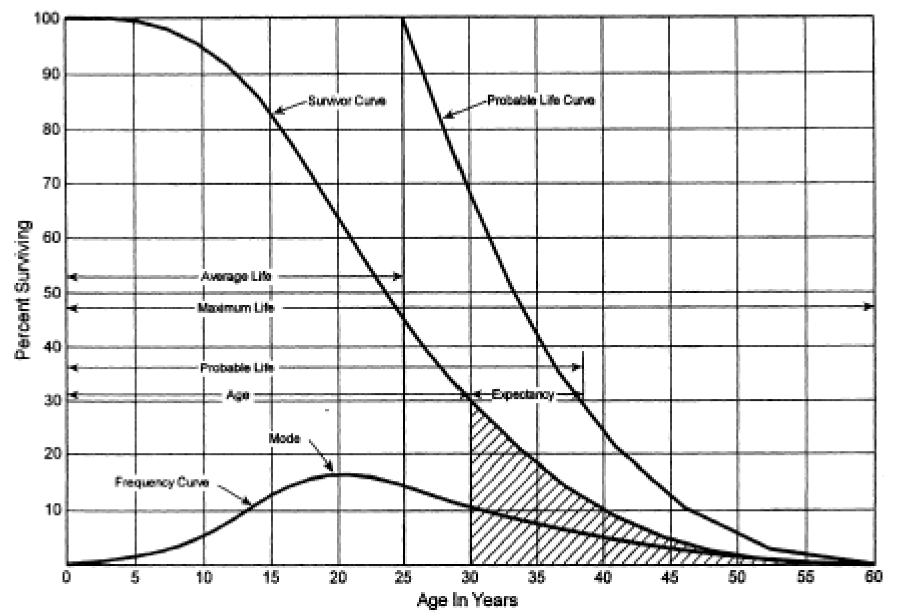
Basis of Depreciation Estimates

The straight-line, equal life group (“ELG”), remaining-life depreciation system was employed to calculate annual and accrued depreciation in this study. In this system, the annual depreciation expense for each group is computed by dividing the original cost of the asset less allocated depreciation reserve less estimated net salvage by its respective equal life group remaining life. The resulting annual accrual amounts of all depreciable property within a function were accumulated, and the total was divided by the original cost of all functional depreciable property to determine the depreciation rate. The calculated remaining lives and annual depreciation accrual rates were based on attained ages of plant in service and the estimated service life and salvage characteristics of each depreciable group. The computations of the annual depreciation rates are shown in Appendix B and remaining life calculations are provided in the workpapers.

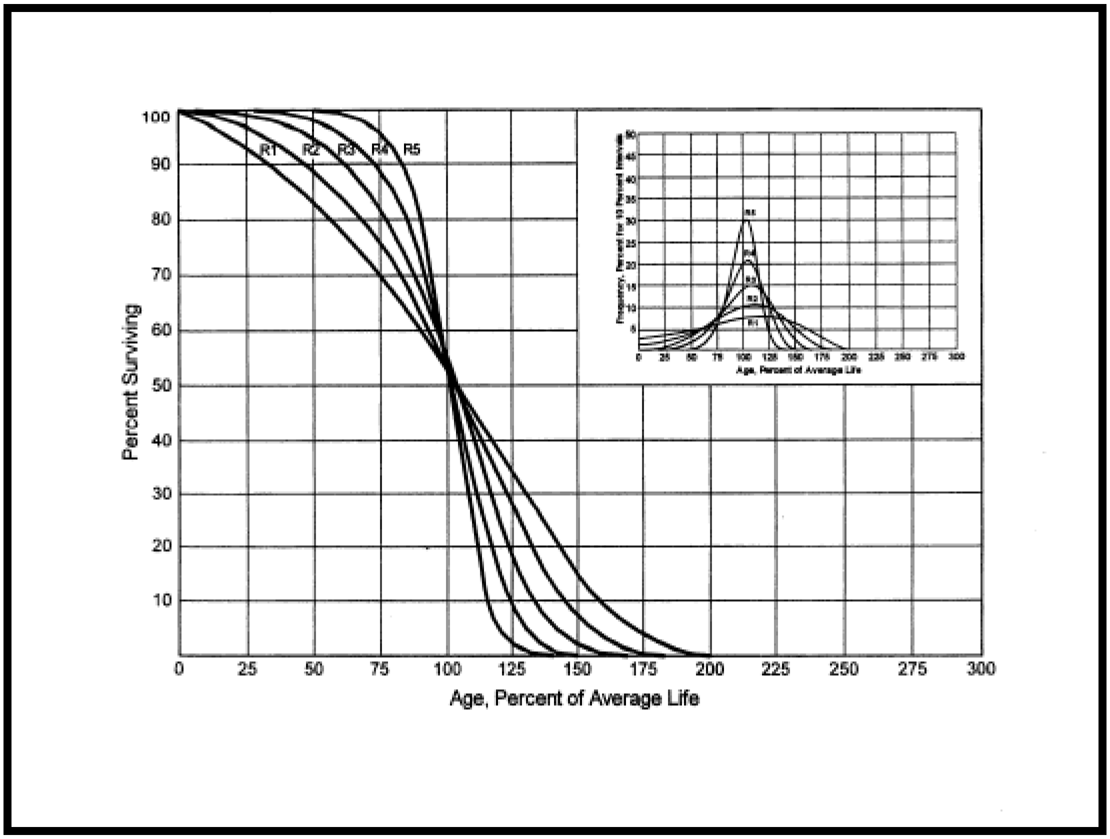
Actuarial analysis was used with each account within a function where sufficient data was available, and judgment was used to some degree on all accounts.

Survivor Curves

To fully understand depreciation projections in a regulated utility setting, there must be a basic understanding of survivor curves. Individual property units within a group do not normally have identical lives or investment amounts. The average life of a group can be determined by first constructing a survivor curve which is plotted as a percentage of the units surviving at each age. A survivor curve represents the percentage of property remaining in service at various age intervals. The Iowa Curves are the result of an extensive investigation of life characteristics of physical property made at Iowa State College Engineering Experiment Station in the first half of the prior century. Through common usage, revalidation and regulatory acceptance, these curves have become a descriptive standard for the life characteristics of industrial property. An example of an Iowa Curve is shown below.



There are four families in the Iowa Curves that are distinguished by the relation of the age at the retirement mode (largest annual retirement frequency) and the average life. For distributions with the mode age greater than the average life, an "R" designation (i.e., Right modal) is used. The family of “R” moded curves is shown below.



Similarly, an "S" designation (i.e., Symmetric modal) is used for the family whose mode age is symmetric about the average life. An "L" designation (i.e., Left modal) is used for the family whose mode age is less than the average life. A special case of left modal dispersion is the "O" or origin modal curve family. Within each curve family, numerical designations are used to describe the relative magnitude of the retirement frequencies at the mode. A "6" indicates that the retirements are not greatly dispersed from the mode (i.e., high mode frequency) while a "1" indicates a large dispersion about the mode (i.e., low mode frequency). For example, a curve with an average life of 30 years and an "L3" dispersion is a moderately dispersed, left modal curve that can be designated as a 30 L3 Curve. An SQ, or square, survivor curve occurs where no dispersion is present (i.e., units of common age retire simultaneously).

Most property groups can be closely fitted to one Iowa Curve with a unique average service life. The blending of judgment concerning current conditions and future trends along with the matching of historical data permits the depreciation analyst to make an informed selection of an account's average life and retirement dispersion pattern.

Actuarial Analysis

Actuarial analysis (retirement rate method) was used in evaluating historical asset retirement experience where vintage data were available and sufficient retirement activity was present. In actuarial analysis, interval exposures (total property subject to retirement at the beginning of the age interval, regardless of vintage) and age interval retirements are calculated. The complement of the ratio of interval retirements to interval exposures establishes a survivor ratio. The survivor ratio is the fraction of property surviving to the end of the selected age interval, given that it has survived to the beginning of that age interval. Survivor ratios for all of the available age intervals were chained by successive multiplications to establish a series of survivor factors, collectively known as an observed life table. The observed life table shows the experienced mortality characteristic of the account and may be compared to standard mortality curves such as the Iowa Curves. Where data was available, accounts were analyzed using this method. Placement bands were used to illustrate the composite history over a specific era, and experience bands were used to focus on retirement history for all vintages during a set period. The results from these analyses for those accounts which had data sufficient to be analyzed using this method are shown in the Life Analysis section of this report.

Judgment

Any depreciation study requires informed judgment by the analyst conducting the study. A knowledge of the property being studied, company policies and procedures, general trends in technology and industry practice, and a sound basis of understanding depreciation theory are needed to apply this informed judgment. Judgment was used in areas such as survivor curve modeling and selection, depreciation method selection, simulated plant record method analysis, and actuarial analysis.

Judgment is not defined as being used in cases where there are specific, significant pieces of information that influence the choice of a life or curve. Those cases would simply be a reflection of specific facts into the analysis. Where there are multiple factors, activities, actions, property characteristics, statistical inconsistencies, implications of applying certain curves, property mix in accounts or a multitude of other considerations that impact the analysis (potentially in various directions), judgment is used to take all of these factors and synthesize them into a general direction or understanding of the characteristics of the property. Individually, no one factor in these cases may have a substantial impact on the analysis, but overall, may shed light on the utilization and characteristics of assets. Judgment may also be defined as deduction, inference, wisdom, common sense, or the ability to make sensible decisions. There is no single correct result from statistical analysis; hence, there is no answer absent judgment. At the very least for example, any analysis requires choosing which bands to place more emphasis.

The establishment of appropriate average service lives and retirement dispersions for Shared Services' accounts requires judgment to incorporate the understanding of the operation of the system with the available accounting information analyzed using the Retirement Rate actuarial methods. The appropriateness of lives and curves depends not only on statistical analyses, but also on how well future retirement patterns will match past retirements.

Current applications and trends in use of the equipment also need to be factored into life and survivor curve choices in order for appropriate mortality characteristics to be chosen.

Equal Life Group Depreciation

Atmos agreed that the continued use of the ELG depreciation procedure was appropriate. This study uses the ELG depreciation procedure to group the assets within each account. After an average service life and dispersion were selected for each account, those parameters were used to estimate what portion of the surviving investment of each vintage was expected to retire. The depreciation of the group continues until all investment in the vintage group is retired. ELG groups are defined by their respective account dispersion, life, and net salvage estimates. A straight-line rate for each ELG group is computed and accumulated across each vintage. The resulting rate for each ELG group is designed to recover all retirements less net salvage as each vintage retires. The ELG procedure recovers net book cost over the life of each ELG group rather than averaging many components. It also closely matches the concept of component or item accounting found in all accounting textbooks.

Theoretical Depreciation Reserve

The Company's book depreciation reserves were reallocated based on the theoretical reserves for each account. This study used a reserve model that relied on a prospective concept relating future retirement and accrual patterns for property, given current life and salvage estimates. The theoretical reserve of a group is developed from the estimated remaining life, total life of the property group, and estimated net salvage. The theoretical reserve represents the portion of the group cost that would have been accrued if current forecasts were used throughout the life of the group for future depreciation accruals. The computation involves multiplying the vintage balances within the group by the theoretical reserve ratio for each vintage. The equal life group method requires an estimate of dispersion and service life to establish how much of each vintage is expected to be retired in each year until all property within the vintage is retired. Estimated average service lives and dispersion determine the amount within each equal life group. The equal life group-remaining-life theoretical reserve ratio (RRELG) is calculated as:

$$RRELG = 1 - \frac{(ELG\ Remaining\ Life)}{(ELG\ Life)} * (1 - Net\ Salvage\ Ratio)$$

DETAILED DISCUSSION

Depreciation Study Process

This depreciation study encompassed four distinct phases. The first phase involved data collection and field interviews. The second phase was where the initial data analysis occurred. The third phase was where the information and analysis was evaluated. Once the first three stages were complete, the fourth phase began. This phase involved the calculation of deprecation rates and documenting the corresponding recommendations.

During the Phase I data collection process, historical data was compiled from continuing property records and general ledger systems. Data was validated for accuracy by extracting and comparing to multiple financial system sources. Audit of this data was validated against historical data from prior periods, historical general ledger sources, and field personnel discussions. This data was reviewed extensively to put in the proper format for a depreciation study. Further discussion on data review and adjustment is found in the Salvage Considerations Section of this study. Also as part of the Phase I data collection process, numerous discussions were conducted with engineers and field operations personnel to obtain information that would assist in formulating life and salvage recommendations in this study. One of the most important elements of performing a proper depreciation study is to understand how the Company utilizes assets and the environment of those assets. Interviews with engineering and operations personnel are important ways to allow the analyst to obtain information that is beneficial when evaluating the output from the life and net salvage programs in relation to the Company's actual asset utilization and environment. Information that was gleaned in these discussions is found both in the Detailed Discussion of this study in the life analysis and salvage analysis sections and also in workpapers.

Phase 2 is where the actuarial analysis is performed. Phase 2 and 3 overlap to a significant degree. The detailed property records information is used in phase 2 to develop observed life tables for life analysis. These tables are visually compared to industry standard tables to determine historical life characteristics. It is possible that the analyst would cycle back to this phase based on the evaluation process performed in phase 3. Net salvage analysis consists of compiling historical salvage and removal data by functional group to determine values and trends in gross salvage and removal cost. This information was then carried forward into phase 3 for the evaluation process.

Phase 3 is the evaluation process which synthesizes analysis, interviews, and operational characteristics into a final selection of asset lives and net salvage parameters. The historical analysis from phase 2 is further enhanced by the incorporation of recent or future changes in the characteristics or operations of assets that were revealed in phase 1. Phases 2 and 3 allow the depreciation analyst to validate the asset characteristics as seen in the accounting transactions with actual Company operational experience.

Finally, Phase 4 involved the calculation of accrual rates, making recommendations and documenting the conclusions in a final report. The calculation of accrual rates is found in Appendix B. Recommendations for the various accounts are contained within the Detailed Discussion of this report. The depreciation study flow diagram shown as Figure 1[1] documents the steps used in conducting this study. Depreciation Systems, page 289 documents the same basic processes in performing a depreciation study which are: Statistical analyses, evaluation of statistical analysis, discussions with management, forecast assumptions, write logic supporting forecasts and estimation, and write final report.

[1] Public Utility Finance & Accounting, A Reader

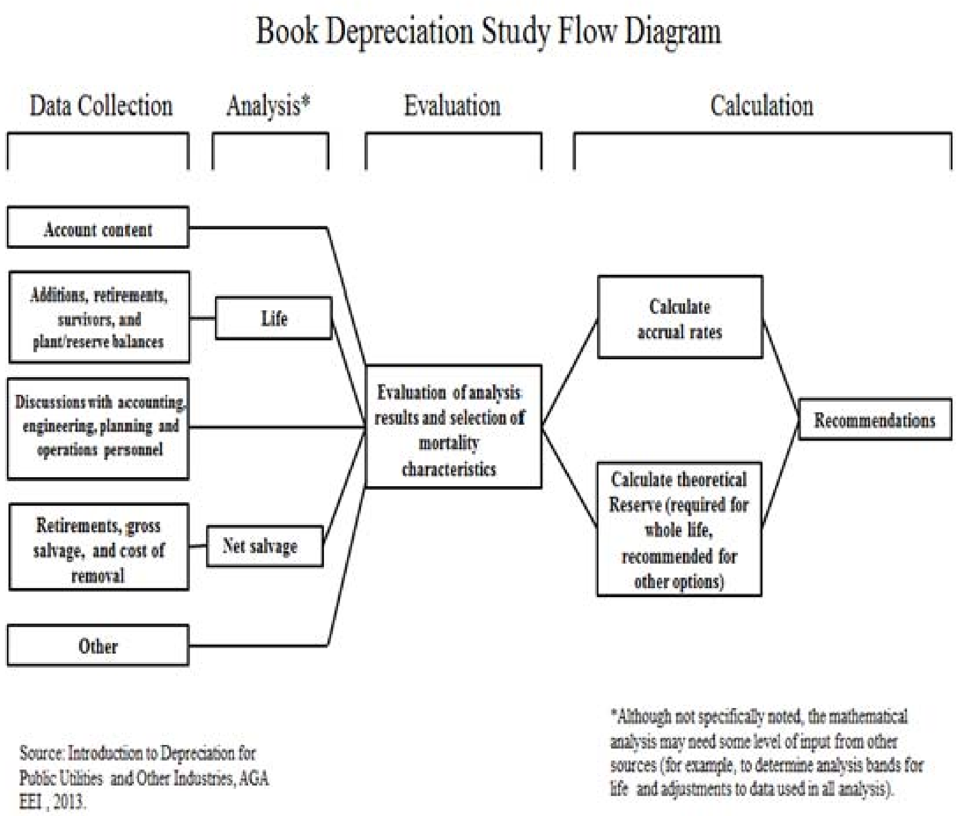


Figure 1

SHARED SERVICES DEPRECIATION STUDY PROCESS

Depreciation Rate Calculation

Annual depreciation expense amounts for the depreciable property accounts of Shared Services were calculated by the straight line, equal life group, and remaining-life system. With this approach, remaining lives were calculated according to standard ELG group expectancy techniques, using the Iowa Survivor Curves noted in the calculation. For each plant account, the difference between the surviving investment, adjusted for estimated net salvage and the allocated book depreciation reserve, was divided by the average remaining life to yield the annual depreciation expense. These calculations are shown in Appendix B.

Remaining Life Calculation

The establishment of appropriate average service lives and retirement dispersions for each account within a functional group was based on engineering judgment that incorporated available accounting information analyzed using the actuarial methods. After establishment of appropriate average service lives and retirement dispersions, remaining lives were computed for each account. The theoretical depreciation reserve with zero net salvage (used in calculating remaining life) was calculated using theoretical reserve ratios as defined in the theoretical reserve portion of the general discussion section. The difference between plant balance and theoretical reserve was then spread over the ELG depreciation accruals. After accumulating the ELG accruals across each vintage, the annual accrual was divided into the net balance to compute remaining life. Details of the theoretical reserve computations, ELG accruals, and remaining life are found by account within each division in the study workpapers.

Calculation Process

Annual depreciation expense amounts for all accounts were calculated by the straight line, remaining life procedure.

In a whole life representation, the annual accrual rate is computed by the following equation,

$$\text{Annual Accrual Rate} = \frac{(100\% - \text{Net Salvage Percent})}{\text{Average Service Life}}$$

Use of the remaining life depreciation system adds a self-correcting mechanism, which accounts for any differences between theoretical and book depreciation reserve over the remaining life of the group. With the straight line, remaining life, average life group system using Iowa Curves, composite remaining lives were calculated according to standard broad group expectancy techniques, noted in the formula below:

$$\text{Composite Remaining Life} = \frac{\sum \text{Original Cost} - \text{Theoretical Reserve}}{\sum \text{Whole Life Annual Accrual}}$$

For each plant account, the difference between the surviving investment, adjusted for estimated net salvage, and the allocated book depreciation reserve, was divided by the composite remaining life to yield the annual depreciation expense as noted in this equation where the net salvage percent represents future net salvage.

$$\text{Annual Depreciation Expense} = \frac{\text{Original Cost} - \text{Book Reserve} - (\text{Original Cost}) * (1 - \text{Net Salvage \%})}{\text{Composite Remaining Life}}$$

Within a group, the sum of the group annual depreciation expense amounts, as a percentage of the depreciable original cost investment summed, gives the annual depreciation rate as shown below:

$$\text{Annual Depreciation Rate} = \frac{\sum \text{Annual Depreciation Expense}}{\sum \text{Original Cost}}$$

These calculations are shown in Appendix B. The calculations of the theoretical depreciation reserve values and the corresponding remaining life calculations are shown in workpapers. Book depreciation reserves were allocated to individual accounts and the theoretical reserve computation was used to compute a composite remaining life for each account.

LIFE ANALYSIS

The retirement rate actuarial analysis method was applied to all accounts for Shared Services. For each account, an actuarial retirement rate analysis was made with placement and experience bands of varying width. The historical observed life table was plotted and compared with various Iowa Survivor Curves to obtain the most appropriate match. A selected curve for each account is shown in the Life Analysis Section of this report. The observed life tables for all analyzed placement and experience bands are provided in workpapers.

For the overall band (i.e. placement from earliest vintage year which varied for each account through 2014) for each account, various dispersion curves were plotted. Frequently, visual matching would confirm one specific dispersion pattern (i.e. L, S. or R) as a better match than others. The next step would be to determine the most appropriate life using that dispersion pattern. Then, after looking at the overall experience band, different experience bands were plotted and analyzed, for instance 1950-2014, 1985-2014, etc. Next placement bands of varying width were plotted with each experience band discussed above. Repeated matching usually pointed to a focus on one dispersion family and small range of service lives. The goal of visual matching was to minimize the differential between the observed life table and Iowa curve in top and mid range of the plots. These results are used in conjunction with all other factors that may influence asset lives.

NET SALVAGE CONSIDERATIONS

When a capital asset is retired, physically removed from service and finally disposed of, terminal retirement is said to have occurred. The residual value of a terminal retirement is called gross salvage. Net salvage is the difference between the gross salvage (what the asset was sold for) and the removal cost (cost to remove and dispose of the asset).

Net Salvage Characteristics

The net salvage analysis, for each account, is shown in Appendix D. Moving averages for intervals are also included in Appendix D. The assets of Shared Services generally do not incur cost of removal and salvage has declined in recent years. In this study a zero percent net salvage is recommended for each account, with the exception of Account 392, Transportation Equipment.

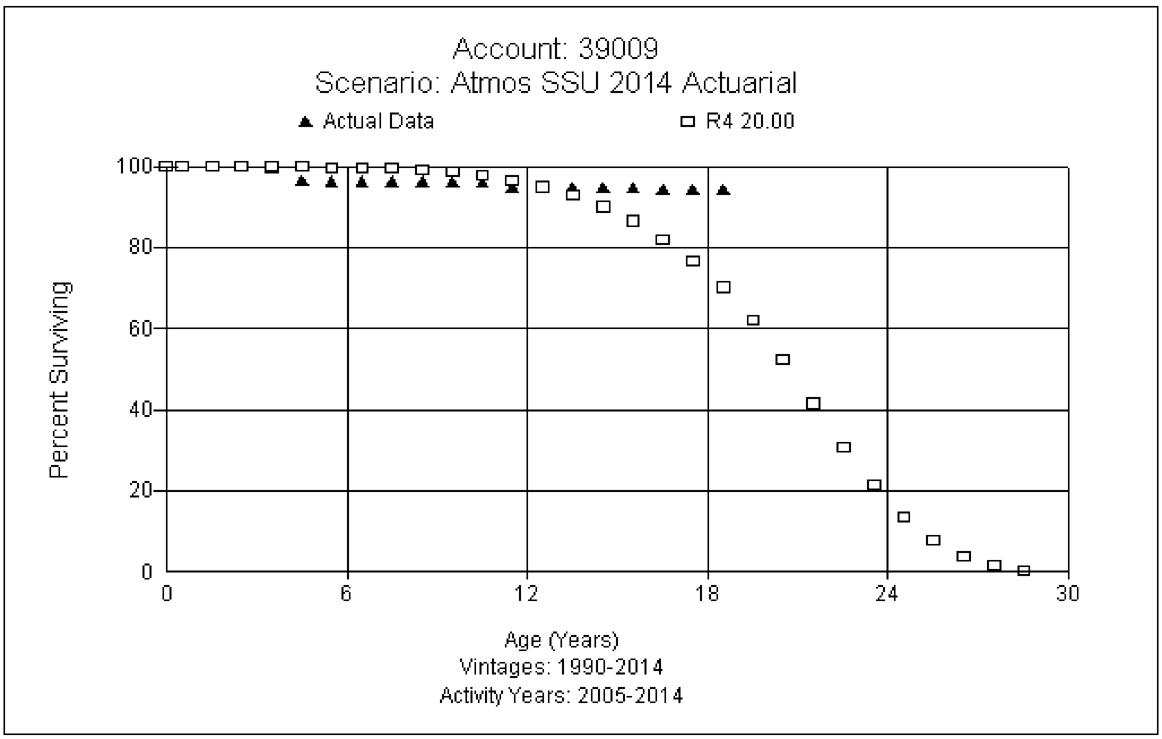
Account Life and Net Salvage Analysis

39000 – Structures & Improvements

This account includes the cost of buildings and improvements including the Greenville operations center and the Charles K. Vaughn training center. The account balance is $33.5 million. The average age of investment is 4.47 years, Due to the young age of the surviving investment, no curve fits were possible. Based on judgment and type of assets this study recommends a 40 year life with the R2 dispersion pattern. No graph is provided. Little to no salvage is expected. However, some cost of removal at end of life is expected for some of the assets but none has been recorded. Therefore, a zero percent net salvage is recommended at this time.

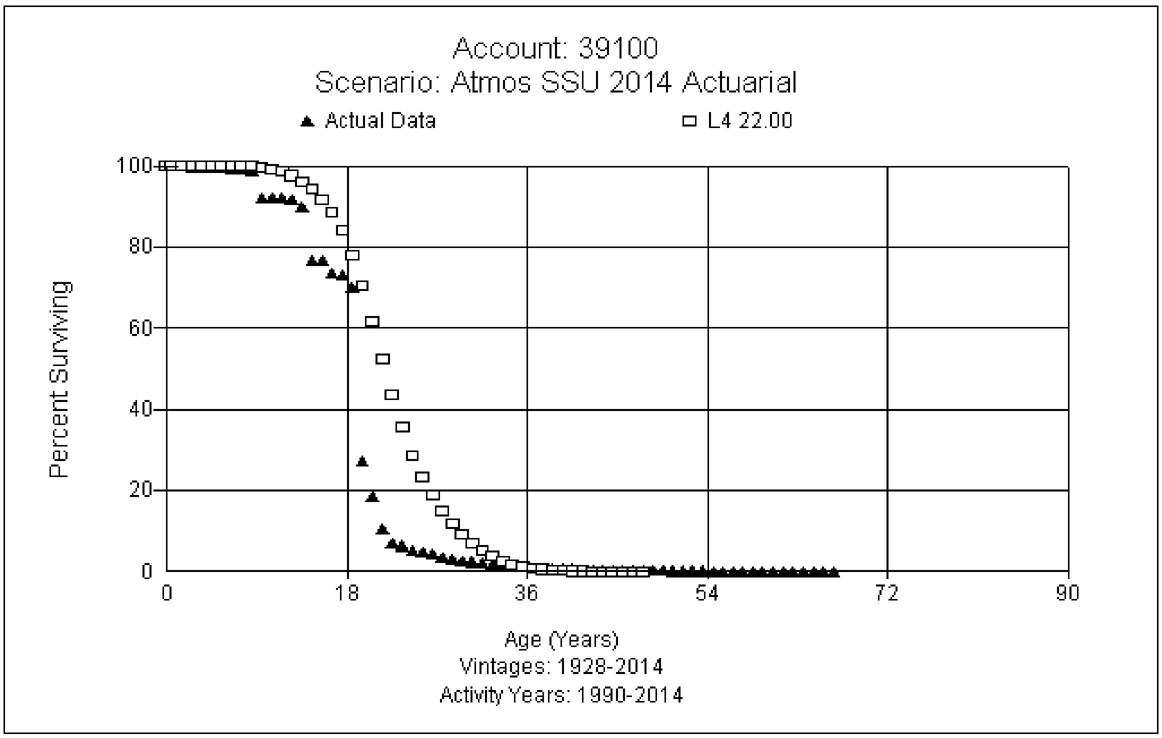
39009 – Improvements to Leased Premises

This account includes the cost of improvements to leased premises such as the Dallas office and call centers. The balance is $13.1 million. Assets in this account are tied to the lease term, which is about 20 years. This study recommends retaining the 20 R4 at this time. A graph of the observed life table and the recommended life and curve are shown below. No salvage or removal cost is currently expected for these improvements, therefore a zero percent net salvage is recommending for this account.



39100 – Office Furniture and Equipment

This account consists of modular furniture, desks, chairs, bookcases, credenzas, file cabinets, office machines and other miscellaneous equipment. The balance is $12.8 million. The currently approved dispersion pattern is 22 L4. An expected life range for the assets in this account is 20 to 25 years. However, the current study analysis indicates a shorter life. Discussions with Company personnel indicated some offices had been renovated and more retirements were made than would typically occur. Based on the Company input, the analysis, and future expectations, this study recommends retaining the existing 22 L4 dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below. There is no cost of removal and salvage has declined to a negligible level. A zero percent net salvage rate is recommended for this account.



39200 – Transportation Equipment

This account consists of all transportation equipment. The balance is $103 thousand. The currently approved dispersion pattern is unknown. Depending on the type and mix of assets, this account can range from 5-15 years. No curve fits were possible. The current average age of investment is 4.33 years. Only one retirement has been recorded. The Company leases most of its vehicles and surviving assets are golf carts, a trailer, and other miscellaneous equipment. Based on the surviving assets, this study recommends a 10 L2. No graph is provided. There is no cost of removal and salvage has declined to a negligible level. However, some salvage is expected and a 10 percent net salvage rate is recommended for this account.

39400 – Tools, Shop & Garage Equipment

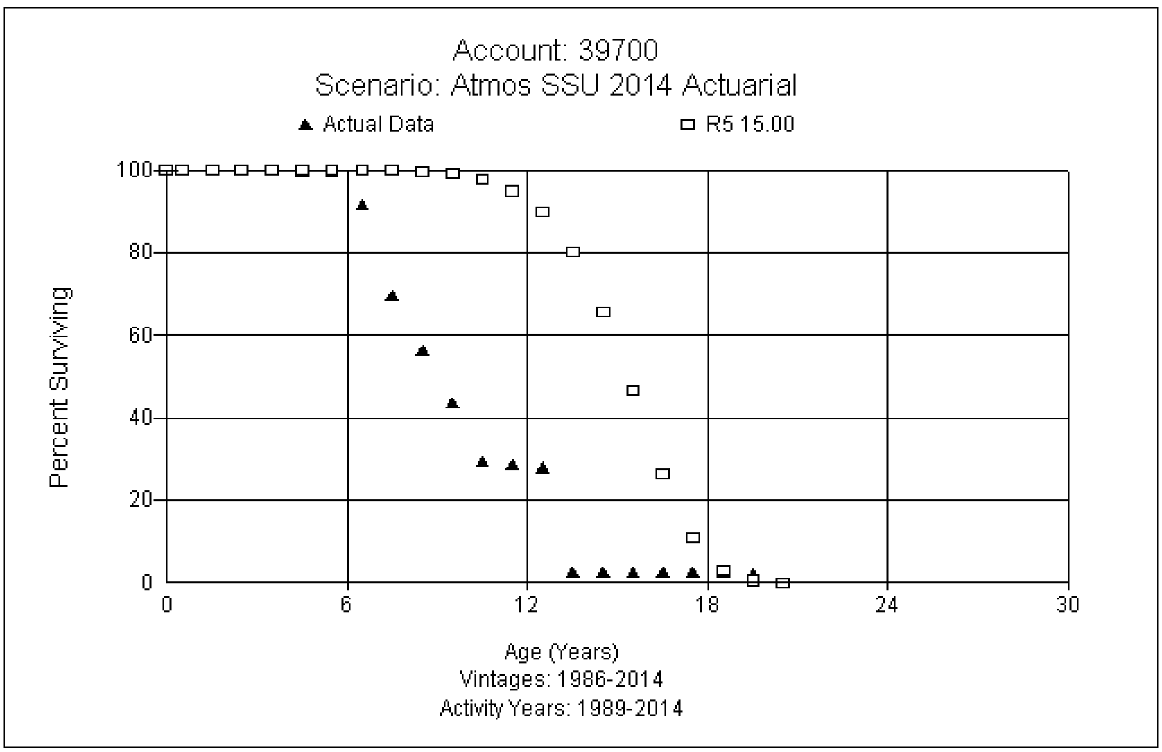
This account consists of various small tools and equipment used in an office. The balance is $264 thousand in this account. The average age of investment is 3.59 years. Due to the type and use of the assets and the analysis, this study recommends retention of the 11 S6 life and dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below. There is generally little or no salvage and no cost of removal related to the equipment in the account. This study recommends a zero percent net salvage rate for this account.

39500 – Laboratory Equipment

This account consists of laboratory equipment. The balance is $24 thousand in this account. The average age of investment is 3.01 years. Assets are young, 3.01 years and no retirement activity has been recorded so no curve fits were made. Based on the type and use of the assets, this study recommends a 10 R2. No graph is provided. There is generally little or no salvage and no cost of removal related to the equipment in the account. This study recommends a zero percent net salvage rate for this account.

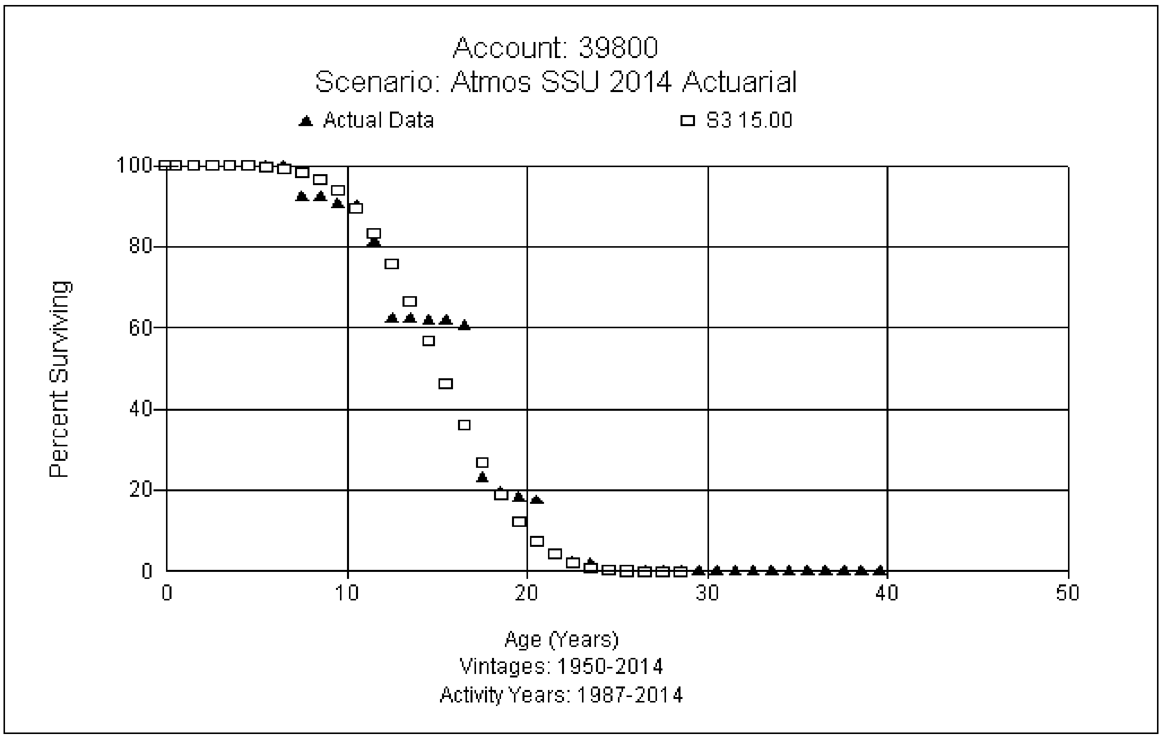
39700 – Communications Equipment

The communications equipment account includes communication, computer hardware, telephone, and radio equipment. The balance is $4.7 million in this account. The current average age of assets is 6.46 years. Within 6-9 months, all switches for call center will be split between Greenville Data center (primary) and Lincoln (backup). All were replaced within last 3 years (as well as Lincoln telephone switch). Call center switches were 10-15 years old at retirement. A 15 year life is reasonable and the Company will replace pieces under O&M in the interim. Based on the analysis, the best fits were indicating a life between 7-9 years, which is due to large level of retirements in last few years. Based on all the information and judgment, a 15 year life with the R5 dispersion is recommended. A graph of the observed life table and the recommended life and curve are shown below. There has been no recent salvage and removal cost experience. This study recommends a zero percent net salvage rate for this account.



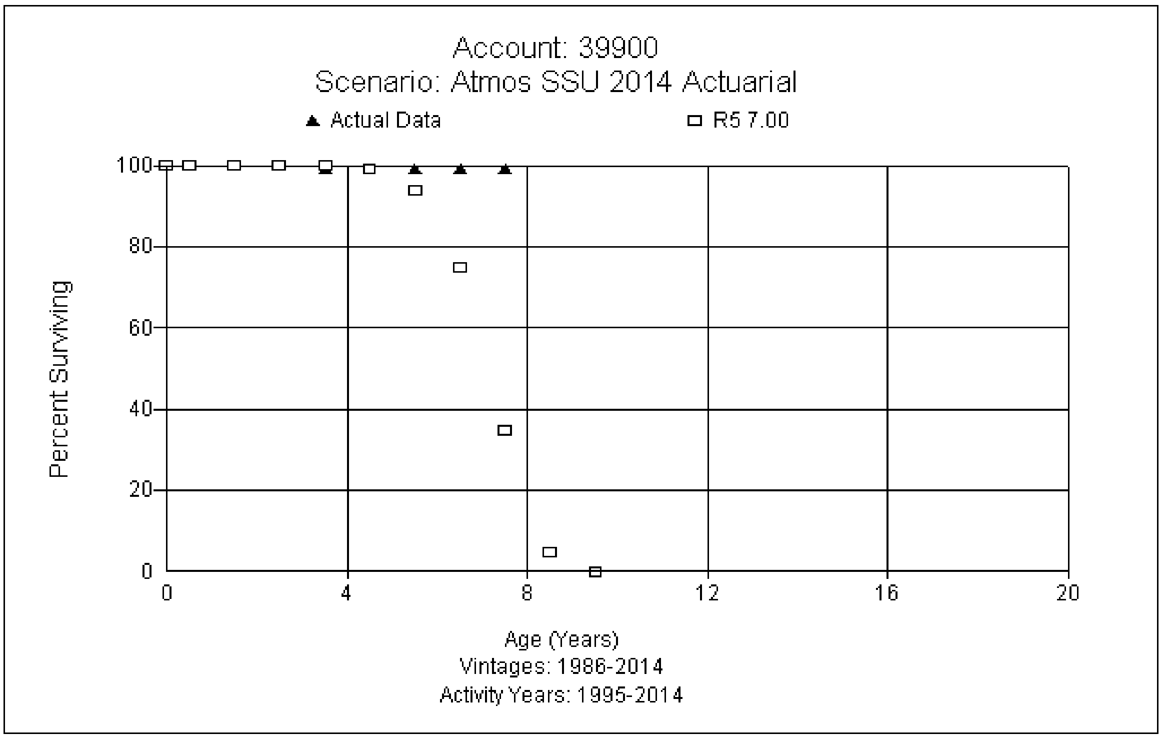
Account 39800 - Miscellaneous Equipment

This account consists of various small office equipment items, such as kitchen appliances, televisions and audio/video equipment that are not homogeneous with other plant accounts. The balance is $510 thousand. The majority of the fits, except the most recent bands, indicated a life around 15 years. The 15 year average service life with the S3 dispersion for assets in this account is a good fit and is recommended. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a zero percent net salvage rate for this account.



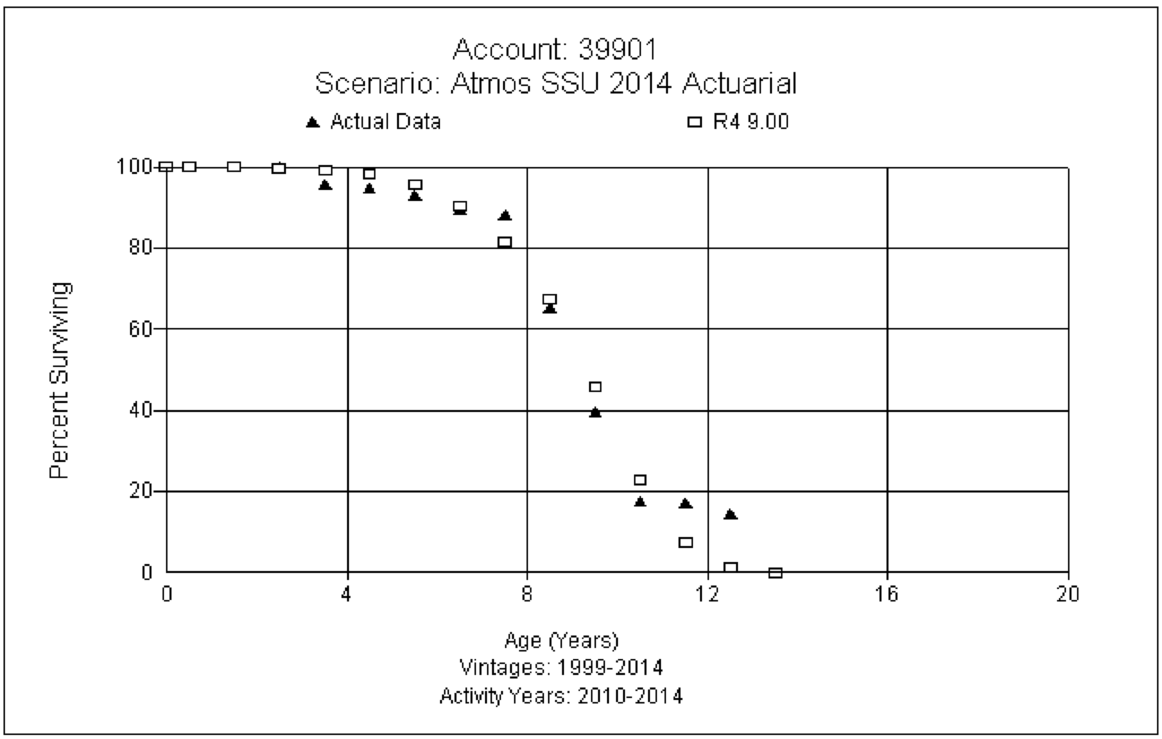
Account 39900 – Other Tangible Property

The other tangible property account holds some computer hardware and communication equipment. The account balance is $889 thousand. The average age of the investment is 2.31 years and average age of retirements is 7.34 years. Best fits indicate a 7 year life, which is consistent with the expectations for this type of asset. The study recommends a 7 year life with the R5 dispersion for this account. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a zero percent net salvage rate for this account.



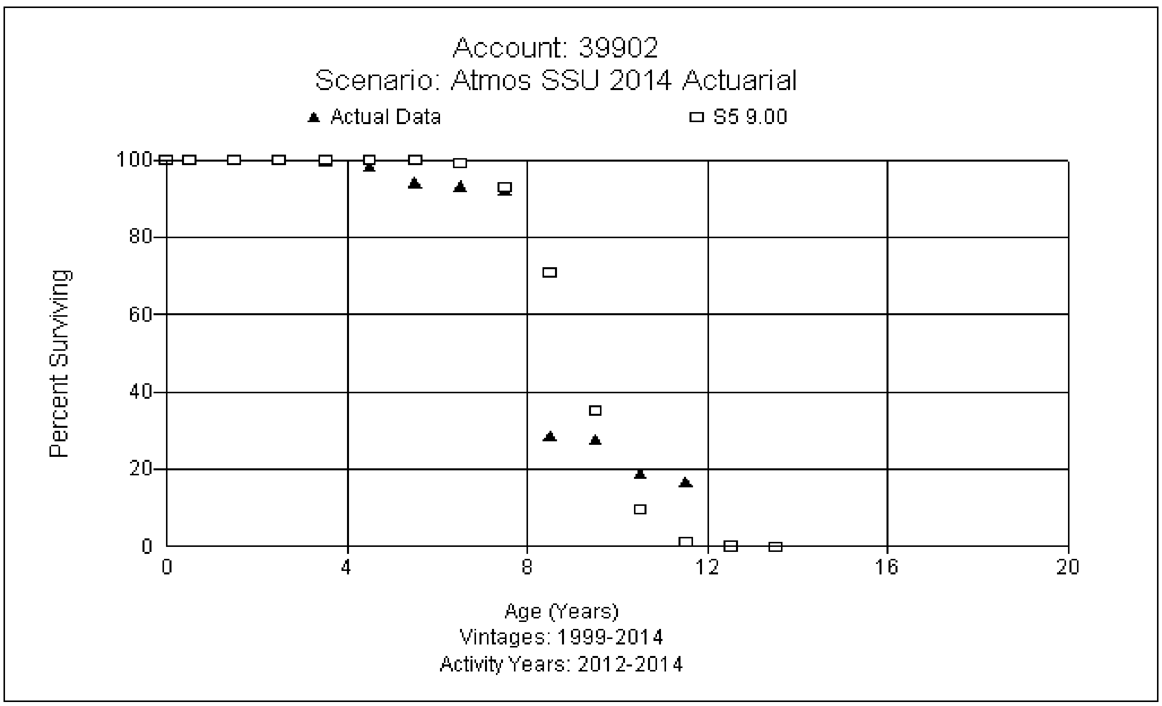
Account 39901 – Servers Hardware

This account consists of assets such as the HP 9000 RP 8420 servers, Oracle server, EMC DMX 3 disk array, Banner server, Markview servers and other server hardware and equipment. The balance is $38 million. Discussions with Company personnel indicated some older equipment may stay for an extended time – but newer assets are replaced closer to a 7 years cycle. Based on the analysis and Company input, this study recommends the R4 9 for this account. A graph of the observed life table and the recommended life and curve are shown below. No salvage or cost of removal is expected and a zero percent net salvage rate is recommended for this account.



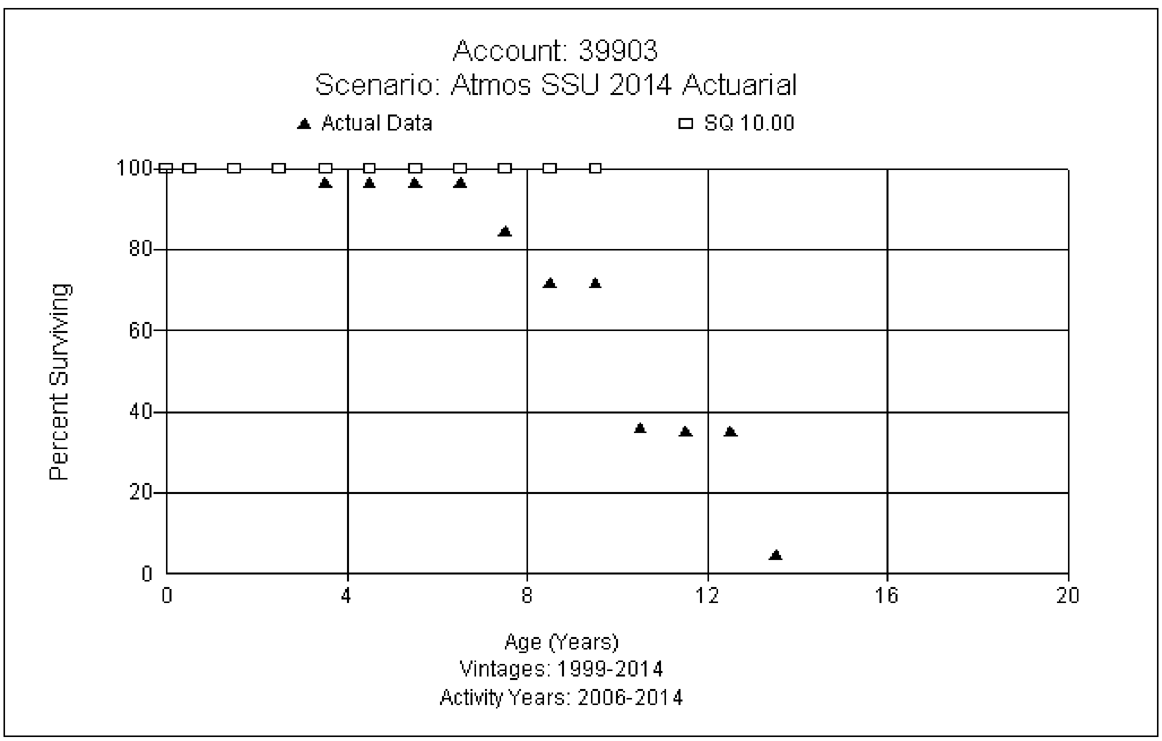
Account 39902 – Servers Software

This account consists of assets such as the Banner, Oracle, VMWare, Appwork scheduling, Witness, Networker, and other server attendant software for billing and software licenses. The balance is $18.1 million. The average age of investment is 4.84 years. The average age of retirements is 11.75 years. The Company lengthened the lives of some assets due to the CSS project but now is in “catch-up” mode. Based on discussions with Company personnel software is not necessarily tied to servers. They purchase data center licenses but when a server is replaced, they don’t necessarily have to replace software. In 2014 purchased Windows server 2012 to replace the 2003 version. Technology changes are a driver for retirement and replacement. Although the Company believes a 7 year life is reasonable, based on all the information, this study recommends a 9 year average service life with and S5 dispersion pattern for this account. A graph of the observed life table and the recommended life and curve are shown below. No salvage or cost of removal is expected and a zero percent net salvage rate is recommended for this account.



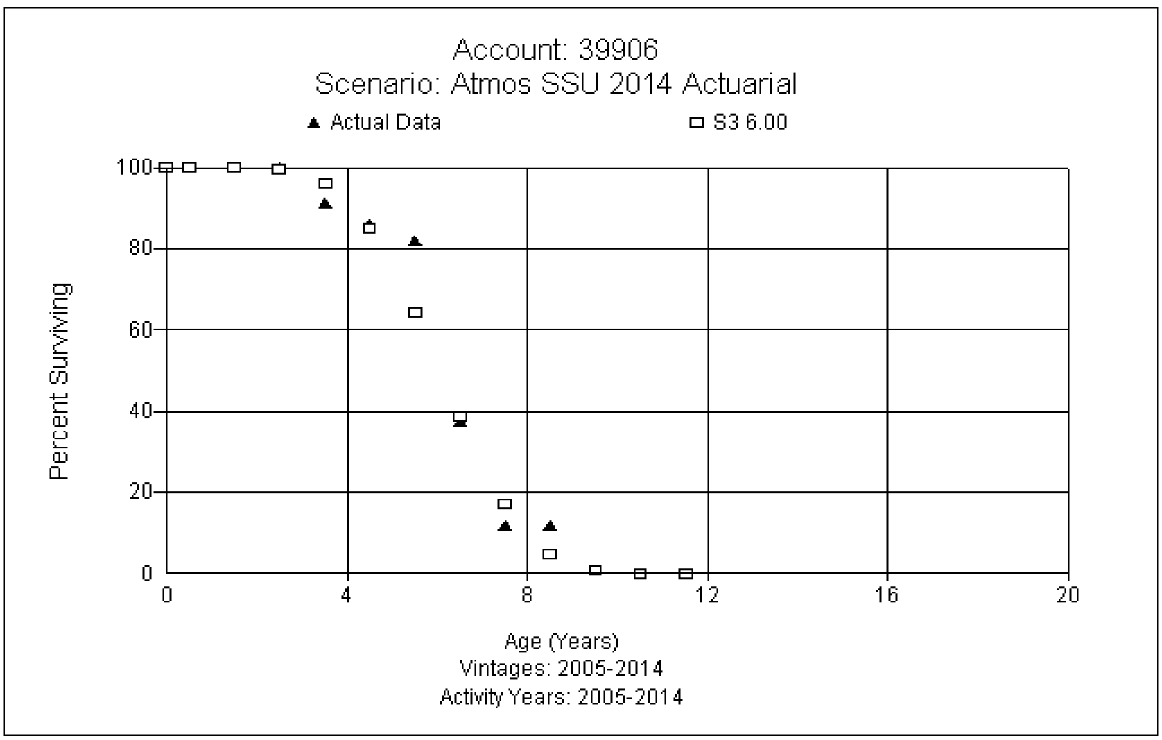
Account 39903 – Network Hardware

This account consists of assets related to networking activities such as routers, switches and miscellaneous networking equipment. The balance is $4 million. The average age of retirements is 8.78 years and the average age of investment is 6.33 years. Based on discussions with Company personnel 10 years is reasonable. Currently, there is a major effort to replace all network hardware. The Company may upgrade firmware more frequently as part of expense or no charge due to maintenance contract. The analysis indicates best fits between 10-13 years. Based on all the information, this study recommends the 10 SQ, which is slightly longer than server hardware. A graph of the observed life table and the recommended life and curve are shown below. No salvage or cost of removal is expected and a zero percent net salvage rate is recommended for this account.



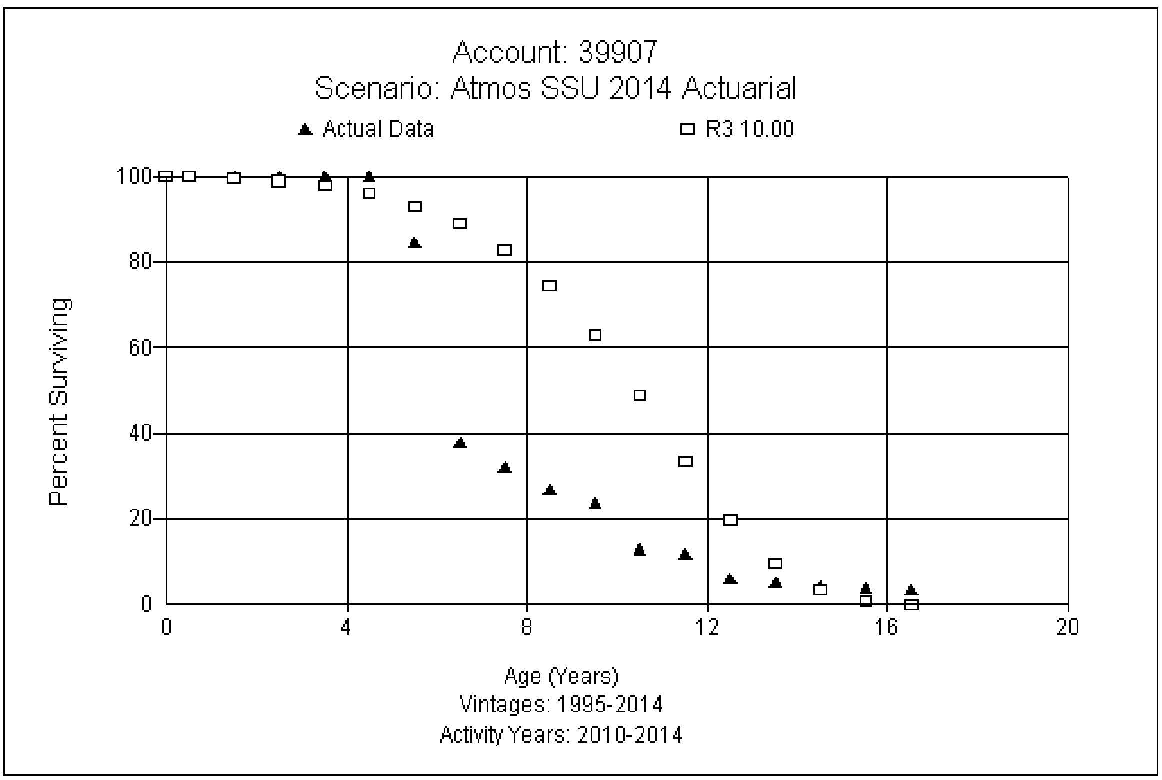
Account 39906 – PC Hardware

This account consists of costs for computer hardware, desktop and laptop computers, PC's for the call center, servers, and some costs associated with software licenses for PC's and servers. The balance is $3.8 million. The average age of investment is 4.45 years and average age of retirements is 7.35 years. The life indications in the actuarial analysis suggest a life between 6-7 years. Based on discussions with Company personnel, they are holding closer to a refresh cycle. There may be some delays in retiring off the books but the analysis should see a shorter life than in the past. The average pcs/person has decreased from 1.5 to 1.2 per person. Therefore, using the most recent bands, Company input, and judgment, this study recommends a 6 year life with the S3 dispersion. A graph of the observed life table and the recommended life and curve are shown below. Generally, the Company will pay a third party to pick up old PCs but at a nominal cost. This study recommends a zero percent net salvage rate for this account.



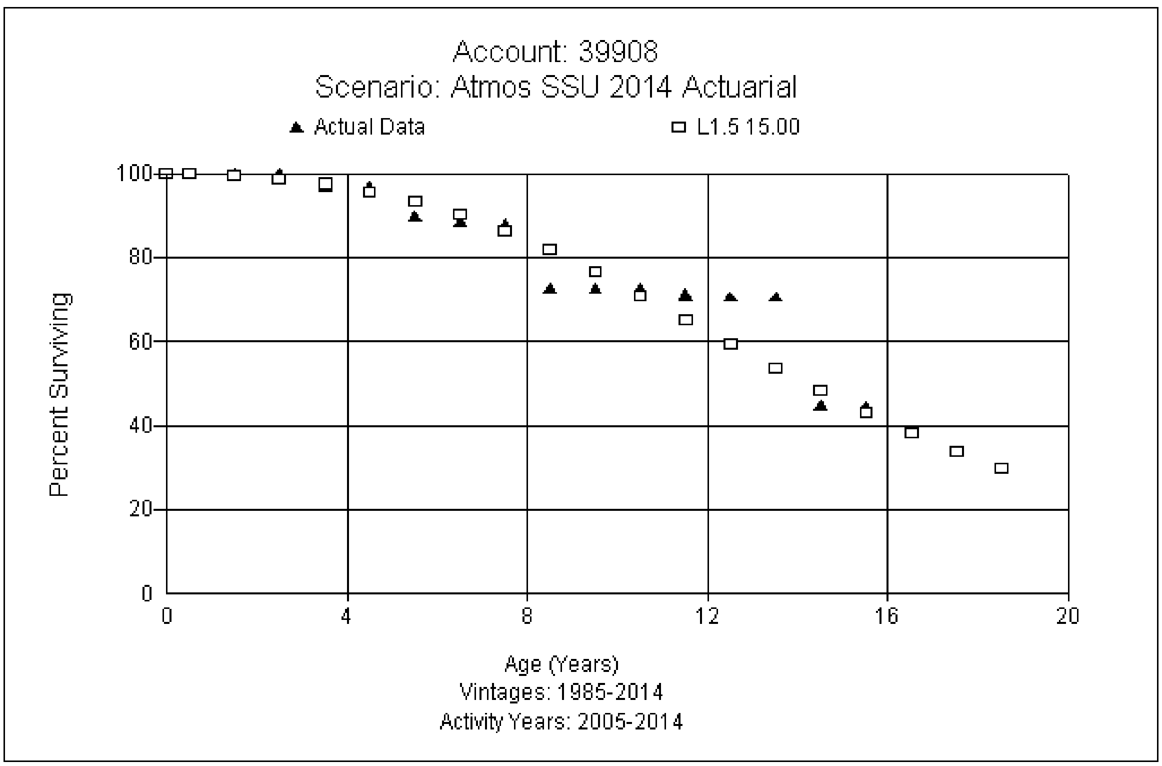
Account 39907 – PC Software

The PC software account holds booked investment and retirement activity for software assets including operating system software such as Windows 2000 or Windows XP, Microsoft Office, call center, Verizon dialer software, Genesys upgrade, MS Project and other related application software. The balance is $1.6 million. The average age of investment is 7.46 years and average age of retirements is 9.12 years. Based on discussions with Company personnel the PC Software should be tied to the PC Hardware although a few software assets may have longer life e.g., Office. The Company indicated 10 years is probably at the top of the live range. There has been retirement activity in this account and the majority of the life indications in the actuarial analysis are between 9-10 years. Based on the analysis, Company input, type of assets, and judgment, this study recommends using a 10 year average service life with the R3 dispersion. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a zero percent net salvage rate for this account.



Account 39908 – Application Software

The applications software account holds booked investment and retirement activity for software assets including billing system software, electronic mapping and training software applications, Oracle upgrade, Banner, Data Mart System, PowerPlant System, Advantage System application and the Waco Call Center IT build. The balance is $205 million. The average age of investment is 6.55 years and average age of retirements is 10.14 years. Based on discussions with Company personnel, a new CSS application is in service. A 15-20 year life for the large enterprise systems is reasonable. Smaller systems would have a shorter life. Oracle Financial 2012 was put in last year. When upgraded, the Company will capitalize upgrades but not retire original platform. Based on the analysis, numerous fits are around 12 years. Based on all the information and judgment, this study recommends a 15 year average service life with the L1.5 dispersion for this account. A graph of the observed life table and the recommended life and curve are shown below. This study recommends a zero percent net salvage rate for this account.



Account 39909 – Main Frame Software

This account consists of costs related to Oracle, assembler language, security control package, natural VSAM and other related software. The balance is $1.0 million and is fully depreciated. The assets will be retired and not replaced due to the use of server technology in place.

APPENDIX A

Annual Rate and Accrual

Appendix A

Atmos Energy - Shared Services
At September 30, 2014
Depreciation Study Annual Depreciation Rates and Accruals

Account	Description	Plant Balance 09/30/2014	Annual Accrual Rate	Annual Accrual Amount
(a)	(b)	(c)	(d)	(e)
DIVISION 002 - SSU GENERAL OFFICE				
39000	Structure & Improvements	$ 1,309,245.93	3.01%	$ 39,432.12
39005	Structure & Improvements	9,199,400.51	3.01%	277,069.34
39009	Improvements - Leased	8,856,029.45	3.25%	287,646.34
39100	Office Furniture & Equipment	10,496,896.14	3.96%	416,169.19
39104	Office Furniture & Equipment	63,740.85	3.96%	2,527.13
39200	Transportation Equipment	103,415.63	8.34%	8,621.95
39400	Tools, Shop, & Garage Equipment	264,475.83	8.37%	22,130.70
39500	Laboratory Equipment	23,632.07	10.05%	2,374.04
39700	Communication Equipment	2,448,692.24	5.85%	143,284.81
39800	Miscellaneous Equipment	481,520.80	5.29%	25,465.39
39900	Other Tangible Equipment	168,103.30	13.06%	21,957.94
39901	Servers-Hardware	29,891,192.11	9.48%	2,835,048.87
39902	Servers-Software	16,346,607.65	8.93%	1,460,379.34
39903	Network Hardware	3,560,450.29	6.99%	248,985.80
39906	Pc Hardware	2,696,309.27	10.49%	282,780.48
39907	Pc Software	1,029,795.48	6.63%	68,226.99
39908	Application Software	95,314,476.75	6.52%	6,210,612.92
	Total SSU General Office	**182,253,984.30**	**6.78%**	**12,352,713.36**
DIVISION 012 - SSU CUSTOMER SUPPORT				
39000	Structure & Improvements	12,583,274.85	3.01%	378,985.53
39009	Improvements - Leased	4,298,434.33	3.25%	139,614.36
39010	CKV-Structures & Improvements	10,419,806.71	3.01%	313,825.77
39100	Office Furniture & Equipment	2,303,598.12	3.96%	91,330.48
39103	Office Machines	4,057.89	3.96%	160.88
39700	Communication Equipment	1,962,784.81	5.85%	114,852.02
39710	CKV-Communication Equipment	271,621.22	5.85%	15,893.87
39800	Miscellaneous Equipment	28,617.03	5.29%	1,513.42
39900	Other Tangible Equipment	629,166.46	13.06%	82,182.80
39901	Servers-Hardware	7,924,716.14	9.48%	751,624.67
39902	Servers-Software	1,786,301.86	8.93%	159,585.30
39903	Network Hardware	494,406.42	6.99%	34,574.33
39906	Pc Hardware	872,782.54	10.49%	91,534.70
39907	Pc Software	499,710.36	6.63%	33,107.28
39908	Application Software	109,873,866.14	6.52%	7,159,290.76
39910	CKV-Other Tangible Equipment	91,992.46	13.06%	12,016.21
39916	CKV-Pc Hardware	194,015.41	10.49%	20,347.73
39917	CKV-Pc Software	90,540.56	6.63%	5,998.58
	Total Customer Support	**154,329,693.31**	**6.10%**	**9,406,438.72**
	Total Plant in Study	**$ 336,583,677.61**	**6.46%**	**$ 21,759,152.08**

Notes:
1. Accounts 39101, 39102, and 39103 are combined with Account 39100.
2. Account 39809 is combined with Account 39800.

APPENDIX B

Remaining Life Calculations

Appendix B

Atmos Energy - Shared Services
At September 30, 2014
Calculation of Depreciation Accrual Remaining Life
With Reserve Reallocation

Account	Description	Plant Balance	Allocated Book Reserve	Net Salvage %	Net Salvage Amount	Unaccrued Balance	Remaining Life	Annual Accrual Amount	Annual Accrual Rate
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
39000	Structures & Improvements	$ 33,511,728.00	$ 5,387,689.67	0%	$ -	$ 28,124,038.33	27.86	$ 1,009,312.76	3.01%
39009	Improvements - Leased	13,154,463.78	10,101,312.09	0%	-	3,053,151.69	7.15	427,260.70	3.25%
39100	Office Furniture & Equipment	12,868,293.00	6,988,475.63	0%	-	5,879,817.37	11.52	510,187.68	3.96%
39200	Transportation Equipment	103,415.63	51,767.92	10%	10,341.56	41,306.14	4.79	8,621.95	8.34%
39400	Tools Shop And Garage	264,475.83	102,156.77	0%	-	162,319.06	7.33	22,130.70	8.37%
39500	Laboratory Equipment	23,632.07	9,147.89	0%	-	14,484.18	6.10	2,374.04	10.05%
39700	Communication Equipment	4,683,098.27	2,379,742.87	0%	-	2,303,355.40	8.41	274,030.70	5.85%
39800	Miscellaneous Equipmeent	510,137.83	287,538.91	0%	-	222,598.92	8.25	26,978.82	5.29%
39900	Other Tangible Equipment	889,262.22	380,313.34	0%	-	508,948.88	4.38	116,156.96	13.06%
39901	Servers-Hardware	37,815,908.25	21,091,805.13	0%	-	16,724,103.12	4.66	3,586,673.55	9.48%
39902	Servers-Software	18,132,909.51	11,337,185.90	0%	-	6,795,723.61	4.19	1,619,964.65	8.93%
39903	Network Hardware	4,054,856.71	3,012,739.55	0%	-	1,042,117.16	3.68	283,560.13	6.99%
39906	PC Hardware	3,763,107.22	2,877,983.27	0%	-	885,123.95	2.24	394,662.92	10.49%
39907	PC Software	1,620,046.40	1,182,030.73	0%	-	438,015.67	4.08	107,332.85	6.63%
39908	Application Software	205,188,342.89	94,601,556.77	0%	-	110,586,786.12	8.27	13,369,903.68	6.52%
	Total Depreciable Plant	**$ 336,583,677.61**	**$ 159,791,446.44**		**$ 10,341.56**	**$ 176,781,889.61**		**$ 21,759,152.08**	**6.46%**

APPENDIX C

Mortality Characteristics

Appendix C

Atmos Energy - Shared Services Unit
Depreciation Study as of September 30, 2014
Proposed Depreciation Mortality Characteristics

Account	Description	ASL	Curve	Gross Salvage	Cost of Removal	Net Salvage
DIVISION 002 - SSU GENERAL OFFICE						
39000	Structure & Improvements	40	R2	0%	0%	0%
39005	Structure & Improvements	40	R2	0%	0%	0%
39009	Improvements - Leased	20	R4	0%	0%	0%
39100	Office Furniture & Equipment	22	L4	0%	0%	0%
39101	Office Furniture & Equipment	22	L4	0%	0%	0%
39102	Remittance Processing	22	L4	0%	0%	0%
39103	Office Machines	22	L4	0%	0%	0%
39104	Office Furniture & Equipment	22	L4	0%	0%	0%
39200	Transportation Equipment	10	L2	10%	0%	10%
39400	Tools, Shop, & Garage Equipment	11	S6	0%	0%	0%
39500	Laboratory Equipment	10	R2	0%	0%	0%
39700	Communication Equipment	15	R5	0%	0%	0%
39800	Miscellaneous Equipment	15	S3	0%	0%	0%
39809	Inserter	15	S3	0%	0%	0%
39900	Other Tangible Equipment	7	R5	0%	0%	0%
39901	Servers-Hardware	9	R4	0%	0%	0%
39902	Servers-Software	9	S5	0%	0%	0%
39903	Network Hardware	10	SQ	0%	0%	0%
39906	Pc Hardware	6	S3	0%	0%	0%
39907	Pc Software	10	R3	0%	0%	0%
39908	Application Software	15	L1.5	0%	0%	0%
	Total SSU General Office					
DIVISION 012 - SSU CUSTOMER SUPPORT						
39000	Structure & Improvements	40	R2	0%	0%	0%
39009	Improvements - Leased	20	R4	0%	0%	0%
39010	CKV-Structures & Improvements	40	R2	0%	0%	0%
39100	Office Furniture & Equipment	22	L4	0%	0%	0%
39101	Office Furniture & Equipment	22	L4	0%	0%	0%
39102	Remittance Processing	22	L4	0%	0%	0%
39103	Office Machines	22	L4	0%	0%	0%
39700	Communication Equipment	15	R5	0%	0%	0%
39710	CKV-Communication Equipment	15	R5	0%	0%	0%
39800	Miscellaneous Equipment	15	S3	0%	0%	0%
39900	Other Tangible Equipment	7	R5	0%	0%	0%
39901	Servers-Hardware	9	R4	0%	0%	0%
39902	Servers-Software	9	S5	0%	0%	0%
39903	Network Hardware	10	SQ	0%	0%	0%
39906	Pc Hardware	6	S3	0%	0%	0%
39907	Pc Software	10	R3	0%	0%	0%
39908	Application Software	15	L1.5	0%	0%	0%
39910	CKV-Other Tangible Equipment	7	R5	0%	0%	0%
39916	CKV-Pc Hardware	6	S3	0%	0%	0%
39917	CKV-Pc Software	10	R3	0%	0%	0%
	Total Customer Support					

APPENDIX D

Net Salvage Analysis

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Acct	Activity Year	Retirement	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
39000	2007	0	-	-	0	NA									
39000	2008	0	-	-	0	NA	NA								
39000	2009	0	-	-	0	NA	NA	NA							
39000	2010	0	-	-	0	NA	NA	NA	NA						
39000	2011	0	-	-	0	NA	NA	NA	NA	NA					
39000	2012	0	-	-	0	NA	NA	NA	NA	NA	NA				
39000	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	NA			
39000	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA		
39005	2007	0	-	-	0	NA									
39005	2008	0	-	-	0	NA	NA								
39005	2009	0	-	-	0	NA	NA	NA							
39005	2010	0	-	-	0	NA	NA	NA	NA						
39005	2011	0	-	-	0	NA	NA	NA	NA	NA					
39005	2012	0	-	-	0	NA	NA	NA	NA	NA	NA				
39005	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	NA			
39005	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA		
39009	2000	270,911	-	-	0	0.0%									
39009	2001	0	-	-	0	NA	0.0%								
39009	2002	0	-	-	0	NA	NA	0.0%							
39009	2003	0	-	-	0	NA	NA	NA	0.0%						
39009	2004	0	-	-	0	NA	NA	NA	NA	0.0%					
39009	2005	0	-	-	0	NA	NA	NA	NA	NA	0.00%				
39009	2006	178,757	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39009	2007	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39009	2008	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39009	2009	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39009	2010	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39009	2011	0	-	-	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39009	2012	35,417	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39009	2013	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39009	2014	126,214	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	1993	83,992	200	-	200	0.2%									
39100	1994	7,848	-	-	0	0.0%	0.2%								

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39100	1995	852	-	-	0	0.0%	0.0%	0.2%							
39100	1996	92,361	-	-	0	0.0%	0.0%	0.0%	0.1%						
39100	1997	0	-	(5,108)	5,108	NA	5.5%	5.5%	5.1%	2.9%					
39100	1998	6,852	-	-	0	0.0%	74.5%	5.1%	5.1%	4.7%	2.77%				
39100	1999	0	-	-	0	NA	0.0%	74.5%	5.1%	5.1%	4.73%	2.77%			
39100	2000	0	-	-	0	NA	NA	0.0%	74.5%	5.1%	5.10%	4.73%	2.77%		
39100	2001	0	-	-	0	NA	NA	NA	0.0%	74.5%	5.15%	5.10%	4.73%	2.77%	
39100	2002	0	-	-	0	NA	NA	NA	NA	0.0%	74.55%	5.15%	5.10%	4.73%	2.77%
39100	2003	0	-	-	0	NA	NA	NA	NA	NA	0.00%	74.55%	5.15%	5.10%	4.73%
39100	2004	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%	74.55%	5.15%	5.10%
39100	2005	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%	74.55%	5.15%
39100	2006	1,420,965	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.36%
39100	2007	75,094	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2008	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2009	225,893	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2010	95,413	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2011	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2012	788,808	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2013	1,602,991	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2014	1,163	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39101	2007	0	-	-	0	NA									
39101	2008	0	-	-	0	NA	NA								
39101	2009	0	-	-	0	NA	NA	NA							
39101	2010	0	-	-	0	NA	NA	NA	NA						
39101	2011	0	-	-	0	NA	NA	NA	NA	NA					
39101	2012	0	-	-	0	NA	NA	NA	NA	NA	NA				
39101	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	NA			
39101	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA		
39102	2007	0	-	-	0	NA									
39102	2008	0	-	-	0	NA	NA								
39102	2009	0	-	-	0	NA	NA	NA							
39102	2010	25,380	-	-	0	0.0%	0.0%	0.0%	0.0%						
39102	2011	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%					
39102	2012	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%				
39102	2013	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%			

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39102	2014	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%		
39103	2007	387,812	-	-	0	0.0%									
39103	2008	0	-	-	0	NA	0.0%								
39103	2009	0	-	-	0	NA	NA	0.0%							
39103	2010	48,493	-	-	0	0.0%	0.0%	0.0%	0.0%						
39103	2011	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%					
39103	2012	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%				
39103	2013	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%			
39103	2014	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%		
39104	2010	0	-	-	0	NA									
39104	2011	0	-	-	0	NA	NA								
39104	2012	0	-	-	0	NA	NA	NA							
39104	2013	0	-	-	0	NA	NA	NA	NA						
39104	2014	0	-	-	0	NA	NA	NA	NA	NA					
39200	2007	18,885	-	-	0	0.0%									
39200	2008	0	-	-	0	NA	0.0%								
39200	2009	0	-	-	0	NA	NA	0.0%							
39200	2010	0	-	-	0	NA	NA	NA	0.0%						
39200	2011	0	-	-	0	NA	NA	NA	NA	0.0%					
39200	2012	0	-	-	0	NA	NA	NA	NA	NA	0.00%				
39200	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%			
39200	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%		
39300	2007	0	-	-	0	NA									
39300	2008	0	-	-	0	NA	NA								
39300	2009	0	-	-	0	NA	NA	NA							
39300	2010	0	-	-	0	NA	NA	NA	NA						
39300	2011	0	-	-	0	NA	NA	NA	NA	NA					
39300	2012	0	-	-	0	NA	NA	NA	NA	NA	NA				
39300	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	NA			
39300	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA		

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39400	2007	7,683	-	-	0	0.0%									
39400	2008	0	-	-	0	NA	0.0%								
39400	2009	0	-	-	0	NA	NA	0.0%							
39400	2010	0	-	-	0	NA	NA	NA	0.0%						
39400	2011	0	-	-	0	NA	NA	NA	NA	0.0%					
39400	2012	0	-	-	0	NA	NA	NA	NA	NA	0.00%				
39400	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%			
39400	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%		
39500	2007	0	-	-	0	NA									
39500	2008	0	-	-	0	NA	NA								
39500	2009	0	-	-	0	NA	NA	NA							
39500	2010	0	-	-	0	NA	NA	NA	NA						
39500	2011	0	-	-	0	NA	NA	NA	NA	NA					
39500	2012	0	-	-	0	NA	NA	NA	NA	NA	NA				
39500	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	NA			
39500	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA		
39700	1993	8,091	-	-	0	0.0%									
39700	1994	0	-	-	0	NA	0.0%								
39700	1995	0	-	-	0	NA	NA	0.0%							
39700	1996	0	-	-	0	NA	NA	NA	0.0%						
39700	1997	0	-	-	0	NA	NA	NA	NA	0.0%					
39700	1998	0	-	-	0	NA	NA	NA	NA	NA	0.00%				
39700	1999	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%			
39700	2000	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%		
39700	2001	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	
39700	2002	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.00%
39700	2003	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39700	2004	34,015	26,609	3,107	23,502	69.1%	69.1%	69.1%	69.1%	69.1%	69.09%	69.09%	69.09%	69.09%	69.09%
39700	2005	0	-	-	0	NA	69.1%	69.1%	69.1%	69.1%	69.09%	69.09%	69.09%	69.09%	69.09%
39700	2006	792,568	-	-	0	0.0%	0.0%	2.8%	2.8%	2.8%	2.84%	2.84%	2.84%	2.84%	2.84%
39700	2007	0	-	-	0	NA	0.0%	0.0%	2.8%	2.8%	2.84%	2.84%	2.84%	2.84%	2.84%
39700	2008	16,530	-	-	0	0.0%	0.0%	0.0%	0.0%	2.8%	2.79%	2.79%	2.79%	2.79%	2.79%
39700	2009	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	2.79%	2.79%	2.79%	2.79%	2.79%

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39700	2010	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	2.79%	2.79%	2.79%	2.79%
39700	2011	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	2.79%	2.79%	2.79%
39700	2012	24,247,440	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.09%	0.09%
39700	2013	118,856	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.09%
39700	2014	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39800	1996	149,090	9,000	-	9,000	6.0%									
39800	1997	0	-	-	0	NA	6.0%								
39800	1998	0	-	-	0	NA	NA	6.0%							
39800	1999	0	-	-	0	NA	NA	NA	6.0%						
39800	2000	0	-	-	0	NA	NA	NA	NA	6.0%					
39800	2001	0	-	-	0	NA	NA	NA	NA	NA	6.04%				
39800	2002	0	-	-	0	NA	NA	NA	NA	NA	NA	6.04%			
39800	2003	56,637	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	4.37%		
39800	2004	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	4.37%	
39800	2005	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	4.37%
39800	2006	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39800	2007	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39800	2008	419,274	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39800	2009	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39800	2010	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39800	2011	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39800	2012	25,971	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39800	2013	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39800	2014	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39809	2007	0	-	-	0	NA									
39809	2008	0	-	-	0	NA	NA								
39809	2009	0	-	-	0	NA	NA	NA							
39809	2010	0	-	-	0	NA	NA	NA	NA						
39809	2011	0	-	-	0	NA	NA	NA	NA	NA					
39809	2012	0	-	-	0	NA	NA	NA	NA	NA	NA				
39809	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	NA			
39809	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	NA		
39900	1994	219,471	-	-	0	0.0%									

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39900	1995	0	-	-	0	NA	0.0%								
39900	1996	0	-	-	0	NA	NA	0.0%							
39900	1997	0	-	-	0	NA	NA	NA	0.0%						
39900	1998	0	-	-	0	NA	NA	NA	NA	0.0%					
39900	1999	0	-	-	0	NA	NA	NA	NA	NA	0.00%				
39900	2000	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%			
39900	2001	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%		
39900	2002	8,143	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39900	2003	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2004	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2005	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2006	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2007	0	-	-	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2008	224,866	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2009	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2010	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2011	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2011	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2012	0	-	-	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2013	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
39900	2014	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
39901	2007	0	-	-	0	NA									
39901	2008	0	-	-	0	NA	NA								
39901	2009	0	-	-	0	NA	NA	NA							
39901	2010	0	-	-	0	NA	NA	NA	NA						
39901	2011	0	-	-	0	NA	NA	NA	NA	NA					
39901	2012	10,873,205	-	(129)	129	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%				
39901	2013	3,585,984	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39901	2014	452,050	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39902	2007	0	-	-	0	NA									
39902	2008	0	-	-	0	NA	NA								
39902	2009	0	-	-	0	NA	NA	NA							
39902	2010	0	-	-	0	NA	NA	NA	NA						
39902	2011	0	-	-	0	NA	NA	NA	NA	NA					
39902	2012	6,624,796	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%				

ATMOS ENERGY - SHARED SERVICES UNIT
Depreciation Study as of September 30, 2014
Net Salvage Analysis

Acct	Activity Year	Retirement	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
39902	2013	1,467,368	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39902	2014	497,701	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39903	2006	11,472	-	-	0	0.0%									
39903	2007	0	-	-	0	NA	0.0%								
39903	2008	0	-	-	0	NA	NA	0.0%							
39903	2009	0	-	-	0	NA	NA	NA	0.0%						
39903	2010	0	-	-	0	NA	NA	NA	NA	0.0%					
39903	2011	0	-	-	0	NA	NA	NA	NA	NA					
39903	2012	886,044	-	1,278	(1,278)	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.14%				
39903	2013	110,059	-	-	0	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.13%	-0.13%			
39903	2014	237,149	-	-	0	0.0%	0.0%	-0.1%	-0.1%	-0.1%	-0.10%	-0.10%	-0.10%		
39904	2007	0	-	-	0	NA									
39904	2008	0	-	-	0	NA	NA								
39904	2009	0	-	-	0	NA	NA	NA							
39904	2010	0	-	-	0	NA	NA	NA	NA						
39904	2011	0	-	-	0	NA	NA	NA	NA	NA					
39904	2012	1,095,465	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%				
39904	2013	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39904	2014	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39905	2007	0	-	-	0	NA									
39905000	2008	0	-	-	0	NA	NA								
39905000	2009	0	-	-	0	NA	NA	NA							
39905000	2010	0	-	-	0	NA	NA	NA	NA						
39905000	2011	0	-	-	0	NA	NA	NA	NA	NA					
39905000	2012	1,159,964	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%				
39905000	2013	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39905000	2014	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39906	1994	97,832	-	-	0	0.0%									
39906	1995	0	-	-	0	NA	0.0%								
39906	1996	116,913	-	-	0	0.0%	0.0%	0.0%							
39906	1997	0	-	-	0	NA	0.0%	0.0%	0.0%						

ATMOS ENERGY - SHARED SERVICES UNIT
Depreciation Study as of September 30, 2014
Net Salvage Analysis

Acct	Activity Year	Retirement	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
39906	1998	0	-	-	0	NA	NA	0.0%	0.0%	0.0%					
39906	1999	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%				
39906	2000	2,832	3,000	45	2,955	104.3%	104.3%	104.3%	104.3%	2.5%	2.47%	1.36%			
39906	2001	0	-	-	0	NA	104.3%	104.3%	104.3%	104.3%	2.47%	2.47%	1.36%		
39906	2002	6,189,732	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.05%	0.05%	0.05%	0.05%	
39906	2003	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.05%	0.05%	0.05%	0.05%	0.05%
39906	2004	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.05%	0.05%	0.05%	0.05%	0.05%
39906	2005	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.05%	0.05%	0.05%	0.05%	0.05%
39906	2006	2,632,955	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.03%	0.03%	0.03%	0.03%
39906	2007	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.03%	0.03%	0.03%
39906	2008	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.03%	0.03%
39906	2009	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.03%
39906	2010	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39906	2011	0	-	-	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39906	2011	2,825,516	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39906	2012	4,649,967	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39906	2013	217,744	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39906	2014	162,562	250	-	250	0.2%	0.1%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	1994	38,759	-	-	0	0.0%									
39907	1995	0	-	-	0	NA	0.0%								
39907	1996	0	-	-	0	NA	NA	0.0%							
39907	1997	0	-	-	0	NA	NA	NA	0.0%						
39907	1998	0	-	-	0	NA	NA	NA	NA	0.0%					
39907	1999	0	-	-	0	NA	NA	NA	NA	NA	0.00%				
39907	2000	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%			
39907	2001	0	-	-	0	NA	NA	NA	NA	NA	NA	NA	0.00%		
39907	2002	861,539	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39907	2003	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2004	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2005	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2006	16,495	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2007	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2008	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2009	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2010	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2011	0	-	-	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2011	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%

ATMOS ENERGY - SHARED SERVICES UNIT
Depreciation Study as of September 30, 2014
Net Salvage Analysis

Acct	Activity Year	Retirement	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
39907	2012	2,918,743	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2013	366,151	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2014	599,561	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	1995	5,256	-	-	0	0.0%									
39908	1996	0	-	-	0	NA	0.0%								
39908	1997	0	-	-	0	NA	NA	0.0%							
39908	1998	0	-	-	0	NA	NA	NA	0.0%						
39908	1999	0	-	-	0	NA	NA	NA	NA	0.0%					
39908	2000	8,032,596	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%				
39908	2001	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39908	2002	9,573,067	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39908	2003	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39908	2004	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2005	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2006	731,136	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2007	0	-	-	0	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2008	0	-	-	0	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2009	0	-	-	0	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2010	0	-	-	0	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2011	0	-	-	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2011	0	-	-	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
39908	2012	2,603,072	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2013	60,097,599	-	206	(206)	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2014	-68,545	-	-	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39909	2007	0	-	-	0	NA									
39909	2008	0	-	-	0	NA	NA								
39909	2009	0	-	-	0	NA	NA	NA							
39909	2010	0	-	-	0	NA	NA	NA	NA						

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:

(t) A list of all commercially available or in-house developed computer software, programs, and models used in the development of the schedules and work papers associated with the filing of the utility's application. This list shall include:

1. Each software, program, or model;
2. What the software, program, or model was used for;
3. The supplier of each software, program, or model;
4. A brief description of the software, program, or model; and
5. The specifications for the computer hardware and the operating system required to run the program;

RESPONSE:

Atmos Energy prepared testimony, documents, schedules, slides and work papers presented in this filing using Microsoft Office 2013 products. Computers on which Microsoft Office is installed are running Windows 10. The computers used were manufactured by Dell and are IBM compatible. The computers used have processing speeds of at least 2GHz with 2GB of RAM. The Class Cost of Service Study was prepared by using Microsoft Office 2013.

Respondent: Greg Waller

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:

(u) If the utility had amounts charged or allocated to it by an affiliate or a general or home office or paid monies to an affiliate or a general or home office during the base period or during the previous three (3) calendar years, the utility shall file:

1. A detailed description of the method and amounts allocated or charged to the utility by the affiliate or general or home office for each allocation or payment;
2. The method and amounts allocated during the base period and the method and estimated amounts to be allocated during the forecasted test period;
3. An explanation of how the allocator for both the base period and the forecasted test period were determined; and
4. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated, or paid during the base period is reasonable;

RESPONSE:

1) The allocation of costs are fully described in the Company's Cost Allocation Manual as filed with this Commission, the latest of which is attached as Exhibit LKG-1 to the Direct Testimony of Laura Gillham. Please see Exhibit GKW-1 to the Direct Testimony of Greg Waller, which provides the composite factors used to allocate costs and rate base items in this rate proceeding.

2) Please see Schedules C.2.1 of FR 16(8)(c), account 922.

3) Please see the response to subpart (1).

4) Please see the response to subpart (1).

Respondents: Laura Gillham and Greg Waller

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:

(v) If the utility provides gas, electric, sewage, or water utility service and has annual gross revenues greater than $5,000,000 in the division for which a rate adjustment is sought, a cost of service study based on a methodology generally accepted within the industry and based on current and reliable data from a single time period; and

RESPONSE:

Please see the Direct Testimony of Paul Raab.

Respondent: Paul Raab

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:
 (w) Incumbent local exchange carriers with fewer than 50,000 access lines shall not be required to file cost of service studies, except as specifically directed by the commission. Local exchange carriers with more than 50,000 access lines shall file:
  1. A jurisdictional separations study consistent with 47 C.F.R. Part 36; and
  2. Service specific cost studies to support the pricing of all services that generate annual revenue greater than $1,000,000 except local exchange access:
   a. Based on current and reliable data from a single time period; and
   b. Using generally recognized fully allocated, embedded, or incremental cost principles.

RESPONSE:

Not applicable.

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:
   (a) A jurisdictional financial summary for both the base period and the forecasted period that details how the utility derived the amount of the requested revenue increase;

RESPONSE:

Please see attachment FR_16(8)(a)_Att1, Schedule A.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(a)_Att1 - Schedule A.xlsx, 4 Pages.

Respondent: Greg Waller

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Allocation Factors

		Forecast Period			Base Period		
Line No.	Description	KY/ Md-Sts Division	Kentucky Jurisdiction	Kentucky Composite	KY/ Md-Sts Division	Kentucky Jurisdiction	Kentucky Composite
	Rate Base, Dep. Exp., & Taxes Other						
1	**Shared Services**						
2	General Office (Div 002)	10.40%	49.78%	5.18%	10.40%	49.78%	5.18%
3	Customer Support (Div 012)	10.95%	51.52%	5.64%	10.95%	51.52%	5.64%
4	**Kentucky/Mid-States**						
5	Mid-States General Office (Div 091)	100%	49.78%	49.78%	100%	49.78%	49.78%
6							
7							
8	**Greenville Avenue Data Center**			1.57%			1.57%
9	**Charles K. Vaughan Center**			2.32%			2.32%
10	**AEAM**			6.36%			6.36%
11	**ALGN**			0.00%			
12							
13	**Kentucky Composite Tax**			25.74%			
14							
15	**Rate of Return on Equity**			10.40%			
16							
17	**STDRATE**			2.40%			
18							
19	**LTDRATE**			4.72%			

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Overall Financial Summary
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:__X____Base Period___X____Forecasted Period — FR 16(8)(a)
Type of Filing:___X____Original________Updated ________Revised — Schedule A
Workpaper Reference No(s).____________________ — Witness: Waller

Line No.	Description	Supporting Schedule Reference	Base Jurisdictional Revenue Requirement	Forecasted Jurisdictional Revenue Requirement
	(a)	(b)	(c)	(d)
1	Rate Base	B-1	$ 414,187,472	$ 496,111,427
2	Adjusted Operating Income	C-1	$ 27,251,570	$ 27,701,923
3	Earned Rate of Return (line 2 divided by line 1)	J-1.1	6.58%	5.58%
4	Required Rate of Return	J-1	7.95%	7.95%
5	Required Operating Income (line 1 times line 4)	C-1	$ 32,927,904	$ 39,440,858
6	Operating Income Deficiency (line 5 minus line 2)	C-1	$ 5,676,334	$ 11,738,935
7	Gross Revenue Conversion Factor	H	1.35611	1.35611
8	**Revenue Deficiency (line 6 times line 7)**		**$ 7,697,745**	**$ 15,919,310**
9	Amortization of Excess ADIT	WP B.5 F1		(1,463,766)
10	**Revenue Increase Requested**	**C-1**		**$ 14,455,544**
11	Adjusted Operating Revenues	C-1		$ 169,717,866
12	Revenue Requirements (line 10 plus line 11)	C-1		$ 184,173,410

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:

(b) A jurisdictional rate base summary for both the base period and the forecasted period with supporting schedules, which include detailed analyses of each component of the rate base;

RESPONSE:

Please see attachment FR_16(8)(b)_Att1, Schedules B-1 - B-6 and workpapers.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(b)_Att1 - Schedule B.xlsx, 53 Pages.

Respondents: Greg Waller, Joe Christian, and Jennifer Story

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(b) SCHEDULE B

Rate Base

Schedule	Pages	Description
B-1	2	Rate Base Summary
B-2	14	Plant in Service by Account and Sub Account
B-3	14	Accumulated Depreciation & Amortization
B-3.1	5	Depreciation Expense
B-4	2	Allowance for Working Capital
B-4.1	2	Working Capital Components - 13 Month Averages
B-4.2	2	Cash Working Capital - 1/8 O&M Expenses
B-5	2	Deferred Credits & Accumulated Deferred Income Taxes
B-6	2	Customer Advances For Construction

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Jurisdictional Rate Base Summary
as of December 31, 2018

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)1
Schedule B-1
Witness: Waller, Christian, Story

Line No.	Rate Base Component	Supporting Schedule Reference		Base Period Ending Balance		Base Period 13 Month Average
1	Plant in Service	B-2 B	$	671,307,963	$	632,311,605
2	Construction Work in Progress	B-2 B		39,130,198		36,163,305
3	Accumulated Depreciation and Amortization	B-3 B		(196,858,472)		(193,456,081)
4	Property Plant and Equipment, Net (Sum line 1 Thru 3)		$	513,579,689	$	475,018,830
5	Cash Working Capital Allowance	B-4.2 B	$	2,678,217	$	2,678,217
6	Other Working Capital Allowances (Inventory & Prepaids)	B-4.1 B		13,916,618		13,331,156
7	Customer Advances For Construction	B-6 B		(747,234)		(750,999)
8	Regulatory Assets / Liabilities*	WP B.5 F1; F.6		(34,046,196)		(34,757,594)
9	Deferred Inc. Taxes and Investment Tax Credits	B-5 B		(49,944,561)		(41,332,137)
10	Rate Base (Sum line 4 Thru 8)		$	445,436,533	$	414,187,472

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Jurisdictional Rate Base Summary
as of March 31, 2020

Data:______Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)1
Schedule B-1
Witness: Waller, Christian, Story

Line No.	Rate Base Component	Supporting Schedule Reference		Forecasted Test Period Ending Balance			Forecasted Test Period 13 Month Average
1	Plant in Service	B-2 F	$	763,121,143		$	724,669,367
2	Construction Work in Progress	B-2 F		39,130,198			39,130,198
3	Accumulated Depreciation and Amortization	B-3 F		(198,557,330)			(193,880,768)
4	Property Plant and Equipment, Net (Sum Line 1 Thru 3)		$	603,694,011		$	569,918,798
5	Cash Working Capital Allowance	B-4.2 F	$	2,692,759		$	2,692,759
6	Other Working Capital Allowances (Inventory & Prepaids)	B-4.1 F		(1,652,038)			9,023,857
7	Customer Advances For Construction	B-6 F		(747,234)			(747,234)
8	Regulatory Assets / Liabilities	WP B.5 F1; F.6		(32,827,677)			(33,020,670)
9	Deferred Inc. Taxes and Investment Tax Credits	B-5 F		(54,145,487)	*		(51,756,082)
10	Rate Base (Sum Line 4 Thru 8)		$	517,014,333		$	496,111,427

**Test Period ending ADIT balance does not include forecasted change in NOLC. Forecasted change in NOLC is calculated on B.5F on a 13 month average basis only and included in rate base and revenue requirement.*

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Plant in Service by Accounts and SubAccounts
as of December 31, 2018

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)2
Schedule B-2 B
Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	**12/31/2018** Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month** Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
		Kentucky Direct (Division 009)										
1		Intangible Plant										
2	30100	Organization	$ 8,330	$ -	$ 8,330	100%	100%	$ 8,330	$ 8,330	100%	100%	$ 8,330
3	30200	Franchises & Consents	$ 119,853	-	119,853	100%	100%	119,853	$ 119,853	100%	100%	119,853
4												
5		Total Intangible Plant	$ 128,182	$ -	$ 128,182			$ 128,182	$ 128,182			$ 128,182
6												
7		Natural Gas Production Plant										
8	32540	Rights of Ways	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
9	33202	Tributary Lines	$ -	-	-	100%	100%	-	$ -	100%	100%	-
10	33400	Field Meas. & Reg. Sta. Equip	$ -	-	-	100%	100%	-	$ -	100%	100%	-
11												
12		Total Natural Gas Production Plant	$ -	$ -	$ -			$ -	$ -			$ -
13												
14		Storage Plant										
15	35010	Land	$ 261,127	$ -	$ 261,127	100%	100%	$ 261,127	$ 261,127	100%	100%	$ 261,127
16	35020	Rights of Way	$ 4,682	-	4,682	100%	100%	4,682	$ 4,682	100%	100%	4,682
17	35100	Structures and Improvements	$ 17,916	-	17,916	100%	100%	17,916	$ 17,916	100%	100%	17,916
18	35102	Compression Station Equipment	$ 153,261	-	153,261	100%	100%	153,261	$ 153,261	100%	100%	153,261
19	35103	Meas. & Reg. Sta. Structues	$ 23,138	-	23,138	100%	100%	23,138	$ 23,138	100%	100%	23,138
20	35104	Other Structures	$ 137,443	-	137,443	100%	100%	137,443	$ 137,443	100%	100%	137,443
21	35200	Wells \ Rights of Way	$ 8,350,453	-	8,350,453	100%	100%	8,350,453	$ 8,351,816	100%	100%	8,351,816
22	35201	Well Construction	$ 1,699,999	-	1,699,999	100%	100%	1,699,999	$ 1,699,999	100%	100%	1,699,999
23	35202	Well Equipment	$ 449,309	-	449,309	100%	100%	449,309	$ 449,309	100%	100%	449,309
24	35203	Cushion Gas	$ 1,694,833	-	1,694,833	100%	100%	1,694,833	$ 1,694,833	100%	100%	1,694,833
25	35210	Leaseholds	$ 178,530	-	178,530	100%	100%	178,530	$ 178,530	100%	100%	178,530
26	35211	Storage Rights	$ 54,614	-	54,614	100%	100%	54,614	$ 54,614	100%	100%	54,614
27	35301	Field Lines	$ 175,350	-	175,350	100%	100%	175,350	$ 175,350	100%	100%	175,350
28	35302	Tributary Lines	$ 209,319	-	209,319	100%	100%	209,319	$ 209,319	100%	100%	209,319
29	35400	Compressor Station Equipment	$ 923,446	-	923,446	100%	100%	923,446	$ 923,446	100%	100%	923,446
30	35500	Meas & Reg. Equipment	$ 273,084	-	273,084	100%	100%	273,084	$ 273,084	100%	100%	273,084
31	35600	Purification Equipment	$ 414,663	-	414,663	100%	100%	414,663	$ 414,663	100%	100%	414,663
32												
33		Total Storage Plant	$ 15,021,168	$ -	$ 15,021,168			$ 15,021,168	$ 15,022,530			$ 15,022,530

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Plant in Service by Accounts and SubAccounts
as of December 31, 2018

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)2
Schedule B-2 B
Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	**12/31/2018** Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month** Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
34												
35		Transmission Plant										
36	36510	Land	$ 26,970	$ -	$ 26,970	100%	100%	$ 26,970	$ 26,970	100%	100%	$ 26,970
37	36520	Rights of Way	$ 867,772	-	867,772	100%	100%	867,772	$ 867,772	100%	100%	867,772
38	36602	Structures & Improvements	$ 49,002	-	49,002	100%	100%	49,002	$ 49,002	100%	100%	49,002
39	36603	Other Structues	$ 60,826	-	60,826	100%	100%	60,826	$ 60,826	100%	100%	60,826
40	36700	Mains Cathodic Protection	$ 139,638	-	139,638	100%	100%	139,638	$ 139,638	100%	100%	139,638
41	36701	Mains - Steel	$ 27,309,333	-	27,309,333	100%	100%	27,309,333	$ 27,350,977	100%	100%	27,350,977
42	36703	Mains - Anodes	$ -	-	-	100%	100%	-	$ -	100%	100%	-
43	36900	Meas. & Reg. Equipment	$ 731,467	-	731,467	100%	100%	731,467	$ 731,467	100%	100%	731,467
44	36901	Meas. & Reg. Equipment	$ 2,269,556	-	2,269,556	100%	100%	2,269,556	$ 2,269,556	100%	100%	2,269,556
45												
46		Total Transmission Plant	$ 31,454,564	$ -	$ 31,454,564			$ 31,454,564	$ 31,496,208			$ 31,496,208
47												
48		Distribution Plant										
49	37400	Land & Land Rights	$ 531,167	$ -	$ 531,167	100%	100%	$ 531,167	$ 531,167	100%	100%	$ 531,167
50	37401	Land	$ 37,326	-	37,326	100%	100%	37,326	$ 37,326	100%	100%	37,326
51	37402	Land Rights	$ 3,220,920	-	3,220,920	100%	100%	3,220,920	$ 2,910,064	100%	100%	2,910,064
52	37403	Land Other	$ 2,784	-	2,784	100%	100%	2,784	$ 2,784	100%	100%	2,784
53	37500	Structures & Improvements	$ 336,168	-	336,168	100%	100%	336,168	$ 336,168	100%	100%	336,168
54	37501	Structures & Improvements T.B.	$ 99,818	-	99,818	100%	100%	99,818	$ 99,818	100%	100%	99,818
55	37502	Land Rights	$ 46,264	-	46,264	100%	100%	46,264	$ 46,264	100%	100%	46,264
56	37503	Improvements	$ 4,005	-	4,005	100%	100%	4,005	$ 4,005	100%	100%	4,005
57	37600	Mains Cathodic Protection	$ 20,773,553	-	20,773,553	100%	100%	20,773,553	$ 20,885,551	100%	100%	20,885,551
58	37601	Mains - Steel	$ 162,648,385	-	162,648,385	100%	100%	162,648,385	$ 153,554,638	100%	100%	153,554,638
59	37602	Mains - Plastic	$ 120,588,439	-	120,588,439	100%	100%	120,588,439	$ 111,099,889	100%	100%	111,099,889
60	37603	Mains - Anodes	$ -	-	-	100%	100%	-	$ -	100%	100%	-
61	37604	Mains - Leak Clamps	$ -	-	-	100%	100%	-	$ -	100%	100%	-
62	37800	Meas & Reg. Sta. Equip - General	$ 22,159,380	-	22,159,380	100%	100%	22,159,380	$ 16,540,694	100%	100%	16,540,694
63	37900	Meas & Reg. Sta. Equip - City Gate	$ 4,601,452	-	4,601,452	100%	100%	4,601,452	$ 4,224,414	100%	100%	4,224,414
64	37905	Meas & Reg. Sta. Equipment T.b.	$ 1,652,259	-	1,652,259	100%	100%	1,652,259	$ 1,652,346	100%	100%	1,652,346
65	38000	Services	$ 137,018,701	-	137,018,701	100%	100%	137,018,701	$ 126,928,869	100%	100%	126,928,869
66	38100	Meters	$ 35,740,648	-	35,740,648	100%	100%	35,740,648	$ 33,508,206	100%	100%	33,508,206
67	38200	Meter Installaitons	$ 56,336,115	-	56,336,115	100%	100%	56,336,115	$ 55,805,624	100%	100%	55,805,624
68	38300	House Regulators	$ 11,948,457	-	11,948,457	100%	100%	11,948,457	$ 11,332,651	100%	100%	11,332,651
69	38400	House Reg. Installations	$ 231,142	-	231,142	100%	100%	231,142	$ 215,697	100%	100%	215,697
70	38500	Ind. Meas. & Reg. Sta. Equipment	$ 5,211,145	-	5,211,145	100%	100%	5,211,145	$ 5,190,260	100%	100%	5,190,260
71												
72		Total Distribution Plant	$ 583,188,126	$ -	$ 583,188,126			$ 583,188,126	$ 544,906,436			$ 544,906,436

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Plant in Service by Accounts and SubAccounts
as of December 31, 2018

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)2
Schedule B-2 B
Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2018 Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)	Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) * (e)	13 Month Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) * (i)
73												
74		General Plant **										
75	38900	Land & Land Rights	$ 1,211,697	$ -	$ 1,211,697	100%	100%	$ 1,211,697	$ 1,211,697	100%	100%	$ 1,211,697
76	39000	Structures & Improvements	$ 7,424,787	-	7,424,787	100%	100%	7,424,787	$ 7,286,005	100%	100%	7,286,005
77	39002	Structures-Brick	$ 173,115	-	173,115	100%	100%	173,115	$ 173,115	100%	100%	173,115
78	39003	Improvements	$ 709,199	-	709,199	100%	100%	709,199	$ 709,199	100%	100%	709,199
79	39004	Air Conditioning Equipment	$ 12,955	-	12,955	100%	100%	12,955	$ 12,955	100%	100%	12,955
80	39009	Improvement to leased Premises	$ 1,246,194	-	1,246,194	100%	100%	1,246,194	$ 1,246,194	100%	100%	1,246,194
81	39100	Office Furniture & Equipment	$ 1,814,260	-	1,814,260	100%	100%	1,814,260	$ 1,773,500	100%	100%	1,773,500
82	39103	Office Machines	$ -	-	-	100%	100%	-	$ -	100%	100%	-
83	39200	Transportation Equipment	$ 220,987	-	220,987	100%	100%	220,987	$ 220,987	100%	100%	220,987
84	39202	Trailers	$ -	-	-	100%	100%	-	$ -	100%	100%	-
85	39400	Tools, Shop & Garage Equipment	$ 3,714,892	-	3,714,892	100%	100%	3,714,892	$ 3,450,079	100%	100%	3,450,079
86	39603	Ditchers	$ 39,610	-	39,610	100%	100%	39,610	$ 39,610	100%	100%	39,610
87	39604	Backhoes	$ 62,747	-	62,747	100%	100%	62,747	$ 62,747	100%	100%	62,747
88	39605	Welders	$ 19,427	-	19,427	100%	100%	19,427	$ 19,427	100%	100%	19,427
89	39700	Communication Equipment	$ 524,257	-	524,257	100%	100%	524,257	$ 524,257	100%	100%	524,257
90	39701	Communication Equip.	$ -	-	-	100%	100%	-	$ -	100%	100%	-
91	39702	Communication Equip.	$ -	-	-	100%	100%	-	$ -	100%	100%	-
92	39705	Communication Equip. - Telemetering	$ -	-	-	100%	100%	-	$ -	100%	100%	-
93	39800	Miscellaneous Equipment	$ 3,891,771	-	3,891,771	100%	100%	3,891,771	$ 3,892,194	100%	100%	3,892,194
94	39901	Servers Hardware	$ 14,390	-	14,390	100%	100%	14,390	$ 14,390	100%	100%	14,390
95	39902	Servers Software	$ -	-	-	100%	100%	-	$ -	100%	100%	-
96	39903	Other Tangible Property - Network - H/W	$ 134,599	-	134,599	100%	100%	134,599	$ 134,599	100%	100%	134,599
97	39906	Other Tang. Property - PC Hardware	$ 730,409	-	730,409	100%	100%	730,409	$ 916,126	100%	100%	916,126
98	39907	Other Tang. Property - PC Software	$ -	-	-	100%	100%	-	$ -	100%	100%	-
99	39908	Other Tang. Property - Mainframe S/W	$ 123,515	-	123,515	100%	100%	123,515	$ 123,515	100%	100%	123,515
100												
101		Total General Plant	$ 22,068,811	$ -	$ 22,068,811			$ 22,068,811	$ 21,810,595			$ 21,810,595
102												
103		Total Plant (Div 9)	$ 651,860,851	$ -	$ 651,860,851			$ 651,860,851	$ 613,363,952			$ 613,363,952
104												
105		CWIP With out AFUDC	$ 38,154,809	$ -	$ 38,154,809	100%	100%	$ 38,154,809	$ 35,310,857	100%	100%	$ 35,310,857

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Plant in Service by Accounts and SubAccounts
as of December 31, 2018

Data:__X___Base Period______Forecasted Period — FR 16(8)(b)2
Type of Filing:___X____Original________Updated ________Revised — Schedule B-2 B
Workpaper Reference No(s). — Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2018 Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
106												
107		**Kentucky-Mid-States General Office (Division 091)**										
108												
109		Intangible Plant										
110	30100	Organization	$ 185,309	$ -	$ 185,309	100%	49.78%	$ 92,247	$ 185,309	100%	49.78%	92,247
111	30300	Misc Intangible Plant	$ 1,109,552	-	1,109,552	100%	49.78%	552,335	$ 1,109,552	100%	49.78%	552,335
112												
113		Total Intangible Plant	$ 1,294,861	$ -	$ 1,294,861			$ 644,582	$ 1,294,861			$ 644,582
114												
115		Distribution Plant										
116	37400	Land & Land Rights	$ -	$ -	$ -	100%	49.78%	$ -	$ -	100%	49.78%	$ -
117	35010	Land	-	-	-	100%	49.78%	-	-	100%	49.78%	-
118	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-
119	37403	Land Other	-	-	-	100%	49.78%	-	-	100%	49.78%	-
120	36602	Structures & Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-
121	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-
122	37501	Structures & Improvements T.B.	-	-	-	100%	49.78%	-	-	100%	49.78%	-
123	37503	Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-
124	36700	Mains Cathodic Protection	-	-	-	100%	49.78%	-	-	100%	49.78%	-
125	36701	Mains - Steel	-	-	-	100%	49.78%	-	-	100%	49.78%	-
126	37602	Mains - Plastic	-	-	-	100%	49.78%	-	-	100%	49.78%	-
127	37800	Meas & Reg. Sta. Equip - General	-	-	-	100%	49.78%	-	-	100%	49.78%	-
128	37900	Meas & Reg. Sta. Equip - City Gate	-	-	-	100%	49.78%	-	-	100%	49.78%	-
129	37905	Meas & Reg. Sta. Equipment T.b.	-	-	-	100%	49.78%	-	-	100%	49.78%	-
130	38000	Services	-	-	-	100%	49.78%	-	-	100%	49.78%	-
131	38100	Meters	-	-	-	100%	49.78%	-	-	100%	49.78%	-
132	38200	Meter Installaitons	-	-	-	100%	49.78%	-	-	100%	49.78%	-
133	38300	House Regulators	-	-	-	100%	49.78%	-	-	100%	49.78%	-
134	38400	House Reg. Installations	-	-	-	100%	49.78%	-	-	100%	49.78%	-
135	38500	Ind. Meas. & Reg. Sta. Equipment	-	-	-	100%	49.78%	-	-	100%	49.78%	-
136	38600	Other Prop. On Cust. Prem	-	-	-	100%	49.78%	-	-	100%	49.78%	-
137												
138		Total Distribution Plant	$ -	$ -	$ -			$ -	$ -			$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Plant in Service by Accounts and SubAccounts
as of December 31, 2018

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)2
Schedule B-2 B
Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	**12/31/2018** Ending Balance (a)	Adjustments (b)	Adjusted Balance (c) = (a) + (b)	Kentucky- Mid States Division Allocation (d)	Kentucky Jurisdiction Allocation (e)	Allocated Amount (f) = (c) * (d) * (e)	**13 Month** Average (g)	Kentucky- Mid States Division Allocation (h)	Kentucky Jurisdiction Allocation (i)	Allocated Amount (j) = (g) * (h) * (i)
139												
140		General Plant										
141	39001	Structures Frame	$ 179,339	-	179,339	100%	49.78%	89,275	$ 179,339	100%	49.78%	89,275
142	39004	Air Conditioning Equipment	$ 15,384	-	15,384	100%	49.78%	7,658	$ 15,384	100%	49.78%	7,658
143	39009	Improvement to leased Premises	$ 38,834	-	38,834	100%	49.78%	19,332	$ 38,834	100%	49.78%	19,332
144	39100	Office Furniture & Equipment	$ 38,609	-	38,609	100%	49.78%	19,220	$ 39,253	100%	49.78%	19,540
145	39101	Office Furniture And	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
146	39103	Office Machines	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
147	39200	Transportation Equipment	$ 27,285	-	27,285	100%	49.78%	13,582	$ 27,285	100%	49.78%	13,582
148	39300	Stores Equipment	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
149	39400	Tools, Shop & Garage Equipment	$ 175,867	-	175,867	100%	49.78%	87,547	$ 175,867	100%	49.78%	87,547
150	39600	Power Operated Equipment	$ 20,516	-	20,516	100%	49.78%	10,213	$ 20,516	100%	49.78%	10,213
151	39700	Communication Equipment	$ 37,541	-	37,541	100%	49.78%	18,688	$ 37,541	100%	49.78%	18,688
152	39701	Communication Equip.	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
153	39702	Communication Equip.	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
154	39800	Miscellaneous Equipment	$ 814,167	-	814,167	100%	49.78%	405,292	$ 814,167	100%	49.78%	405,292
155	39900	Other Tangible Property	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
156	39901	Other Tangible Property - Servers - H/W	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
157	39902	Other Tangible Property - Servers - S/W	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
158	39903	Other Tangible Property - Network - H/W	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
159	39906	Other Tang. Property - PC Hardware	$ 70,178	-	70,178	100%	49.78%	34,934	$ 70,178	100%	49.78%	34,934
160	39907	Other Tang. Property - PC Software	$ 137,919	-	137,919	100%	49.78%	68,656	$ 88,807	100%	49.78%	44,208
161	39908	Other Tang. Property - Mainframe S/W	$ 828,509	-	828,509	100%	49.78%	412,432	$ 828,509	100%	49.78%	412,432
162												
163		Total General Plant	$ 2,384,148	$ -	$ 2,384,148			$ 1,186,829	$ 2,335,679			$ 1,162,701
164												
165		Total Plant (Div 91)	$ 3,679,009	$ -	$ 3,679,009			$ 1,831,410	$ 3,630,540			$ 1,807,283
166												
167		CWIP With out AFUDC	$ 4,642	$ -	$ 4,642	100%	49.78%	$ 2,311	$ 59,040	100%	49.78%	$ 29,390

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Line No.	Acct. No.	Account / SubAccount Titles	**12/31/2018** Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month** Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
168												
169	**Shared Services General Office (Division 002)**											
170												
171		General Plant										
172	39000	Structures & Improvements	$ 1,586,282	$ -	$ 1,586,282	10.40%	49.78%	$ 82,124	$ 1,466,645	10.40%	49.78%	$ 75,930
173	39005	G-Structures & Improvements	$ 9,187,142	-	9,187,142	100.00%	1.57%	144,296	$ 9,187,158	100.00%	1.57%	144,296
174	39009	Improvement to leased Premises	$ 9,316,001	-	9,316,001	10.40%	49.78%	482,301	$ 9,316,001	10.40%	49.78%	482,301
175	39020	Struct & Improv AEAM	$ -	-	-	100.00%	6.36%	-	$ -	100.00%	6.36%	-
176	39029	Improv-Leased AEAM	$ 7,891	-	7,891	10.40%	6.36%	52	$ 2,772	10.40%	6.36%	18
177	39100	Office Furniture & Equipment	$ 5,144,630	-	5,144,630	10.40%	49.78%	266,344	$ 5,127,587	10.40%	49.78%	265,461
178	39102	Remittance Processing Equip	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
179	39103	Office Machines	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
180	39104	G-Office Furniture & Equip.	$ 104,316	-	104,316	100.00%	1.57%	1,638	$ 78,244	100.00%	1.57%	1,229
181	39120	Off Furn & Equip-AEAM	$ 263,338	-	263,338	100.00%	6.36%	16,754	$ 263,338	100.00%	6.36%	16,754
182	39200	Transportation Equipment	$ 7,125	-	7,125	10.40%	49.78%	369	$ 7,125	10.40%	49.78%	369
183	39300	Stores Equipment	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
184	39400	Tools, Shop & Garage Equipment	$ 76,071	-	76,071	10.40%	49.78%	3,938	$ 76,071	10.40%	49.78%	3,938
185	39420	Tools And Garage-AEAM	$ -	-	-	100.00%	6.36%	-	$ -	100.00%	6.36%	-
186	39500	Laboratory Equipment	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
187	39700	Communication Equipment	$ 1,039,344	-	1,039,344	10.40%	49.78%	53,808	$ 1,039,344	10.40%	49.78%	53,808
188	39720	Commun Equip AEAM	$ 8,824	-	8,824	100.00%	6.36%	561	$ 8,824	100.00%	6.36%	561
189	39800	Miscellaneous Equipment	$ 136,510	-	136,510	10.40%	49.78%	7,067	$ 136,510	10.40%	49.78%	7,067
190	39820	Misc Equip - AEAM	$ 7,388	-	7,388	100.00%	6.36%	470	$ 7,388	100.00%	6.36%	470
191	39900	Other Tangible Property	$ 162,075	-	162,075	10.40%	49.78%	8,391	$ 162,203	10.40%	49.78%	8,397
192	39901	Other Tangible Property - Servers - H/W	$ 39,780,343	-	39,780,343	10.40%	49.78%	2,059,476	$ 37,881,111	10.40%	49.78%	1,961,151
193	39902	Other Tangible Property - Servers - S/W	$ 22,284,605	-	22,284,605	10.40%	49.78%	1,153,701	$ 20,046,455	10.40%	49.78%	1,037,829
194	39903	Other Tangible Property - Network - H/W	$ 5,886,587	-	5,886,587	10.40%	49.78%	304,756	$ 4,287,497	10.40%	49.78%	221,969
195	39904	Other Tang. Property - CPU	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
196	39905	Other Tangible Property - MF - Hardware	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
197	39906	Other Tang. Property - PC Hardware	$ 2,537,000	-	2,537,000	10.40%	49.78%	131,344	$ 2,484,331	10.40%	49.78%	128,617
198	39907	Other Tang. Property - PC Software	$ 1,564,492	-	1,564,492	10.40%	49.78%	80,996	$ 1,504,611	10.40%	49.78%	77,895
199	39908	Other Tang. Property - Mainframe S/W	$ 70,884,071	-	70,884,071	10.40%	49.78%	3,669,753	$ 68,387,777	10.40%	49.78%	3,540,517
200	39909	Other Tang. Property - Application Software	$ 39,252	-	39,252	10.40%	49.78%	2,032	$ 39,252	10.40%	49.78%	2,032
201	39921	Servers-Hardware-AEAM	$ 1,628,900	-	1,628,900	100.00%	6.36%	103,635	$ 1,628,900	100.00%	6.36%	103,635
202	39922	Servers-Software-AEAM	$ 961,256	-	961,256	100.00%	6.36%	61,157	$ 961,256	100.00%	6.36%	61,157
203	39923	Network Hardware-AEAM	$ 60,170	-	60,170	100.00%	6.36%	3,828	$ 60,170	100.00%	6.36%	3,828
204	39924	39924-Oth Tang Prop - Gen.	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
205	39926	Pc Hardware-AEAM	$ 314,379	-	314,379	100.00%	6.36%	20,002	$ 314,379	100.00%	6.36%	20,002
206	39928	Application SW-AEAM	$ 20,716,774	-	20,716,774	100.00%	6.36%	1,318,052	$ 20,690,005	100.00%	6.36%	1,316,348
207	39931	ALGN-Servers-Hardware	$ 297,267	-	297,267	100.00%	0.00%	-	$ 297,267	100.00%	0.00%	-
208	39932	ALGN-Servers-Software	$ 345,730	-	345,730	100.00%	0.00%	-	$ 345,730	100.00%	0.00%	-
209	39938	ALGN-Application SW	$ 18,754,055	-	18,754,055	100.00%	0.00%	-	$ 17,976,336	100.00%	0.00%	-
210												
211		Total General Plant (Div 2)	$ 213,101,821	$ -	$ 213,101,821			$ 9,976,844	$ 203,784,289			$ 9,535,581
212												

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Line No.	Acct. No.	Account / SubAccount Titles	**12/31/2018** Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month** Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
213		CWIP With out AFUDC	$ 14,454,841	$ -	$ 14,454,841	10.40%	49.78%	$ 748,344	$ 12,321,402	10.40%	49.78%	$ 637,894
214												

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Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	**12/31/2018** Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month** Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
215		**Shared Services Customer Support (Division 012)**										
216												
217		General Plant										
218	38900	Land	$ 2,874,240	$ -	$ 2,874,240	10.95%	51.52%	$ 162,142	$ 2,874,240	10.95%	51.52%	$ 162,142
219	38910	CKV-Land & Land Rights	$ 1,886,443	-	1,886,442.92	100.00%	2.32%	43,739	$ 1,886,443	100.00%	2.32%	43,739
220	39000	Structures & Improvements	$ 12,669,003	-	12,669,002.61	10.95%	51.52%	714,686	$ 12,669,003	10.95%	51.52%	714,686
221	39009	Improvement to leased Premises	$ 2,820,614	-	2,820,613.55	10.95%	51.52%	159,117	$ 2,820,614	10.95%	51.52%	159,117
222	39010	CKV-Structures & Improvements	$ 12,305,840	-	12,305,840.00	100.00%	2.32%	285,325	$ 12,305,840	100.00%	2.32%	285,325
223	39100	Office Furniture & Equipment	$ 2,418,422	-	2,418,422.21	10.95%	51.52%	136,428	$ 2,389,011	10.95%	51.52%	134,769
224	39101	Office Furniture And	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
225	39102	Remittance Processing	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
226	39103	39103-Office Furn. - Copiers & Type	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
227	39110	CKV-Office Furn & Eq	$ 417,639	-	417,639.07	100.00%	2.32%	9,683	$ 395,234	100.00%	2.32%	9,164
228	39210	CKV-Transportation Eq	$ 96,290	-	96,290.22	100.00%	2.32%	2,233	$ 96,290	100.00%	2.32%	2,233
229	39410	CKV-Tools Shop Garage	$ 458,265	-	458,264.59	100.00%	2.32%	10,625	$ 419,762	100.00%	2.32%	9,733
230	39510	CKV-Laboratory Equip	$ 23,632	-	23,632.07	100.00%	2.32%	548	$ 23,632	100.00%	2.32%	548
231	39700	Communication Equipment	$ 1,913,117	-	1,913,117.11	10.95%	51.52%	107,923	$ 1,913,117	10.95%	51.52%	107,923
232	39710	CKV-Communication Equipment	$ 291,501	-	291,500.62	100.00%	2.32%	6,759	$ 291,501	100.00%	2.32%	6,759
233	39800	Miscellaneous Equipment	$ 70,016	-	70,015.66	10.95%	51.52%	3,950	$ 70,016	10.95%	51.52%	3,950
234	39810	CKV-Misc Equipment	$ 509,283	-	509,282.85	100.00%	2.32%	11,808	$ 509,283	100.00%	2.32%	11,808
235	39900	Other Tangible Property	$ 629,166	-	629,166.46	10.95%	51.52%	35,493	$ 629,166	10.95%	51.52%	35,493
236	39901	Other Tangible Property - Servers - H/W	$ 10,343,249	-	10,343,248.64	10.95%	51.52%	583,485	$ 10,343,249	10.95%	51.52%	583,485
237	39902	Other Tangible Property - Servers - S/W	$ 2,023,936	-	2,023,936.45	10.95%	51.52%	114,175	$ 2,023,936	10.95%	51.52%	114,175
238	39903	Other Tangible Property - Network - H/W	$ 629,226	-	629,225.62	10.95%	51.52%	35,496	$ 629,226	10.95%	51.52%	35,496
239	39906	Other Tang. Property - PC Hardware	$ 1,012,629	-	1,012,629.35	10.95%	51.52%	57,125	$ 1,003,829	10.95%	51.52%	56,628
240	39907	Other Tang. Property - PC Software	$ 190,247	-	190,246.97	10.95%	51.52%	10,732	$ 190,247	10.95%	51.52%	10,732
241	39908	Other Tang. Property - Mainframe S/W	$ 90,927,931	-	90,927,931.24	10.95%	51.52%	5,129,443	$ 90,401,789	10.95%	51.52%	5,099,762
242	39910	CKV-Other Tangible Property	$ 339,658	-	339,657.73	100.00%	2.32%	7,875	$ 339,658	100.00%	2.32%	7,875
243	39916	CKV-Oth Tang Prop-PC Hardware	$ 309,715	-	309,715.20	100.00%	2.32%	7,181	$ 274,366	100.00%	2.32%	6,361
244	39917	CKV-Oth Tang Prop-PC Software	$ 103,892	-	103,891.78	100.00%	2.32%	2,409	$ 103,892	100.00%	2.32%	2,409
245	39918	CKV-Oth Tang Prop-App	$ 20,560	-	20,560.16	100.00%	2.32%	477	$ 20,560	100.00%	2.32%	477
246	39924	Oth Tang Prop - Gen.	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
247												
248		Total General Plant (Div 12)	$ 145,284,513	$ -	$ 145,284,513			$ 7,638,858	$ 144,623,903			$ 7,604,789
249												
250		CWIP With out AFUDC	$ 3,983,794	$ -	$ 3,983,794	10.95%	51.52%	$ 224,734	$ 3,282,348	10.95%	51.52%	$ 185,164
251												
252		Total Plant (Div 009, 091, 002, 012)	$ 1,013,926,194	$ -	$ 1,013,926,194			$ 671,307,963	$ 965,402,683			$ 632,311,605
253												
254		Total CWIP Without AFUDC (Div 009, 091, 002, 012)	$ 56,598,085		$ 56,598,085			$ 39,130,198	$ 50,973,647			$ 36,163,305

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Line No.	Acct. No.	Account / SubAccount Titles	**3/31/2020** Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month** Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
		Kentucky Direct (Division 009)										
1		Intangible Plant										
2	30100	Organization	$ 8,330	$ -	$ 8,329.72	100%	100%	$ 8,330	$ 8,330	100%	100%	$ 8,329.72
3	30200	Franchises & Consents	$ 119,853	-	119,853	100%	100%	119,853	$ 119,853	100%	100%	119,853
4												
5		Total Intangible Plant	$ 128,182	$ -	$ 128,182			$ 128,182	$ 128,182			$ 128,182
6												
7		Natural Gas Production Plant										
8	32540	Rights of Ways	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
9	33202	Tributary Lines	$ -	-	-	100%	100%	-	$ -	100%	100%	-
10	33400	Field Meas. & Reg. Sta. Equip	$ -	-	-	100%	100%	-	$ -	100%	100%	-
11												
12		Total Natural Gas Production Plant	$ -	$ -	$ -			$ -	$ -			$ -
13												
14		Storage Plant										
15	35010	Land	$ 261,127	$ -	$ 261,126.69	100%	100%	$ 261,126.69	$ 261,127	100%	100%	$ 261,126.69
16	35020	Rights of Way	$ 4,682	-	4,682	100%	100%	4,682	$ 4,682	100%	100%	4,682
17	35100	Structures and Improvements	$ 17,916	-	17,916	100%	100%	17,916	$ 17,916	100%	100%	17,916
18	35102	Compression Station Equipment	$ 153,261	-	153,261	100%	100%	153,261	$ 153,261	100%	100%	153,261
19	35103	Meas. & Reg. Sta. Structues	$ 23,138	-	23,138	100%	100%	23,138	$ 23,138	100%	100%	23,138
20	35104	Other Structures	$ 137,443	-	137,443	100%	100%	137,443	$ 137,443	100%	100%	137,443
21	35200	Wells \ Rights of Way	$ 8,346,911	-	8,346,911	100%	100%	8,346,911	$ 8,348,396	100%	100%	8,348,396
22	35201	Well Construction	$ 1,699,999	-	1,699,999	100%	100%	1,699,999	$ 1,699,999	100%	100%	1,699,999
23	35202	Well Equipment	$ 449,309	-	449,309	100%	100%	449,309	$ 449,309	100%	100%	449,309
24	35203	Cushion Gas	$ 1,694,833	-	1,694,833	100%	100%	1,694,833	$ 1,694,833	100%	100%	1,694,833
25	35210	Leaseholds	$ 178,530	-	178,530	100%	100%	178,530	$ 178,530	100%	100%	178,530
26	35211	Storage Rights	$ 54,614	-	54,614	100%	100%	54,614	$ 54,614	100%	100%	54,614
27	35301	Field Lines	$ 175,350	-	175,350	100%	100%	175,350	$ 175,350	100%	100%	175,350
28	35302	Tributary Lines	$ 209,319	-	209,319	100%	100%	209,319	$ 209,319	100%	100%	209,319
29	35400	Compressor Station Equipment	$ 923,446	-	923,446	100%	100%	923,446	$ 923,446	100%	100%	923,446
30	35500	Meas & Reg. Equipment	$ 273,084	-	273,084	100%	100%	273,084	$ 273,084	100%	100%	273,084
31	35600	Purification Equipment	$ 414,663	-	414,663	100%	100%	414,663	$ 414,663	100%	100%	414,663
32												
33		Total Storage Plant	$ 15,017,626	$ -	$ 15,017,626			$ 15,017,626	$ 15,019,110			$ 15,019,110

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Line No.	Acct. No.	Account / SubAccount Titles	3/31/2020 Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
34												
35		Transmission Plant										
36	36510	Land	$ 26,970	$ -	$ 26,970.37	100%	100%	$ 26,970	$ 26,970	100%	100%	$ 26,970.37
37	36520	Rights of Way	$ 867,772	-	867,772	100%	100%	867,772	$ 867,772	100%	100%	867,772
38	36602	Structures & Improvements	$ 49,002	-	49,002	100%	100%	49,002	$ 49,002	100%	100%	49,002
39	36603	Other Structues	$ 60,826	-	60,826	100%	100%	60,826	$ 60,826	100%	100%	60,826
40	36700	Mains Cathodic Protection	$ 139,638	-	139,638	100%	100%	139,638	$ 139,638	100%	100%	139,638
41	36701	Mains - Steel	$ 26,859,142	-	26,859,142	100%	100%	26,859,142	$ 27,047,831	100%	100%	27,047,831
42	36703	Mains - Anodes	$ -	-	-	100%	100%	-	$ -	100%	100%	-
43	36900	Meas. & Reg. Equipment	$ 731,467	-	731,467	100%	100%	731,467	$ 731,467	100%	100%	731,467
44	36901	Meas. & Reg. Equipment	$ 2,269,556	-	2,269,556	100%	100%	2,269,556	$ 2,269,556	100%	100%	2,269,556
45												
46		Total Transmission Plant	$ 31,004,373	$ -	$ 31,004,373			$ 31,004,373	$ 31,193,061			$ 31,193,061
47												
48		Distribution Plant										
49	37400	Land & Land Rights	$ 531,167	$ -	$ 531,166.79	100%	100%	$ 531,167	$ 531,167	100%	100%	$ 531,166.79
50	37401	Land	$ 37,326	-	37,326	100%	100%	37,326	$ 37,326	100%	100%	37,326
51	37402	Land Rights	$ 3,952,286	-	3,952,286	100%	100%	3,952,286	$ 3,645,749	100%	100%	3,645,749
52	37403	Land Other	$ 2,784	-	2,784	100%	100%	2,784	$ 2,784	100%	100%	2,784
53	37500	Structures & Improvements	$ 336,168	-	336,168	100%	100%	336,168	$ 336,168	100%	100%	336,168
54	37501	Structures & Improvements T.B.	$ 99,818	-	99,818	100%	100%	99,818	$ 99,818	100%	100%	99,818
55	37502	Land Rights	$ 46,264	-	46,264	100%	100%	46,264	$ 46,264	100%	100%	46,264
56	37503	Improvements	$ 4,005	-	4,005	100%	100%	4,005	$ 4,005	100%	100%	4,005
57	37600	Mains Cathodic Protection	$ 20,494,641	-	20,494,641	100%	100%	20,494,641	$ 20,611,541	100%	100%	20,611,541
58	37601	Mains - Steel	$ 185,677,813	-	185,677,813	100%	100%	185,677,813	$ 176,025,498	100%	100%	176,025,498
59	37602	Mains - Plastic	$ 142,406,509	-	142,406,509	100%	100%	142,406,509	$ 133,261,910	100%	100%	133,261,910
60	37603	Mains - Anodes	$ -	-	-	100%	100%	-	$ -	100%	100%	-
61	37604	Mains - Leak Clamps	$ -	-	-	100%	100%	-	$ -	100%	100%	-
62	37800	Meas & Reg. Sta. Equip - General	$ 35,505,787	-	35,505,787	100%	100%	35,505,787	$ 29,911,913	100%	100%	29,911,913
63	37900	Meas & Reg. Sta. Equip - City Gate	$ 5,504,545	-	5,504,545	100%	100%	5,504,545	$ 5,126,032	100%	100%	5,126,032
64	37905	Meas & Reg. Sta. Equipment T.b.	$ 1,652,259	-	1,652,259	100%	100%	1,652,259	$ 1,652,259	100%	100%	1,652,259
65	38000	Services	$ 159,839,172	-	159,839,172	100%	100%	159,839,172	$ 150,274,437	100%	100%	150,274,437
66	38100	Meters	$ 40,873,233	-	40,873,233	100%	100%	40,873,233	$ 38,722,015	100%	100%	38,722,015
67	38200	Meter Installaitons	$ 57,594,641	-	57,594,641	100%	100%	57,594,641	$ 57,067,155	100%	100%	57,067,155
68	38300	House Regulators	$ 13,379,914	-	13,379,914	100%	100%	13,379,914	$ 12,779,948	100%	100%	12,779,948
69	38400	House Reg. Installations	$ 268,060	-	268,060	100%	100%	268,060	$ 252,587	100%	100%	252,587
70	38500	Ind. Meas. & Reg. Sta. Equipment	$ 5,262,616	-	5,262,616	100%	100%	5,262,616	$ 5,241,043	100%	100%	5,241,043
71												
72		Total Distribution Plant	$ 673,469,008	$ -	$ 673,469,008			$ 673,469,008	$ 635,629,619			$ 635,629,619

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Line No.	Acct. No.	Account / SubAccount Titles	**3/31/2020** Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month** Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
73												
74		General Plant										
75	38900	Land & Land Rights	$ 1,211,697	$ -	$ 1,211,697.30	100%	100%	$ 1,211,697	$ 1,211,697	100%	100%	$ 1,211,697.30
76	39000	Structures & Improvements	$ 7,718,850	-	7,718,850	100%	100%	7,718,850	$ 7,595,600	100%	100%	7,595,600
77	39002	Structures-Brick	$ 173,115	-	173,115	100%	100%	173,115	$ 173,115	100%	100%	173,115
78	39003	Improvements	$ 709,199	-	709,199	100%	100%	709,199	$ 709,199	100%	100%	709,199
79	39004	Air Conditioning Equipment	$ 12,955	-	12,955	100%	100%	12,955	$ 12,955	100%	100%	12,955
80	39009	Improvement to leased Premises	$ 1,246,194	-	1,246,194	100%	100%	1,246,194	$ 1,246,194	100%	100%	1,246,194
81	39100	Office Furniture & Equipment	$ 1,903,399	-	1,903,399	100%	100%	1,903,399	$ 1,866,038	100%	100%	1,866,038
82	39103	Office Machines	$ -	-	-	100%	100%	-	$ -	100%	100%	-
83	39200	Transportation Equipment	$ 220,987	-	220,987	100%	100%	220,987	$ 220,987	100%	100%	220,987
84	39202	Trailers	$ -	-	-	100%	100%	-	$ -	100%	100%	-
85	39400	Tools, Shop & Garage Equipment	$ 4,340,624	-	4,340,624	100%	100%	4,340,624	$ 4,078,361	100%	100%	4,078,361
86	39603	Ditchers	$ 39,610	-	39,610	100%	100%	39,610	$ 39,610	100%	100%	39,610
87	39604	Backhoes	$ 62,747	-	62,747	100%	100%	62,747	$ 62,747	100%	100%	62,747
88	39605	Welders	$ 19,427	-	19,427	100%	100%	19,427	$ 19,427	100%	100%	19,427
89	39700	Communication Equipment	$ 524,257	-	524,257	100%	100%	524,257	$ 524,257	100%	100%	524,257
90	39701	Communication Equip.	$ -	-	-	100%	100%	-	$ -	100%	100%	-
91	39702	Communication Equip.	$ -	-	-	100%	100%	-	$ -	100%	100%	-
92	39705	Communication Equip. - Telemetering	$ -	-	-	100%	100%	-	$ -	100%	100%	-
93	39800	Miscellaneous Equipment	$ 3,891,771	-	3,891,771	100%	100%	3,891,771	$ 3,891,771	100%	100%	3,891,771
94	39901	Servers Hardware	$ 14,390	-	14,390	100%	100%	14,390	$ 14,390	100%	100%	14,390
95	39902	Servers Software	$ -	-	-	100%	100%	-	$ -	100%	100%	-
96	39903	Other Tangible Property - Network - H/W	$ 134,599	-	134,599	100%	100%	134,599	$ 134,599	100%	100%	134,599
97	39906	Other Tang. Property - PC Hardware	$ 268,136	-	268,136	100%	100%	268,136	$ 461,888	100%	100%	461,888
98	39907	Other Tang. Property - PC Software	$ -	-	-	100%	100%	-	$ -	100%	100%	-
99	39908	Other Tang. Property - Mainframe S/W	$ 123,515	-	123,515	100%	100%	123,515	$ 123,515	100%	100%	123,515
100												
101		Total General Plant	$ 22,615,472	$ -	$ 22,615,472			$ 22,615,472	$ 22,386,350			$ 22,386,350
102												
103		Total Plant (Div 9)	$ 742,234,661	$ -	$ 742,234,661			$ 742,234,661	$ 704,356,323			$ 704,356,323
104												
105		CWIP With out AFUDC	$ 38,154,809	$ -	$ 38,154,809	100%	100%	$ 38,154,809	$ 38,154,809	100%	100%	$ 38,154,809

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Schedule B-2 F
Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	3/31/2020 Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
106												
107		**Kentucky-Mid-States General Office (Division 091)**										
108												
109		Intangible Plant										
110	30100	Organization	$ 185,309	$ -	$ 185,309	100%	49.78%	$ 92,247	$ 185,309	100%	49.78%	$ 92,247
111	30300	Misc Intangible Plant	$ 1,109,552	-	1,109,552	100%	49.78%	552,335	$ 1,109,552	100%	49.78%	552,335
112												
113		Total Intangible Plant	$ 1,294,861	$ -	$ 1,294,861			$ 644,582	$ 1,294,861			$ 644,582
114												
115		Distribution Plant										
116	37400	Land & Land Rights	$ -	$ -	$ -	100%	49.78%	$ -	$ -	100%	49.78%	$ -
117	35010	Land	-	-	-	100%	49.78%	-	-	100%	49.78%	-
118	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-
119	37403	Land Other	-	-	-	100%	49.78%	-	-	100%	49.78%	-
120	36602	Structures & Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-
121	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-
122	37501	Structures & Improvements T.B.	-	-	-	100%	49.78%	-	-	100%	49.78%	-
123	37503	Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-
124	36700	Mains Cathodic Protection	-	-	-	100%	49.78%	-	-	100%	49.78%	-
125	36701	Mains - Steel	-	-	-	100%	49.78%	-	-	100%	49.78%	-
126	37602	Mains - Plastic	-	-	-	100%	49.78%	-	-	100%	49.78%	-
127	37800	Meas & Reg. Sta. Equip - General	-	-	-	100%	49.78%	-	-	100%	49.78%	-
128	37900	Meas & Reg. Sta. Equip - City Gate	-	-	-	100%	49.78%	-	-	100%	49.78%	-
129	37905	Meas & Reg. Sta. Equipment T.b.	-	-	-	100%	49.78%	-	-	100%	49.78%	-
130	38000	Services	-	-	-	100%	49.78%	-	-	100%	49.78%	-
131	38100	Meters	-	-	-	100%	49.78%	-	-	100%	49.78%	-
132	38200	Meter Installaitons	-	-	-	100%	49.78%	-	-	100%	49.78%	-
133	38300	House Regulators	-	-	-	100%	49.78%	-	-	100%	49.78%	-
134	38400	House Reg. Installations	-	-	-	100%	49.78%	-	-	100%	49.78%	-
135	38500	Ind. Meas. & Reg. Sta. Equipment	-	-	-	100%	49.78%	-	-	100%	49.78%	-
136	38600	Other Prop. On Cust. Prem	-	-	-	100%	49.78%	-	-	100%	49.78%	-
137												
138		Total Distribution Plant	$ -	$ -	$ -			$ -	$ -			$ -

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Line No.	Acct. No.	Account / SubAccount Titles	3/31/2020 Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
139												
140		General Plant **										
141	39001	Structures Frame	$ 179,339	$ -	$ 179,339	100%	49.78%	$ 89,275	$ 179,339	100%	49.78%	$ 89,275
142	39004	Air Conditioning Equipment	$ 15,384	-	15,384	100%	49.78%	7,658	$ 15,384	100%	49.78%	7,658
143	39009	Improvement to leased Premises	$ 38,834	-	38,834	100%	49.78%	19,332	$ 38,834	100%	49.78%	19,332
144	39100	Office Furniture & Equipment	$ 38,609	-	38,609	100%	49.78%	19,220	$ 38,609	100%	49.78%	19,220
145	39101	Office Furniture And	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
146	39103	Office Machines	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
147	39200	Transportation Equipment	$ 27,285	-	27,285	100%	49.78%	13,582	$ 27,285	100%	49.78%	13,582
148	39300	Stores Equipment	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
149	39400	Tools, Shop & Garage Equipment	$ 175,867	-	175,867	100%	49.78%	87,547	$ 175,867	100%	49.78%	87,547
150	39600	Power Operated Equipment	$ 20,516	-	20,516	100%	49.78%	10,213	$ 20,516	100%	49.78%	10,213
151	39700	Communication Equipment	$ 37,541	-	37,541	100%	49.78%	18,688	$ 37,541	100%	49.78%	18,688
152	39701	Communication Equip.	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
153	39702	Communication Equip.	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
154	39800	Miscellaneous Equipment	$ 814,167	-	814,167	100%	49.78%	405,292	$ 814,167	100%	49.78%	405,292
155	39900	Other Tangible Property	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
156	39901	Other Tangible Property - Servers - H/W	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
157	39902	Other Tangible Property - Servers - S/W	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
158	39903	Other Tangible Property - Network - H/W	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
159	39906	Other Tang. Property - PC Hardware	$ 70,178	-	70,178	100%	49.78%	34,934	$ 70,178	100%	49.78%	34,934
160	39907	Other Tang. Property - PC Software	$ 197,253	-	197,253	100%	49.78%	98,192	$ 165,304	100%	49.78%	82,288
161	39908	Other Tang. Property - Mainframe S/W	$ 828,509	-	828,509	100%	49.78%	412,432	$ 828,509	100%	49.78%	412,432
162												
163		Total General Plant	$ 2,443,481	$ -	$ 2,443,481			$ 1,216,365	$ 2,411,532			$ 1,200,461
164												
165		Total Plant (Div 91)	$ 3,738,342	$ -	$ 3,738,342			$ 1,860,947	$ 3,706,393			$ 1,845,043
166												
167		CWIP With out AFUDC	$ 4,642	$ -	$ 4,642	100%	49.78%	$ 2,311	$ 4,642	100%	49.78%	$ 2,311

Atmos Energy Corporation, Kentucky/Mid-States Division
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Line No.	Acct. No.	Account / SubAccount Titles	**3/31/2020** Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month** Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
168												
169	**Shared Services General Office (Division 002)**											
170												
171		General Plant										
172	39000	Structures & Improvements	$ 1,906,438	$ -	$ 1,906,438	10.40%	49.78%	$ 98,699	$ 1,779,523	10.40%	49.78%	$ 92,128
173	39005	G-Structures & Improvements	$ 9,187,142	-	9,187,142	100.00%	1.57%	144,296	$ 9,187,142	100.00%	1.57%	144,296
174	39009	Improvement to leased Premises	$ 9,316,001	-	9,316,001	10.40%	49.78%	482,301	$ 9,316,001	10.40%	49.78%	482,301
175	39020	Struct & Improv AEAM	$ -	-	-	100.00%	6.36%	-	$ -	100.00%	6.36%	-
176	39029	Improv-Leased AEAM	$ 22,337	-	22,337	100.00%	6.36%	1,421	$ 16,610	100.00%	6.36%	1,057
177	39100	Office Furniture & Equipment	$ 5,191,908	-	5,191,908	10.40%	49.78%	268,791	$ 5,173,167	10.40%	49.78%	267,821
178	39102	Remittance Processing Equip	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
179	39103	Office Machines	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
180	39104	G-Office Furniture & Equip.	$ 178,594	-	178,594	100.00%	1.57%	2,805	$ 149,149	100.00%	1.57%	2,343
181	39120	Off Furn & Equip-AEAM	$ 263,338	-	263,338	100.00%	6.36%	16,754	$ 263,338	100.00%	6.36%	16,754
182	39200	Transportation Equipment	$ 7,125	-	7,125	10.40%	49.78%	369	$ 7,125	10.40%	49.78%	369
183	39300	Stores Equipment	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
184	39400	Tools, Shop & Garage Equipment	$ 76,071	-	76,071	10.40%	49.78%	3,938	$ 76,071	10.40%	49.78%	3,938
185	39420	Tools And Garage-AEAM	$ -	-	-	100.00%	6.36%	-	$ -	100.00%	6.36%	-
186	39500	Laboratory Equipment	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
187	39700	Communication Equipment	$ 1,039,344	-	1,039,344	10.40%	49.78%	53,808	$ 1,039,344	10.40%	49.78%	53,808
188	39720	Commun Equip AEAM	$ 8,824	-	8,824	100.00%	6.36%	561	$ 8,824	100.00%	6.36%	561
189	39800	Miscellaneous Equipment	$ 136,510	-	136,510	10.40%	49.78%	7,067	$ 136,510	10.40%	49.78%	7,067
190	39820	Misc Equip - AEAM	$ 7,388	-	7,388	100.00%	6.36%	470	$ 7,388	100.00%	6.36%	470
191	39900	Other Tangible Property	$ 161,644	-	161,644	10.40%	49.78%	8,369	$ 161,815	10.40%	49.78%	8,377
192	39901	Other Tangible Property - Servers - H/W	$ 44,862,780	-	44,862,780	10.40%	49.78%	2,322,600	$ 42,848,023	10.40%	49.78%	2,218,294
193	39902	Other Tangible Property - Servers - S/W	$ 28,287,161	-	28,287,161	10.40%	49.78%	1,464,460	$ 25,907,655	10.40%	49.78%	1,341,270
194	39903	Other Tangible Property - Network - H/W	$ 10,165,830	-	10,165,830	10.40%	49.78%	526,297	$ 8,469,471	10.40%	49.78%	438,475
195	39904	Other Tang. Property - CPU	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
196	39905	Other Tangible Property - MF - Hardware	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
197	39906	Other Tang. Property - PC Hardware	$ 2,681,536	-	2,681,536	10.40%	49.78%	138,826	$ 2,624,240	10.40%	49.78%	135,860
198	39907	Other Tang. Property - PC Software	$ 1,731,492	-	1,731,492	10.40%	49.78%	89,641	$ 1,665,291	10.40%	49.78%	86,214
199	39908	Other Tang. Property - Mainframe S/W	$ 77,600,897	-	77,600,897	10.40%	49.78%	4,017,492	$ 74,938,243	10.40%	49.78%	3,879,643
200	39909	Other Tang. Property - Application Software	$ 39,252	-	39,252	10.40%	49.78%	2,032	$ 39,252	10.40%	49.78%	2,032
201	39921	Servers-Hardware-AEAM	$ 1,628,900	-	1,628,900	100.00%	6.36%	103,635	$ 1,628,900	100.00%	6.36%	103,635
202	39922	Servers-Software-AEAM	$ 961,256	-	961,256	100.00%	6.36%	61,157	$ 961,256	100.00%	6.36%	61,157
203	39923	Network Hardware-AEAM	$ 60,170	-	60,170	100.00%	6.36%	3,828	$ 60,170	100.00%	6.36%	3,828
204	39924	39924-Oth Tang Prop - Gen.	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
205	39926	Pc Hardware-AEAM	$ 314,379	-	314,379	100.00%	6.36%	20,002	$ 314,379	100.00%	6.36%	20,002
206	39928	Application SW-AEAM	$ 20,791,579	-	20,791,579	100.00%	6.36%	1,322,811	$ 20,761,925	100.00%	6.36%	1,320,924
207	39931	ALGN-Servers-Hardware	$ 297,267	-	297,267	100.00%	0.00%	-	$ 297,267	100.00%	0.00%	-
208	39932	ALGN-Servers-Software	$ 345,730	-	345,730	100.00%	0.00%	-	$ 345,730	100.00%	0.00%	-
209	39938	ALGN-Application SW	$ 21,018,403	-	21,018,403	100.00%	0.00%	-	$ 20,120,780	100.00%	0.00%	-
210												
211		Total General Plant (Div 2)	$ 238,289,298	$ -	$ 238,289,298			$ 11,162,431	$ 228,304,590			$ 10,692,624
212												
213		CWIP With out AFUDC	$ 14,454,841	$ -	$ 14,454,841	10.40%	49.78%	$ 748,344	$ 14,454,841	10.40%	49.78%	$ 748,344

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Plant in Service by Accounts and SubAccounts
as of March 31, 2020

Data:______Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)2
Schedule B-2 F
Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	3/31/2020 Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (c) * (d) * (e)	(g)	(h)	(i)	(j) = (g) * (h) * (i)
214												
215		**Shared Services Customer Support (Division 012)**										
216												
217		General Plant										
218	38900	Land	$ 2,874,240	$ -	$ 2,874,240	10.95%	51.52%	$ 162,142	$ 2,874,240	10.95%	51.52%	$ 162,142
219	38910	CKV-Land & Land Rights	$ 1,886,443	-	1,886,442.92	100.00%	2.32%	43,739	$ 1,886,443	100.00%	2.32%	43,739
220	39000	Structures & Improvements	$ 12,669,003	-	12,669,002.61	10.95%	51.52%	714,686	$ 12,669,003	10.95%	51.52%	714,686
221	39009	Improvement to leased Premises	$ 2,820,614	-	2,820,613.55	10.95%	51.52%	159,117	$ 2,820,614	10.95%	51.52%	159,117
222	39010	CKV-Structures & Improvements	$ 12,305,840	-	12,305,840.00	100.00%	2.32%	285,325	$ 12,305,840	100.00%	2.32%	285,325
223	39100	Office Furniture & Equipment	$ 2,601,912	-	2,601,911.94	10.95%	51.52%	146,780	$ 2,530,129	10.95%	51.52%	142,730
224	39101	Office Furniture And	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
225	39102	Remittance Processing	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
226	39103	39103-Office Furn. - Copiers & Type	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
227	39110	CKV-Office Furn & Eq	$ 579,053	-	579,053.49	100.00%	2.32%	13,426	$ 515,907	100.00%	2.32%	11,962
228	39210	CKV-Transportation Eq	$ 96,290	-	96,290.22	100.00%	2.32%	2,233	$ 96,290	100.00%	2.32%	2,233
229	39410	CKV-Tools Shop Garage	$ 703,898	-	703,898.10	100.00%	2.32%	16,321	$ 607,804	100.00%	2.32%	14,093
230	39510	CKV-Laboratory Equip	$ 23,632	-	23,632.07	100.00%	2.32%	548	$ 23,632	100.00%	2.32%	548
231	39700	Communication Equipment	$ 1,913,117	-	1,913,117.11	10.95%	51.52%	107,923	$ 1,913,117	10.95%	51.52%	107,923
232	39710	CKV-Communication Equipment	$ 291,501	-	291,500.62	100.00%	2.32%	6,759	$ 291,501	100.00%	2.32%	6,759
233	39800	Miscellaneous Equipment	$ 70,016	-	70,015.66	10.95%	51.52%	3,950	$ 70,016	10.95%	51.52%	3,950
234	39810	CKV-Misc Equipment	$ 509,283	-	509,282.85	100.00%	2.32%	11,808	$ 509,283	100.00%	2.32%	11,808
235	39900	Other Tangible Property	$ 629,166	-	629,166.46	10.95%	51.52%	35,493	$ 629,166	10.95%	51.52%	35,493
236	39901	Other Tangible Property - Servers - H/W	$ 10,343,249	-	10,343,248.64	10.95%	51.52%	583,485	$ 10,343,249	10.95%	51.52%	583,485
237	39902	Other Tangible Property - Servers - S/W	$ 2,023,936	-	2,023,936.45	10.95%	51.52%	114,175	$ 2,023,936	10.95%	51.52%	114,175
238	39903	Other Tangible Property - Network - H/W	$ 629,226	-	629,225.62	10.95%	51.52%	35,496	$ 629,226	10.95%	51.52%	35,496
239	39906	Other Tang. Property - PC Hardware	$ 1,068,705	-	1,068,704.82	10.95%	51.52%	60,288	$ 1,046,768	10.95%	51.52%	59,050
240	39907	Other Tang. Property - PC Software	$ 190,247	-	190,246.97	10.95%	51.52%	10,732	$ 190,247	10.95%	51.52%	10,732
241	39908	Other Tang. Property - Mainframe S/W	$ 94,401,847	-	94,401,846.65	10.95%	51.52%	5,325,414	$ 93,042,823	10.95%	51.52%	5,248,748
242	39910	CKV-Other Tangible Property	$ 339,658	-	339,657.73	100.00%	2.32%	7,875	$ 339,658	100.00%	2.32%	7,875
243	39916	CKV-Oth Tang Prop-PC Hardware	$ 539,317	-	539,316.64	100.00%	2.32%	12,505	$ 449,495	100.00%	2.32%	10,422
244	39917	CKV-Oth Tang Prop-PC Software	$ 103,892	-	103,891.78	100.00%	2.32%	2,409	$ 103,892	100.00%	2.32%	2,409
245	39918	CKV-Oth Tang Prop-App	$ 20,560	-	20,560.16	100.00%	2.32%	477	$ 20,560	100.00%	2.32%	477
246	39924	Oth Tang Prop - Gen.	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
247												
248		Total General Plant (Div 12)	$ 149,634,643	$ -	$ 149,634,643			$ 7,863,105	$ 147,932,837			$ 7,775,377
249												
250		CWIP With out AFUDC	$ 3,983,794	$ -	$ 3,983,794	10.95%	51.52%	$ 224,734	$ 3,983,794	10.95%	51.52%	$ 224,734
251												
252		Total Plant (Div 009, 091, 002, 012)	$ 1,133,896,943	$ -	$ 1,133,896,943			$ 763,121,143	$ 1,084,300,143			$ 724,669,367
253												
254		Total CWIP Without AFUDC (Div 009, 091, 002, 012)	$ 56,598,085		$ 56,598,085			$ 39,130,198	$ 56,598,085			$ 39,130,198
255												

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Jurisdictional Accumulated Depreciation & Amortization
as of December 31, 2018

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)3
Schedule B-3 B
Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
		Kentucky Direct (Division 009)										
1		Intangible Plant										
2	30100	Organization	$ 8,330	$ -	$ 8,330	100%	100%	$ 8,330	$ 8,330	100%	100%	$ 8,330
3	30200	Franchises & Consents	$ 119,853	-	119,853	100%	100%	119,853	$ 119,853	100%	100%	119,853
4												
5		Total Intangible Plant Reserves	$ 128,182	$ -	$ 128,182			$ 128,182	$ 128,182			$ 128,182
6												
7		Natural Gas Production Plant										
8	32540	Rights of Ways	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
9	33202	Tributary Lines	$ -	-	-	100%	100%	-	$ -	100%	100%	-
10	33400	Field Meas. & Reg. Sta. Equip	$ -	-	-	100%	100%	-	$ -	100%	100%	-
11												
12		Total Natural Gas Production Plant Reserv	$ -	$ -	$ -			$ -	$ -			$ -
13												
14		Storage Plant										
15	35010	Land	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
16	35020	Rights of Way	$ 4,439	-	4,439	100%	100%	4,439	$ 4,434	100%	100%	4,434
17	35100	Structures and Improvements	$ 6,065	-	6,065	100%	100%	6,065	$ 5,915	100%	100%	5,915
18	35102	Compression Station Equipment	$ 112,304	-	112,304	100%	100%	112,304	$ 111,338	100%	100%	111,338
19	35103	Meas. & Reg. Sta. Structues	$ 20,326	-	20,326	100%	100%	20,326	$ 20,219	100%	100%	20,219
20	35104	Other Structures	$ 98,811	-	98,811	100%	100%	98,811	$ 97,917	100%	100%	97,917
21	35200	Wells \ Rights of Way	$ 1,069,976	-	1,069,976	100%	100%	1,069,976	$ 989,384	100%	100%	989,384
22	35201	Well Construction	$ 1,400,173	-	1,400,173	100%	100%	1,400,173	$ 1,387,338	100%	100%	1,387,338
23	35202	Well Equipment	$ 450,595	-	450,595	100%	100%	450,595	$ 450,033	100%	100%	450,033
24	35203	Cushion Gas	$ 739,273	-	739,273	100%	100%	739,273	$ 724,019	100%	100%	724,019
25	35210	Leaseholds	$ 167,629	-	167,629	100%	100%	167,629	$ 167,316	100%	100%	167,316
26	35211	Storage Rights	$ 43,595	-	43,595	100%	100%	43,595	$ 43,355	100%	100%	43,355
27	35301	Field Lines	$ (89,549)	-	(89,549)	100%	100%	(89,549)	$ (90,259)	100%	100%	(90,259)
28	35302	Tributary Lines	$ 187,800	-	187,800	100%	100%	187,800	$ 186,953	100%	100%	186,953
29	35400	Compressor Station Equipment	$ 485,848	-	485,848	100%	100%	485,848	$ 477,537	100%	100%	477,537
30	35500	Meas & Reg. Equipment	$ 199,915	-	199,915	100%	100%	199,915	$ 199,219	100%	100%	199,219
31	35600	Purification Equipment	$ 185,567	-	185,567	100%	100%	185,567	$ 181,317	100%	100%	181,317
32												
33		Total Storage Plant Reserves	$ 5,082,767	$ -	$ 5,082,767			$ 5,082,767	$ 4,956,035			$ 4,956,035

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Jurisdictional Accumulated Depreciation & Amortization
as of December 31, 2018

Data:__X___Base Period______Forecasted Period | FR 16(8)(b)3
Type of Filing:___X____Original________Updated ________Revised | Schedule B-3 B
Workpaper Reference No(s). | Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
34												
35		Transmission Plant										
36	36510	Land	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
37	36520	Rights of Way	$ 420,654	-	420,654	100%	100%	420,654	$ 414,884	100%	100%	414,884
38	36602	Structures & Improvements	$ 16,316	-	16,316	100%	100%	16,316	$ 15,879	100%	100%	15,879
39	36603	Other Structues	$ 52,418	-	52,418	100%	100%	52,418	$ 51,877	100%	100%	51,877
40	36700	Mains Cathodic Protection	$ 93,890	-	93,890	100%	100%	93,890	$ 90,399	100%	100%	90,399
41	36701	Mains - Steel	$ 17,159,073	-	17,159,073	100%	100%	17,159,073	$ 17,657,399	100%	100%	17,657,399
42	36703	Mains - Anodes	$ -	-	-	100%	100%	-	$ -	100%	100%	-
43	36900	Meas. & Reg. Equipment	$ 343,924	-	343,924	100%	100%	343,924	$ 336,097	100%	100%	336,097
44	36901	Meas. & Reg. Equipment	$ 1,744,633	-	1,744,633	100%	100%	1,744,633	$ 1,720,349	100%	100%	1,720,349
45												
46		Total Production Plant - LPG Reserves	$ 19,830,907	$ -	$ 19,830,907			$ 19,830,907	$ 20,286,883			$ 20,286,883
47												
48		Distribution Plant										
49	37400	Land & Land Rights	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
50	37401	Land	$ -	-	-	100%	100%	-	$ -	100%	100%	-
51	37402	Land Rights	$ 198,946	-	198,946	100%	100%	198,946	$ 177,257	100%	100%	177,257
52	37403	Land Other	$ -	-	-	100%	100%	-	$ -	100%	100%	-
53	37500	Structures & Improvements	$ 108,955	-	108,955	100%	100%	108,955	$ 105,493	100%	100%	105,493
54	37501	Structures & Improvements T.B.	$ 70,041	-	70,041	100%	100%	70,041	$ 69,013	100%	100%	69,013
55	37502	Land Rights	$ 34,747	-	34,747	100%	100%	34,747	$ 34,271	100%	100%	34,271
56	37503	Improvements	$ 1,864	-	1,864	100%	100%	1,864	$ 1,822	100%	100%	1,822
57	37600	Mains Cathodic Protection	$ 12,934,746	-	12,934,746	100%	100%	12,934,746	$ 12,718,060	100%	100%	12,718,060
58	37601	Mains - Steel	$ 31,297,268	-	31,297,268	100%	100%	31,297,268	$ 30,218,245	100%	100%	30,218,245
59	37602	Mains - Plastic	$ 16,911,814	-	16,911,814	100%	100%	16,911,814	$ 15,883,553	100%	100%	15,883,553
60	37603	Mains - Anodes	$ -	-	-	100%	100%	-	$ -	100%	100%	-
61	37604	Mains - Leak Clamps	$ -	-	-	100%	100%	-	$ -	100%	100%	-
62	37800	Meas & Reg. Sta. Equip - General	$ 2,295,802	-	2,295,802	100%	100%	2,295,802	$ 2,040,538	100%	100%	2,040,538
63	37900	Meas & Reg. Sta. Equip - City Gate	$ 910,422	-	910,422	100%	100%	910,422	$ 874,828	100%	100%	874,828
64	37905	Meas & Reg. Sta. Equipment T.b.	$ 1,002,918	-	1,002,918	100%	100%	1,002,918	$ 980,670	100%	100%	980,670
65	38000	Services	$ 32,934,303	-	32,934,303	100%	100%	32,934,303	$ 35,036,562	100%	100%	35,036,562
66	38100	Meters	$ 19,525,081	-	19,525,081	100%	100%	19,525,081	$ 18,290,752	100%	100%	18,290,752
67	38200	Meter Installaitons	$ 25,843,085	-	25,843,085	100%	100%	25,843,085	$ 25,107,867	100%	100%	25,107,867
68	38300	House Regulators	$ 3,972,540	-	3,972,540	100%	100%	3,972,540	$ 3,793,935	100%	100%	3,793,935
69	38400	House Reg. Installations	$ 88,697	-	88,697	100%	100%	88,697	$ 86,114	100%	100%	86,114
70	38500	Ind. Meas. & Reg. Sta. Equipment	$ 2,867,363	-	2,867,363	100%	100%	2,867,363	$ 2,796,967	100%	100%	2,796,967
71												
72		Total Distribution Plant Reserves	$ 150,998,591	$ -	$ 150,998,591			$ 150,998,591	$ 148,215,948			$ 148,215,948

Atmos Energy Corporation, Kentucky/Mid-States Division
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Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

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Schedule B-3 B
Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	**Ending Balance**	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month Average**	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
73												
74		General Plant										
75	38900	38900-Land & Land Rights	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
76	39000	39000-Structures & Improvements	$ 1,061,493	-	1,061,493	100%	100%	1,061,493	$ 923,762	100%	100%	923,762
77	39002	39002-Structures - Brick	$ 103,168	-	103,168	100%	100%	103,168	$ 99,914	100%	100%	99,914
78	39003	39003-Improvements	$ 274,645	-	274,645	100%	100%	274,645	$ 261,312	100%	100%	261,312
79	39004	39004-Air Conditioning Equipment	$ 4,562	-	4,562	100%	100%	4,562	$ 4,319	100%	100%	4,319
80	39009	39009-Improv. to Leased Premises	$ 1,248,110	-	1,248,110	100%	100%	1,248,110	$ 1,194,303	100%	100%	1,194,303
81	39100	39100-Office Furniture & Equipment	$ 1,067,725	-	1,067,725	100%	100%	1,067,725	$ 994,844	100%	100%	994,844
82	39103	Office Machines	$ -	-	-	100%	100%	-	$ -	100%	100%	-
83	39200	39200-Transportation Equipment	$ 99,733	-	99,733	100%	100%	99,733	$ 83,004	100%	100%	83,004
84	39202	39202-WKG Trailers	$ (2,529)	-	(2,529)	100%	100%	(2,529)	$ (2,529)	100%	100%	(2,529)
85	39400	39400-Tools, Shop, & Garage Equip.	$ 1,125,068	-	1,125,068	100%	100%	1,125,068	$ 1,009,735	100%	100%	1,009,735
86	39603	39603-Ditchers	$ 39,655	-	39,655	100%	100%	39,655	$ 37,158	100%	100%	37,158
87	39604	39604-Backhoes	$ 62,818	-	62,818	100%	100%	62,818	$ 58,840	100%	100%	58,840
88	39605	39605-Welders	$ 19,141	-	19,141	100%	100%	19,141	$ 17,250	100%	100%	17,250
89	39700	39700-Communication Equipment	$ 242,784	-	242,784	100%	100%	242,784	$ 222,774	100%	100%	222,774
90	39701	Communication Equip.	$ -	-	-	100%	100%	-	$ -	100%	100%	-
91	39702	Communication Equip.	$ -	-	-	100%	100%	-	$ -	100%	100%	-
92	39705	39705-Comm. Equip. - Telemetering	$ -	-	-	100%	100%	-	$ -	100%	100%	-
93	39800	39800-Miscellaneous Equipment	$ 1,926,942	-	1,926,942	100%	100%	1,926,942	$ 1,805,131	100%	100%	1,805,131
94	39901	Servers Hardware	$ 5,282	-	5,282	100%	100%	5,282	$ 4,531	100%	100%	4,531
95	39902	Servers Software	$ -	-	-	100%	100%	-	$ -	100%	100%	-
96	39903	39903-Oth Tang Prop - Network - H/W	$ 54,550	-	54,550	100%	100%	54,550	$ 47,469	100%	100%	47,469
97	39906	39906-Oth Tang Prop - PC Hardware	$ 355,562	-	355,562	100%	100%	355,562	$ 487,081	100%	100%	487,081
98	39907	39907-Oth Tang Prop - PC Software	$ -	-	-	100%	100%	-	$ -	100%	100%	-
99	39908	39908-Oth Tang Prop - Appl Software	$ 110,712	-	110,712	100%	100%	110,712	$ 108,891	100%	100%	108,891
100		Retirement Work in Progress	$ (6,374,709)	-	(6,374,709)	100%	100%	(6,374,709)	$ (5,933,440)	100%	100%	(5,933,440)
101		Retirement Work in Progress Recon	$ -	-	-	100%	100%	-	$ -	100%	100%	-
102		AR 15 general plant amortization	$ -	-	-	100%	100%	-	$ -	100%	100%	-
103												
104		Total General Plant Reserves	$ 1,424,712	$ -	$ 1,424,712			$ 1,424,712	$ 1,424,347			$ 1,424,347
105												
106		Total Depr Reserves (Div 9)	$ 177,465,160	$ -	$ 177,465,160			$ 177,465,160	$ 175,011,396			$ 175,011,396

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Line No.	Acct. No.	Account / SubAccount Titles	**Ending Balance**	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month Average**	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
107												
108	**Kentucky-Mid-States General Office (Division 091)**											
109												
110		Intangible Plant										
111	30100	Organization	$ -	$ -	$ -	100%	49.78%	$ -	$ -	100%	49.78%	$ -
112	30300	Misc Intangible Plant	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
113												
114		Total Intangible Plant	$ -	$ -	$ -			$ -	$ -			$ -
115												
116		Distribution Plant										
117	37400	Land & Land Rights	$ -	$ -	$ -	100%	49.78%	$ -	$ -	100%	49.78%	$ -
118	35010	Land	-	-	-	100%	49.78%	-	-	100%	49.78%	-
119	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-
120	37403	Land Other	-	-	-	100%	49.78%	-	-	100%	49.78%	-
121	36602	Structures & Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-
122	37501	Structures & Improvements T.B.	-	-	-	100%	49.78%	-	-	100%	49.78%	-
123	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-
124	37503	Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-
125	36700	Mains Cathodic Protection	-	-	-	100%	49.78%	-	-	100%	49.78%	-
126	36701	Mains - Steel	-	-	-	100%	49.78%	-	-	100%	49.78%	-
127	37602	Mains - Plastic	-	-	-	100%	49.78%	-	-	100%	49.78%	-
128	37800	Meas & Reg. Sta. Equip - General	-	-	-	100%	49.78%	-	-	100%	49.78%	-
129	37900	Meas & Reg. Sta. Equip - City Gate	-	-	-	100%	49.78%	-	-	100%	49.78%	-
130	37905	Meas & Reg. Sta. Equipment T.b.	-	-	-	100%	49.78%	-	-	100%	49.78%	-
131	38000	Services	-	-	-	100%	49.78%	-	-	100%	49.78%	-
132	38100	Meters	-	-	-	100%	49.78%	-	-	100%	49.78%	-
133	38200	Meter Installaitons	-	-	-	100%	49.78%	-	-	100%	49.78%	-
134	38300	House Regulators	-	-	-	100%	49.78%	-	-	100%	49.78%	-
135	38400	House Reg. Installations	-	-	-	100%	49.78%	-	-	100%	49.78%	-
136	38500	Ind. Meas. & Reg. Sta. Equipment	-	-	-	100%	49.78%	-	-	100%	49.78%	-
137	38600	Other Prop. On Cust. Prem	-	-	-	100%	49.78%	-	-	100%	49.78%	-
138												
139		Total Distribution Plant	$ -	$ -	$ -			$ -	$ -			$ -

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Line No.	Acct. No.	Account / SubAccount Titles	**Ending Balance**	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month Average**	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
140												
141		General Plant										
142	39001	39001-Structures - Frame	$ 102,169	-	$ 102,169	100.00%	49.78%	50,860	$ 99,766	100.00%	49.78%	$ 49,663
143	39004	39004-Air Conditioning Equipment	$ 9,379	-	9,379	100%	49.78%	4,669	$ 8,815	100%	49.78%	4,388
144	39009	39009-Improv. to Leased Premises	$ 38,834	-	38,834	100%	49.78%	19,332	$ 38,834	100%	49.78%	19,332
145	39100	39100-Office Furniture & Equipment	$ 38,609	-	38,609	100%	49.78%	19,220	$ 39,253	100%	49.78%	19,540
146	39101	Office Furniture And	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
147	39103	Office Machines	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
148	39200	39200-Trans Equip- Group	$ 16,534	-	16,534	100%	49.78%	8,231	$ 15,624	100%	49.78%	7,778
149	39300	Stores Equipment	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
150	39400	39400-Tools, Shop, & Garage Equip.	$ 137,901	-	137,901	100%	49.78%	68,647	$ 134,911	100%	49.78%	67,159
151	39600	39600-Power Operated Equipment	$ 7,955	-	7,955	100%	49.78%	3,960	$ 7,508	100%	49.78%	3,737
152	39700	39700-Communication Equipment	$ (7,962)	-	(7,962)	100%	49.78%	(3,964)	$ (8,550)	100%	49.78%	(4,256)
153	39701	Communication Equip.	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
154	39702	Communication Equip.	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
155	39800	39800-Miscellaneous Equipment	$ 702,501	-	702,501	100%	49.78%	349,705	$ 688,375	100%	49.78%	342,673
156	39900	39900-Other Tangible Property	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
157	39901	39901-Oth Tang Prop - Servers - H/W	$ (34,766)	-	(34,766)	100%	49.78%	(17,306)	$ (34,766)	100%	49.78%	(17,306)
158	39902	39902-Oth Tang Prop - Servers - S/W	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
159	39903	39903-Oth Tang Prop - Network - H/W	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
160	39906	39906-Oth Tang Prop - PC Hardware	$ 70,196	-	70,196	100%	49.78%	34,944	$ 70,196	100%	49.78%	34,944
161	39907	39907-Oth Tang Prop - PC Software	$ 28,248	-	28,248	100%	49.78%	14,062	$ 23,128	100%	49.78%	11,513
162	39908	39908-Oth Tang Prop - Appl Software	$ 828,509	-	828,509	100%	49.78%	412,432	$ 828,509	100%	49.78%	412,432
163		Retirement Work in Progress	$ 52,517			100%	49.78%	-	$ 52,517	100%	49.78%	26,143
164												
165		Total General Plant	$ 1,990,625	$ -	$ 1,938,107			$ 964,790	$ 1,964,120			$ 977,739
166												
167		Total Depr Reserves (Div 91)	$ 1,990,625	$ -	$ 1,938,107			$ 964,790	$ 1,964,120			$ 977,739

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168												
169		**Shared Services General Office (Division 002)**										
170												
171		General Plant										
172	39000	39000-Structures & Improvements	$ 516,339	-	$ 516,339	10.40%	49.78%	26,731	$ 493,350	10.40%	49.78%	$ 25,541
173	39005	39005-G-Structures & Improvements	$ 3,747,661	-	3,747,661	100.00%	1.57%	58,862	$ 3,608,672	100.00%	1.57%	56,679
174	39009	39009-Improv. to Leased Premises	$ 9,316,766	-	9,316,766	10.40%	49.78%	482,340	$ 9,316,062	10.40%	49.78%	482,304
175	39020	Struct & Improv AEAM	$ (0)	-	(0)	100.00%	6.36%	(0)	$ (0)	100.00%	6.36%	(0)
176	39029	Improv-Leased AEAM	$ 99	-	99	100.00%	6.36%	6	$ 28	100.00%	6.36%	2
177	39100	39100-Office Furniture & Equipment	$ 1,951,797	-	1,951,797	10.40%	49.78%	101,047	$ 1,849,950	10.40%	49.78%	95,774
178	39102	39102-Remittance Processing Equipment	$ 1	-	1	10.40%	49.78%	0	$ 1	10.40%	49.78%	0
179	39103	39103-Office Furn. - Copiers & Type	$ 0	-	0	10.40%	49.78%	0	$ 0	10.40%	49.78%	0
180	39104	39104-G-Office Furniture & Equip.	$ 36,763	-	36,763	100.00%	1.57%	577	$ 32,583	100.00%	1.57%	512
181	39120	Off Furn & Equip-AEAM	$ 102,280	-	102,280	100.00%	6.36%	6,507	$ 100,759	100.00%	6.36%	6,411
182	39200	39200-Transportation Equipment	$ 5,495	-	5,495	10.40%	49.78%	284	$ 5,406	10.40%	49.78%	280
183	39300	39300-Stores Equipment	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
184	39400	39400-Tools, Shop, & Garage Equip.	$ 32,786	-	32,786	10.40%	49.78%	1,697	$ 31,899	10.40%	49.78%	1,651
185	39420	Tools And Garage-AEAM	$ 388	-	388	100.00%	6.36%	25	$ 388	100.00%	6.36%	25
186	39500	39500-Laboratory Equipment	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
187	39700	39700-Communication Equipment	$ 535,347	-	535,347	10.40%	49.78%	27,716	$ 527,218	10.40%	49.78%	27,295
188	39720	Commun Equip AEAM	$ 7,762	-	7,762	100.00%	6.36%	494	$ 4,777	100.00%	6.36%	304
189	39800	39800-Miscellaneous Equipment	$ 45,144	-	45,144	10.40%	49.78%	2,337	$ 44,395	10.40%	49.78%	2,298
190	39820	Misc Equip - AEAM	$ 5,102	-	5,102	100.00%	6.36%	325	$ 1,939	100.00%	6.36%	123
191	39900	39900-Other Tangible Equipm	$ 162,984	-	162,984	10.40%	49.78%	8,438	$ 162,827	10.40%	49.78%	8,430
192	39901	39901-Oth Tang Prop - Servers - H/W	$ 22,464,157	-	22,464,157	100.00%	49.78%	11,182,657	$ 21,292,570	100.00%	49.78%	10,599,441
193	39902	39902-Oth Tang Prop - Servers - S/W	$ 17,633,522	-	17,633,522	10.40%	49.78%	912,909	$ 17,246,983	10.40%	49.78%	892,897
194	39903	39903-Oth Tang Prop - Network - H/W	$ 2,538,133	-	2,538,133	10.40%	49.78%	131,402	$ 2,498,047	10.40%	49.78%	129,327
195	39904	39904-Oth Tang Prop - CPU	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
196	39905	39905-Oth Tang Prop - MF Hardware	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
197	39906	39906-Oth Tang Prop - PC Hardware	$ 1,175,834	-	1,175,834	10.40%	49.78%	60,874	$ 1,089,306	10.40%	49.78%	56,395
198	39907	39907-Oth Tang Prop - PC Software	$ 1,775,735	-	1,775,735	10.40%	49.78%	91,932	$ 763,061	10.40%	49.78%	39,505
199	39908	39908-Oth Tang Prop - Appl Software	$ 33,379,166	-	33,379,166	10.40%	49.78%	1,728,079	$ 32,808,173	10.40%	49.78%	1,698,519
200	39909	39909-Oth Tang Prop - Mainframe S/W	$ 44,629	-	44,629	10.40%	49.78%	2,311	$ 44,318	10.40%	49.78%	2,294
201	39921	Servers-Hardware-AEAM	$ 1,214,838	-	1,214,838	100.00%	6.36%	77,291	$ 1,162,138	100.00%	6.36%	73,938
202	39922	Servers-Software-AEAM	$ 475,474	-	475,474	100.00%	6.36%	30,251	$ 462,155	100.00%	6.36%	29,403
203	39923	Network Hardware-AEAM	$ 43,778	-	43,778	100.00%	6.36%	2,785	$ 43,115	100.00%	6.36%	2,743
204	39924	39924-Oth Tang Prop - Gen.	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
205	39926	Pc Hardware-AEAM	$ 417,077	-	417,077	100.00%	6.36%	26,535	$ 204,407	100.00%	6.36%	13,005
206	39928	Application SW-AEAM	$ 12,532,676	-	12,532,676	100.00%	6.36%	797,359	$ 12,349,025	100.00%	6.36%	785,675
207	39931	ALGN-Servers-Hardware	$ 70,067	-	70,067	100.00%	0.00%	-	$ 54,280	100.00%	0.00%	-
208	39932	ALGN-Servers-Software	$ 451,739	-	451,739	100.00%	0.00%	-	$ 199,263	100.00%	0.00%	-
209	39938	ALGN-Application SW	$ 3,515,548	-	3,515,548	100.00%	0.00%	-	$ 3,359,498	100.00%	0.00%	
210		Retirement Work in Progress	$ -	-	-	10.40%	49.78%	-	$ -	100.00%	49.78%	-
211												
212		Total Depr Reserves (Div 2)	$ 114,199,092	$ -	$ 114,199,092			$ 15,761,773	$ 109,756,592			$ 15,030,770
213												

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Line No.	Acct. No.	Account / SubAccount Titles	**Ending Balance**	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month Average**	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
214	**Shared Services Customer Support (Division 012)**											
215												
216		General Plant										
217	38900	38900-Land	$ -	$ -	$ -	10.95%	51.52%	$ -	$ -	10.95%	51.52%	$ -
218	38910	38910-CKV-Land & Land Rights	$ -	-	-	100.00%	2.32%	-	$ -	100.00%	2.32%	-
219	39000	39000-Structures & Improvements	$ 2,017,624	-	2,017,624	10.95%	51.52%	113,819	$ 1,823,528	10.95%	51.52%	102,869
220	39009	39009-Improv. to Leased Premises	$ 1,698,696	-	1,698,696	10.95%	51.52%	95,827	$ 1,650,738	10.95%	51.52%	93,122
221	39010	39010-CKV-Structures & Improvements	$ 2,945,092	-	2,945,092	100.00%	2.32%	68,285	$ 2,755,432	100.00%	2.32%	63,888
222	39100	39100-Office Furniture & Equipment	$ 871,244	-	871,244	10.95%	51.52%	49,149	$ 823,736	10.95%	51.52%	46,469
223	39101	Office Furniture And	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
224	39102	Remittance Processing	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
225	39103	39103-Office Furn. - Copiers & Type	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
226	39110	CKV-Office Furn & Eq	$ 47,615	-	47,615	100.00%	2.32%	1,104	$ 39,835	100.00%	2.32%	924
227	39210	CKV-Transportation Eq	$ 96,385	-	96,385	100.00%	2.32%	2,235	$ 93,812	100.00%	2.32%	2,175
228	39410	CKV-Tools Shop Garage	$ 122,607	-	122,607	100.00%	2.32%	2,843	$ 104,565	100.00%	2.32%	2,424
229	39510	CKV-Laboratory Equip	$ 16,579	-	16,579	100.00%	2.32%	384	$ 15,393	100.00%	2.32%	357
230	39700	39700-Communication Equipment	$ 1,089,239	-	1,089,239	10.95%	51.52%	61,446	$ 1,033,855	10.95%	51.52%	58,322
231	39710	39710-CKV-Communication Equipment	$ 159,675	-	159,675	100.00%	2.32%	3,702	$ 151,245	100.00%	2.32%	3,507
232	39800	39800-Miscellaneous Equipment	$ 13,733	-	13,733	10.95%	51.52%	775	$ 12,115	10.95%	51.52%	683
233	39810	CKV-Misc Equipment	$ 149,304	-	149,304	100.00%	2.32%	3,462	$ 137,956	100.00%	2.32%	3,199
234	39900	39900-Other Tangible Property	$ 501,737	-	501,737	10.95%	51.52%	28,304	$ 460,205	10.95%	51.52%	25,961
235	39901	39901-Oth Tang Prop - Servers - H/W	$ 5,258,881	-	5,258,881	10.95%	51.52%	296,665	$ 4,782,854	10.95%	51.52%	269,811
236	39902	39902-Oth Tang Prop - Servers - S/W	$ 1,235,832	-	1,235,832	10.95%	51.52%	69,716	$ 1,146,580	10.95%	51.52%	64,681
237	39903	39903-Oth Tang Prop - Network - H/W	$ 374,102	-	374,102	10.95%	51.52%	21,104	$ 351,089	10.95%	51.52%	19,806
238	39906	39906-Oth Tang Prop - PC Hardware	$ 580,077	-	580,077	10.95%	51.52%	32,723	$ 529,829	10.95%	51.52%	29,889
239	39907	39907-Oth Tang Prop - PC Software	$ 137,253	-	137,253	10.95%	51.52%	7,743	$ 130,947	10.95%	51.52%	7,387
240	39908	39908-Oth Tang Prop - Appl Software	$ 31,828,466	-	31,828,466	10.95%	51.52%	1,795,513	$ 28,889,060	10.95%	51.52%	1,629,695
241	39910	39910-CKV-Other Tangible Property	$ 176,542	-	176,542	100.00%	2.32%	4,093	$ 154,058	100.00%	2.32%	3,572
242	39916	39916-CKV-Oth Tang Prop-PC Hardware	$ 251,269	-	251,269	100.00%	2.32%	5,826	$ 237,228	100.00%	2.32%	5,500
243	39917	39917-CKV-Oth Tang Prop-PC Software	$ 76,530	-	76,530	100.00%	2.32%	1,774	$ 73,086	100.00%	2.32%	1,695
244	39918	CKV-Oth Tang Prop-App	$ 11,041	-	11,041	100.00%	2.32%	256	$ 10,370	100.00%	2.32%	240
245	39924	Oth Tang Prop - Gen.	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
246		RWIP	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
247												
248		Total Depr Reserves (Div 12)	$ 49,659,522	$ -	$ 49,659,522			$ 2,666,749	$ 45,407,517			$ 2,436,176
249												
250		Total Accumulated Depreciation & Amortization (Div 009, 091, 002, 012)	$ 343,314,399	$ -	$ 343,261,882			$ 196,858,472	$ 332,139,626			$ 193,456,081

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		Kentucky Direct (Division 009)										
1		Intangible Plant										
2	30100	Organization	$ 8,330	$ -	$ 8,330	100%	100%	$ 8,330	$ 8,330	100%	100%	$ 8,330
3	30200	Franchises & Consents	$ 119,853	-	119,853	100%	100%	119,853	$ 119,853	100%	100%	119,853
4												
5		Total Intangible Plant Reserves	$ 128,182	$ -	$ 128,182			$ 128,182	$ 128,182			$ 128,182
6												
7		Natural Gas Production Plant										
8	32540	Rights of Ways	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
9	33202	Tributary Lines	$ -	-	-	100%	100%	-	$ -	100%	100%	-
10	33400	Field Meas. & Reg. Sta. Equip	$ -	-	-	100%	100%	-	$ -	100%	100%	-
11												
12		Total Natural Gas Production Plant Reserv	$ -	$ -	$ -			$ -	$ -			$ -
13												
14		Storage Plant										
15	35010	Land	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
16	35020	Rights of Way	$ 4,464	-	4,464	100%	100%	4,464	$ 4,453	100%	100%	4,453
17	35100	Structures and Improvements	$ 6,437	-	6,437	100%	100%	6,437	$ 6,289	100%	100%	6,289
18	35102	Compression Station Equipment	$ 114,702	-	114,702	100%	100%	114,702	$ 113,744	100%	100%	113,744
19	35103	Meas. & Reg. Sta. Structues	$ 20,587	-	20,587	100%	100%	20,587	$ 20,483	100%	100%	20,483
20	35104	Other Structures	$ 101,030	-	101,030	100%	100%	101,030	$ 100,144	100%	100%	100,144
21	35200	Wells \ Rights of Way	$ 1,271,387	-	1,271,387	100%	100%	1,271,387	$ 1,190,830	100%	100%	1,190,830
22	35201	Well Construction	$ 1,432,431	-	1,432,431	100%	100%	1,432,431	$ 1,419,511	100%	100%	1,419,511
23	35202	Well Equipment	$ 450,595	-	450,595	100%	100%	450,595	$ 450,595	100%	100%	450,595
24	35203	Cushion Gas	$ 770,288	-	770,288	100%	100%	770,288	$ 758,594	100%	100%	758,594
25	35210	Leaseholds	$ 168,338	-	168,338	100%	100%	168,338	$ 168,062	100%	100%	168,062
26	35211	Storage Rights	$ 44,196	-	44,196	100%	100%	44,196	$ 43,956	100%	100%	43,956
27	35301	Field Lines	$ (87,598)	-	(87,598)	100%	100%	(87,598)	$ (88,396)	100%	100%	(88,396)
28	35302	Tributary Lines	$ 190,129	-	190,129	100%	100%	190,129	$ 189,177	100%	100%	189,177
29	35400	Compressor Station Equipment	$ 505,702	-	505,702	100%	100%	505,702	$ 497,853	100%	100%	497,853
30	35500	Meas & Reg. Equipment	$ 204,824	-	204,824	100%	100%	204,824	$ 202,544	100%	100%	202,544
31	35600	Purification Equipment	$ 195,903	-	195,903	100%	100%	195,903	$ 191,797	100%	100%	191,797
32												
33		Total Storage Plant Reserves	$ 5,393,416	$ -	$ 5,393,416			$ 5,393,416	$ 5,269,635			$ 5,269,635

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34												
35		Transmission Plant										
36	36510	Land	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
37	36520	Rights of Way	$ 432,651	-	432,651	100%	100%	432,651	$ 428,096	100%	100%	428,096
38	36602	Structures & Improvements	$ 17,141	-	17,141	100%	100%	17,141	$ 16,837	100%	100%	16,837
39	36603	Other Structues	$ 53,443	-	53,443	100%	100%	53,443	$ 53,066	100%	100%	53,066
40	36700	Mains Cathodic Protection	$ 100,998	-	100,998	100%	100%	100,998	$ 98,316	100%	100%	98,316
41	36701	Mains - Steel	$ 15,791,013	-	15,791,013	100%	100%	15,791,013	$ 16,387,961	100%	100%	16,387,961
42	36703	Mains - Anodes	$ -	-	-	100%	100%	-	$ -	100%	100%	-
43	36900	Meas. & Reg. Equipment	$ 359,101	-	359,101	100%	100%	359,101	$ 353,469	100%	100%	353,469
44	36901	Meas. & Reg. Equipment	$ 1,791,727	-	1,791,727	100%	100%	1,791,727	$ 1,774,251	100%	100%	1,774,251
45												
46		Total Production Plant - LPG Reserves	$ 18,546,074	$ -	$ 18,546,074			$ 18,546,074	$ 19,111,996			$ 19,111,996
47												
48		Distribution Plant										
49	37400	Land & Land Rights	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
50	37401	Land	$ -	-	-	100%	100%	-	$ -	100%	100%	-
51	37402	Land Rights	$ 260,969	-	260,969	100%	100%	260,969	$ 235,363	100%	100%	235,363
52	37403	Land Other	$ -	-	-	100%	100%	-	$ -	100%	100%	-
53	37500	Structures & Improvements	$ 116,704	-	116,704	100%	100%	116,704	$ 113,695	100%	100%	113,695
54	37501	Structures & Improvements T.B.	$ 72,342	-	72,342	100%	100%	72,342	$ 71,449	100%	100%	71,449
55	37502	Land Rights	$ 35,813	-	35,813	100%	100%	35,813	$ 35,399	100%	100%	35,399
56	37503	Improvements	$ 1,956	-	1,956	100%	100%	1,956	$ 1,920	100%	100%	1,920
57	37600	Mains Cathodic Protection	$ 13,343,000	-	13,343,000	100%	100%	13,343,000	$ 13,210,658	100%	100%	13,210,658
58	37601	Mains - Steel	$ 35,444,734	-	35,444,734	100%	100%	35,444,734	$ 33,671,112	100%	100%	33,671,112
59	37602	Mains - Plastic	$ 20,622,437	-	20,622,437	100%	100%	20,622,437	$ 19,028,671	100%	100%	19,028,671
60	37603	Mains - Anodes	$ -	-	-	100%	100%	-	$ -	100%	100%	-
61	37604	Mains - Leak Clamps	$ -	-	-	100%	100%	-	$ -	100%	100%	-
62	37800	Meas & Reg. Sta. Equip - General	$ 3,376,893	-	3,376,893	100%	100%	3,376,893	$ 2,894,799	100%	100%	2,894,799
63	37900	Meas & Reg. Sta. Equip - City Gate	$ 1,036,623	-	1,036,623	100%	100%	1,036,623	$ 984,409	100%	100%	984,409
64	37905	Meas & Reg. Sta. Equipment T.b.	$ 1,061,490	-	1,061,490	100%	100%	1,061,490	$ 1,038,111	100%	100%	1,038,111
65	38000	Services	$ 28,726,410	-	28,726,410	100%	100%	28,726,410	$ 30,562,139	100%	100%	30,562,139
66	38100	Meters	$ 22,606,422	-	22,606,422	100%	100%	22,606,422	$ 21,386,354	100%	100%	21,386,354
67	38200	Meter Installaitons	$ 27,709,401	-	27,709,401	100%	100%	27,709,401	$ 26,987,899	100%	100%	26,987,899
68	38300	House Regulators	$ 4,582,202	-	4,582,202	100%	100%	4,582,202	$ 4,321,265	100%	100%	4,321,265
69	38400	House Reg. Installations	$ 98,891	-	98,891	100%	100%	98,891	$ 94,403	100%	100%	94,403
70	38500	Ind. Meas. & Reg. Sta. Equipment	$ 3,014,910	-	3,014,910	100%	100%	3,014,910	$ 2,958,741	100%	100%	2,958,741
71												
72		Total Distribution Plant Reserves	$ 162,111,198	$ -	$ 162,111,198			$ 162,111,198	$ 157,596,387			$ 157,596,387

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73												
74		General Plant										
75	38900	38900-Land & Land Rights	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
76	39000	39000-Structures & Improvements	$ 1,376,546	-	1,376,546	100%	100%	1,376,546	$ 1,253,482	100%	100%	1,253,482
77	39002	39002-Structures - Brick	$ 110,370	-	110,370	100%	100%	110,370	$ 107,583	100%	100%	107,583
78	39003	39003-Improvements	$ 304,148	-	304,148	100%	100%	304,148	$ 292,730	100%	100%	292,730
79	39004	39004-Air Conditioning Equipment	$ 5,415	-	5,415	100%	100%	5,415	$ 5,049	100%	100%	5,049
80	39009	39009-Improv. to Leased Premises	$ 1,248,110	-	1,248,110	100%	100%	1,248,110	$ 1,248,110	100%	100%	1,248,110
81	39100	39100-Office Furniture & Equipment	$ 1,191,625	-	1,191,625	100%	100%	1,191,625	$ 1,144,609	100%	100%	1,144,609
82	39103	Office Machines	$ -	-	-	100%	100%	-	$ -	100%	100%	-
83	39200	39200-Transportation Equipment	$ 119,478	-	119,478	100%	100%	119,478	$ 113,788	100%	100%	113,788
84	39202	39202-WKG Trailers	$ (2,529)	-	(2,529)	100%	100%	(2,529)	$ (2,529)	100%	100%	(2,529)
85	39400	39400-Tools, Shop, & Garage Equip.	$ 1,424,932	-	1,424,932	100%	100%	1,424,932	$ 1,300,851	100%	100%	1,300,851
86	39603	39603-Ditchers	$ 39,655	-	39,655	100%	100%	39,655	$ 39,655	100%	100%	39,655
87	39604	39604-Backhoes	$ 62,818	-	62,818	100%	100%	62,818	$ 62,818	100%	100%	62,818
88	39605	39605-Welders	$ 19,456	-	19,456	100%	100%	19,456	$ 19,456	100%	100%	19,456
89	39700	39700-Communication Equipment	$ 286,494	-	286,494	100%	100%	286,494	$ 269,010	100%	100%	269,010
90	39701	Communication Equip.	$ -	-	-	100%	100%	-	$ -	100%	100%	-
91	39702	Communication Equip.	$ -	-	-	100%	100%	-	$ -	100%	100%	-
92	39705	39705-Comm. Equip. - Telemetering	$ -	-	-	100%	100%	-	$ -	100%	100%	-
93	39800	39800-Miscellaneous Equipment	$ 2,170,177	-	2,170,177	100%	100%	2,170,177	$ 2,072,883	100%	100%	2,072,883
94	39901	Servers Hardware	$ 7,698	-	7,698	100%	100%	7,698	$ 6,670	100%	100%	6,670
95	39902	Servers Software	$ -	-	-	100%	100%	-	$ -	100%	100%	-
96	39903	39903-Oth Tang Prop - Network - H/W	$ 71,374	-	71,374	100%	100%	71,374	$ 64,644	100%	100%	64,644
97	39906	39906-Oth Tang Prop - PC Hardware	$ (85,447)	-	(85,447)	100%	100%	(85,447)	$ 112,226	100%	100%	112,226
98	39907	39907-Oth Tang Prop - PC Software	$ -	-	-	100%	100%	-	$ -	100%	100%	-
99	39908	39908-Oth Tang Prop - Appl Software	$ 123,061	-	123,061	100%	100%	123,061	$ 117,916	100%	100%	117,916
100		Retirement Work in Progress	$ (6,374,709)	-	(6,374,709)	100%	100%	(6,374,709)	$ (6,374,709)	100%	100%	(6,374,709)
		Retirement Work in Progress Recon	$ -	-	-	100%	100%	-	$ -	100%	100%	-
101		AR 15 general plant amortization	$ -	-	-	100%	100%	-	$ -	100%	100%	-
102												
103		Total General Plant Reserves	$ 2,098,673	$ -	$ 2,098,673			$ 2,098,673	$ 1,854,243			$ 1,854,243
104												
105		Total Depr Reserves (Div 9)	$ 188,277,542	$ -	$ 188,277,542			$ 188,277,542	$ 183,960,444			$ 183,960,444
106												
107												

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108												
109		**Kentucky-Mid-States General Office (Division 091)**										
110												
111		Intangible Plant										
112	30100	Organization	$ -	$ -	$ -	100%	49.78%	$ -	$ -	100%	49.78%	$ -
113	30300	Misc Intangible Plant	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
114												
115		Total Intangible Plant	$ -	$ -	$ -			$ -	$ -			$ -
116												
117		Distribution Plant										
118	37400	Land & Land Rights	$ -	$ -	$ -	100%	49.78%	$ -	$ -	100%	49.78%	$ -
119	35010	Land	-	-	-	100%	49.78%	-	-	100%	49.78%	-
120	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-
121	37403	Land Other	-	-	-	100%	49.78%	-	-	100%	49.78%	-
122	36602	Structures & Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-
123	37501	Structures & Improvements T.B.	-	-	-	100%	49.78%	-	-	100%	49.78%	-
124	37402	Land Rights	-	-	-	100%	49.78%	-	-	100%	49.78%	-
125	37503	Improvements	-	-	-	100%	49.78%	-	-	100%	49.78%	-
126	36700	Mains Cathodic Protection	-	-	-	100%	49.78%	-	-	100%	49.78%	-
127	36701	Mains - Steel	-	-	-	100%	49.78%	-	-	100%	49.78%	-
128	37602	Mains - Plastic	-	-	-	100%	49.78%	-	-	100%	49.78%	-
129	37800	Meas & Reg. Sta. Equip - General	-	-	-	100%	49.78%	-	-	100%	49.78%	-
130	37900	Meas & Reg. Sta. Equip - City Gate	-	-	-	100%	49.78%	-	-	100%	49.78%	-
131	37905	Meas & Reg. Sta. Equipment T.b.	-	-	-	100%	49.78%	-	-	100%	49.78%	-
132	38000	Services	-	-	-	100%	49.78%	-	-	100%	49.78%	-
133	38100	Meters	-	-	-	100%	49.78%	-	-	100%	49.78%	-
134	38200	Meter Installaitons	-	-	-	100%	49.78%	-	-	100%	49.78%	-
135	38300	House Regulators	-	-	-	100%	49.78%	-	-	100%	49.78%	-
136	38400	House Reg. Installations	-	-	-	100%	49.78%	-	-	100%	49.78%	-
137	38500	Ind. Meas. & Reg. Sta. Equipment	-	-	-	100%	49.78%	-	-	100%	49.78%	-
138	38600	Other Prop. On Cust. Prem	-	-	-	100%	49.78%	-	-	100%	49.78%	-
139												
140		Total Distribution Plant	$ -	$ -	$ -			$ -	$ -			$ -

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141												
142		General Plant										
143	39001	39001-Structures - Frame	$ 108,392	$ -	$ 108,392	100.00%	49.78%	$ 53,957	$ 105,881	100.00%	49.78%	$ 52,708
144	39004	39004-Air Conditioning Equipment	$ 10,788	-	10,788	100%	49.78%	5,370	$ 10,224	100%	49.78%	5,090
145	39009	39009-Improv. to Leased Premises	$ 38,834	-	38,834	100%	49.78%	19,332	$ 38,834	100%	49.78%	19,332
146	39100	39100-Office Furniture & Equipment	$ 38,609	-	38,609	100%	49.78%	19,220	$ 38,609	100%	49.78%	19,220
147	39101	Office Furniture And	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
148	39103	Office Machines	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
149	39200	39200-Trans Equip- Group	$ 18,749	-	18,749	100%	49.78%	9,333	$ 17,869	100%	49.78%	8,895
150	39300	Stores Equipment	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
151	39400	39400-Tools, Shop, & Garage Equip.	$ 148,312	-	148,312	100%	49.78%	73,830	$ 143,854	100%	49.78%	71,611
152	39600	39600-Power Operated Equipment	$ 9,399	-	9,399	100%	49.78%	4,679	$ 8,789	100%	49.78%	4,375
153	39700	39700-Communication Equipment	$ (4,350)	-	(4,350)	100%	49.78%	(2,165)	$ (6,009)	100%	49.78%	(2,991)
154	39701	Communication Equip.	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
155	39702	Communication Equip.	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
156	39800	39800-Miscellaneous Equipment	$ 734,152	-	734,152	100%	49.78%	365,461	$ 721,858	100%	49.78%	359,341
157	39900	39900-Other Tangible Property	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
158	39901	39901-Oth Tang Prop - Servers - H/W	$ (34,766)	-	(34,766)	100%	49.78%	(17,306)	$ (34,766)	100%	49.78%	(17,306)
159	39902	39902-Oth Tang Prop - Servers - S/W	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
160	39903	39903-Oth Tang Prop - Network - H/W	$ -	-	-	100%	49.78%	-	$ -	100%	49.78%	-
161	39906	39906-Oth Tang Prop - PC Hardware	$ 70,196	-	70,196	100%	49.78%	34,944	$ 70,196	100%	49.78%	34,944
162	39907	39907-Oth Tang Prop - PC Software	$ 54,468	-	54,468	100%	49.78%	27,114	$ 42,359	100%	49.78%	21,086
163	39908	39908-Oth Tang Prop - Appl Software	$ 828,509	-	828,509	100%	49.78%	412,432	$ 828,509	100%	49.78%	412,432
164		Retirement Work in Progress	$ 52,517		52,517	100%	49.78%	26,143	$ 52,517	100%	49.78%	26,143
165												
166		Total General Plant	$ 2,073,811	$ -	$ 2,073,811			$ 1,032,343	$ 2,038,725			$ 1,014,877
167												
168		Total Depr Reserves (Div 91)	$ 2,073,811	$ -	$ 2,073,811			$ 1,032,343	$ 2,038,725			$ 1,014,877

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169												
170	**Shared Services General Office (Division 002)**											
171												
172		General Plant										
173	39000	39000-Structures & Improvements	$ 582,515	$ -	$ 582,515	10.40%	49.78%	30,157	$ 555,048	10.40%	49.78%	$ 28,735
174	39005	39005-G-Structures & Improvements	$ 4,093,328	-	4,093,328	100.00%	1.57%	64,291	$ 3,955,061	100.00%	1.57%	62,119
175	39009	39009-Improv. to Leased Premises	$ 9,316,766	-	9,316,766	10.40%	49.78%	482,340	$ 9,316,766	10.40%	49.78%	482,340
176	39020	Struct & Improv AEAM	$ (0)	-	(0)	100.00%	6.36%	(0)	$ (0)	100.00%	6.36%	(0)
177	39029	Improv-Leased AEAM	$ 736	-	736	100.00%	6.36%	47	$ 433	100.00%	6.36%	28
178	39100	39100-Office Furniture & Equipment	$ 2,207,717	-	2,207,717	10.40%	49.78%	114,296	$ 2,105,155	10.40%	49.78%	108,986
179	39102	39102-Remittance Processing Equipment	$ 1	-	1	10.40%	49.78%	0	$ 1	10.40%	49.78%	0
180	39103	39103-Office Furn. - Copiers & Type	$ 0	-	0	10.40%	49.78%	0	$ 0	10.40%	49.78%	0
181	39104	39104-G-Office Furniture & Equip.	$ 49,798	-	49,798	100.00%	1.57%	782	$ 44,584	100.00%	1.57%	700
182	39120	Off Furn & Equip-AEAM	$ 102,633	-	102,633	100.00%	6.36%	6,530	$ 102,492	100.00%	6.36%	6,521
183	39200	39200-Transportation Equipment	$ 5,495	-	5,495	10.40%	49.78%	284	$ 5,495	10.40%	49.78%	284
184	39300	39300-Stores Equipment	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
185	39400	39400-Tools, Shop, & Garage Equip.	$ 32,786	-	32,786	10.40%	49.78%	1,697	$ 32,786	10.40%	49.78%	1,697
186	39420	Tools And Garage-AEAM	$ 388	-	388	100.00%	6.36%	25	$ 388	100.00%	6.36%	25
187	39500	39500-Laboratory Equipment	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
188	39700	39700-Communication Equipment	$ 535,993	-	535,993	10.40%	49.78%	27,749	$ 535,735	10.40%	49.78%	27,736
189	39720	Commun Equip AEAM	$ 9,093	-	9,093	100.00%	6.36%	578	$ 9,093	100.00%	6.36%	578
190	39800	39800-Miscellaneous Equipment	$ 45,633	-	45,633	10.40%	49.78%	2,362	$ 45,438	10.40%	49.78%	2,352
191	39820	Misc Equip - AEAM	$ 7,958	-	7,958	100.00%	6.36%	506	$ 7,903	100.00%	6.36%	503
192	39900	39900-Other Tangible Equipm	$ 162,984	-	162,984	10.40%	49.78%	8,438	$ 162,984	10.40%	49.78%	8,438
193	39901	39901-Oth Tang Prop - Servers - H/W	$ 25,488,229	-	25,488,229	10.40%	49.78%	1,319,556	$ 24,219,766	10.40%	49.78%	1,253,886
194	39902	39902-Oth Tang Prop - Servers - S/W	$ 18,548,046	-	18,548,046	10.40%	49.78%	960,255	$ 18,142,727	10.40%	49.78%	939,271
195	39903	39903-Oth Tang Prop - Network - H/W	$ 2,538,133	-	2,538,133	10.40%	49.78%	131,402	$ 2,538,133	10.40%	49.78%	131,402
196	39904	39904-Oth Tang Prop - CPU	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
197	39905	39905-Oth Tang Prop - MF Hardware	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
198	39906	39906-Oth Tang Prop - PC Hardware	$ 1,392,780	-	1,392,780	10.40%	49.78%	72,106	$ 1,304,190	10.40%	49.78%	67,519
199	39907	39907-Oth Tang Prop - PC Software	$ 1,775,735	-	1,775,735	10.40%	49.78%	91,932	$ 1,775,735	10.40%	49.78%	91,932
200	39908	39908-Oth Tang Prop - Appl Software	$ 33,382,365	-	33,382,365	10.40%	49.78%	1,728,245	$ 33,381,086	10.40%	49.78%	1,728,179
201	39909	39909-Oth Tang Prop - Mainframe S/W	$ 44,629	-	44,629	10.40%	49.78%	2,311	$ 44,629	10.40%	49.78%	2,311
202	39921	Servers-Hardware-AEAM	$ 1,328,746	-	1,328,746	100.00%	6.36%	84,538	$ 1,283,183	100.00%	6.36%	81,639
203	39922	Servers-Software-AEAM	$ 482,191	-	482,191	100.00%	6.36%	30,678	$ 479,504	100.00%	6.36%	30,507
204	39923	Network Hardware-AEAM	$ 43,778	-	43,778	100.00%	6.36%	2,785	$ 43,778	100.00%	6.36%	2,785
205	39924	39924-Oth Tang Prop - Gen.	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
206	39926	Pc Hardware-AEAM	$ 417,077	-	417,077	100.00%	6.36%	26,535	$ 417,077	100.00%	6.36%	26,535
207	39928	Application SW-AEAM	$ 12,556,904	-	12,556,904	100.00%	6.36%	798,901	$ 12,547,213	100.00%	6.36%	798,284
208	39931	ALGN-Servers-Hardware	$ 111,036	-	111,036	100.00%	0.00%	-	$ 94,648	100.00%	0.00%	-
209	39932	ALGN-Servers-Software	$ 451,739	-	451,739	100.00%	0.00%	-	$ 451,739	100.00%	0.00%	-
210	39938	ALGN-Application SW	$ 3,515,548	-	3,515,548	100.00%	0.00%	-	$ 3,515,548	100.00%	0.00%	-
211		Retirement Work in Progress	$ -	-	-	10.40%	49.78%	-	$ -	10.40%	49.78%	-
212												

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Jurisdictional Accumulated Depreciation & Amortization
as of March 31, 2020

Data:______Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)3
Schedule B-3 F
Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	**Ending Balance**	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	**13 Month Average**	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
213		Total Depr Reserves (Div 2)	$ 119,230,761	$ -	$ 119,230,761			$ 5,989,328	$ 117,118,320			$ 5,885,295

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Jurisdictional Accumulated Depreciation & Amortization
as of March 31, 2020

Data:______Base Period__X___Forecasted Period — FR 16(8)(b)3
Type of Filing:___X____Original________Updated ________Revised — Schedule B-3 F
Workpaper Reference No(s). — Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	Ending Balance	Adjustments	Adjusted Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
214												
215	**Shared Services Customer Support (Division 012)**											
216												
217		General Plant										
218	38900	38900-Land	$ -	$ -	$ -	10.95%	51.52%	$ -	$ -	10.95%	51.52%	$ -
219	38910	38910-CKV-Land & Land Rights	$ -	-	-	100.00%	2.32%	-	$ -	100.00%	2.32%	-
220	39000	39000-Structures & Improvements	$ 2,494,295	-	2,494,295	10.95%	51.52%	140,709	$ 2,303,627	10.95%	51.52%	129,953
221	39009	39009-Improv. to Leased Premises	$ 1,813,284	-	1,813,284	10.95%	51.52%	102,291	$ 1,767,449	10.95%	51.52%	99,706
222	39010	39010-CKV-Structures & Improvements	$ 3,408,099	-	3,408,099	100.00%	2.32%	79,021	$ 3,222,896	100.00%	2.32%	74,727
223	39100	39100-Office Furniture & Equipment	$ 995,778	-	995,778	10.95%	51.52%	56,174	$ 945,264	10.95%	51.52%	53,324
224	39101	Office Furniture And	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
225	39102	Remittance Processing	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
226	39103	39103-Office Furn. - Copiers & Type	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
227	39110	CKV-Office Furn & Eq	$ 72,530	-	72,530	100.00%	2.32%	1,682	$ 61,948	100.00%	2.32%	1,436
228	39210	CKV-Transportation Eq	$ 96,385	-	96,385	100.00%	2.32%	2,235	$ 96,385	100.00%	2.32%	2,235
229	39410	CKV-Tools Shop Garage	$ 184,199	-	184,199	100.00%	2.32%	4,271	$ 157,579	100.00%	2.32%	3,654
230	39510	CKV-Laboratory Equip	$ 19,548	-	19,548	100.00%	2.32%	453	$ 18,360	100.00%	2.32%	426
231	39700	39700-Communication Equipment	$ 1,229,135	-	1,229,135	10.95%	51.52%	69,338	$ 1,173,177	10.95%	51.52%	66,181
232	39710	39710-CKV-Communication Equipment	$ 180,991	-	180,991	100.00%	2.32%	4,196	$ 172,465	100.00%	2.32%	3,999
233	39800	39800-Miscellaneous Equipment	$ 18,363	-	18,363	10.95%	51.52%	1,036	$ 16,511	10.95%	51.52%	931
234	39810	CKV-Misc Equipment	$ 182,980	-	182,980	100.00%	2.32%	4,243	$ 169,509	100.00%	2.32%	3,930
235	39900	39900-Other Tangible Property	$ 604,449	-	604,449	10.95%	51.52%	34,098	$ 563,364	10.95%	51.52%	31,781
236	39901	39901-Oth Tang Prop - Servers - H/W	$ 6,484,556	-	6,484,556	10.95%	51.52%	365,808	$ 5,994,286	10.95%	51.52%	338,151
237	39902	39902-Oth Tang Prop - Servers - S/W	$ 1,461,754	-	1,461,754	10.95%	51.52%	82,461	$ 1,371,386	10.95%	51.52%	77,363
238	39903	39903-Oth Tang Prop - Network - H/W	$ 429,081	-	429,081	10.95%	51.52%	24,205	$ 407,089	10.95%	51.52%	22,965
239	39906	39906-Oth Tang Prop - PC Hardware	$ 716,762	-	716,762	10.95%	51.52%	40,434	$ 661,521	10.95%	51.52%	37,318
240	39907	39907-Oth Tang Prop - PC Software	$ 153,020	-	153,020	10.95%	51.52%	8,632	$ 146,713	10.95%	51.52%	8,276
241	39908	39908-Oth Tang Prop - Appl Software	$ 39,389,426	-	39,389,426	10.95%	51.52%	2,222,043	$ 36,343,197	10.95%	51.52%	2,050,199
242	39910	39910-CKV-Other Tangible Property	$ 231,991	-	231,991	100.00%	2.32%	5,379	$ 209,812	100.00%	2.32%	4,865
243	39916	39916-CKV-Oth Tang Prop-PC Hardware	$ 307,866	-	307,866	100.00%	2.32%	7,138	$ 282,904	100.00%	2.32%	6,559
244	39917	39917-CKV-Oth Tang Prop-PC Software	$ 85,140	-	85,140	100.00%	2.32%	1,974	$ 81,696	100.00%	2.32%	1,894
245	39918	CKV-Oth Tang Prop-App	$ 12,716	-	12,716	100.00%	2.32%	295	$ 12,046	100.00%	2.32%	279
246	39924	Oth Tang Prop - Gen.	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
247		Retirement Work in Progress	$ -	-	-	10.95%	51.52%	-	$ -	10.95%	51.52%	-
248												
249		Total Depr Reserves (Div 12)	$ 60,572,350	$ -	$ 60,572,350			$ 3,258,117	$ 56,179,183			$ 3,020,151
250												
251		Total Accumulated Depreciation & Amortization (Div 009, 091, 002, 012)	$ 370,154,464	$ -	$ 370,154,464			$ 198,557,330	$ 359,296,671			$ 193,880,768

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Depreciation Expense
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:______Base Period__X___Forecasted Period — FR 16(8)(b)3.1
Type of Filing:___X____Original________Updated ________Revised — Schedule B-3.1
Workpaper Reference No(s). — Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	12 Months Ending 3/31/2020	O&M Expense Factor	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
		Kentucky Direct (Division 009)					
1		Intangible Plant					
2	30100	Organization	$ -	100.00%	100%	100%	$ -
3	30200	Franchises & Consents	$ -	100.00%	100%	100%	-
4							
5		Total Intangible Plant Amort.	$ -				$ -
6							
7		Natural Gas Production Plant					
8	32540	Rights of Ways	$ -	100.00%	100%	100%	-
9	33202	Tributary Lines	$ -	100.00%	100%	100%	-
10	33400	Field Meas. & Reg. Sta. Equip	$ -	100.00%	100%	100%	-
11							
12		Total Natural Gas Production Plant Depr	$ -				$ -
13							
14		Storage Plant					
15	35010	Land	$ -	100.00%	100%	100%	$ -
16	35020	Rights of Way	$ 22	100.00%	100%	100%	22
17	35100	Structures and Improvements	$ 297	100.00%	100%	100%	297
18	35102	Compression Station Equipment	$ 1,916	100.00%	100%	100%	1,916
19	35103	Meas. & Reg. Sta. Structues	$ 208	100.00%	100%	100%	208
20	35104	Other Structures	$ 1,773	100.00%	100%	100%	1,773
21	35200	Wells \ Rights of Way	$ 161,122	100.00%	100%	100%	161,122
22	35201	Well Construction	$ 25,840	100.00%	100%	100%	25,840
23	35202	Well Equipment	$ -	100.00%	100%	100%	-
24	35203	Cushion Gas	$ 23,389	100.00%	100%	100%	23,389
25	35210	Leaseholds	$ 553	100.00%	100%	100%	553
26	35211	Storage Rights	$ 481	100.00%	100%	100%	481
27	35301	Field Lines	$ 1,596	100.00%	100%	100%	1,596
28	35302	Tributary Lines	$ 1,905	100.00%	100%	100%	1,905
29	35400	Compressor Station Equipment	$ 15,699	100.00%	100%	100%	15,699
30	35500	Meas & Reg. Equipment	$ 4,561	100.00%	100%	100%	4,561
31	35600	Purification Equipment	$ 8,210	100.00%	100%	100%	8,210
32							
33		Total Storage Plant Depr	$ 247,571				$ 247,571
34							
35		Transmission Plant					
36	36510	Land	$ -	100.00%	100%	100%	$ -
37	36520	Rights of Way	$ 9,112	100.00%	100%	100%	9,112
38	36602	Structures & Improvements	$ 608	100.00%	100%	100%	608
39	36603	Other Structues	$ 754	100.00%	100%	100%	754
40	36700	Mains Cathodic Protection	$ 5,362	100.00%	100%	100%	5,362
41	36701	Mains - Steel	$ 381,167	100.00%	100%	100%	381,167
42	36703	Mains - Anodes	$ -				
43	36900	Meas. & Reg. Equipment	$ 11,265	100.00%	100%	100%	11,265
44	36901	Meas. & Reg. Equipment	$ 34,951	100.00%	100%	100%	34,951
45							
46		Total Production Plant - (LPG) Depr	$ 443,218				$ 443,218
47							
48		Distribution Plant					
49	37400	Land & Land Rights	$ -	100.00%	100%	100%	$ -
50	37401	Land	$ -	100.00%	100%	100%	-
51	37402	Land Rights	$ 49,908	100.00%	100%	100%	49,908
52	37403	Land Other	$ -	100.00%	100%	100%	-
53	37500	Structures & Improvements	$ 6,017	100.00%	100%	100%	6,017
54	37501	Structures & Improvements T.B.	$ 1,787	100.00%	100%	100%	1,787
55	37502	Land Rights	$ 828	100.00%	100%	100%	828
56	37503	Improvements	$ 72	100.00%	100%	100%	72
57	37600	Mains Cathodic Protection	$ 873,542	100.00%	100%	100%	873,542
58	37601	Mains - Steel	$ 4,454,842	100.00%	100%	100%	4,454,842
59	37602	Mains - Plastic	$ 3,376,201	100.00%	100%	100%	3,376,201
60	37603	Mains - Anodes	$ -	100.00%	100%	100%	-
61	37604	Mains - Leak Clamps	$ -	100.00%	100%	100%	-
62	37800	Meas & Reg. Sta. Equip - General	$ 925,640	100.00%	100%	100%	925,640
63	37900	Meas & Reg. Sta. Equip - City Gate	$ 145,903	100.00%	100%	100%	145,903
64	37905	Meas & Reg. Sta. Equipment T.b.	$ 46,759	100.00%	100%	100%	46,759
65	38000	Services	$ 4,817,588	100.00%	100%	100%	4,817,588
66	38100	Meters	$ 2,741,749	100.00%	100%	100%	2,741,749

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Depreciation Expense
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:______Base Period__X___Forecasted Period — FR 16(8)(b)3.1
Type of Filing:___X____Original________Updated ________Revised — Schedule B-3.1
Workpaper Reference No(s). — Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	12 Months Ending 3/31/2020	O&M Expense Factor	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
67	38200	Meter Installaitons	$ 2,232,937	100.00%	100%	100%	2,232,937
68	38300	House Regulators	$ 514,355	100.00%	100%	100%	514,355
69	38400	House Reg. Installations	$ 8,807	100.00%	100%	100%	8,807
70	38500	Ind. Meas. & Reg. Sta. Equipment	$ 112,194	100.00%	100%	100%	112,194
71							
72		Total Distribution Plant Depr	$ 20,309,129				$ 20,309,129
73							
74		General Plant					
75	38900	38900-Land & Land Rights	$ -	100.00%	100%	100%	$ -
76	39000	39000-Structures & Improvements	$ 244,888	100.00%	100%	100%	244,888
77	39002	39002-Structures - Brick	$ 5,574	100.00%	100%	100%	5,574
78	39003	39003-Improvements	$ 22,836	100.00%	100%	100%	22,836
79	39004	39004-Air Conditioning Equipment	$ 731	100.00%	100%	100%	731
80	39009	39009-Improv. to Leased Premises	$ -	100.00%	100%	100%	-
81	39100	39100-Office Furniture & Equipment	$ 93,448	100.00%	100%	100%	93,448
82	39103	Office Machines	$ -	100.00%	100%	100%	-
83	39200	39200-Transportation Equipment	$ 11,381	45.62%	100%	100%	5,191
84	39202	39202-WKG Trailers	$ -	45.62%	100%	100%	-
85	39400	39400-Tools, Shop, & Garage Equip.	$ 256,178	45.61%	100%	100%	116,855
86	39603	39603-Ditchers	$ -	2.00%	100%	100%	-
87	39604	39604-Backhoes	$ -	2.00%	100%	100%	-
88	39605	39605-Welders	$ -	2.00%	100%	100%	-
89	39700	39700-Communication Equipment	$ 34,968	100.00%	100%	100%	34,968
90	39701	Communication Equip.	$ -	100.00%	100%	100%	-
91	39702	Communication Equip.	$ -	100.00%	100%	100%	-
92	39705	39705-Comm. Equip. - Telemetering	$ -	100.00%	100%	100%	-
93	39800	39800-Miscellaneous Equipment	$ 194,589	100.00%	100%	100%	194,589
94	39901	Servers Hardware	$ 2,056	100.00%	100%	100%	2,056
95	39902	Servers Software	$ -	100.00%	100%	100%	-
96	39903	39903-Oth Tang Prop - Network - H/W	$ 13,460	100.00%	100%	100%	13,460
97	39906	39906-Oth Tang Prop - PC Hardware	$ 89,351	100.00%	100%	100%	89,351
98	39907	39907-Oth Tang Prop - PC Software	$ -	100.00%	100%	100%	-
99	39908	39908-Oth Tang Prop - Appl Software	$ 10,289	100.00%	100%	100%	10,289
100		AR 15 general plant amortization	$ -	100.00%	100%	100%	-
101							
102		Total General Plant Depr	$ 979,748				$ 834,236
103							
104		Total Depreciation Expense (Div 9)	$ 21,979,666				$ 21,834,154
105							
106							
107							
108	**Kentucky-Mid-States General Office (Division 091)**						
109							
110		Intangible Plant					
111	30100	Organization	$ -	100.00%	100%	49.78%	$ -
112	30300	Misc Intangible Plant	$ -	100.00%	100%	49.78%	-
113							
114		Total Intangible Plant Depr	$ -				$ -
115							
116		Distribution Plant					
117	37400	Land & Land Rights	$ -	100.00%	100%	49.78%	$ -
118	35010	Land	-	100.00%	100%	49.78%	-
119	37402	Land Rights	-	100.00%	100%	49.78%	-
120	37403	Land Other	-	100.00%	100%	49.78%	-
121	36602	Structures & Improvements	-	100.00%	100%	49.78%	-
122	37501	Structures & Improvements T.B.	-	100.00%	100%	49.78%	-
123	37402	Land Rights	-	100.00%	100%	49.78%	-
124	37503	Improvements	-	100.00%	100%	49.78%	-
125	36700	Mains Cathodic Protection	-	100.00%	100%	49.78%	-
126	36701	Mains - Steel	-	100.00%	100%	49.78%	-
127	37602	Mains - Plastic	-	100.00%	100%	49.78%	-
128	37800	Meas & Reg. Sta. Equip - General	-	100.00%	100%	49.78%	-
129	37900	Meas & Reg. Sta. Equip - City Gate	-	100.00%	100%	49.78%	-
130	37905	Meas & Reg. Sta. Equipment T.b.	-	100.00%	100%	49.78%	-
131	38000	Services	-	100.00%	100%	49.78%	-
132	38100	Meters	-	100.00%	100%	49.78%	-
133	38200	Meter Installaitons	-	100.00%	100%	49.78%	-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Depreciation Expense
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:______Base Period__X___Forecasted Period FR 16(8)(b)3.1
Type of Filing:___X____Original________Updated ________Revised Schedule B-3.1
Workpaper Reference No(s). Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles		12 Months Ending 3/31/2020	O&M Expense Factor	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation		Allocated Amount
134	38300	House Regulators		-	100.00%	100%	49.78%		-
135	38400	House Reg. Installations		-	100.00%	100%	49.78%		-
136	38500	Ind. Meas. & Reg. Sta. Equipment		-	100.00%	100%	49.78%		-
137	38600	Other Prop. On Cust. Prem		-	100.00%	100%	49.78%		-
138									
139		Total Distribution Plant Depr	$	-				$	-
140									
141		General Plant							
142	39001	39001-Structures - Frame	$	5,021	100.00%	100%	49.78%	$	2,500
143	39004	39004-Air Conditioning Equipment	$	1,128	100.00%	100%	49.78%		561
144	39009	39009-Improv. to Leased Premises	$	-	100.00%	100%	49.78%		-
145	39100	39100-Office Furniture & Equipment	$	-	100.00%	100%	49.78%		-
146	39101	Office Furniture And	$	-	100.00%	100%	49.78%		-
147	39103	Office Machines	$	-	100.00%	100%	49.78%		-
148	39200	39200-Trans Equip- Group	$	1,760	45.62%	100%	49.78%		400
149	39300	Stores Equipment	$	-	100.00%	100%	49.78%		-
150	39400	39400-Tools, Shop, & Garage Equip.	$	8,916	45.61%	100%	49.78%		2,025
151	39600	39600-Power Operated Equipment	$	1,221	2.00%	100%	49.78%		12
152	39700	39700-Communication Equipment	$	3,319	100.00%	100%	49.78%		1,652
153	39701	Communication Equip.	$	-	100.00%	100%	49.78%		-
154	39702	Communication Equip.	$	-	100.00%	100%	49.78%		-
155	39800	39800-Miscellaneous Equipment	$	24,588	100.00%	100%	49.78%		12,240
156	39900	39900-Other Tangible Property	$	-	100.00%	100%	49.78%		-
157	39901	39901-Oth Tang Prop - Servers - H/W	$	-	100.00%	100%	49.78%		-
158	39902	39902-Oth Tang Prop - Servers - S/W	$	-	100.00%	100%	49.78%		-
159	39903	39903-Oth Tang Prop - Network - H/W	$	-	100.00%	100%	49.78%		-
160	39906	39906-Oth Tang Prop - PC Hardware	$	-	100.00%	100%	49.78%		-
161	39907	39907-Oth Tang Prop - PC Software	$	22,389	100.00%	100%	49.78%		11,145
162	39908	39908-Oth Tang Prop - Appl Software	$	-	100.00%	100%	49.78%		-
163									
164									
165		Total General Plant Depr	$	68,342				$	30,535
166									
167		Total Depreciation Expense (Div 91)	$	68,342				$	30,535
168									
169	**Shared Services General Office (Division 002)**								
170									
171		General Plant							
172	39000	39000-Structures & Improvements	$	53,869	100%	10.40%	49.78%	$	2,789
173	39005	39005-G-Structures & Improvements	$	276,533	100%	100.00%	1.57%		4,343
174	39009	39009-Improv. to Leased Premises	$	-	100%	10.40%	49.78%		-
175	39020	Struct & Improv AEAM	$	-	100%	100.00%	6.36%		-
176	39029	Improv-Leased AEAM	$	555	100%	100.00%	6.36%		35
177	39100	39100-Office Furniture & Equipment	$	204,917	100%	10.40%	49.78%		10,609
178	39102	39102-Remittance Processing Equipment	$	-	100%	10.40%	49.78%		-
179	39103	39103-Office Furn. - Copiers & Type	$	-	100%	10.40%	49.78%		-
180	39104	39104-G-Office Furniture & Equip.	$	10,428	100%	100.00%	1.57%		164
181	39120	Off Furn & Equip-AEAM	$	282	100%	100.00%	6.36%		18
182	39200	39200-Transportation Equipment	$	-	100%	10.40%	49.78%		-
183	39300	39300-Stores Equipment	$	-	100%	10.40%	49.78%		-
184	39400	39400-Tools, Shop, & Garage Equip.	$	-	100%	10.40%	49.78%		-
185	39420	Tools And Garage-AEAM	$	-	100%	100.00%	6.36%		-
186	39500	39500-Laboratory Equipment	$	-	100%	10.40%	49.78%		-
187	39700	39700-Communication Equipment	$	516	100%	10.40%	49.78%		27
188	39720	Commun Equip AEAM	$	-	100%	100.00%	6.36%		-
189	39800	39800-Miscellaneous Equipment	$	391	100%	10.40%	49.78%		20
190	39820	Misc Equip - AEAM	$	714	100%	100.00%	6.36%		45
191	39900	39900-Other Tangible Equipm	$	-	100%	10.40%	49.78%		-
192	39901	39901-Oth Tang Prop - Servers - H/W	$	2,474,050	100%	10.40%	49.78%		128,085
193	39902	39902-Oth Tang Prop - Servers - S/W	$	768,415	100%	10.40%	49.78%		39,782
194	39903	39903-Oth Tang Prop - Network - H/W	$	-	100%	10.40%	49.78%		-
195	39904	39904-Oth Tang Prop - CPU	$	-	100%	10.40%	49.78%		-
196	39905	39905-Oth Tang Prop - MF Hardware	$	-	100%	10.40%	49.78%		-
197	39906	39906-Oth Tang Prop - PC Hardware	$	175,243	100%	10.40%	49.78%		9,073
198	39907	39907-Oth Tang Prop - PC Software	$	-	100%	10.40%	49.78%		-
199	39908	39908-Oth Tang Prop - Appl Software	$	2,559	100%	10.40%	49.78%		132
200	39909	39909-Oth Tang Prop - Mainframe S/W	$	-	100%	10.40%	49.78%		-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Depreciation Expense
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:______Base Period__X___Forecasted Period — FR 16(8)(b)3.1
Type of Filing:___X____Original________Updated ________Revised — Schedule B-3.1
Workpaper Reference No(s). — Witness: Waller

Line No.	Acct. No.	Account / SubAccount Titles	12 Months Ending 3/31/2020	O&M Expense Factor	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
201	39921	Servers-Hardware-AEAM	$ 91,127	100%	100.00%	6.36%	5,798
202	39922	Servers-Software-AEAM	$ 5,373	100%	100.00%	6.36%	342
203	39923	Network Hardware-AEAM	$ -	100%	100.00%	6.36%	-
204	39924	39924-Oth Tang Prop - Gen.	$ -	100%	10.40%	49.78%	-
205	39926	Pc Hardware-AEAM	$ -	100%	100.00%	6.36%	-
206	39928	Application SW-AEAM	$ 19,382	100%	100.00%	6.36%	1,233
207	39931	ALGN-Servers-Hardware	$ 32,775	100%	100.00%	0.00%	-
208	39932	ALGN-Servers-Software	$ -	100%	100.00%	0.00%	-
209	39938	ALGN-Application SW	$ -	100%	100.00%	0.00%	-
210							
211							
212		Total Depreciation Expense (Div 2)	$ 4,117,129				$ 202,494
213							
214	**Shared Services Customer Support (Division 012)**						
215							
216		General Plant					
217	38900	38900-Land	$ -	100%	10.95%	51.52%	$ -
218	38910	38910-CKV-Land & Land Rights	$ -	100%	100.00%	2.32%	-
219	39000	39000-Structures & Improvements	$ 381,337	100%	10.95%	51.52%	21,512
220	39009	39009-Improv. to Leased Premises	$ 91,670	100%	10.95%	51.52%	5,171
221	39010	39010-CKV-Structures & Improvements	$ 370,406	100%	100.00%	2.32%	8,588
222	39100	39100-Office Furniture & Equipment	$ 100,368	100%	10.95%	51.52%	5,662
223	39101	Office Furniture And	$ -	100%	10.95%	51.52%	-
224	39102	Remittance Processing	$ -	100%	10.95%	51.52%	-
225	39103	39103-Office Furn. - Copiers & Type	$ -	100%	10.95%	51.52%	-
226	39110	CKV-Office Furn & Eq	$ 20,583	100%	100.00%	2.32%	477
227	39210	CKV-Transportation Eq	$ -	100%	100.00%	2.32%	-
228	39410	CKV-Tools Shop Garage	$ 51,367	100%	100.00%	2.32%	1,191
229	39510	CKV-Laboratory Equip	$ 2,375	100%	100.00%	2.32%	55
230	39700	39700-Communication Equipment	$ 111,917	100%	10.95%	51.52%	6,314
231	39710	39710-CKV-Communication Equipment	$ 17,053	100%	100.00%	2.32%	395
232	39800	39800-Miscellaneous Equipment	$ 3,704	100%	10.95%	51.52%	209
233	39810	CKV-Misc Equipment	$ 26,941	100%	100.00%	2.32%	625
234	39900	39900-Other Tangible Property	$ 82,169	100%	10.95%	51.52%	4,635
235	39901	39901-Oth Tang Prop - Servers - H/W	$ 980,540	100%	10.95%	51.52%	55,314
236	39902	39902-Oth Tang Prop - Servers - S/W	$ 180,738	100%	10.95%	51.52%	10,196
237	39903	39903-Oth Tang Prop - Network - H/W	$ 43,983	100%	10.95%	51.52%	2,481
238	39906	39906-Oth Tang Prop - PC Hardware	$ 109,947	100%	10.95%	51.52%	6,202
239	39907	39907-Oth Tang Prop - PC Software	$ 12,613	100%	10.95%	51.52%	712
240	39908	39908-Oth Tang Prop - Appl Software	$ 6,071,829	100%	10.95%	51.52%	342,525
241	39910	39910-CKV-Other Tangible Property	$ 44,359	100%	100.00%	2.32%	1,029
242	39916	39916-CKV-Oth Tang Prop-PC Hardware	$ 47,730	100%	100.00%	2.32%	1,107
243	39917	39917-CKV-Oth Tang Prop-PC Software	$ 6,888	100%	100.00%	2.32%	160
244	39918	CKV-Oth Tang Prop-App	$ 1,341	100%	100.00%	2.32%	31
245	39924	Oth Tang Prop - Gen.	$ -	100%	10.95%	51.52%	-
246							
247							
248		Total Depreciation Expense (Div 12)	$ 8,759,857				$ 474,591
249							
250		Total Accumulated Depreciation & Amortization (Div 009, 091, 002, 012)	$ 34,924,994				$ 22,541,774

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Allowance For Working Capital
as of December 31, 2018

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)4
Schedule B-4 B
Witness: Waller, Christian

Line No.	Working Capital Component	Description of methodology used to determine Jurisdictional Requirement	Workpaper Reference No.	Total Company
1	Cash Working Capital	Lead/Lag Study		$ 2,678,217
2	Material & Supplies	13 Month Average Balance	B-4.1	115,932
3	Gas Stored Underground	13 Month Average Balance	B-4.1	13,215,223
4	Prepayments	13 Month Average Balance	B-4.1	-
5	Total Working Capital Requirements			$ 16,009,373

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Allowance For Working Capital
as of March 31, 2020

Data:______Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)4
Schedule B-4 F
Witness: Waller, Christiar

Line No.	Working Capital Component	Description of methodology used to determine Jurisdictional Requirement	Workpaper Reference No.	Total Company	
1	Cash Working Capital	Lead/Lag Study		$	2,692,759
2	Material & Supplies	13 Month Average Balance	B-4.1		117,866
3	Gas Stored Underground	13 Month Average Balance	B-4.1		8,905,991
4	Prepayments	13 Month Average Balance	B-4.1		0
5	Total Working Capital Requirements			$	11,716,616

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Working Capital Components
as of December 31, 2018

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)4.1
Schedule B-4.1 B
Witness: Waller

		Base Period Ending Balance				13 Month Average			
Line No.	Description	12/31/2018 Ending Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	12/31/2018 13 Month Avg	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
1	Material & Supplies (Account 1540 & 1630)								
2	Kentucky Direct (Div 009)	$ (402,124)	100%	100%	$ (402,124)	$ (391,975)	100%	100%	$ (391,975)
3	KY/Mid-States General Office (Div 091)	1,044,575	100%	49.78%	519,990	1,020,303	100%	49.78%	507,907
4	Shared Services General Office (Div 002)	(0)	10.40%	49.78%	(0)	(0)	10.40%	49.78%	(0)
5	Shared Services Customer Support (Div 012)	-	10.95%	51.52%	-	-	10.95%	51.52%	-
6	Total	$ 642,452			$ 117,866	$ 628,329			$ 115,932
7									
8	Gas Stored Underground (Account 1641)								
9	Kentucky Direct (Div 009)	$ 13,798,753	100%	100%	$ 13,798,753	$ 13,215,223	100%	100%	$ 13,215,223
10	KY/Mid-States General Office (Div 091)	-	100%	49.78%	-	-	100%	49.78%	-
11	Shared Services General Office (Div 002)	-	10.40%	49.78%	-	-	10.40%	49.78%	-
12	Shared Services Customer Support (Div 012)	-	10.95%	51.52%	-	-	10.95%	51.52%	-
13	Total	$ 13,798,753			$ 13,798,753	$ 13,215,223			$ 13,215,223
14									
15	Prepayments (Account 1650)								
16	Kentucky Direct (Div 009)	$ -	100%	100%	$ -	$ -	100%	100%	$ -
17	KY/Mid-States General Office (Div 091)	-	100%	49.78%	-	-	100%	49.78%	-
18	Shared Services General Office (Div 002)	-	10.40%	49.78%	-	-	10.40%	49.78%	-
19	Shared Services Customer Support (Div 012)	-	10.95%	51.52%	-	-	10.95%	51.52%	-
20	Total	$ -			$ -	$ -			$ -
21									
22	Total Other Working Capital Allowances	$ 14,441,204			$ 13,916,618	$ 13,843,552			$ 13,331,156

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Working Capital Components
as of March 31, 2020

Data:______Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)4.1
Schedule B-4.1 F
Witness: Waller

		Forecasted Period Ending Balance				13 Month Average			
Line No.	Description	3/31/2020 Ending Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	3/31/2020 13 Month Avg	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
1	Material & Supplies (Account 1540 & 1630)								
2	Kentucky Direct (Div 009)	$ (402,124)	100%	100%	$ (402,124)	$ (402,124)	100%	100%	$ (402,124)
3	KY/Mid-States General Office (Div 091)	1,044,575	100%	49.78%	519,990	1,044,575	100%	49.78%	519,990
4	Shared Services General Office (Div 002)	(0)	10.40%	49.78%	(0)	(0)	10.40%	49.78%	(0)
5	Shared Services Customer Support (Div 012)	-	10.95%	51.52%	-	-	10.95%	51.52%	-
6	Total	$ 642,452			$ 117,866	$ 642,452			$ 117,866
7									
8	Gas Stored Underground (Account 1641)								
9	Kentucky Direct (Div 009)	$ (1,769,904)	100%	100%	$ (1,769,904)	$ 8,905,991	100%	100%	$ 8,905,991
10	KY/Mid-States General Office (Div 091)	-	100%	49.78%	-	-	100%	49.78%	-
11	Shared Services General Office (Div 002)	-	10.40%	49.78%	-	-	10.40%	49.78%	-
12	Shared Services Customer Support (Div 012)	-	10.95%	51.52%	-	-	10.95%	51.52%	-
13	Total	$ (1,769,904)			$ (1,769,904)	$ 8,905,991			$ 8,905,991
14									
15	Prepayments (Account 1650)								
16	Kentucky Direct (Div 009)	$ -	100%	100%	$ -	$ -	100%	100%	$ -
17	KY/Mid-States General Office (Div 091)	-	100%	49.78%	-	-	100%	49.78%	-
18	Shared Services General Office (Div 002)	-	10.40%	49.78%	-	-	10.40%	49.78%	-
19	Shared Services Customer Support (Div 012)	-	10.95%	51.52%	-	-	10.95%	51.52%	-
20	Total	$ -			$ -	$ -			$ -
21									
22	Total Other Working Capital Allowances	$ (1,127,452)			$ (1,652,038)	$ 9,548,443			$ 9,023,857

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Cash Working Capital Components - 1 / 8 O&M Expenses
as of December 31, 2018

Data:__X___Base Period______Forecasted Period — FR 16(8)(b)4.2
Type of Filing:___X____Original________Updated ________Revised — Schedule B-4.2 B
Workpaper Reference No(s). — Witness: Waller, Christian

Line No.	Description	Total Company	1 /8 Method Percent	Jurisdictional Amount
		(1)	(2)	(3)
1	Cash Working Capital			
2	Production O&M Expense	$ -	12.50%	$ -
3	Storage O&M Expense	539,683	12.50%	67,460
4	Transmission O&M Expense	441,601	12.50%	55,200
5	Distribution O&M Expense	8,276,854	12.50%	1,034,607
6	Customer Accting. & Collection	2,960,697	12.50%	370,087
7	Customer Service & Information	129,523	12.50%	16,190
8	Sales Expense	440,892	12.50%	55,111
9	Admin. & General Expense	15,741,887	12.50%	1,967,736
10	Total O & M Expenses	$ 28,531,137		$ 3,566,392

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Cash Working Capital Components - 1 / 8 O&M Expenses
as of March 31, 2020

Data:______Base Period__X___Forecasted Period | FR 16(8)(b)4.2
Type of Filing:___X____Original________Updated ________Revised | Schedule B-4.2 F
Workpaper Reference No(s). | Witness: Waller, Christian

Line No.	Description	Total Company (1)	1 /8 Method Percent (2)	Jurisdictional Amount (3)
1	Cash Working Capital			
2	Production O&M Expense	$ -	12.50%	$ -
3	Storage O&M Expense	488,914	12.50%	61,114
4	Transmission O&M Expense	410,103	12.50%	51,263
5	Distribution O&M Expense	7,345,541	12.50%	918,193
6	Customer Accting. & Collection	2,646,900	12.50%	330,862
7	Customer Service & Information	128,272	12.50%	16,034
8	Sales Expense	208,278	12.50%	26,035
9	Admin. & General Expense	15,996,974	12.50%	1,999,622
10	Total O & M Expenses	$ 27,224,981		$ 3,403,123

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Deferred Credits and Accumulated Deferred Income Taxes
as of December 31, 2018

Data:__X___Base Period_____Forecasted Period
Type of Filing:___X____Original________Updated
Workpaper Reference No(s).

FR 16(8)(b)5
Sch. B-5 B
Witness: Waller, Story

Line No.	Account	Period End	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	13-Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
	DIVISION 09								
1	Account 190 - Accumulated Deferred Income Taxes (1)	$ 8,860,408	100%	100%	$ 8,860,408	$ 9,320,492	100%	100%	$ 9,320,492
2									
3	Account 282 - Accumulated Deferred Income Taxes	(80,791,090)	100%	100%	(80,791,090)	(73,111,195)	100%	100%	(73,111,195)
4									
5	Account 283 - Accumulated Deferred Income Taxes - Other	(47,285)	100%	100%	(47,285)	(29,054)	100%	100%	(29,054)
6									
7	Div 09 Accumulated Deferred Income Taxes	$ (71,977,967)			$ (71,977,967)	$ (63,819,757)			$ (63,819,757)
8									
9	**DIVISION 02**								
10	Account 190 - Accumulated Deferred Income Taxes	$437,021,385	10.40%	49.78%	$ 22,625,122	$453,425,662	10.40%	49.78%	$ 23,474,391
11									
12	Account 282 - Accumulated Deferred Income Taxes	(19,702,364)	10.40%	49.78%	(1,020,015)	(18,180,120)	10.40%	49.78%	(941,207)
13									
14	Account 283 - Accumulated Deferred Income Taxes - Other	24,564,904	10.40%	49.78%	1,271,755	24,541,784	10.40%	49.78%	1,270,558
15									
16	Div 02 Accumulated Deferred Income Taxes	$441,883,925			$ 22,876,861	$459,787,326			$ 23,803,742
17	**DIVISION 12**								
18	Account 190 - Accumulated Deferred Income Taxes	$ 68,526	10.95%	51.52%	$ 3,866	$ 40,821	10.95%	51.52%	$ 2,303
19									
20	Account 282 - Accumulated Deferred Income Taxes	(16,037,376)	10.95%	51.52%	(904,703)	(16,714,664)	10.95%	51.52%	(942,911)
21									
22	Account 283 - Accumulated Deferred Income Taxes - Other	0	10.95%	51.52%	0	0	10.95%	51.52%	0
23									
24	Div 012 Accumulated Deferred Income Taxes	$ (15,968,850)			$ (900,838)	$ (16,673,843)			$ (940,608)
25	**DIVISION 91**								
26									
27	Account 190 - Accumulated Deferred Income Taxes	$ 1,746,795	100%	49.78%	$ 869,555	$ 1,631,264	100%	49.78%	$ 812,043
28									
29	Account 255 - Accumulated Deferred Investment Tax Credits	0	100%	49.78%	0	0	100%	49.78%	0
30									
31	Account 282 - Accumulated Deferred Income Taxes	(745,483)	100%	49.78%	(371,101)	(1,506,488)	100%	49.78%	(749,930)
32									
33	Account 283 - Accumulated Deferred Income Taxes - Other	(886,040)	100%	49.78%	(441,071)	(879,123)	100%	49.78%	(437,627)
34									
35	Div 91 Accumulated Deferred Income Taxes	$ 115,272			$ 57,383	$ (754,347)			$ (375,514)
36									
37	**Total Deferred Inc. Taxes and Investment Tax Credits**	$354,052,380			$ (49,944,561)	$378,539,379			$ (41,332,137)

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Deferred Credits and Accumulated Deferred Income Taxes
as of March 31, 2020

Data:_____Base Period___X__Forecasted Period
Type of Filing:___X____Original________Updated
Workpaper Reference No(s).

FR 16(8)(b)5
Sch. B-5 F
Witness: Waller, Story

Line No.	Account	Period End	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	13-Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
	DIVISION 09								
1	Account 190 - Accumulated Deferred Income Taxes	$ 8,610,101	100%	100%	$ 8,610,101	$ 8,667,731	100%	100%	$ 8,667,731
2									
3	Account 282 - Accumulated Deferred Income Taxes	(84,778,102)	100%	100%	(84,778,102)	(83,737,702)	100%	100%	(83,737,702)
4									
5	Account 283 - Accumulated Deferred Income Taxes - Other	(47,285)	100%	100%	(47,285)	(47,285)	100%	100%	(47,285)
6									
7	Div 09 Accumulated Deferred Income Taxes	$ (76,215,286)			$ (76,215,286)	$ (75,117,257)			$ (75,117,257)
8									
9	**DIVISION 02**								
10	Account 190 - Accumulated Deferred Income Taxes	$437,021,385	10.40%	49.78%	$ 22,625,122	$ 437,021,385	10.40%	49.78%	$ 22,625,122
11									
12	Account 282 - Accumulated Deferred Income Taxes	(20,513,590)	10.40%	49.78%	(1,062,013)	(20,293,357)	10.40%	49.78%	(1,050,611)
13									
14	Account 283 - Accumulated Deferred Income Taxes - Other	24,564,904	10.40%	49.78%	1,271,755	24,564,904	10.40%	49.78%	1,271,755
15									
16	Div 02 Accumulated Deferred Income Taxes	$441,072,699			$ 22,834,863	$ 441,292,932			$ 22,846,265
17	**DIVISION 12**								
18	Account 190 - Accumulated Deferred Income Taxes	$ 68,526	10.95%	51.52%	$ 3,866	$ 68,526	10.95%	51.52%	$ 3,866
19									
20	Account 282 - Accumulated Deferred Income Taxes	(14,837,353)	10.95%	51.52%	(837,007)	(15,109,097)	10.95%	51.52%	(852,337)
21									
22	Account 283 - Accumulated Deferred Income Taxes - Other	0	10.95%	51.52%	0	0	10.95%	51.52%	0
23									
24	Div 012 Accumulated Deferred Income Taxes	$ (14,768,827)			$ (833,142)	$ (15,040,571)			$ (848,471)
25	**DIVISION 91**								
26	Account 190 - Accumulated Deferred Income Taxes	$ 1,746,795	100%	49.78%	$ 869,555	$ 1,746,795	100%	49.78%	$ 869,555
27									
28	Account 255 - Accumulated Deferred Investment Tax Credits	0	100%	49.78%	0	0	100%	49.78%	0
29									
30	Account 282 - Accumulated Deferred Income Taxes	(723,999)	100%	49.78%	(360,407)	(724,930)	100%	49.78%	(360,870)
31									
32	Account 283 - Accumulated Deferred Income Taxes - Other	(886,040)	100%	49.78%	(441,071)	(886,040)	100%	49.78%	(441,071)
33									
34	Div 91 Accumulated Deferred Income Taxes	$ 136,756			$ 68,077	$ 135,825			$ 67,614
35									
36									
37	**Total Deferred Inc. Taxes and Investment Tax Credits**	$350,225,343			$ (54,145,487)	$ 351,270,929			$ (53,051,850)
38	*(excluding forecasted change in NOLC)*								
39	**Forecasted Change in NOLC**								1,295,767
40									
41	**Forecasted 13-month Average ADIT in Rate Base**								**(51,756,082)**
42									

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Deferred Credits and Accumulated Deferred Income Taxes
as of March 31, 2020

Data:_____Base Period___X__Forecasted Period
Type of Filing:___X____Original________Updated
Workpaper Reference No(s).

FR 16(8)(b)5
Sch. B-5 F
Witness: Waller, Story

Line No.	Account	Period End	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	13-Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
43	**Calculation of Change in NOLC**								
44	**(from 13-month average Base Period to 13-month average Forecasted Period**								
45				Schedule					
46	Forecasted Test Period			Reference					
47									
48	13-month average Rate Base			B.1 F		496,111,427			
49									
50	Required Operating Income			A.1		39,440,858			
51									
52	Interest Deduction			E.1		9,367,735			
53									
54	Return on Equity Portion of Rate Base			line 50 - line 52		30,073,123			
55									
56	Return, grossed up for Income Tax	25.74%		Line 54 / (1-tax rate)		40,497,069			
57									
58	Tax Expense on Return	25.74%		Line 56 x tax rate		10,423,946			
59									
60	Change In ADIT, excluding forecasted change in NOLC			Line 37; B.5 B		(11,719,713)			
61	Required Change in NOLC					1,295,767		0	
62									
63	**Total Required Change in Accumulated Deferred Income Taxes**[1]			**B.1 F; B.1 B**		**(10,423,946)**			
64									
65									
66	**ADIT Reconciliation**								
67	**Avg ADIT, Base Period**			**B.5 B**		**(41,332,137)**			
68									
69	13-Month Average ADIT, Forecasted Period, excl, Change in NOLC			Line 37		(53,051,850)			
70	Change in NOLC			Line 39		1,295,767			
71	**Forecasted 13-month Average ADIT in Rate Base**					**(51,756,082)**			
72									
73	**Total Required Change in Accumulated Deferred Income Taxes**			Line 71 - Line 67		**(10,423,946)**			
74									
75									
76	*[1] Because the Company is in a NOLC position, the total change in ADIT must equal the tax expenses included in revenue requirement*								

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Customer Advances For Construction
as of December 31, 2018

Data:__X___Base Period_____Forecasted Period
Type of Filing:___X____Original________Updated
Workpaper Reference No(s).

FR 16(8)(b)6
Sch. B-6 B
Witness: Waller

Line No.		Account	Period End	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	13-Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
	DIVISION 09									
1	15560	Account 252 - Customer Advances For Construction	$ (747,234)	100%	100%	$ (747,234)	$ (750,999)	100%	100%	$ (750,999)
2										
3	**DIVISION 02**									
4	15560	Account 252 - Customer Advances For Construction	-	10.40%	49.78%	-	-	10.40%	49.78%	-
5										
6	**DIVISION 12**									
7	15560	Account 252 - Customer Advances For Construction	-	10.95%	51.52%	-	-	10.95%	51.52%	-
8										
9	**DIVISION 91**									
10	15560	Account 252 - Customer Advances For Construction	-	100%	49.78%	-	-	100%	49.78%	-
11										
12		Total Account 252 - Customer Advances For Construction	$ (747,234)			$ (747,234)	$ (750,999)			$ (750,999)

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Customer Advances For Construction
as of March 31, 2020

Data:_____Base Period___X__Forecasted Period
Type of Filing:___X____Original________Updated
Workpaper Reference No(s).

FR 16(8)(b)6
Sch. B-6 F
Witness: Waller

Line No.		Account	Period End	Kentucky- Mid States Divisior Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	13-Month Average	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
	DIVISION 09									
1	15560	Account 252 - Customer Advances For Construction	$ (747,234)	100%	100%	$ (747,234)	$ (747,234)	100%	100%	$ (747,234)
2										
3	**DIVISION 02**									
4	15560	Account 252 - Customer Advances For Construction	-	10.40%	49.78%	-	-	10.40%	49.78%	-
5										
6	**DIVISION 12**									
7	15560	Account 252 - Customer Advances For Construction	-	10.95%	51.52%	-	-	10.95%	51.52%	-
8										
9	**DIVISION 91**									
10	15560	Account 252 - Customer Advances For Construction	0	100%	49.78%	0	0	100%	49.78%	0
11										
12		Total Account 252 - Customer Advances For Constructior	$ (747,234)			$ (747,234)	$ (747,234)			$ (747,234)

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Working Capital Components

FR 16(8)(b)4.1

Line No.	Description	actual Dec-17	actual Jan-18	actual Feb-18	actual Mar-18	actual Apr-18	actual May-18	actual Jun-18	forecasted Jul-18	Budgeted Aug-18	Budgeted Sep-18	Budgeted Oct-18	Budgeted Nov-18	Budgeted Dec-18	13 Month Average
1	**Materials & Supplies**														
2															
3	Kentucky Direct (Div 009)														
4	Account 1540- Plant Materials and Operating Supplie	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
5	Account 1630- Stores Expense Undistributed	$ (270,187)	$ (311,624)	$ (344,284)	$ (380,390)	$ (401,617)	$ (454,552)	$ (520,275)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	
6	Total Materials & Supplies	$ (270,187)	$ (311,624)	$ (344,284)	$ (380,390)	$ (401,617)	$ (454,552)	$ (520,275)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (391,975)
7															
8	KY/Mid-States General Office (Div 091)														
9	Account 1540- Plant Materials and Operating Supplie	$ 76,068	$ 76,068	$ 76,068	$ 76,068	$ 76,068	$ 64,640	$ 64,640	$ 72,258	$ 72,258	$ 72,258	$ 72,258	$ 72,258	$ 72,258	
10	Account 1630- Stores Expense Undistributed	$ 652,973	$ 730,181	$ 820,252	$ 926,972	$ 1,009,823	$ 1,111,262	$ 1,235,411	$ 972,317	$ 972,317	$ 972,317	$ 972,317	$ 972,317	$ 972,317	
11	Total Materials & Supplies	$ 729,041	$ 806,248	$ 896,320	$ 1,003,039	$ 1,085,891	$ 1,175,902	$ 1,300,051	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,020,303
12															
13	Shared Services General Office (Div 002)														
14	Account 1540- Plant Materials and Operating Supplie	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
15	Account 1630- Stores Expense Undistributed	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	
16	Total Materials & Supplies	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)
17															
18	Shared Services Customer Support (Div 012)														
19	Account 1540- Plant Materials and Operating Supplie	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
20	Account 1630- Stores Expense Undistributed	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
21	Total Materials & Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
22															
23	**Gas Stored Underground- Account 1641**														
24															
25	Kentucky Direct (Div 009)	$16,751,570	$14,268,078	$10,938,434	$ 6,984,757	$ 7,706,386	$ 9,950,295	$12,189,929	$ 9,883,670	$13,510,047	$ 17,108,213	$ 20,718,002	$17,989,771	$13,798,753	$13,215,223
26															
27	KY/Mid-States General Office (Div 091)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
28															
29	Shared Services General Office (Div 002)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
30															
31	Shared Services Customer Support (Div 012)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
32															
33	**Prepayments- Account 1650**														
34															
35	Kentucky Direct (Div 009)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
36															
37	KY/Mid-States General Office (Div 091)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
38															
39	Shared Services General Office (Div 002)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
40															
41	Shared Services Customer Support (Div 012)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Forecasted Test Period: Twelve Months Ended March 31, 2020
Working Capital Components

FR 16(8)(b)4.1

Line No.	Description	Budgeted Mar-19	Budgeted Apr-19	Budgeted May-19	Budgeted Jun-19	Budgeted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	13 Month Average
1	**Materials & Supplies**														
2															
3	Kentucky Direct (Div 009)														
4	Account 1540- Plant Materials and Operating Supplie	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
5	Account 1630- Stores Expense Undistributed	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	
6	Total Materials & Supplies	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)	$ (402,124)
7															
8	KY/Mid-States General Office (Div 091)														
9	Account 1540- Plant Materials and Operating Supplie	$ 72,258	$ 72,258	$ 72,258	$ 72,258	$ 72,258	$ 72,258	$ 72,258	$ 72,258	$ 72,258	$ 72,258	$ 72,258	$ 72,258	$ 72,258	
10	Account 1630- Stores Expense Undistributed	$ 972,317	$ 972,317	$ 972,317	$ 972,317	$ 972,317	$ 972,317	$ 972,317	$ 972,317	$ 972,317	$ 972,317	$ 972,317	$ 972,317	$ 972,317	
11	Total Materials & Supplies	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575	$ 1,044,575
12															
13	Shared Services General Office (Div 002)														
14	Account 1540- Plant Materials and Operating Supplie	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
15	Account 1630- Stores Expense Undistributed	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	
16	Total Materials & Supplies	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)
17															
18	Shared Services Customer Support (Div 012)														
19	Account 1540- Plant Materials and Operating Supplie	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
20	Account 1630- Stores Expense Undistributed	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
21	Total Materials & Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
22															
23	**Gas Stored Underground- Account 1641**														
24															
25	Kentucky Direct (Div 009)	$ (2,287,953)	$ 988,506	$ 4,223,799	$ 7,495,416	$10,805,777	$ 14,118,560	$17,407,128	$20,715,068	$18,044,748	$13,969,373	$ 8,809,436	$ 3,257,935	$ (1,769,904)	$ 8,905,991
26															
27	KY/Mid-States General Office (Div 091)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
28															
29	Shared Services General Office (Div 002)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
30															
31	Shared Services Customer Support (Div 012)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
32															
33	**Prepayments- Account 1650**														
34															
35	Kentucky Direct (Div 009)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
36															
37	KY/Mid-States General Office (Div 091)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
38															
39	Shared Services General Office (Div 002)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
40															
41	Shared Services Customer Support (Div 012)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Deferred Credits and Accumulated Deferred Income Taxes

Base Period: Twelve Months Ended December 31, 2018

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

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Line No.	Sub Acct		actual Dec-17	actual Jan-18	actual Feb-18	actual Mar-18	actual Apr-18	actual May-18	actual Jun-18	forecast Jul-18	forecast Aug-18	forecast Sep-18	forecast Oct-18	forecast Nov-18	forecast Dec-18	13 month Average
	DIVISION 09															
1		Account 190 - Accumulated Deferred Income Taxes	$ 10,404,258	$ 10,404,258	$ 10,404,258	$ 9,114,435	$ 9,114,435	$ 9,114,435	$ 9,028,253	$ 9,000,279	$ 8,972,305	$ 8,944,330	$ 8,916,356	$ 8,888,382	$ 8,860,408	$ 9,320,492
2																
3		Account 282 - Accumulated Deferred Income Taxes	(66,268,035)	(66,268,035)	(66,268,035)	(70,393,298)	(70,393,298)	(70,393,298)	(71,332,054)	(73,997,402)	(76,309,391)	(78,668,744)	(79,313,578)	(80,049,271)	(80,791,090)	(73,111,195)
4																
5		Account 283 - Accumulated Deferred Income Taxes - Other	(7,784)	(7,784)	(7,784)	(7,784)	(7,784)	(7,784)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(29,054)
6																
7		Div 09 Accumulated Deferred Income Taxes	$ (55,871,561)	$ (55,871,561)	$ (55,871,561)	$ (61,286,647)	$ (61,286,647)	$ (61,286,647)	$ (62,351,086)	$ (65,044,408)	$ (67,384,372)	$ (69,771,699)	$ (70,444,507)	$ (71,208,174)	$ (71,977,967)	$ (63,819,757)
8																
9	**DIVISION 02**															
10		Account 190 - Accumulated Deferred Income Taxes	$504,522,022	$504,522,022	$504,522,022	$440,605,947	$440,605,947	$440,605,947	$437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$437,021,385	$ 453,425,662
11																
12		Account 282 - Accumulated Deferred Income Taxes	(17,021,092)	(17,021,092)	(17,021,092)	(17,345,030)	(17,345,030)	(17,345,030)	(17,761,671)	(18,332,471)	(18,821,962)	(19,468,077)	(19,536,914)	(19,619,728)	(19,702,364)	(18,180,120)
13																
14		Account 283 - Accumulated Deferred Income Taxes - Other	31,202,176	24,068,826	21,481,062	25,953,642	21,574,355	22,808,808	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,541,784
15																
16		Div 02 Accumulated Deferred Income Taxes	$518,703,106	$511,569,756	$508,981,992	$449,214,559	$444,835,272	$446,069,725	$443,824,618	$ 443,253,818	$ 442,764,326	$ 442,118,212	$ 442,049,374	$ 441,966,560	$441,883,925	$ 459,787,326
17	**DIVISION 12**															
18		Account 190 - Accumulated Deferred Income Taxes	$ 6,868	$ 6,868	$ 6,868	$ 10,129	$ 10,129	$ 10,129	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 40,821
19																
20		Account 282 - Accumulated Deferred Income Taxes	(17,234,236)	(17,234,236)	(17,234,236)	(16,885,721)	(16,885,721)	(16,885,721)	(16,728,471)	(16,674,329)	(16,579,397)	(16,436,786)	(16,303,796)	(16,170,612)	(16,037,376)	(16,714,664)
21																
22		Account 283 - Accumulated Deferred Income Taxes - Other	0	0	0	0	0	0	0	0	0	0	0	0	0	-
23																
24		Div 012 Accumulated Deferred Income Taxes	$ (17,227,368)	$ (17,227,368)	$ (17,227,368)	$ (16,875,592)	$ (16,875,592)	$ (16,875,592)	$ (16,659,945)	$ (16,605,803)	$ (16,510,871)	$ (16,368,260)	$ (16,235,270)	$ (16,102,086)	$ (15,968,850)	$ (16,673,843)
25																
26	**DIVISION 91**															
27		Account 190 - Accumulated Deferred Income Taxes	$ 970,543	$ 970,543	$ 970,543	$ 2,022,414	$ 2,022,414	$ 2,022,414	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,631,264
28																
29		Account 282 - Accumulated Deferred Income Taxes	(4,082,724)	(4,082,724)	(4,082,724)	(727,963)	(727,963)	(727,963)	(719,976)	(725,287)	(730,598)	(735,910)	(748,196)	(746,839)	(745,483)	(1,506,488)
30																
31		Account 283 - Accumulated Deferred Income Taxes - Other	(894,648)	(894,648)	(894,648)	(847,457)	(847,457)	(847,457)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(879,123)
32																
33		Account 255 - Accumulated Deferred Investment Tax Credit	0	0	0	0	0	0	0	0	0	0	0	0	0	-
34																
35		Div 91 Accumulated Deferred Income Taxes	$ (4,006,829)	$ (4,006,829)	$ (4,006,829)	$ 446,994	$ 446,994	$ 446,994	$ 140,779	$ 135,468	$ 130,157	$ 124,845	$ 112,559	$ 113,916	$ 115,272	$ (754,347)
36																
37		Total	$441,597,348	$434,463,997	$431,876,234	$371,499,314	$367,120,027	$368,354,480	$364,954,366	$ 361,739,074	$ 358,999,240	$ 356,103,098	$ 355,482,156	$ 354,770,216	$354,052,380	$ 378,539,379

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Deferred Credits and Accumulated Deferred Income Taxes
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:______Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)5
Sched. B-5

Line No.	Sub Acct	Budgeted Mar-19	Budgeted Apr-19	Budgeted May-19	Budgeted Jun-19	Budgeted Jul-19	Forecast Aug-19	Forecast Sep-19	Forecast Oct-19	Forecast Nov-19	Forecast Dec-19	Forecast Jan-20	Forecast Feb-20	Forecast Mar-20	13 month Average
	DIVISION 09														
1	Account 190 - Accumulated Deferred Income Taxes	$ 8,776,485	$ 8,749,796	$ 8,725,472	$ 8,703,434	$ 8,683,761	$ 8,666,452	$ 8,651,430	$ 8,638,772	$ 8,628,402	$ 8,620,395	$ 8,614,752	$ 8,611,245	$ 8,610,101	$ 8,667,731
2															
3	Account 282 - Accumulated Deferred Income Taxes	(82,081,168)	(82,464,469)	(82,801,658)	(83,103,565)	(83,392,421)	(83,622,353)	(83,802,023)	(84,098,342)	(84,375,882)	(84,592,543)	(84,713,183)	(84,764,417)	(84,778,102)	(83,737,702)
4															
5	Account 283 - Accumulated Deferred Income Taxes - Other	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)	(47,285)
6															
7	Div 09 Accumulated Deferred Income Taxes	$ (73,351,968)	$ (73,761,957)	$ (74,123,472)	$ (74,447,416)	$ (74,755,945)	$ (75,003,186)	$ (75,197,878)	$ (75,506,855)	$ (75,794,766)	$ (76,019,433)	$ (76,145,716)	$ (76,200,458)	$ (76,215,286)	$ (75,117,257)
8															
9	**DIVISION 02**														
10	Account 190 - Accumulated Deferred Income Taxes	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385	$ 437,021,385
11															
12	Account 282 - Accumulated Deferred Income Taxes	(19,948,903)	(20,027,244)	(20,098,449)	(20,162,840)	(20,220,248)	(20,270,704)	(20,314,453)	(20,373,734)	(20,423,372)	(20,462,224)	(20,490,123)	(20,507,753)	(20,513,590)	(20,293,357)
13															
14	Account 283 - Accumulated Deferred Income Taxes - Other	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904	24,564,904
15															
16	Div 02 Accumulated Deferred Income Taxes	$ 441,637,385	$ 441,559,044	$ 441,487,839	$ 441,423,448	$ 441,366,041	$ 441,315,585	$ 441,271,835	$ 441,212,555	$ 441,162,917	$ 441,124,065	$ 441,096,166	$ 441,078,535	$ 441,072,699	$ 441,292,932
17	**DIVISION 12**														
18	Account 190 - Accumulated Deferred Income Taxes	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526	$ 68,526
19															
20	Account 282 - Accumulated Deferred Income Taxes	(15,634,977)	(15,505,027)	(15,386,303)	(15,278,585)	(15,182,293)	(15,097,501)	(15,023,889)	(14,966,938)	(14,920,220)	(14,884,094)	(14,858,518)	(14,842,568)	(14,837,353)	(15,109,097)
21															
22	Account 283 - Accumulated Deferred Income Taxes - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23															
24	Div 012 Accumulated Deferred Income Taxes	$ (15,566,451)	$ (15,436,501)	$ (15,317,777)	$ (15,210,059)	$ (15,113,767)	$ (15,028,975)	$ (14,955,363)	$ (14,898,412)	$ (14,851,694)	$ (14,815,568)	$ (14,789,992)	$ (14,774,042)	$ (14,768,827)	$ (15,040,571)
25															
26	**DIVISION 91**														
27	Account 190 - Accumulated Deferred Income Taxes	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795	$ 1,746,795
28															
29	Account 282 - Accumulated Deferred Income Taxes	(727,874)	(726,497)	(725,241)	(724,104)	(723,089)	(722,195)	(721,420)	(727,004)	(726,534)	(726,171)	(725,916)	(724,051)	(723,999)	(724,930)
30															
31	Account 283 - Accumulated Deferred Income Taxes - Other	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)	(886,040)
32															
33	Account 255 - Accumulated Deferred Investment Tax Credits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34															
35	Div 91 Accumulated Deferred Income Taxes	$ 132,881	$ 134,258	$ 135,514	$ 136,651	$ 137,666	$ 138,560	$ 139,335	$ 133,751	$ 134,221	$ 134,584	$ 134,839	$ 136,704	$ 136,756	$ 135,825
36															
37	Total	$ 352,851,847	$ 352,494,843	$ 352,182,104	$ 351,902,625	$ 351,633,996	$ 351,421,983	$ 351,257,929	$ 350,941,040	$ 350,650,678	$ 350,423,648	$ 350,295,298	$ 350,240,740	$ 350,225,343	$ 351,270,929

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020
Deferred Liablity Amortization

		Regulatory Liability Balance	Amortization Expense
ADIT Excess Deferred Liabilities	Mar-19	(33,781,756)	
Account 2530 - 27909	Apr-19	(33,664,788)	121,981
	May-19	(33,558,180)	121,981
	Jun-19	(33,461,598)	121,981
	Jul-19	(33,375,377)	121,981
	Aug-19	(33,299,515)	121,981
	Sep-19	(33,233,679)	121,981
	Oct-19	(33,178,203)	121,981
	Nov-19	(33,132,752)	121,981
	Dec-19	(33,097,662)	121,981
	Jan-20	(33,072,932)	121,981
	Feb-20	(33,057,559)	121,981
	Mar-20	(33,052,546)	121,981
	(13 Month Average)	**(33,305,119)**	**1,463,766**

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Deferred Credits
Base Period: Twelve Months Ended December 31, 2018

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)6
Sched. B-6

Line No.	Sub Acct		actual Dec-17	actual Jan-18	actual Feb-18	actual Mar-18	actual Apr-18	actual May-18	actual Jun-18	Budgeted Jul-18	Budgeted Aug-18	Budgeted Sep-18	Budgeted Oct-18	Budgeted Nov-18	Budgeted Dec-18	13 month Average
	DIVISION 09															
1		Account 252 - Customer Advances For Construction	(796,178)	(785,154)	(784,132)	(786,032)	(714,675)	(707,427)	(705,985)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(750,999)
2																
3	**DIVISION 02**															
4	15560	Account 252 - Customer Advances For Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5																
6	**DIVISION 12**															
7	15560	Account 252 - Customer Advances For Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8																
9	**DIVISION 91**															
10	15560	Account 252 - Customer Advances For Construction	0	0	0	0	0	0	0	-	-	-	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Deferred Credits
Base Period: Twelve Months Ended December 31, 2018

Data:______Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)5
Sched. B-5

Line No.	Sub Acct		Budgeted Mar-19	Budgeted Apr-19	Budgeted May-19	Budgeted Jun-19	Budgeted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	13 month Average
	DIVISION 09															
1		Account 252 - Customer Advances For Construction	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)	(747,234)
2																
3	**DIVISION 02**															
4	15560	Account 252 - Customer Advances For Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	0
5																
6	**DIVISION 12**															
7	15560	Account 252 - Customer Advances For Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	0
8																
9	**DIVISION 91**															
10	15560	Account 252 - Customer Advances For Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	0

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:

(c) A jurisdictional operating income summary for both the base period and the forecasted period with supporting schedules, which provide breakdowns by major account group and by individual account;

RESPONSE:

Please see attachment FR_16(8)(c)_Att1, Schedules C.1 - C.2.3.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(c)_Att1 - Schedule C.xlsx, 24 Pages.

Respondents: Greg Waller and Josh Densman

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(c) SCHEDULE C

Operating Income Summary

Schedule	Pages	Description
C-1	1	Operating Income Summary
C-2	1	Adjusted Operating Income
C-2.1	10	Operating Revenue and Expenses by FERC Account
C-2.2	10	Monthly Operating Income by FERC Account
C-2.3	2	Taxes Other than Income Tax by Sub-Account

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Income Summary
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:__X____Base Period___X___Forecasted Period — FR 16(8)(c)1
Type of Filing:___X____Original________Updated ________Revised — Schedule C-1
Workpaper Reference No(s)._____________________ — Witness: Waller, Densman

Line No.	Description	Base Return at Current Rates	Forecasted Return at Current Rates	Proposed Increase	Forecasted Return at Proposed Rates
1	Operating Revenue	$ 173,370,897	$ 169,717,866	$ 15,919,310	$ 185,637,176
2	Operating Expenses				
3	Purchased Gas Cost	83,882,422	78,382,354		78,382,354
4	Other O & M Expenses	28,531,137	27,224,981	79,597	27,304,578
5	Depreciation Expense	20,483,034	22,541,774		22,541,774
6	Taxes Other than Income	6,491,574	7,511,837	31,839	7,543,676
7					
8	State & Federal Income Taxes	6,731,161	6,354,996	4,068,947	10,423,943
9	Total Operating Expenses	$ 146,119,327	$ 142,015,942	$ 4,180,382	$ 146,196,325
10	Operating Income	$ 27,251,570	$ 27,701,923	$ 11,738,928	$ 39,440,851
11	Rate Base	414,187,472	496,111,427		496,111,427
12	Rate of Return	6.58%	5.58%		7.95%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Adjusted Operating Income Statement
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:__X____Base Period___X___Forecasted Period — FR 16(8)(c)2
Type of Filing:___X____Original________Updated ________Revised — Schedule C-2
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

Line No.	Major Group Classification	Base Year Revenue & Expenses	Utility budget Adjustments	Sched Ref.	SSU Billing Adjs	Sched Ref.	Forecasted Revenue & Expenses	Ratemaking Adjustments	Sched Ref.	Test Year Rev. & Exp. Adjusted
1	Operating Revenue	$ 173,370,897	$ (3,653,031)	D-1			$169,717,866	$ -		$ 169,717,866
2										
3	Operating Expenses									
4	Purchased Gas Cost	83,882,422	(5,500,067)	D-1			78,382,354	-		78,382,354
5	Production O&M Expense	-	-	D-1			-	-		-
6	Storage O&M Expense	539,683	(50,769)	D-1			488,914	-		488,914
7	Transmission O&M Expense	441,601	(31,498)	D-1			410,103	-		410,103
8	Distribution O&M Expense	8,276,854	(931,313)	D-1		*	7,345,541	-		7,345,541
9	Customer Accting. & Collection	2,960,697	(313,797)	D-1		*	2,646,900	-		2,646,900
10	Customer Service & Information	129,523	(1,251)	D-1		*	128,272	-		128,272
11	Sales Expense	440,892	(36,317)	D-1		*	404,575	(196,297)	F-4	208,278
12	Admin. & General Expense	15,741,887	1,848,941	D-1		*	17,590,829	(1,593,854)	-6,F-8,F-9, F-10, F-1	15,996,974
13	Depreciation Expense	20,483,034	2,058,739	D-1			22,541,774	-		22,541,774
14	Taxes - Other	6,491,574	1,020,263	D-1			7,511,837	-		7,511,837
15	Income Taxes	6,731,161	(376,165)				6,354,996	-		6,354,996
16										
17										
18	Total Operating Expenses	$ 146,119,327	$ (2,313,233)		$ -		$143,806,094	$(1,790,152)		$ 142,015,942
19										
20	Net Operating Income	$ 27,251,570	$ (1,339,798)		$ -		$ 25,911,771	$ 1,790,152		$ 27,701,923

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended December 31, 2018

Data:___X____Base Period________Forecasted Period — FR 16(8)(c)2.1
Type of Filing:___X____Original________Updated ________Revised — Schedule C-2.1 B
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
1		OPERATING REVENUE	
2		Sales of Gas	
3	4800	Residential	$ 106,055,302
4	4805	Unbilled Residential	(6,909,256)
5	4811	Commercial	45,531,133
6	4812	Industrial	6,051,221
7	4815	Unbilled Commercial	(2,646,350)
8	4816	Unbilled Industrial	(203,688)
9	4820	Other - Public Authority	7,513,898
10	4825	Unbilled Public Authority	(571,784)
11		Total Sales of Gas	$ 154,820,476
12			
13		Other Operating Income	
14	4870	Forfeited Discounts	$ 1,388,389
15	4880	Misc. Service Revenues	792,006
16	4893	Revenue From Transportation of Gas of Others	17,013,346
17	4950	Other Gas Revenue	1,148,568
	4960	Provision for Rate Refunds	(1,791,888)
18		Total Other Operating Income	$ 18,550,421
19			
20		TOTAL OPERATING REVENUE	$ 173,370,897
21			
22		OPERATING EXPENSES	
23		Production Expense - Operation	
24	7560	Ng. Field Meas. & Reg. Station	-
25	7590	Production and gathering-Other	-
26		Total Production Expense - Operation	$ -
27			
28		Production Expense - Maintenance	
29	7610	Ng Main. Supervision & Engineering	$ -
30			$ -
31		Natural Gas Storage Expense - Operation	
32	8140	Operation Supervision & Engineering	$ -
33	8150	Maps and Records	-
34	8160	Wells Expense	326,734

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended December 31, 2018

Data:___X____Base Period________Forecasted Period — FR 16(8)(c)2.1
Type of Filing:___X____Original________Updated ________Revised — Schedule C-2.1 B
Workpaper Reference No(s)._____________________ — Witness: Waller, Densman

Line No.	Account No. (s)	Account Title		Unadjusted Total Utility
				(1)
35	8170	Lines Expense		22,639
36	8180	Compressor Station Expense		28,860
37	8190	Compressor Station Expense Fuel & Power		879
38	8200	Measuring & Regulating Station Expense		6,847
39	8210	Purification		54,469
40	8240	Other		-
41	8250	Storage Well Royalties		10,451
42		Total Nat. Gas Storage Expense - Operation	$	450,879
43				
44		Natural Gas Storage Expense - Maintenance		
45	8310	Structure & Improvements	$	13,541
46	8320	Reservoirs & Wells		-
47	8340	Compressor Station Equip.		3,463
48	8350	Measuring & Regulating Station Equip.		-
49	8360	Purification Equipment		-
50	8370	Maintenance of other equipment		-
51	840/847	Other Storage Exp. - LNG		71,800
52		Total Nat. Gas Storage Expense - Maintenance	$	88,804
53				
54		Transmission Expense - Operation		
55	8500	Operation Supervision & Engineering	$	47
56	8520	Communication system expenses		-
57	8550	Other fuel & power for compression		368
58	8560	Mains Expense		395,189
59	8570	Measuring & Regulating Station Exp.		29,427
60	8590	Other Exp.		-
61	8600	Rents		-
62		Total Transmission Expense - Operation	$	425,031
63				
64		Transmission Expense - Maintenance		
65	8620	Structures and Improvements	$	-
66	8630	Mains		16,570
67	8640	Compressor Station Equipment		-
68	8650	Measuring & Reg Station Equip.		-
69	8670	Other Equipment		-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended December 31, 2018

Data:___X____Base Period________Forecasted Period — FR 16(8)(c)2.1
Type of Filing:___X____Original________Updated ________Revised — Schedule C-2.1 B
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

Line No.	Account No. (s)	Account Title		Unadjusted Total Utility
				(1)
70		Total Transmission Expense - Maintenance	$	16,570
71				
72		Purchased Gas Cost - Operation		
73	8001	Intercompany Gas Well-head Purchases	$	-
74	8010	Natural gas field line purchases		61,223
75	8040	Natural Gas City Gate Purchases		49,880,163
76	8045	Transportation to City Gate		-
77	8050	Transmission-Operation supervision and engineering		(8,061)
78	8051	Other Gas Purchases / Gas Cost Adjustments		50,104,362
79	8052	PGA for Commercial		25,635,855
80	8053	PGA for Industrial		4,973,887
81	8054	PGA for Public Authority		4,760,332
82	8057	PGA for Transportation Sales		-
83	8058	Unbilled PGA Costs		(1,575,262)
84	8059	PGA Offset to Unrecovered Gas Cost		(73,114,227)
85	8060	Exchange Gas		(1,145,172)
86	8081	Gas Withdrawn From Storage - Debit		13,684,989
87	8082	Gas Delivered to Storage		(12,177,639)
88	8110	Gas used for products extraction-Credit		-
89	8120	Gas Used for Other Utility Operations		(16,752)
90	8130	Gas Used for Other Utility Operations		-
91	8580	Transmission and compression of gas by others		22,818,724
92		Total Purchased Gas Cost	$	83,882,422
93				
94		Distribution Expenses - Operation		
95	8700	Supervision and Engineering	$	1,452,843
96	8710	Distribution Load Dispatching		792
97	8711	Odorization		26,727
98	8720	Compressor Station Labor & Expenses		-
99	8740	Mains & Services		4,585,210
100	8750	Measuring and Regulating Station Exp. - Gen		618,282
101	8760	Measuring and Regulating Station Exp. - Ind.		125,801
102	8770	Measuring and Regulating Sta. Exp. - City Gate		45,140
103	8780	Meters and House Regulator Expense		848,813
104	8790	Customer Installations Expense		3,009

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended December 31, 2018

Data:___X____Base Period________Forecasted Period — FR 16(8)(c)2.1
Type of Filing:___X____Original________Updated ________Revised — Schedule C-2.1 B
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

Line No.	Account No. (s)	Account Title		Unadjusted Total Utility
				(1)
105	8800	Other Expense		5,729
106	8810	Rents		443,578
107		Total Distribution Expenses - Operation	$	8,155,925
108				
109		Distribution Expenses - Maintenance		
110	8850	Supervision and Engineering	$	1,232
111	8860	Structures and Improvements		131
112	8870	Mains		30,074
113	8890	Measuring and Regulating Station Exp. - Gen		71,786
114	8900	Measuring and Regulating Station Exp. - Ind.		2,114
115	8910	Measuring and Regulating Sta. Exp. - City Gate		950
116	8920	Services		6,794
117	8930	Meters and House Regulators		-
118	8940	Other Equipment		7,847
119	8950	Maintenance of Other Plant		-
120		Total Distribution Expenses - Maintenance	$	120,929
121				
122		Customer Accounts Expenses - Operation		
123	9010	Supervision	$	-
124	9020	Meter Reading Expenses		1,127,896
125	9030	Customer Records & Collections		1,283,457
126	9040	Uncollectible Accounts		549,343
127		Total Customer Accounts Expense	$	2,960,697
128				
129		Customer Service & Information - Operation		
130	9070	Supervision	$	-
131	9080	Customer Assistance Expenses		-
132	9090	Informational and Instructional Advertising Expenses		129,523
133	9100	Misc Cust Serv & Informational Exp		-
134		Total Customer Accounts Expenses - Operation	$	129,523
135				
136		Sales Expense		
137	9110	Supervision	$	253,382
138	9120	Demonstrating and Selling Expenses		143,981
139	9130	Advertising Expenses		43,530

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended December 31, 2018

Data:___X____Base Period________Forecasted Period — FR 16(8)(c)2.1
Type of Filing:___X____Original________Updated ________Revised — Schedule C-2.1 B
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility (1)
140	9160	Miscellaneous Sales Expenses	-
141		Total Sales Expenses	$ 440,892
142			
143		Administrative and General Expenses - Operation	
144	9200	Administrative and General Salaries	$ 132,956
145	9210	Office Supplies and Expenses	19,311
146	9220	Administrative Expense Transferred	13,030,745
147	9230	Outside Services Employed	359,911
148	9240	Property Insurance	88,358
149	9250	Injuries and Damages	79,906
150	9260	Employee Pensions and Benefits	1,821,264
151	9270	Franchise Requirements	800
152	9280	Regulatory Commission Expense	92,766
153	930.2	Miscellaneous General Expense	83,791
154	9310	A&G-Rents	$ 13,266
155		Total Administrative and General Exp. - Operation	$ 15,723,075
156			
157		Administrative and General Expense - Maintenance	
158	9320	Maintenance of general plant	$ 18,812
159		Total Administrative and Gen. Exp. - Maintenance	$ 18,812
160			
161		Total Operation and Maintenance Expense	$ 112,413,558
162			
163	403	Depreciation	$ 20,483,034
164	406	Amortization	$ 24,559
165	4081	Taxes Other than Income Taxes	6,491,574
166	4091-4101	Provision for Federal & State Income Taxes	6,731,161
167			
168		TOTAL OPERATING EXPENSE (incl Gas Cost)	$ 146,143,886
169			
170		NET OPERATING INCOME	$ 27,227,011

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Revenue and Expenses by FERC Account
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:________Base Period___X____Forecasted Period FR 16(8)(c)2.1
Type of Filing:___X____Original________Updated ________Revised Schedule C-2.1 F
Workpaper Reference No(s).____________________ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
1		O P E R A T I N G R E V E N U E	
2		Sales of Gas	
3	4800	Residential	$ 96,519,490
4	4811	Commercial	41,608,020
5	4812	Industrial	5,370,385
6	4820	Other - Public Authority	6,749,807
7		Total Sales of Gas	$ 150,247,702
8			
9		Other Operating Income	
10	4870	Forfeited Discounts	$ 1,304,965
11	4880	Misc. Service Revenues	806,054
12	4893-4896	Revenue From Transportation of Gas of Others	14,881,382
13	4950	Other Gas Revenue	2,477,763
14		Total Other Operating Income	$ 19,470,164
15			
16		T O T A L O P E R A T I N G R E V E N U E	$ 169,717,866
17			
18		O P E R A T I N G E X P E N S E S	
19		Production Expense - Operation	
20	7560	Ng. Field Meas. & Reg. Station	-
21	7590	Production and gathering-Other	0
22		Total Production Expense - Operation	$ -
23			
24		Production Expense - Maintenance	
25	7610	Ng. Main. Supervision & Engineering	$ -
26			$ -
27		Natural Gas Storage Expense - Operation	
28	8140	Operation Supervision & Engineering	$ -
29	8150	Maps and Records	-
30	8160	Wells Expense	291,917
31	8170	Lines Expense	21,251
32	8180	Compressor Station Expense	25,060
33	8190	Compressor Station Expense Fuel & Power	735
34	8200	Measuring & Regulating Station Expense	6,181
35	8210	Purification	49,856
36	8240	Other	-
37	8250	Storage Well Royalties	8,763
38		Total Nat. Gas Storage Expense - Operation	$ 403,764

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Revenue and Expenses by FERC Account
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:________Base Period___X____Forecasted Period FR 16(8)(c)2.1
Type of Filing:___X____Original________Updated ________Revised Schedule C-2.1 F
Workpaper Reference No(s).____________________ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility (1)
39			
40		Natural Gas Storage Expense - Maintenance	
41	8310	Structure & Improvements	$ 12,736
42	8320	Reservoirs & Wells	-
43	8340	Compressor Station Equip.	3,331
44	8350	Measuring & Regulating Station Equip.	-
45	8360	Purification Equipment	-
46	8370	Maintenance of other equipment	-
47	841/847	Other Storage Exp. - LNG	69,083
48		Total Nat. Gas Storage Expense - Maintenance	$ 85,150
49			
50		Transmission Expense - Operation	
51	8500	Operation Supervision & Engineering	$ 35
52	8520	Communication system expenses	-
53	8550	Other Fuel & Power for Compression	308
54	8560	Mains Expense	366,202
55	8570	Measuring & Regulating Station Exp.	27,278
56	8590	Other Exp.	0
57	8600	Rents	0
58		Total Transmission Expense - Operation	$ 393,823
59			
60		Transmission Expense - Maintenance	
61	8620	Structures and Improvements	$ -
62	8630	Mains	16,280
63	8640	Compressor Station Equipment	-
64	8650	Measuring & Reg Station Equip.	-
65	8670	Other Equipment	-
66		Total Transmission Expense - Maintenance	$ 16,280
67			
68		Purchased Gas Cost - Operation	
69	8001	Intercompany Gas Well-head Purchases	$ -
70	8010	Natural gas field line purchases	61,240
71	8040	Natural Gas City Gate Purchases	51,401,318
72	8045	Transportation to City Gate	0
73	8050	Transmission-Operation supervision and engineering	(7,602)
74	8051	Other Gas Purchases / Gas Cost Adjustments	47,517,427
75	8052	PGA for Commercial	24,564,311
76	8053	PGA for Industrial	4,854,142
77	8054	PGA for Public Authority	4,585,482
78	8057	PGA for Transportation Sales	0
79	8058	Unbilled PGA Costs	(3,124,678)
80	8059	PGA Offset to Unrecovered Gas Cost	(71,826,171)
81	8060	Exchange Gas	(2,147,338)
82	8081	Gas Withdrawn From Storage - Debit	12,436,037
83	8082	Gas Delivered to Storage	(12,626,734)
84	8110	Gas used for products extraction-Credit	0
85	8120	Gas Used for Other Utility Operations	(14,329)
86	8130	Other Gas Supply Expenses	0
87	8580	Transmission and compression of gas by others	22,709,250
88		Total Purchased Gas Cost	$ 78,382,354

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Revenue and Expenses by FERC Account
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:________Base Period___X____Forecasted Period FR 16(8)(c)2.1
Type of Filing:___X____Original________Updated ________Revised Schedule C-2.1 F
Workpaper Reference No(s).____________________ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
89			
90		Distribution Expenses - Operation	
91	8700	Supervision and Engineering	$ 963,411
92	8710	Distribution Load Dispatching	663
93	8711	Odorization	19,956
94	8720	Compressor Station Labor & Expenses	0
95	8740	Mains & Services	4,320,719
96	8750	Measuring and Regulating Station Exp. - Gen	574,714
97	8760	Measuring and Regulating Station Exp. - Ind.	120,928
98	8770	Measuring and Regulating Sta. Exp. - City Gate	38,286
99	8780	Meters and House Regulator Expense	820,621
100	8790	Customer Installations Expense	2,246
101	8800	Other Expense	3,204
102	8810	Rents	369,768
103		Total Distribution Expenses - Operation	$ 7,234,514
104			
105		Distribution Expenses - Maintenance	
106	8850	Supervision and Engineering	$ 1,588
107	8860	Structures and Improvements	98
108	8870	Mains	28,852
109	8890	Measuring and Regulating Station Exp. - Gen	65,572
110	8900	Measuring and Regulating Station Exp. - Ind.	1,723
111	8910	Measuring and Regulating Sta. Exp. - City Gate	795
112	8920	Services	6,533
113	8930	Meters and House Regulators	0
114	8940	Other Equipment	5,866
115	8950	Maintenance of Other Plant	0
116		Total Distribution Expenses - Maintenance	$ 111,027
117			
118		Customer Accounts Expenses - Operation	
119	9010	Supervision	$ -
120	9020	Meter Reading Expenses	1,085,047
121	9030	Customer Records & Collections	1,220,802
122	9040	Uncollectible Accounts	341,050
123		Total Customer Accounts Expense	$ 2,646,900
124			
125		Customer Service & Information - Operation	
126	9070	Supervision	$ -
127	9080	Customer Assistance Expenses	0
128	9090	Informational and Instructional Advertising Expenses	128,272
129	9100	Misc Cust Serv & Informational Exp	0
130		Total Customer Accounts Expenses - Operation	$ 128,272
131			
132		Sales Expense	
133	9110	Supervision	$ 253,468
134	9120	Demonstrating and Selling Expenses	115,937
135	9130	Advertising Expenses	35,170
136	9160	Miscellaneous Sales Expenses	0
137		Total Sales Expenses	$ 404,575
138			

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Operating Revenue and Expenses by FERC Account
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:________Base Period___X____Forecasted Period FR 16(8)(c)2.1
Type of Filing:___X____Original________Updated ________Revised Schedule C-2.1 F
Workpaper Reference No(s).____________________ Witness: Waller, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
139		Administrative and General Expenses - Operation	
140	9200	Administrative and General Salaries	$ 128,440
141	9210	Office Supplies and Expenses	17,616
142	9220	Administrative Expense Transferred	14,498,764
143	9230	Outside Services Employed	339,697
144	9240	Property Insurance	3,718
145	9250	Injuries and Damages	74,010
146	9260	Employee Pensions and Benefits	1,791,281
147	9270	Franchise Requirements	646
148	9280	Regulatory Commission Expense	671,994
149	930.2	Miscellaneous General Expense	41,757
150	9310	A&G-Rents	11,100
151		Total Administrative and General Exp. - Operation	$ 17,579,025
152			
153		Administrative and General Expense - Maintenance	
154	9320	Maintenance of General Plant	11,804
155		Total Administrative and Gen. Exp. - Maintenance	$ 11,804
156			
157		Total Operation and Maintenance Expense	$ 107,397,487
158			
159	403-406	Depreciation and Amortization	$ 22,541,774
160	4081	Taxes Other than Income Taxes	7,511,837
161	4091	Provision for Federal & State Income Taxes	6,354,996
162			
163		TOTAL OPERATING EXPENSE	$ 143,806,094
164			
165		NET OPERATING INCOME	$ 25,911,771

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Monthly Jurisdictional Operating Income by FERC Account
Base Period: Twelve Months Ended December 31, 2018

Data:___X____Base Period________Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(c)2.2
Schedule C-2.2
Witness: Waller, Densman

Line	Acct		actual	actual	actual	actual	actual	actual	Forecasted	Forecasted	Forecasted	Budgeted	Budgeted	Budgeted	
No.	No.	Account Discription	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
1	4091-4101	Provision for income taxes	0	0	0	0		0	1,121,860	1,121,860	1,121,860	1,121,860	1,121,860	1,121,860	6,731,161
2															
3	4030	Depreciation Expense	1,669,958	1,669,433	1,675,465	1,687,862	1,698,142	1,711,940	1,713,042	1,728,142	1,712,711	1,731,539	1,732,739	1,752,064	20,483,034
4	4060	Amortization of gas plant acquisition adjustments	4,093	4,093	4,093	4,093	4,093	4,093	0	0	0	0	0	0	24,559
5	4081	Taxes other than income taxes, utility operating incor	566,216	312,504	527,772	552,951	656,880	452,394	521,535	496,100	581,759	597,919	650,316	575,228	6,491,574
6	4800	Residential sales	(18,914,908)	(17,207,260)	(12,369,456)	(11,018,918)	(6,154,176)	(3,781,327)	(3,763,546)	(3,673,077)	(3,651,533)	(4,790,276)	(8,255,729)	(12,475,096)	(106,055,302)
7	4805	Unbilled Residential Revenue	405,968	3,377,820	(677,729)	1,794,375	1,963,448	45,375							6,909,256
8	4811	Commercial Revenue	(8,086,208)	(7,415,175)	(5,130,722)	(4,548,595)	(2,633,468)	(1,707,134)	(1,766,631)	(1,668,351)	(1,650,154)	(2,091,797)	(3,547,724)	(5,285,174)	(45,531,133)
9	4812	Industrial Revenue	(973,707)	(1,334,354)	(899,111)	(594,159)	(355,283)	(174,114)	(175,217)	(200,280)	(187,714)	(254,048)	(361,508)	(541,727)	(6,051,221)
10	4815	Unbilled Comm Revenue	87,595	1,449,166	(170,766)	667,416	568,707	44,232							2,646,350
11	4816	Unbilled Industrial Revenue	(505,592)	248,260	260,988	70,107	48,981	80,944							203,688
12	4820	Other Sales to Public Authorities	(1,354,830)	(1,331,272)	(872,594)	(783,701)	(441,272)	(251,739)	(226,689)	(212,707)	(203,679)	(307,935)	(595,284)	(932,195)	(7,513,898)
13	4825	Unbilled Public Authority Revenue	20,773	303,344	(75,991)	96,466	221,124	6,068							571,784
14	4870	Forfeited discounts	(192,879)	(230,566)	(230,342)	(151,215)	(139,653)	(59,471)	(56,702)	(51,801)	(49,979)	(49,538)	(64,695)	(111,548)	(1,388,389)
15	4880	Miscellaneous service revenues	(59,320)	(48,866)	(64,491)	(54,927)	(49,757)	(54,928)	(45,327)	(57,173)	(55,395)	(88,176)	(126,545)	(87,101)	(792,006)
16	4893	Revenue-Transportation Distribution	(2,135,655)	(1,772,398)	(1,770,851)	(1,589,668)	(1,412,283)	(1,232,115)	(994,105)	(1,088,324)	(1,079,966)	(1,210,609)	(1,304,753)	(1,422,620)	(17,013,346)
17	4950	Other Gas Revenue	0	0	0	0	0	0	(157,141)	(159,212)	(171,560)	(201,623)	(213,081)	(245,950)	(1,148,568)
18	4960	Provision for Rate Refunds	651,059	688,493	452,336	0	0	0							1,791,888
19	7560	Field measuring and regulating station expenses	0	0	0	0	0	0	-	-	-	-	-	-	0
20	7590	Production and gathering-Other	0	0	0	0	0	0	-	-	-	-	-	-	0
21	8001	Intercompany Gas Well-head Purchases	0	0	0	0	0	0	0	0	0	0	0	0	0
22	8010	Natural gas field line purchases	4,142	4,391	5,053	4,211	4,530	5,323	7,324	5,555	5,780	6,581	4,319	4,014	61,223
23	8040	Natural gas city gate purchases	6,202,228	6,877,705	2,247,879	927,969	6,008,160	4,785,366	5,782,058	3,445,775	3,107,251	3,438,833	4,828,545	2,228,394	49,880,163
24	8050	Other purchases	(1,038)	(266)	(310)	(1,326)	(63)	0	(294)	(702)	(1,696)	(1,027)	(72)	(1,267)	(8,061)
25	8051	PGA for Residential	12,247,864	10,646,486	6,624,829	6,433,023	2,509,641	813,837	842,170	633,325	656,352	686,034	2,799,494	5,211,307	50,104,362
26	8052	PGA for Commercial	5,664,067	4,986,155	3,093,001	2,940,052	1,392,502	720,018	757,374	660,616	753,215	766,363	1,468,924	2,433,567	25,635,855
27	8053	PGA for Industrial	839,873	1,154,837	782,934	531,776	326,708	154,525	177,083	150,310	130,196	178,489	228,686	318,472	4,973,887
28	8054	PGA for Public Authorities	1,022,754	979,169	585,699	571,223	290,609	141,188	119,399	103,655	90,544	121,016	274,988	460,088	4,760,332
29	8058	Unbilled PGA Cost	(125,248)	(4,775,432)	1,386,749	(2,097,362)	(2,064,134)	(132,917)	(77,608)	85,243	(4,048)	1,158,383	1,984,840	3,086,270	(1,575,262)
30	8059	PGA Offset to Unrecovered Gas Cost	(12,305,787)	(14,904,062)	(9,380,793)	(8,938,833)	(5,948,837)	(3,054,463)	(2,938,143)	(2,094,409)	(2,009,258)	(2,346,774)	(3,530,039)	(5,662,828)	(73,114,227)
31	8060	Exchange gas	2,208,044	2,687,186	1,880,163	1,445,652	(953,989)	(1,317,365)	(2,793,875)	(1,537,645)	(914,548)	(1,047,042)	(1,230,719)	428,966	(1,145,172)
32	8081	Gas withdrawn from storage-Debit	2,111,350	2,831,484	3,028,402	4,186,573	93,597	0	0	207	0	0	18,607	1,414,768	13,684,989
33	8082	Gas delivered to storage-Credit	(767,260)	(82,687)	(93,915)	(68,391)	(1,292,344)	(2,081,697)	(1,808,946)	(1,190,773)	(1,392,592)	(1,315,934)	(1,769,235)	(313,867)	(12,177,639)
34	8120	Gas used for other utility operations-Credit	(3,733)	(4,846)	(8,115)	(3,819)	(1,045)	7,015	760	176	1,083	(8,888)	7,593	(2,933)	(16,752)
35	8580	Transmission and compression of gas by others	2,548,320	2,586,250	2,313,521	2,444,145	2,088,947	1,662,838	1,751,875	1,371,990	1,205,062	1,265,363	1,678,594	1,901,819	22,818,724
36	8140	Storage-Operation supervision and engineering	0	0	0	0	0	0	-	-	-	-	-	-	0
37	8160	Wells expenses	17,163	8,905	2,878	3,991	33,606	124,067	35,130	21,842	21,658	20,740	20,422	16,332	326,734
38	8170	Lines expenses	5,748	1,964	614	812	1,432	1,515	1,784	1,823	1,607	1,817	1,804	1,718	22,639
39	8180	Compressor station expenses	3,768	2,067	2,175	1,614	4,832	1,735	2,460	2,292	1,952	2,067	2,073	1,827	28,860
40	8190	Compressor station fuel and power	95	114	104	0	101	104	58	61	55	58	64	64	879
41	8200	Storage-Measuring and regulating station expenses	327	1,967	796	(62)	574	279	619	494	456	480	485	431	6,847
42	8210	Storage-Purification expenses	16,004	8,232	979	(180)	1,241	3,291	4,437	4,370	3,807	4,212	4,189	3,886	54,469
43	8240	Storage-Other expenses	0	0	0	0	0	0	-	-	-	-	-	-	0
44	8250	Storage well royalties	2,637	773	854	949	406	535	695	729	658	690	762	763	10,451
45	8310	Storage-Maintenance of structures and improvement	460	1,020	824	88	2,405	3,015	1,509	867	885	894	879	695	13,541
46	8340	Maintenance of compressor station equipment	0	31	1,243	(178)	1,034	(319)	274	283	251	288	283	272	3,463
47	8350	Maintenance of measuring and regulating station equ	0	0	0	0	0	0	-	-	-	-	-	-	0
48	8360	Processing-Maintenance of purification equipment	0	0	0	0	0	0	-	-	-	-	-	-	0
49	8370	Maintenance of other equipment	0	0	0	0	0	0	-	-	-	-	-	-	0
50	8410	Other storage expenses-Operation labor and expens	19,063	(7,360)	6,380	5,083	5,229	9,242	5,598	5,874	5,232	5,929	5,936	5,594	71,800
51	8500	Transmission-Operation supervision and engineering	0	0	0	0	29	0	4	4	3	3	3	2	47
52	8520	Communication system expenses	0	0	0	0	0	0	-	-	-	-	-	-	0
53	8550	Other fuel and power for Compression	40	35	38	35	35	35	24	26	23	24	27	27	368
54	8560	Mains expenses	12,456	29,431	47,534	35,351	49,826	43,468	35,638	29,707	27,268	29,313	29,064	26,134	395,189
55	8570	Transmission-Measuring and regulating station expe	2,184	10,619	(1,841)	1,398	2,143	1,419	2,247	2,319	2,056	2,310	2,327	2,245	29,427
56	8630	Transmission-Maintenance of mains	0	4,742	1,146	774	2,447	(617)	1,308	1,360	1,254	1,390	1,331	1,434	16,570

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Monthly Jurisdictional Operating Income by FERC Account
Base Period: Twelve Months Ended December 31, 2018

Data:___X____Base Period________Forecasted Period — FR 16(8)(c)2.2
Type of Filing:___X____Original________Updated ________Revised — Schedule C-2.2
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

Line No.	Acct No.	Account Discription	actual Jan-18	actual Feb-18	actual Mar-18	actual Apr-18	actual May-18	actual Jun-18	Forecasted Jul-18	Forecasted Aug-18	Forecasted Sep-18	Budgeted Oct-18	Budgeted Nov-18	Budgeted Dec-18	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
57	8640	Transmission-Maintenance of compressor sta equipn	0	0	0	0	0	0	-	-	-	-	-	-	0
58	8650	Transmission-Maintenance of measuring and regulat	0	0	0	0	0	0	-	-	-	-	-	-	0
59	8700	Distribution-Operation supervision and engineering	161,945	57,921	123,488	161,656	183,228	205,825	119,913	117,861	107,150	71,405	74,571	67,880	1,452,843
60	8710	Distribution load dispatching	70	219	43	22	22	90	53	55	50	52	58	58	792
61	8711	Odorization	0	0	3,088	3,034	10,112	0	2,458	2,066	1,651	1,530	1,594	1,194	26,727
62	8720	Distribution-Compressor station labor and expenses	0	0	0	0	0	0	-	-	-	-	-	-	0
63	8740	Mains and Services Expenses	361,665	388,135	427,162	365,967	433,283	539,227	409,982	345,043	325,861	335,446	339,290	314,148	4,585,210
64	8750	Distribution-Measuring and regulating station expens	105,325	39,732	29,160	41,975	68,724	49,621	51,319	49,120	43,558	47,959	47,859	43,929	618,282
65	8760	Distribution-Measuring and regulating station expens	5,807	9,697	17,157	7,738	12,852	12,595	9,958	10,286	9,125	10,444	10,239	9,904	125,801
66	8770	Distribution-Measuring and regulating station expens	665	467	206	412	14,620	10,312	4,468	3,171	2,871	2,810	2,861	2,278	45,140
67	8780	Meter and house regulator expenses	123,137	64,566	51,529	67,477	71,005	67,139	66,112	68,983	61,769	70,311	70,021	66,763	848,813
68	8790	Customer installations expenses	0	0	0	1,827	0	0	277	233	186	172	179	134	3,009
69	8800	Distribution-Other expenses	733	123	1,232	445	325	699	458	479	481	204	173	380	5,729
70	8810	Distribution-Rents	38,427	45,088	46,695	54,738	40,066	36,209	29,605	31,005	28,173	29,057	31,809	32,705	443,578
71	8850	Distribution-Maintenance supervision and engineerin	38	168	0	21	183	8	101	106	165	107	57	278	1,232
72	8860	Distribution-Maintenance of structures and improvem	0	0	0	0	80	0	12	10	8	8	8	6	131
73	8870	Distribution-Maint of mains	3,558	2,538	2,437	1,169	2,175	4,207	2,595	2,338	2,131	2,393	2,350	2,183	30,074
74	8890	Maintenance of measuring and regulating station equ	9,671	8,891	3,151	8,057	1,172	8,115	5,735	5,729	5,000	5,538	5,539	5,187	71,786
75	8900	Maintenance of measuring and regulating station equ	568	(224)	464	0	420	0	186	166	138	138	141	117	2,114
76	8910	Maintenance of measuring and regulating station equ	0	0	0	0	0	560	63	66	60	63	69	69	950
77	8920	Maintenance of services	1,873	304	(34)	509	172	732	537	556	492	565	555	532	6,794
78	8930	Maintenance of meters and house regulators	0	0	0	0	0	0	-	-	-	-	-	-	0
79	8940	Distribution-Maintenance of other equipment	657	430	559	1,701	1,255	162	721	607	485	449	468	351	7,847
80	9010	Customer accounts-Operation supervision	0	0	0	0	0	0	-	-	-	-	-	-	0
81	9020	Customer accounts-Meter reading expenses	101,007	103,318	108,555	100,538	125,550	81,656	105,814	82,851	78,435	83,575	82,130	74,467	1,127,896
82	9030	Customer accounts-Customer records and collection	97,695	100,440	127,619	120,053	127,428	142,633	128,726	89,868	87,186	92,573	90,993	78,242	1,283,457
83	9040	Customer accounts-Uncollectible accounts	47,272	43,913	37,532	54,899	22,112	145,471	27,627	28,037	28,525	27,632	37,759	48,564	549,343
84	9090	Customer service-Operating informational and instruc	12,027	8,469	11,706	11,387	12,611	11,148	9,548	10,607	9,633	10,813	11,124	10,450	129,523
85	9100	Customer service-Miscellaneous customer service	0	0	0	0	0	0	-	-	-	-	-	-	0
86	9110	Sales-Supervision	19,520	21,069	25,226	21,668	22,386	21,582	18,200	20,753	19,061	21,128	22,089	20,700	253,382
87	9120	Sales-Demonstrating and selling expenses	14,362	15,311	4,892	9,360	7,557	22,228	9,575	12,807	13,421	9,828	17,667	6,973	143,981
88	9130	Sales-Advertising expenses	3,358	3,435	7,297	1,606	5,854	671	2,741	4,034	4,244	2,786	5,444	2,060	43,530
89	9200	A&G-Administrative & general salaries	10,060	10,882	11,970	11,636	12,840	11,988	10,473	10,885	9,649	11,135	10,925	10,512	132,956
90	9210	A&G-Office supplies & expense	2,618	1,093	2,815	2,163	(50)	2,570	861	1,289	1,334	1,353	1,810	1,456	19,311
91	9220	A&G-Administrative expense transferred-Credit	1,077,087	921,578	1,144,944	997,870	1,306,075	776,412	1,222,953	1,071,648	1,079,925	1,130,382	1,158,533	1,143,338	13,030,745
92	9230	A&G-Outside services employed	160	0	15,004	6,065	257	185,986	40,224	22,973	23,539	23,808	23,388	18,509	359,911
93	9240	A&G-Property insurance	14,262	14,561	13,925	13,181	14,464	14,123	499	370	370	127	-	2,476	88,358
94	9250	A&G-Injuries & damages	2,590	3,244	7,379	4,034	26,251	1,996	8,299	5,129	5,652	5,380	5,618	4,333	79,906
95	9260	A&G-Employee pensions and benefits	186,991	142,600	136,940	137,078	173,569	139,491	137,766	143,670	134,798	166,081	163,969	158,311	1,821,264
96	9270	A&G-Franchise requirements	0	408	0	0	0	0	50	74	78	51	100	38	800
97	9280	A&G-Regulatory commission expenses	(5,239)	5,750	22,135	21,253	(139,296)	20,951	2,969	551	1,263	54,210	56,040	52,179	92,766
98	9302	Miscellaneous general expenses	20,220	4,982	4,024	13,199	3,649	5,222	10,787	1,805	319	11,123	7,551	913	83,791
99	9310	A&G-Rents	1,305	1,305	1,305	1,305	1,300	1,300	883	925	835	874	965	966	13,266
100	9320	A&G-Maintenance of general plant	0	0	0	0	0	11,000	2,388	401	78	2,658	1,877	410	18,812
101															
102		Operating (Income)Loss*	($6,672,482)	($6,217,458)	($4,422,972)	($3,199,299)	($902,644)	($492,418)	(594,883)	($1,034,749)	($973,306)	($1,458,764)	($2,966,264)	($5,022,933)	($27,227,011)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.
**Note: Provision for Income Taxes is not a component of Operating Income but is included on this schedule to develop the 12 month total for use elsewhere in the model

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Monthly Jurisdictional Operating Income by FERC Account, **Div 002 Only**
Base Period: Twelve Months Ended December 31, 2018

Data:___X____Base Period________Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(c)2.2
Schedule C-2.2
Witness: Waller, Densman

Line No.	Acct No.	Account Discription	actual Jan-18	actual Mar-18	actual Mar-18	actual Apr-18	actual May-18	actual Jun-18	Forecasted Jul-18	Forecasted Aug-18	Forecasted Sep-18	Budgeted Oct-18	Budgeted Nov-18	Budgeted Dec-18	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
1	4030	Depreciation Expense	(0)	(0)	0	(0)	0	(0)	0	0	0	0	0	0	(0)
2	4081	Taxes other than income taxes, utility operating	0	(0)	(0)	(0)	(0)	(1,095,601)	0	0	0	0	0	0	(1,095,601)
3	8210	Storage-Purification expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
4	8700	Distribution-Operation supervision and engineer	105,093	438	61,170	1,555	606	426	38,643	37,284	41,646	43,123	41,580	40,013	411,576
5	8560	Mains Expenses	0	0	11,697	(5,628)	913	0	1,251	1,308	1,137	1,355	1,297	1,238	14,569
6	8740	Mains and Services Expenses	6,615	3,693	4,172	(6,958)	5,773	3,329	6,080	6,080	6,084	6,227	6,227	6,227	53,552
7	8780	Meter and house regulator expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
8	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
9	8850	Distribution-Maintenance supervision and engin	0	0	22,774,821	2,090,628	51,305	(237,351)	17,861,546	16,440,372	16,012,005	16,712,710	16,588,629	16,696,241	124,990,906
10	8900	Maintenance of measuring and regulating statio	0	0	0	0	0	0	0	0	0	0	0	0	0
11	9010	Customer accounts-Operation supervision	0	0	0	0	0	0	0	0	0	0	0	0	0
12	9030	Customer accounts-Customer records and colle	5,314	4,452	11,757	9,549	10,028	9,468	9,034	9,444	8,222	9,786	9,361	8,948	105,363
13	9100	Customer service-Miscellaneous customer servi	0	0	0	0	0	0	0	0	0	0	0	0	0
14	9120	Sales-Demonstrating and selling expenses	8,288	0	347	0	0	19	1,659	1,659	1,962	2,005	1,757	2,643	20,339
15	9160	Sales-Miscellaneous sales expenses	0	0	0	0	1,009	591	414	385	479	470	454	439	4,241
16	9200	A&G-Administrative & general salaries	205,452	(627,908)	(2,192,440)	(401,667)	(899,220)	(5,306,855)	(19,561,056)	(17,493,191)	(17,457,761)	(17,685,819)	(17,715,212)	(18,042,505)	(117,178,183)
17	9210	A&G-Office supplies & expense	2,142,790	1,771,426	1,682,549	2,041,980	1,933,265	2,210,856	2,521,099	2,498,875	2,668,458	2,925,307	2,709,077	2,859,363	27,965,045
18	9220	A&G-Administrative expense transferred-Credit	(8,771,030)	(7,951,782)	(10,587,390)	(8,252,356)	(13,352,610)	(5,009,612)	(9,656,780)	(8,022,889)	(7,941,749)	(8,813,419)	(8,811,471)	(8,957,492)	(106,128,578)
19	9230	A&G-Outside services employed	689,944	802,488	1,004,663	1,133,846	1,038,732	1,348,513	843,365	804,371	921,592	903,707	881,820	924,838	11,297,879
20	9240	A&G-Property insurance	11,426	11,426	10,819	10,819	10,819	10,819	12,394	12,394	12,394	11,863	11,969	11,969	139,111
21	9250	A&G-Injuries & damages	1,587,463	1,587,213	1,877,081	1,587,313	1,587,109	1,084,489	1,745,129	1,745,643	1,744,101	1,671,403	1,685,753	1,685,234	19,587,929
22	9260	A&G-Employee pensions and benefits	2,898,622	3,461,898	5,497,584	3,538,375	9,024,587	4,392,184	5,377,761	3,157,123	2,979,918	3,372,567	3,772,917	3,709,119	51,182,656
23	9301	A&G-General advertising expense	0	0	0	0	0	0	0	0	0	0	0	0	0
24	9302	Miscellaneous general expenses	579,195	377,496	2,956,336	386,906	186,525	263,397	271,775	276,565	463,356	261,299	243,628	509,151	6,775,628
25	9310	A&G-Rents	506,336	515,892	421,345	109,297	405,038	456,120	491,303	488,913	501,305	534,953	532,113	502,561	5,465,175
26	9320	A&G-Maintenance of general plant	24,040	45,828	4,367	30,115	47,043	34,154	36,382	35,664	36,849	42,464	40,101	42,014	419,021
27		Operating (Income)Loss*	($451)	$2,559	$23,538,878	$2,273,773	$50,921	($1,835,054)	$0	($0)	($0)	$0	($0)	($0)	$24,030,627
28															
29	9220	A&G-Administrative expense transferred-Credit	(8,771,030)	(7,951,782)	(10,587,390)	(8,252,356)	(13,352,610)	(5,009,612)	(9,656,780)	(8,022,889)	(7,941,749)	(8,813,419)	(8,811,471)	(8,957,492)	(106,128,578)
30		Allocation Factor to Kentucky	5.86%	5.80%	5.70%	5.95%	5.60%	6.28%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.50%
31		Total Allocated Amount	(513,970)	(461,380)	(603,222)	(490,841)	(747,763)	(314,607)	(499,943)	(415,355)	(411,154)	(456,281)	(456,180)	(463,740)	(5,834,437)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Monthly Jurisdictional Operating Income by FERC Account, **Div 012 Only**
Base Period: Twelve Months Ended December 31, 2018

Data:___X____Base Period________Forecasted Period — FR 16(8)(c)2.2
Type of Filing:___X____Original________Updated ________Revised — Schedule C-2.2
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

Line No.	Acct No.	Account Discription	actual Jan-18	actual Mar-18	actual Mar-18	actual Apr-18	actual May-18	actual Jun-18	Forecasted Jul-18	Forecasted Aug-18	Forecasted Sep-18	Budgeted Oct-18	Budgeted Nov-18	Budgeted Dec-18	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
1	4030	Depreciation Expense	0	0	0	(0)	0	(0)	0	0	0	0	0	0	(0)
2	4081	Taxes other than income taxes, utility operating income	0	(0)	(0)	0	0	(0)	0	0	0	0	0	0	0
3	8700	Distribution-Operation supervision and engineering	0	395	0	0	1,137	3,316	1,031	1,092	1,089	851	851	985	10,746
4	8740	Mains and Services Expenses	1,599	1,401	1,614	1,672	1,409	1,471	1,687	1,687	1,687	1,724	1,724	1,724	19,399
5	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
6	9010	Customer accounts-Operation supervision	352,196	307,312	349,670	327,960	361,872	319,906	428,394	444,161	408,993	434,598	432,744	412,755	4,580,562
7	9020	Customer accounts-Meter reading expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
8	9030	Customer accounts-Customer records and collections expenses	1,741,680	1,492,516	1,708,357	1,522,186	1,617,146	1,504,397	1,914,208	1,944,277	1,703,896	1,986,287	1,880,332	1,794,672	20,809,954
9	9200	A&G-Administrative & general salaries	372,338	306,658	349,706	390,956	367,638	344,049	413,871	432,534	377,114	436,138	417,906	398,791	4,607,698
10	9210	A&G-Office supplies & expense	589,412	605,657	714,835	706,341	644,057	628,961	191,855	180,790	179,692	153,090	150,562	151,916	4,897,168
11	9220	A&G-Administrative expense transferred-Credit	(4,107,536)	(3,616,023)	(3,896,279)	(3,884,435)	(4,070,220)	(3,717,147)	(3,977,653)	(4,067,300)	(3,611,821)	(4,044,130)	(3,873,415)	(3,711,715)	(46,577,674)
12	9230	A&G-Outside services employed	85,332	57,130	52,402	61,634	103,506	59,968	50,422	48,472	46,025	32,386	34,086	31,000	662,361
13	9240	A&G-Property insurance	8,106	8,106	7,660	7,660	7,660	7,660	0	0	0	0	0	0	46,853
14	9250	A&G-Injuries & damages	17	17	17	0	0	0	0	0	0	0	0	0	52
15	9260	A&G-Employee pensions and benefits	823,774	704,864	579,503	731,730	834,566	715,362	839,343	877,906	756,941	867,377	823,530	787,853	9,342,751
16	9310	A&G-Rents	131,073	131,911	131,577	134,295	131,230	131,090	136,839	136,378	136,378	131,675	131,675	132,010	1,596,132
17	9320	A&G-Maintenance of general plant	2,009	56	935	0	0	968	3	3	6	4	4	9	3,997
18															
19		Operating (Income)Loss*	($0)	($0)	$0	$0	$0	$0	$0	$0	($0)	$0	($0)	($0)	$0
20															
21	9220	A&G-Administrative expense transferred-Credit	(4,107,536)	(3,616,023)	(3,896,279)	(3,884,435)	(4,070,220)	(3,717,147)	(3,977,653)	(4,067,300)	(3,611,821)	(4,044,130)	(3,873,415)	(3,711,715)	(46,577,674)
22		Allocation Factor to Kentucky	4.54%	4.50%	4.52%	4.49%	4.54%	4.38%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.07%
23		Total Allocated Amount	(186,586)	(162,752)	(176,247)	(174,271)	(184,807)	(162,958)	(224,388)	(229,445)	(203,751)	(228,138)	(218,508)	(209,386)	(2,361,238)
24															

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Monthly Jurisdictional Operating Income by FERC Account, **Div 091 Only**
Base Period: Twelve Months Ended December 31, 2018

Data:___X____Base Period________Forecasted Period — FR 16(8)(c)2.2
Type of Filing:___X____Original________Updated ________Revised — Schedule C-2.2
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

Line No.	Acct No.	Account Discription	actual Jan-18	actual Feb-18	actual Mar-18	actual Apr-18	actual May-18	actual Jun-18	Forecasted Jul-18	Forecasted Aug-18	Forecasted Sep-18	Budgeted Oct-18	Budgeted Nov-18	Budgeted Dec-18	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
1	4030	Depreciation Expense	(0)	(0)	(0)	(0)	(0)	0	0	0	0	0	0	0	0
2	4060	Amortization of gas plant acquisition adjustments	0	0	0	0	0	0							0
3	4081	Taxes other than income taxes, utility operating i	0	(0)	(0)	0	0	113,942	0	0	0	0	0	0	113,943
4	8170	Lines expenses	47	48	45	43	39	42	45	43	44	40	40	41	518
5	8180	Compressor station expenses	49	50	46	45	41	36	46	44	44	41	41	41	524
6	8190	Compressor station fuel and power	384	10	502	70	10	599	269	257	261	241	240	243	3,084
7	8210	Storage-Purification expenses	519	411	374	192	112	107	293	280	284	262	261	265	3,361
8	8240	Storage-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
9	8250	Storage well royalties	3,345	957	2,384	3,109	841	572	1,913	1,826	1,855	1,711	1,705	1,728	21,945
	8500	Transmission-Operation supervision and enginee	0	0	0	0	0	0	0	0	0	0	0	0	0
10	8560	Mains expenses	63	65	60	58	53	47	59	56	57	53	52	53	674
11	8570	Transmission-Measuring and regulating station e	94	97	89	87	79	83	90	86	87	81	80	82	1,035
12	8650	Transmission-Maintenance of me - Non-Inventor	0	0	0	0	0	445	66	74	58	40	70	97	850
13	8700	Distribution-Operation supervision and engineeri	293,118	240,516	223,259	246,464	254,197	238,116	281,150	294,870	305,142	322,467	348,949	302,321	3,350,569
14	8711	Odorization	16,631	13,457	0	2,264	0	3,085	5,273	5,925	4,613	3,213	5,613	7,690	67,765
15	8740	Mains and Services Expenses	14,447	8,226	6,437	7,402	10,512	(11,155)	9,350	9,782	10,691	10,000	10,262	10,808	96,762
16	8750	Distribution-Measuring and regulating station exp	12,539	9,850	13,719	18,886	14,790	12,619	13,054	13,601	12,744	13,325	14,678	14,332	164,138
17	8760	Distribution-Measuring and regulating station exp	0	0	0	0	0	0	0	0	0	0	0	0	0
18	8770	Distribution-Measuring and regulating station exp	240	3,984	4,154	0	2,043	0	1,551	1,742	1,357	945	1,651	2,261	19,927
19	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
20	8810	Distribution-Rents	23,863	23,776	23,073	21,788	23,332	23,466	23,784	22,695	23,054	21,271	21,189	21,480	272,771
21	9010	Customer accounts-Operation supervision	1,990	2,056	3,098	2,447	2,901	2,562	2,260	2,314	2,210	2,513	2,697	2,338	29,386
22	9020	Customer accounts-Meter reading expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
23	9030	Customer accounts-Customer records and collec	164,975	161,951	176,360	160,299	168,108	148,876	317,888	321,275	387,514	290,541	313,969	325,653	2,937,409
24	9100	Customer service-Miscellaneous customer servic	80	0	61	0	395	61	101	122	121	142	170	111	1,363
25	9110	Sales-Supervision	14,900	10,718	14,998	32,051	10,612	11,034	15,421	15,360	16,667	16,511	20,663	15,758	194,694
26	9120	Sales-Demonstrating and selling expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
27	9130	Sales-Advertising expenses	0	0	0	0	412	127	91	110	109	128	154	100	1,230
28	9200	A&G-Administrative & general salaries	(9,382)	(31,796)	(6,413)	(14,769)	(29,539)	(14,681)	7,981	7,915	10,225	1,359	654	755	(77,689)
29	9210	A&G-Office supplies & expense	25	281	1,997	0	0	50	471	438	610	466	785	468	5,592
30	9220	A&G-Administrative expense transferred-Credit	(756,390)	(597,520)	(734,179)	(668,458)	(750,312)	(600,333)	(1,001,651)	(857,469)	(934,152)	(895,868)	(971,966)	(944,580)	(9,712,877)
31	9230	A&G-Outside services employed	1,630	1,731	13,787	7,155	8,172	22,891	24,122	24,216	30,885	20,948	23,289	24,620	203,446
32	9240	A&G-Property insurance	(1,028)	(1,105)	(1,217)	(1,119)	(1,066)	(1,093)	(6,879)	(6,930)	(7,499)	(6,782)	(6,840)	(6,857)	(48,414)
33	9250	A&G-Injuries & damages	19,633	19,705	16,367	18,874	18,865	18,486	34,949	35,748	34,856	38,634	37,963	37,156	331,235
34	9260	A&G-Employee pensions and benefits	197,785	132,532	241,001	163,110	257,903	143,957	257,825	90,978	86,757	150,291	166,344	175,484	2,063,968
35	9280	A&G-Regulatory commission expenses	441	0	0	0	0	0	108	82	75	212	142	74	1,134
36	9302	Miscellaneous general expenses	0	0	0	0	7,500	0	10,370	14,559	11,331	7,214	7,144	7,479	65,598
37	9310	A&G-Rents	0	0	0	0	0	0	0	0	0	0	0	0	0
38															
39	Operating (Income)Loss*		$0	$0	$0	$0	$0	$113,942	$0	($0)	($0)	$0	($0)	($0)	($3,215,958)
40															
41	9220	A&G-Administrative expense transferred-Credit	(756,390)	(597,520)	(734,179)	(668,458)	(750,312)	(600,333)	(1,001,651)	(857,469)	(934,152)	(895,868)	(971,966)	(944,580)	(9,712,877)
42		Allocation Factor to Kentucky	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%
43		Total Allocated Amount	(376,531)	(297,446)	(365,474)	(332,758)	(373,505)	(298,846)	(498,622)	(426,848)	(465,021)	(445,963)	(483,845)	(470,212)	(4,835,070)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Monthly Jurisdictional Operating Income by FERC Account
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:________Base Period___X____Forecasted Period | FR 16(8)(c)2.2
Type of Filing:___X____Original________Updated ________Revised | Schedule C-2.2
Workpaper Reference No(s).____________________ | Witness: Waller, Densman

Line No.	Acct No.	Account Discription	Forecasted Apr-19	Forecasted May-19	Forecasted Jun-19	Forecasted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
1	4091	Provision for Federal & State Income Taxes	529,583	529,583	529,583	529,583	529,583	529,583	529,583	529,583	529,583	529,583	529,583	529,583	6,354,996
2															
3	4030	Depreciation Expense	1,878,481	1,878,481	1,878,481	1,878,481	1,878,481	1,878,481	1,878,481	1,878,481	1,878,481	1,878,481	1,878,481	1,878,481	22,541,774
4	4060	Amortization of gas plant acquisition adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0
5	4081	Taxes other than income taxes, utility operating inco	640,835	738,129	594,669	612,104	591,163	611,801	608,409	662,710	585,360	647,320	601,852	617,486	7,511,837
6	4800	Residential sales	(8,610,670)	(5,415,767)	(4,024,680)	(3,684,913)	(3,686,810)	(3,665,404)	(4,813,510)	(8,164,047)	(12,309,251)	(15,261,501)	(15,293,972)	(11,588,966)	(96,519,490)
7	4805	Unbilled Residential Revenue													
8	4811	Commercial Revenue	(3,740,234)	(2,430,597)	(1,825,191)	(1,683,031)	(1,674,193)	(1,655,981)	(2,100,481)	(3,492,016)	(5,194,864)	(6,452,614)	(6,412,213)	(4,946,605)	(41,608,020)
9	4812	Industrial Revenue	(476,019)	(245,338)	(137,169)	(160,281)	(201,967)	(189,234)	(256,406)	(353,761)	(529,689)	(1,366,721)	(935,261)	(518,540)	(5,370,385)
10	4815	Unbilled Comm Revenue													
11	4816	Unbilled Industrial Revenue													
12	4820	Other Sales to Public Authorities	(608,129)	(347,107)	(235,663)	(213,588)	(213,629)	(204,562)	(309,465)	(584,748)	(914,867)	(1,137,917)	(1,135,614)	(844,518)	(6,749,807)
13	4825	Unbilled Public Authority Revenue													
14	4870	Forfeited discounts	(158,007)	(116,547)	(73,687)	(54,761)	(50,223)	(50,164)	(49,723)	(64,996)	(110,128)	(165,694)	(205,564)	(205,470)	(1,304,965)
15	4880	Miscellaneous service revenues	(49,919)	(53,628)	(55,397)	(45,327)	(57,173)	(55,395)	(88,176)	(126,545)	(87,101)	(58,133)	(54,439)	(74,821)	(806,054)
16	4893	Revenue-Transportation Commercial	(1,283,037)	(1,128,527)	(1,043,108)	(994,105)	(1,088,324)	(1,079,966)	(1,210,609)	(1,304,753)	(1,422,620)	(1,613,292)	(1,319,597)	(1,393,444)	(14,881,382)
17	4950	Other Gas Revenue	(209,397)	(195,682)	(179,746)	(157,141)	(159,212)	(171,560)	(201,623)	(213,081)	(245,950)	(268,663)	(230,460)	(245,247)	(2,477,763)
18	4960	Provision for Rate Refunds													0
19	7560	Field measuring and regulating station expenses	-	-	-	-	-	-	-	-	-	-	-	-	0
20	7590	Production and gathering-Other	-	-	-	-	-	-	-	-	-	-	-	-	0
21	8001	Intercompany Gas Well-head Purchases	0	0	0	0	0	0	0	0	0	0	0	0	0
22	8010	Natural gas field line purchases	3,587	6,498	6,067	6,533	5,609	5,836	6,647	4,208	3,911	3,186	4,968	4,191	61,240
23	8040	Natural gas city gate purchases	790,374	8,617,999	5,454,286	5,157,504	3,479,428	3,137,525	3,473,123	4,704,009	2,170,949	4,770,003	7,781,592	1,864,528	51,401,318
24	8050	Other purchases	(1,129)	(91)	0	(262)	(708)	(1,713)	(1,037)	(70)	(1,234)	(799)	(301)	(257)	(7,602)
25	8051	PGA for Residential	5,479,165	3,599,785	927,599	751,202	639,510	662,747	692,875	2,727,290	5,076,966	9,419,574	12,045,677	5,495,037	47,517,427
26	8052	PGA for Commercial	2,504,115	1,997,380	820,666	675,566	667,067	760,554	774,005	1,431,038	2,370,833	4,356,115	5,641,450	2,565,524	24,564,311
27	8053	PGA for Industrial	452,927	468,624	176,125	157,955	151,778	131,464	180,269	222,788	310,262	645,928	1,306,609	649,413	4,854,142
28	8054	PGA for Public Authorities	486,525	416,845	160,924	106,502	104,668	91,426	122,222	267,896	448,227	786,578	1,107,854	485,814	4,585,482
29	8058	Unbilled PGA Cost	(1,786,375)	(2,960,757)	(151,497)	(69,225)	86,076	(4,087)	1,169,934	1,933,648	3,006,709	(96,326)	(5,403,032)	1,150,255	(3,124,678)
30	8059	PGA Offset to Unrecovered Gas Cost	(7,613,425)	(8,532,908)	(3,481,430)	(2,620,777)	(2,114,863)	(2,028,834)	(2,370,175)	(3,438,993)	(5,516,847)	(9,464,121)	(16,862,796)	(7,781,002)	(71,826,171)
31	8060	Exchange gas	1,231,297	(1,368,386)	(1,501,513)	(2,492,092)	(1,552,662)	(923,458)	(1,057,483)	(1,198,976)	417,908	1,698,160	3,040,344	1,559,522	(2,147,338)
32	8081	Gas withdrawn from storage-Debit	3,565,807	134,253	0	0	209	0	0	18,127	1,378,297	1,623,795	3,203,606	2,511,942	12,436,037
33	8082	Gas delivered to storage-Credit	(58,250)	(1,853,715)	(2,372,686)	(1,613,551)	(1,202,402)	(1,406,160)	(1,329,056)	(1,723,603)	(305,776)	(590,083)	(93,554)	(77,899)	(12,626,734)
34	8120	Gas used for other utility operations-Credit	(3,252)	(1,499)	7,996	678	178	1,093	(8,977)	7,397	(2,858)	(2,871)	(5,483)	(6,731)	(14,329)
35	8580	Transmission and compression of gas by others	2,081,739	2,996,349	1,895,277	1,562,644	1,385,389	1,216,803	1,277,981	1,635,300	1,852,792	1,959,859	2,926,142	1,918,975	22,709,250
36	8140	Storage-Operation supervision and engineering	-	-	-	-	-	-	-	-	-	-	-	-	0
37	8160	Wells expenses	31,298	24,253	30,923	28,122	31,187	25,335	20,821	20,501	16,408	19,192	16,767	27,110	291,917
38	8170	Lines expenses	1,775	1,785	1,617	1,787	1,730	1,638	1,865	1,851	1,764	1,970	1,715	1,753	21,251
39	8180	Compressor station expenses	2,305	2,038	1,907	2,266	2,137	1,851	2,105	2,111	1,863	2,305	2,027	2,144	25,060
40	8190	Compressor station fuel and power	63	61	60	54	60	57	58	64	64	69	61	65	735
41	8200	Storage-Measuring and regulating station expenses	589	509	555	551	575	496	485	490	436	501	446	547	6,181
42	8210	Storage-Purification expenses	4,313	4,144	3,798	4,312	4,130	3,791	4,313	4,289	3,981	4,601	4,020	4,164	49,856
43	8240	Storage-Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	0
44	8250	Storage well royalties	747	725	714	645	718	676	690	762	763	827	726	770	8,763
45	8310	Storage-Maintenance of structures and improvemen	1,373	1,044	1,388	1,244	1,385	1,110	894	879	695	796	735	1,195	12,736
46	8340	Maintenance of compressor station equipment	273	282	252	280	269	259	297	291	280	308	268	272	3,331
47	8350	Maintenance of measuring and regulating station eq	-	-	-	-	-	-	-	-	-	-	-	-	0
48	8360	Processing-Maintenance of purification equipment	-	-	-	-	-	-	-	-	-	-	-	-	0
49	8370	Maintenance of other equipment	-	-	-	-	-	-	-	-	-	-	-	-	0
50	8410	Other storage expenses-Operation labor and expen	5,751	5,789	5,224	5,756	5,601	5,421	6,094	6,097	5,750	6,354	5,560	5,686	69,083
51	8500	Transmission-Operation supervision and engineerin	4	3	3	4	3	2	3	3	2	3	3	3	35
52	8520	Communication system expenses	-	-	-	-	-	-	-	-	-	-	-	-	0
53	8550	Other fuel and power for Compression	26	26	25	23	25	24	24	27	27	29	26	27	308
54	8560	Mains expenses	33,952	30,334	31,661	32,800	33,171	29,203	29,824	29,566	26,617	30,410	26,935	31,730	366,202
55	8570	Transmission-Measuring and regulating station expe	2,271	2,291	2,099	2,240	2,217	2,109	2,364	2,380	2,295	2,536	2,209	2,267	27,278
56	8630	Transmission-Maintenance of mains	1,304	1,313	1,295	1,372	1,282	1,265	1,430	1,370	1,471	1,469	1,334	1,374	16,280

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Monthly Jurisdictional Operating Income by FERC Account
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:________Base Period___X____Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(c)2.2
Schedule C-2.2
Witness: Waller, Densman

Line No.	Acct No.	Account Discription	Forecasted Apr-19	Forecasted May-19	Forecasted Jun-19	Forecasted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
57	8640	Transmission-Maintenance of compressor sta equip	-	-	-	-	-	-	-	-	-	-	-	-	0
58	8650	Transmission-Maintenance of measuring and regula	-	-	-	-	-	-	-	-	-	-	-	-	0
59	8700	Distribution-Operation supervision and engineering	95,363	82,927	81,809	87,702	87,419	86,667	72,471	75,617	68,886	81,362	57,661	85,527	963,411
60	8710	Distribution load dispatching	56	55	54	49	54	51	52	58	58	63	55	58	663
61	8711	Odorization	2,139	1,517	1,487	2,007	1,818	1,334	1,530	1,594	1,194	1,853	1,659	1,824	19,956
62	8720	Distribution-Compressor station labor and expenses	-	-	-	-	-	-	-	-	-	-	-	-	0
63	8740	Mains and Services Expenses	405,494	363,133	367,663	384,796	387,859	354,743	339,766	343,529	318,227	355,552	320,082	379,874	4,320,719
64	8750	Distribution-Measuring and regulating station expen:	50,709	47,612	45,168	49,809	48,525	44,745	49,054	48,933	44,962	51,455	45,286	48,455	574,714
65	8760	Distribution-Measuring and regulating station expen:	9,933	10,174	9,200	10,184	9,762	9,377	10,749	10,539	10,193	11,171	9,741	9,905	120,928
66	8770	Distribution-Measuring and regulating station expen:	4,040	3,056	3,580	3,697	3,816	3,009	2,810	2,861	2,278	2,941	2,662	3,537	38,286
67	8780	Meter and house regulator expenses	68,454	68,892	62,687	68,135	66,436	64,783	72,241	71,914	68,585	75,107	65,784	67,604	820,621
68	8790	Customer installations expenses	241	171	167	226	205	150	172	179	134	209	187	205	2,246
69	8800	Distribution-Other expenses	325	161	323	287	228	254	203	172	380	259	237	374	3,204
70	8810	Distribution-Rents	31,417	30,348	30,403	27,253	30,120	28,504	29,057	31,809	32,705	34,779	30,654	32,718	369,768
71	8850	Distribution-Maintenance supervision and engineerii	92	38	209	144	83	122	107	57	278	92	165	200	1,588
72	8860	Distribution-Maintenance of structures and improver	11	7	7	10	9	7	8	8	6	9	8	9	98
73	8870	Distribution-Maint of mains	2,529	2,425	2,402	2,509	2,510	2,304	2,451	2,406	2,238	2,476	2,172	2,431	28,852
74	8890	Maintenance of measuring and regulating station eq	5,626	5,458	4,992	5,594	5,398	4,992	5,667	5,666	5,309	6,084	5,311	5,477	65,572
75	8900	Maintenance of measuring and regulating station eq	168	137	129	163	150	122	140	143	119	160	141	151	1,723
76	8910	Maintenance of measuring and regulating station eq	68	66	65	58	65	61	63	69	69	75	66	70	795
77	8920	Maintenance of services	537	552	495	549	528	507	582	572	548	605	525	533	6,533
78	8930	Maintenance of meters and house regulators	-	-	-	-	-	-	-	-	-	-	-	-	0
79	8940	Distribution-Maintenance of other equipment	628	447	437	590	534	393	449	468	351	545	488	536	5,866
80	9010	Customer accounts-Operation supervision	-	-	-	-	-	-	-	-	-	-	-	-	0
81	9020	Customer accounts-Meter reading expenses	101,860	91,690	100,423	100,350	102,527	91,806	84,755	83,287	75,580	83,721	74,773	94,274	1,085,047
82	9030	Customer accounts-Customer records and collectior	120,600	101,159	119,241	113,238	120,905	102,644	93,660	92,059	79,268	88,775	79,888	109,365	1,220,802
83	9040	Customer accounts-Uncollectible accounts	22,446	10,897	20,882	20,241	20,817	20,056	28,172	39,073	52,615	41,449	20,234	44,169	341,050
84	9090	Customer service-Operating informational and instru	11,052	10,664	9,744	10,252	10,268	10,558	11,078	11,384	10,701	11,584	10,285	10,702	128,272
85	9100	Customer service-Miscellaneous customer service	-	-	-	-	-	-	-	-	-	-	-	-	0
86	9110	Sales-Supervision	22,227	20,874	19,322	19,909	20,208	21,279	21,599	22,552	21,146	22,649	20,329	21,374	253,468
87	9120	Sales-Demonstrating and selling expenses	7,941	6,529	6,575	8,470	12,396	8,211	9,828	17,667	6,973	10,653	10,030	10,663	115,937
88	9130	Sales-Advertising expenses	2,261	2,034	1,926	2,650	3,938	2,583	2,786	5,444	2,060	3,034	3,127	3,327	35,170
89	9200	A&G-Administrative & General Salaries	10,496	10,875	9,733	10,765	10,360	9,991	11,469	11,253	10,827	11,890	10,321	10,460	128,440
90	9210	A&G-Office supplies & expense	1,622	1,262	1,290	1,211	1,509	1,612	1,353	1,810	1,456	1,417	1,480	1,594	17,616
91	9220	A&G-Administrative expense transferred-Credit	1,200,012	1,410,253	1,126,527	1,355,808	1,074,751	1,114,812	1,150,349	1,177,101	1,160,596	1,258,873	1,168,001	1,301,683	14,498,764
92	9230	A&G-Outside services employed	36,621	27,876	37,172	33,168	37,019	29,690	23,808	23,388	18,509	21,094	19,476	31,877	339,697
93	9240	A&G-Property insurance	147	-	-	-	968	-	127	-	2,476	-	-	-	3,718
94	9250	A&G-Injuries & damages	7,589	5,961	7,749	6,930	7,850	6,362	5,380	5,618	4,333	4,930	4,515	6,794	74,010
95	9260	A&G-Employee pensions and benefits	153,585	160,208	144,233	156,546	151,618	147,825	151,848	150,004	144,874	157,964	136,688	135,889	1,791,281
96	9270	A&G-Franchise requirements	42	37	35	49	72	47	51	100	38	56	57	61	646
97	9280	A&G-Regulatory commission expenses	57,070	55,064	54,779	55,372	54,701	54,258	54,210	56,040	52,179	55,262	69,770	53,288	671,994
98	9302	Miscellaneous general expenses	8,307	1,083	2,344	(494)	(5)	(633)	11,123	7,551	913	12,043	(146)	(328)	41,757
99	9310	A&G-Rents	946	919	904	816	910	856	874	965	966	1,048	920	976	11,100
100	9320	A&G-Maintenance of general plant	2,049	448	732	107	209	71	2,658	1,877	410	2,865	240	138	11,804
101		Operating (Income)Loss*	($2,952,249)	($1,186,597)	($803,271)	($259,279)	($651,575)	($641,394)	($1,288,809)	($2,798,249)	($4,875,636)	($6,204,261)	($6,178,009)	($4,427,436)	($25,911,771)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.
**Note: Provision for Income Taxes is not a component of Operating Income but is included on this schedule to develop the 12 month total for use elsewhere in the model

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Monthly Jurisdictional Operating Income by FERC Account, **Div 002 Only**
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:________Base Period___X____Forecasted Period | FR 16(8)(c)2.2
Type of Filing:___X____Original________Updated ________Revised | Schedule C-2.2
Workpaper Reference No(s).____________________ | Witness: Waller, Densman

Line No.	Acct No.	Account Discription	Forecasted Apr-19	Forecasted Jun-19	Forecasted Jun-19	Forecasted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
1	4030	Depreciation Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
2	4081	Taxes other than income taxes, utility operating	0	0	0	0	0	0	0	0	0	0	0	0	0
3	8210	Storage-Purification expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
4	8560	Mains expenses	1,291	1,349	1,174	1,349	1,291	1,232	1,396	1,335	1,275	1,390	1,209	1,269	15,559
5	8700	Distribution-Operation supervision and engineer	40,289	42,176	40,148	42,878	40,508	43,400	43,510	41,950	40,366	41,070	39,694	41,180	497,169
6	8740	Mains and Services Expenses	6,227	6,227	6,227	6,227	6,227	6,231	6,227	6,227	6,227	6,227	6,227	6,227	74,734
7	8780	Meter and house regulator expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
8	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
9	8850	Maintenance Supervision and Engineering	16,990,315	21,798,985	16,389,216	20,381,249	15,192,473	15,531,582	16,712,710	16,588,629	16,696,241	17,593,151	16,611,593	19,213,246	209,699,389
9	8900	Maintenance of measuring and regulating statio	0	0	0	0	0	0	0	0	0	0	0	0	0
10	9010	Customer accounts-Operation supervision	0	0	0	0	0	0	0	0	0	0	0	0	0
11	9030	Customer accounts-Customer records and colle	9,321	9,741	8,488	9,742	9,319	8,907	10,079	9,641	9,216	10,038	8,733	9,303	112,527
12	9100	Customer service-Miscellaneous customer servi	0	0	0	0	0	0	0	0	0	0	0	0	0
13	9120	Sales-Demonstrating and selling	1,593	1,799	1,675	1,593	2,499	1,674	2,005	1,757	2,643	1,980	1,753	1,716	22,686
14	9160	Miscellaneous Sales Expenses	435	456	450	467	439	493	470	454	439	433	438	452	5,426
15	9200	A&G-Administrative & general salaries	(18,260,638)	(24,467,023)	(17,831,030)	(22,575,207)	(15,870,304)	(16,493,103)	(17,553,877)	(17,588,997)	(17,922,016)	(18,746,428)	(18,020,906)	(21,273,611)	(226,603,141)
16	9210	A&G-Office supplies & expense	2,961,646	2,919,576	2,878,834	3,089,375	3,095,164	3,165,939	2,925,307	2,709,077	2,859,363	2,807,137	2,789,647	2,896,749	35,097,814
17	9220	A&G-Administrative expense transferred-Credit	(8,659,768)	(11,774,278)	(8,664,346)	(11,298,399)	(8,041,713)	(7,958,613)	(9,028,379)	(9,016,520)	(9,152,630)	(9,354,525)	(8,848,780)	(11,046,379)	(112,844,330)
18	9230	A&G-Outside services employed	932,826	921,309	998,989	963,271	932,153	1,040,510	903,707	881,820	924,838	897,385	945,742	1,016,812	11,359,362
19	9240	A&G-Property insurance	11,976	11,976	11,976	11,976	12,107	11,976	11,863	11,969	11,969	11,969	11,969	11,976	143,704
20	9250	A&G-Injuries & damages	1,686,726	1,687,242	1,685,693	1,687,242	1,704,969	1,686,210	1,672,097	1,686,412	1,685,858	1,686,907	1,685,253	1,686,808	20,241,417
21	9260	A&G-Employee pensions and benefits	3,402,369	8,016,562	3,349,039	6,845,160	2,080,046	1,901,297	3,454,171	3,850,403	3,782,486	4,126,700	3,855,384	3,541,568	48,205,185
22	9301	A&G-General advertising expense	0	0	0	0	0	0	0	0	0	0	0	0	0
23	9302	Miscellaneous general expenses	327,410	278,765	576,120	282,923	287,542	492,583	261,299	243,628	509,151	372,134	368,289	3,345,372	7,345,216
24	9310	A&G-Rents	504,803	503,216	504,763	505,292	502,615	514,624	534,953	532,113	502,561	503,531	502,362	504,956	6,115,788
25	9320	A&G-Maintenance of general plant	43,177	41,920	42,584	44,863	44,665	45,057	42,464	40,101	42,014	40,902	41,393	42,355	511,495
26	Operating (Income)Loss*		$0	($0)	$0	($0)	($0)	$0	$0	$0	($0)	($0)	$0	($0)	($0)
27															
28	9220	A&G-Administrative expense transferred-Credit	(8,659,768)	(11,774,278)	(8,664,346)	(11,298,399)	(8,041,713)	(7,958,613)	(9,028,379)	(9,016,520)	(9,152,630)	(9,354,525)	(8,848,780)	(11,046,379)	
29		Allocation Factor to Kentucky	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%	
30		Total Allocated Amount	(448,327)	(609,568)	(448,564)	(584,932)	(416,329)	(412,027)	(467,410)	(466,796)	(473,843)	(484,295)	(458,112)	(571,884)	(5,842,086)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Monthly Jurisdictional Operating Income by FERC Account,**Div 012 Only**
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:________Base Period___X____Forecasted Period — FR 16(8)(c)2.2
Type of Filing:___X____Original________Updated ________Revised — Schedule C-2.2
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

Line No.	Acct No.	Account Discription	Forecasted Apr-19	Forecasted Jun-19	Forecasted Jun-19	Forecasted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
1	4030	Depreciation Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
2	4081	Taxes other than income taxes, utility operating incom	0	0	0	0	0	0	0	0	0	0	0	0	0
3	8700	Distribution-Operation supervision and engineering	877	877	898	1,061	925	933	851	851	985	816	799	819	10,693
4	8740	Mains and Services Expenses	1,724	1,724	1,724	1,724	1,724	1,728	1,724	1,724	1,724	1,724	1,724	1,724	20,691
5	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
6	9010	Customer accounts-Operation supervision	429,246	488,642	397,439	520,253	406,721	395,229	446,162	443,807	423,316	463,229	403,395	421,220	5,238,660
7	9020	Customer accounts-Meter reading expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
8	9030	Customer accounts-Customer records and collections	1,953,200	2,024,086	1,758,263	2,023,940	1,868,749	1,789,056	2,043,759	1,935,312	1,847,161	2,097,861	1,804,683	1,890,663	23,036,731
9	9200	A&G-Administrative & general salaries	428,436	449,007	390,796	439,296	416,815	398,151	449,190	430,392	410,711	460,938	402,418	421,849	5,097,999
10	9210	A&G-Office supplies & expense	205,079	144,142	178,979	161,164	161,173	244,022	153,090	150,562	151,916	145,723	147,840	162,220	2,005,910
11	9220	A&G-Administrative expense transferred-Credit	(4,068,862)	(4,142,197)	(3,661,550)	(4,151,580)	(3,862,146)	(3,852,219)	(4,175,633)	(3,999,217)	(3,831,817)	(4,264,250)	(3,741,713)	(3,928,703)	(47,679,887)
12	9230	A&G-Outside services employed	67,096	28,306	26,655	34,296	40,739	97,310	32,386	34,086	31,000	24,405	29,593	38,476	484,348
13	9240	A&G-Property insurance	0	0	0	0	0	0	0	0	0	0	0	0	0
14	9250	A&G-Injuries & damages	0	0	0	0	0	0	0	0	0	0	0	0	0
15	9260	A&G-Employee pensions and benefits	851,524	873,733	774,709	838,168	833,621	793,775	916,793	870,804	832,985	937,873	819,581	859,713	10,203,278
16	9310	A&G-Rents	131,675	131,675	132,010	131,675	131,675	132,008	131,675	131,675	132,010	131,675	131,675	132,010	1,581,442
17	9320	A&G-Maintenance of general plant	4	4	77	4	4	8	4	4	9	5	4	9	135
18															
19	Operating (Income)Loss*		$0	($0)	($0)	$0	$0	($0)	$0	$0	($0)	($0)	($0)	($0)	($0)
20															
21	9220	A&G-Administrative expense transferred-Credit	(4,068,862)	(4,142,197)	(3,661,550)	(4,151,580)	(3,862,146)	(3,852,219)	(4,175,633)	(3,999,217)	(3,831,817)	(4,264,250)	(3,741,713)	(3,928,703)	(47,679,887)
22		Allocation Factor to Kentucky	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	5.64%	
23		Total Allocated Amount	(229,533)	(233,670)	(206,556)	(234,200)	(217,872)	(217,312)	(235,557)	(225,605)	(216,161)	(240,556)	(211,078)	(221,627)	(2,689,726)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Monthly Jurisdictional Operating Income by FERC Account, **Div 091 Only**
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:________Base Period___X____Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(c)2.2
Schedule C-2.2
Witness: Waller, Densman

Line No.	Acct No.	Account Discription	Forecasted Apr-19	Forecasted Jun-19	Forecasted Jun-19	Forecasted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
1	4030	Depreciation Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
2	4060	Amortization of gas plant acquisition adjustments													
3	4081	Taxes other than income taxes, utility operating i	-	-	-	-	-	-	-	-	-	-	-	-	-
4	8170	Lines expenses	42	40	39	52	41	40	40	40	41	43	44	43	506
5	8180	Compressor station expenses	43	40	40	53	42	40	41	41	41	44	44	44	512
6	8190	Compressor station fuel and power	251	236	235	310	244	237	241	240	243	256	261	259	3,013
7	8210	Storage-Purification expenses	274	258	256	338	266	258	262	261	265	279	284	282	3,283
8	8240	Storage-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
9	8250	Storage well royalties	1,786	1,682	1,674	2,206	1,738	1,687	1,711	1,705	1,728	1,824	1,854	1,841	21,436
10	8500	Transmission-Operation supervision and enginee	0	0	0	0	0	0	0	0	0	0	0	0	0
11	8560	Mains expenses	55	52	51	68	53	52	53	52	53	56	57	57	658
12	8570	Transmission-Measuring and regulating station e	84	79	79	104	82	80	81	80	82	86	87	87	1,011
13	8650	Transmission-Maintenance of me - Non-Inventor	82	46	58	40	58	47	40	70	97	83	109	63	793
14	8700	Distribution-Operation supervision and engineeri	363,370	330,919	307,582	323,443	319,922	340,520	326,573	352,877	306,072	351,955	319,566	333,577	3,976,375
15	8711	Odorization	6,550	3,639	4,587	3,193	4,656	3,724	3,213	5,613	7,690	6,602	8,683	5,015	63,165
16	8740	Mains and Services Expenses	11,475	11,449	11,435	11,774	12,952	12,332	10,000	10,263	10,808	12,208	11,490	10,690	136,876
17	8750	Distribution-Measuring and regulating station exp	15,088	14,175	13,201	13,394	13,711	13,936	13,621	14,961	14,602	15,582	14,794	14,046	171,111
18	8760	Distribution-Measuring and regulating station exp	0	0	0	0	0	0	0	0	0	0	0	0	0
19	8770	Distribution-Measuring and regulating station exp	1,926	1,070	1,349	939	1,369	1,095	945	1,651	2,261	1,941	2,553	1,475	18,575
20	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
21	8810	Distribution-Rents	22,196	20,908	20,813	27,424	21,601	20,967	21,271	21,189	21,480	22,667	23,044	22,878	266,438
22	9010	Customer accounts-Operation supervision	2,606	2,527	2,338	2,478	2,444	2,572	2,576	2,758	2,396	2,680	2,320	2,449	30,145
23	9020	Customer accounts-Meter reading expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
24	9030	Customer accounts-Customer records and collec	377,114	417,776	355,006	323,143	331,170	401,813	292,344	315,693	327,300	377,775	367,597	380,005	4,266,733
25	9100	Customer service-Miscellaneous customer servic	239	120	110	109	114	118	142	170	111	122	132	130	1,616
26	9110	Sales-Supervision	19,147	16,740	16,891	15,911	16,487	19,717	16,808	20,947	16,030	18,521	15,890	16,920	210,011
27	9120	Sales-Demonstrating and selling expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
28	9130	Sales-Advertising expenses	215	108	99	98	103	107	128	154	100	110	119	117	1,458
29	9200	A&G-Administrative & general salaries	1,421	1,420	667	2,034	654	864	1,359	654	755	654	1,066	6,272	17,821
30	9210	A&G-Office supplies & expense	676	478	580	419	488	746	466	785	468	583	487	529	6,705
31	9220	A&G-Administrative expense transferred-Credit	(1,048,918)	(1,139,041)	(946,981)	(1,078,097)	(884,993)	(975,237)	(898,720)	(973,685)	(945,344)	(1,072,764)	(1,002,031)	(1,020,835)	(11,986,644)
32	9230	A&G-Outside services employed	29,052	32,533	27,519	23,922	24,881	31,531	20,948	23,289	24,620	28,720	28,532	29,415	324,964
33	9240	A&G-Property insurance	(7,314)	(7,153)	(7,152)	(7,102)	(7,120)	(7,152)	(6,782)	(6,840)	(6,857)	(7,073)	(6,902)	(7,160)	(84,606)
34	9250	A&G-Injuries & damages	38,899	39,392	36,867	39,261	38,440	37,677	37,671	36,780	35,799	38,281	34,878	36,432	450,378
35	9260	A&G-Employee pensions and benefits	154,857	224,404	145,260	282,772	82,187	79,832	147,541	162,965	171,607	191,431	166,790	157,794	1,967,441
36	9280	A&G-Regulatory commission expenses	73	83	126	64	70	68	212	142	74	172	54	69	1,208
37	9302	Miscellaneous general expenses	8,710	26,021	7,267	11,651	18,338	12,328	7,214	7,144	7,479	7,162	8,198	7,506	129,018
38	9310	A&G-Rents	0	0	0	0	0	0	0	0	0	0	0	0	0
39															
40		Operating (Income)Loss*	$0	($0)	($0)	($0)	$0	$0	$0	($0)	($0)	($0)	$0	($0)	$0
41															
42	9220	A&G-Administrative expense transferred-Credit	(1,048,918)	(1,139,041)	(946,981)	(1,078,097)	(884,993)	(975,237)	(898,720)	(973,685)	(945,344)	(1,072,764)	(1,002,031)	(1,020,835)	(11,986,644)
43		Allocation Factor to Kentucky	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%
44		Total Allocated Amount	(522,152)	(567,014)	(471,407)	(536,676)	(440,549)	(485,473)	(447,383)	(484,700)	(470,592)	(534,022)	(498,811)	(508,172)	(5,966,951)

*Note: Debits are shown as positive, and credits are shown as negatives. Includes the Shared Services allocation.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Account 4081-Taxes Other than Income Tax by Sub-Account
Base Period: Twelve Months Ended December 31, 2018

Data:___X____Base Period________Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(c)2.3
Schedule C-2.3 B
Witness: Waller

Line		actual	actual	actual	actual	actual	actual	Forecasted	Forecasted	Forecasted	Budgeted	Budgeted	Budgeted	
No.	Discription	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
	Div 009													
1														
2														
3	Payroll	$ 43,715	$ 22,051	$ 44,849	$ 19,472	$ 23,062	$ 24,167	$ 25,815	$ 16,772	$ 47,927	$ 17,707	$ 62,409	$ 10,269	$ 358,215
4	Payroll Tax Projects	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0
5	Ad Valorem - Accrual	$418,588	$ 418,588	$ 418,588	$ 418,588	$ 418,588	$ 418,588	$ 410,845	$ 410,845	$ 410,841	$ 485,000	$ 485,000	$ 485,000	5,199,059
6	Dot Transmission User Tax	$ -	$ -	$ -	$ -	$ 137,062	$ -	$ -	$ -	$ -	$ -	$ -	$ -	137,062
7	Taxes Property and Other	$ 22,305	$ -	$ 2,869	$ 45,644	$ 43	$ -	$ 15,032	$ 191	$ 47,280	$ 11,110	$ 66	$ 338	144,877
8	Public Service Commission Assessment	$ 24,523	$ 24,523	$ 24,523	$ 24,523	$ 24,523	$ 24,523	$ 26,088	$ 26,088	$ 26,088	$ 27,296	$ 27,296	$ 27,296	307,288
9	Allocation for taxes other CSC	$ 16,727	$ 11,571	$ 13,828	$ 12,398	$ 15,152	$ 11,197	15,400	15,400	15,400	15,512	15,512	15,512	173,608
10	Allocation from taxes other SS	$ 21,551	$ 15,313	$ 15,559	$ 16,301	$ 20,184	$ (41,810)	22,152	22,152	22,152	23,138	23,138	23,138	182,969
11	Allocation from taxes other Gen Office	$ 18,809	$ (179,541)	$ 7,557	$ 16,025	$ 18,266	$ 15,729	6,203	4,651	12,071	18,155	36,895	13,674	(11,505)
12														
13	Total	$566,216	$ 312,504	$ 527,772	$ 552,951	$ 656,880	$ 452,394	$ 521,535	$ 496,100	$ 581,759	$ 597,919	$ 650,316	$ 575,228	$ 6,491,574
14														
15	**Div 002**													
16														
17														
18	Payroll	$346,571	$ 226,079	$ 217,302	$ 244,421	$ 335,873	$ 218,311	$ 338,716	$ 338,716	$ 338,716	$ 353,794	$ 353,794	$ 353,794	3,666,089
19	Ad Valorem	$ 69,700	$ 69,700	$ 69,700	$ 69,700	$ 69,700	$ 69,700	$ 89,170	$ 89,170	$ 89,170	$ 93,139	$ 93,139	$ 93,139	965,126
20	Payroll Tax Projects	$ -	$ -	$ 13,529	$ 743	$ 152	$ -	$ -	$ -	$ -	$ -	$ -	$ -	14,424
21	Taxes Property And Other	$ -	$ -	$ -	$ -	$ (15,846)	$ (1,095,601)	$ -	$ -	$ -	$ -	$ -	$ -	(1,111,447)
22														
23	Total Tax Other Than Income Tax	$416,271	$ 295,779	$ 300,531	$ 314,864	$ 389,879	$ (807,590)	$ 427,886	$ 427,886	$ 427,886	$ 446,933	$ 446,933	$ 446,933	$ 3,534,192
24														
25	Allocation Factor to Kentucky Mid-States (Div 091)							10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	
26	Allocation Factor to Kentucky Jurisdiction (Div 009)							49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	
27														
28	Total Allocated Amount	$ 21,551	$ 15,313	$ 15,559	$ 16,301	$ 20,184	$ (41,810)	$ 22,152	$ 22,152	$ 22,152	$ 23,138	$ 23,138	$ 23,138	$ 182,969
29														
30	**Div 012**													
31														
32														
33	Payroll	$243,898	$ 152,509	$ 192,506	$ 167,175	$ 215,981	$ 145,881	$ 212,892	$ 212,892	$ 212,892	$ 222,369	$ 222,369	$ 222,369	2,423,734
34	Ad Valorem	$ 52,600	$ 52,600	$ 52,600	$ 52,600	$ 52,600	$ 52,600	$ 60,100	$ 60,100	$ 60,100	$ 52,600	$ 52,600	$ 52,600	653,700
35														
36	Total Tax Other Than Income Tax	$296,498	$ 205,109	$ 245,106	$ 219,775	$ 268,581	$ 198,481	$ 272,992	$ 272,992	$ 272,992	$ 274,969	$ 274,969	$ 274,969	$ 3,077,434
37														
38	Allocation Factor to Kentucky Mid-States (Div 091)							10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	
39	Allocation Factor to Kentucky Jurisdiction (Div 009)							51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	
40														
41	Total Allocated Amount	$ 16,727	$ 11,571	$ 13,828	$ 12,398	$ 15,152	$ 11,197	$ 15,400	$ 15,400	$ 15,400	$ 15,512	$ 15,512	$ 15,512	$ 173,608
42														
43	**Div 091**													
44														
45														
46	Payroll	$ 37,484	$ 35,784	$ 14,840	$ 31,891	$ 36,394	$ 30,796	$ 11,661	$ 8,544	$ 23,449	$ 35,671	$ 73,316	$ 26,670	$ 366,499
47	Payroll Tax Projects	$ -	$ 21	$ 42	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	63
48	Ad Valorem	$ 300	$ (396,474)	$ 300	$ 300	$ 300	$ 800	$ 800	$ 800	$ 800	$ 800	$ 800	$ 800	(389,674)
49	Occupational Licenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0
50														
51	Total Tax Other Than Income Tax	$ 37,784	$ (360,670)	$ 15,181	$ 32,191	$ 36,694	$ 31,596	$ 12,461	$ 9,344	$ 24,249	$ 36,471	$ 74,116	$ 27,470	$ (23,112)
52														
53	Allocation Factor to Kentucky Mid-States (Div 091)							100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
54	Allocation Factor to Kentucky Jurisdiction (Div 009)							49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	
55														
56	Total Allocated Amount	$ 18,809	$ (179,541)	$ 7,557	$ 16,025	$ 18,266	$ 15,729	$ 6,203	$ 4,651	$ 12,071	$ 18,155	$ 36,895	$ 13,674	$ (11,505)

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Account 4081-Taxes Other than Income Tax by Sub-Account
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:________Base Period___X____Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(c)2.3
Schedule C-2.3 F
Witness: Waller

Line No.	Discription	Forecasted Apr-19	Forecasted May-19	Forecasted Jun-19	Forecasted Jul-19	Forecasted Aug-19	Forecasted Sep-19	Forecasted Oct-19	Forecasted Nov-19	Forecasted Dec-19	Forecasted Jan-20	Forecasted Feb-20	Forecasted Mar-20	Total
	Div 009													
1														
2														
3	Payroll	19,472	23,062	20,042	22,493	13,986	49,875	18,239	64,282	10,577	45,026	22,712	46,194	355,960
4	Payroll Tax Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Ad Valorem - Accrual	492,510	492,510	492,510	492,510	492,510	492,510	492,510	492,510	492,510	492,510	492,510	492,510	5,910,122
6	Dot Transmission User Tax	-	137,062	-	-	-	-	-	-	-	-	-	-	137,062
7	Taxes Property and Other	45,644	43	-	16,431	211	83	11,110	66	338	22,305	-	2,869	99,099
8	Public Service Commission Assessment	28,286	28,286	28,286	28,286	28,286	28,286	28,286	28,286	28,286	28,286	28,286	28,286	339,436
9	Allocation for taxes other CSC	15,512	15,512	15,512	15,512	15,512	15,512	15,888	15,888	15,888	15,888	15,888	15,888	188,397
10	Allocation from taxes other SS	23,138	23,138	23,138	23,138	23,138	23,138	23,688	23,688	23,688	23,688	23,688	23,688	280,956
11	Allocation from taxes other Gen Office	16,273	18,515	15,181	13,734	17,519	2,397	18,688	37,990	14,073	19,617	18,767	8,050	200,805
12														
13	Total	$ 640,835	$ 738,129	$ 594,669	$ 612,104	$ 591,163	$ 611,801	$ 608,409	$ 662,710	$ 585,360	$ 647,320	$ 601,852	$ 617,486	$ 7,511,837
14														
15	**Div 002**													
16														
17														
18	Payroll	$ 353,794	$ 353,794	$ 353,794	$ 353,794	$ 353,794	$ 353,794	$ 364,408	$ 364,408	$ 364,408	$ 364,408	$ 364,408	$ 364,408	4,309,211
19	Ad Valorem	$ 93,139	$ 93,139	$ 93,139	$ 93,139	$ 93,139	$ 93,139	$ 93,139	$ 93,139	$ 93,139	$ 93,139	$ 93,139	$ 93,139	1,117,668
20	Benefit Load Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Taxes Property And Other	-	-	-	-	-	-	-	-	-	-	-	-	-
22														
23	Total Tax Other Than Income Tax	$ 446,933	$ 446,933	$ 446,933	$ 446,933	$ 446,933	$ 446,933	$ 457,547	$ 457,547	$ 457,547	$ 457,547	$ 457,547	$ 457,547	$ 5,426,879
24														
25	Allocation Factor to Kentucky Mid-States (Div 091)	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	
26	Allocation Factor to Kentucky Jurisdiction (Div 009)	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	
27														
28	Total Allocated Amount from Div 2	23,138	23,138	23,138	23,138	23,138	23,138	23,688	23,688	23,688	23,688	23,688	23,688	$ 280,956
29														
30	**Div 012**													
31														
32														
33	Payroll	$ 222,369	$ 222,369	$ 222,369	$ 222,369	$ 222,369	$ 222,369	$ 229,040	$ 229,040	$ 229,040	$ 229,040	$ 229,040	$ 229,040	2,708,452
34	Ad Valorem	$ 52,600	52,600	52,600	52,600	52,600	52,600	52,600	52,600	52,600	52,600	52,600	52,600	631,200
35														
36	Total Tax Other Than Income Tax	$ 274,969	$ 274,969	$ 274,969	$ 274,969	$ 274,969	$ 274,969	$ 281,640	$ 281,640	$ 281,640	$ 281,640	$ 281,640	$ 281,640	$ 3,339,652
37														
38	Allocation Factor to Kentucky Mid-States (Div 091)	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	10.95%	
39	Allocation Factor to Kentucky Jurisdiction (Div 009)	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	51.52%	
40														
41	Total Allocated Amount from Div 12	15,512	15,512	15,512	15,512	15,512	15,512	15,888	15,888	15,888	15,888	15,888	15,888	$ 188,397
42														
43	**Div 091**													
44														
45														
46	Payroll	$ 31,891	$ 36,394	$ 29,696	$ 26,789	$ 34,394	$ 4,015	$ 36,741	$ 75,516	$ 27,470	$ 38,608	$ 36,879	$ 15,328	$ 393,719
47	Payroll Tax Projects	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 22	$ 44	66
48	Ad Valorem	800	800	800	800	800	800	800	800	800	800	800	800	9,600
49	Occupational Licenses	-	-	-	-	-	-	-	-	-	-	-	-	-
50														
51	Total Tax Other Than Income Tax	$ 32,691	$ 37,194	$ 30,496	$ 27,589	$ 35,194	$ 4,815	$ 37,541	$ 76,316	$ 28,270	$ 39,408	$ 37,701	$ 16,172	$ 403,385
52														
53	Allocation Factor to Kentucky Mid-States (Div 091)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
54	Allocation Factor to Kentucky Jurisdiction (Div 009)	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	49.78%	
55														
56	Total Allocated Amount from Div 91	16,273	18,515	15,181	13,734	17,519	2,397	18,688	37,990	14,073	19,617	18,767	8,050	$ 200,805

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:

(d) A summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors;

RESPONSE:

Please see attachment FR_16(8)(d)_Att1, Schedules D.1 - D.2.3.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(d)_Att1 - Schedule D.xlsx, 8 Pages.

Respondents: Greg Waller and Josh Densman

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(d) SCHEDULE D

Operating Income Summary

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Summary of Utility Jurisdictional Adjustments to
Operating Income by Major Accounts
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X____Base Period___X____Forecasted Period — FR 16(8)(d)1
Type of Filing:_______Original________Updated ____X____Revised — Schedule D-1
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

			Title of Adjustment					
Line No.	Account No. & Title	Base Period	D-2.1 ADJ 1	D-2.1 ADJ 2	D-2.1 ADJ 3	D-2.2 ADJ 4	D-2.2 ADJ 5	Total ADJUST.
	SALE of Gas							
1	480 Gas Rev - Residential	106,055,302	(9,535,811)					(9,535,811)
2	480 Gas Rev - Commericial	45,531,133	(3,923,113)					(3,923,113)
3	480 Gas Rev - Industrial	6,051,221	(680,837)					(680,837)
4	480 Gas Rev - Public Authority & Other	7,513,898	(764,092)					(764,092)
5								
6								
7	Total SALE of Gas	165,151,555	(14,903,853)	0	0	0	0	(14,903,853)
8								
9	Other Operating Income							
10	Forfeited discounts	1,388,389		(83,424)				(83,424)
11	488 MISC. Service Revenues	792,006		14,048				14,048
12	489 Revenue From Transporting Gas to Others	17,013,346		(2,131,964)				(2,131,964)
13	495 Other Gas Service Revenue	1,148,568		1,329,195				1,329,195
14								
15	Total Other Operating Income	20,342,309	0	(872,145)	0	0	0	(872,145)
16								
17	Total Operating Revenue	185,493,864	(14,903,853)	(872,145)	0	0	0	(15,775,998)
18								
19	Other Gas Supply Expenses - Operation							
20	803/804/812 Gas Purchase Costs	83,882,422			(5,500,067)			(5,500,067)
21								
22	Total Other Gas Supply Expenses - Operation	83,882,422	0	0	(5,500,067)	0	0	(5,500,067)
23								
24	Total Plant Revenue	101,611,442	(14,903,853)	(872,145)	5,500,067	0	0	(10,275,930)
25								
26	Blended Effective Tax Rate	25.74%	(3,836,252)	(224,490)	1,415,717	0	0	(2,645,024)
27								
28	NET Operating Income Impact		(11,067,601)	(647,655)	4,084,350	0	0	(7,630,906)

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Summary of Utility Jurisdictional Adjustments to
Operating Income by Major Accounts
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X____Base Period___X____Forecasted Period — FR 16(8)(d)1
Type of Filing:_______Original________Updated ____X____Revised — Schedule D-1
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

				Title of Adjustment					GRAND
Line No.	ACCOUNT No. & Title		Base Period	D-2.2 ADJ 1	D-2.2 ADJ 2	D-2.2 ADJ 3	D-2.2 ADJ 4	D-2.2 ADJ 5	Total ADJUST.
29	7590	814 Storage Supervision & Engineering	-	-	-	-	-	-	-
30	8140	814 Storage Supervision & Engineering	-	-	-	-	-		-
31	8150	815 Maps and records	-	-	-	-	-	-	-
32	8160	816 Storage Wells Expense	326,734	(1,090)	-	-	-	-	(1,090)
33	8170	817 Storage Lines Expense	22,639	(648)	(297)	(297)	-	-	(1,241)
34	8180	818 Storage Compressor Station	28,860	(523)	(22)	(22)	-	-	(566)
35	8190	819 Storage Compressor Station Fuel	879	-	(143)	(143)	-	-	(287)
36	8200	820 Storage Measuring & Regulating	6,847	(69)	(220)	(220)	-	-	(510)
37	8210	821 Storage Purification	54,469	(1,370)	(335)	(335)	-	-	(2,040)
38	8240	824 Storage Other Expense	-	-	-	-	-	-	-
39	8250	825 Storage Royalties	10,451	-	(1,706)	(1,706)	-	-	(3,412)
40	8310	831 Storage Maintenance Structure	13,541	-	-	-	-	-	-
41	8320	832 Storage Maintenance Res	-	-	-	-	-	-	-
42	8340	834 Storage Maintenance Compressor	3,463	(115)	-	-	-	-	(115)
43	8350	835 Storage Maintenance Meas/Reg	-	-	-	-	-	-	-
44	8360	836 Storage Maintenance Purification	-	-	-	-	-	-	-
45	8370	837 Maintenance of other equipment	-	-	-	-	-		-
46	8400	840 Other Storage Expense	-	-	-	-	-	-	-
47	8410	841 Storage Operation	71,800	(2,227)	-	-	-	-	(2,227)
48	8470	847 Storage Maintenance	-	-	-	-	-	-	-
49	8500	850 Trsm Supervision & Engineering	47	-	-	-	-	-	-
50	8520	852 Communication system expenses	-	-	-	-	-		-
51	8550	855 Other Fuel & Power Comp	368	-	(60)	(60)			
52	8560	856 Trsm Mains Expense	395,189	(6,907)	(1,863)	(1,863)	-	-	(10,633)
53	8570	857 Trsm Measuring & Regulating	29,427	(724)	(1,145)	(1,145)	-	-	(3,014)
54	8590	859 Trsm Other Exp	-	-	-	-	-	-	-
55	8600	860 Rents	-	-	-	-	-	-	-
56	8620	862 Trsm Structure & Improvements	-	-	-	-	-	-	-
57	8630	863 Trsm Maint of Mains	16,570	(534)	-	-	-	-	(534)
58	8640	864 Trsm Maint Comp Sta Equip	-	-	-	-	-	-	-
59	8650	865 Trsm Maint Meas/Reg Sta	-	-	-	-	-	-	-
60	8670	867 Trsm Maint Other Eq	-	-	-	-	-	-	-
61	8700	870 Dist Supervision & Engineering	1,452,843	(14,403)	(8,545)	(8,545)	-	-	(31,493)
62	8710	871 Dist Load Dispatching	792	-	(129)	(129)	-	-	(259)
63	8711	8711 Odorization	26,727	-	-	-	-	-	-
64	8720	872 Dist Comp Sta	-	-	-	-	-	-	-
65	8740	874 Dist Main/Ser Exp	4,585,210	(58,399)	(9,104)	(9,104)	-	-	(76,608)
66	8750	875 Dist Meas/Reg Sta-Gen	618,282	(14,798)	(204)	(204)	-	-	(15,206)
67	8760	876 Dist Meas/Reg Sta-Ind	125,801	(4,134)	-	-	-	-	(4,134)
68	8770	877 Dist Meas/Reg Sta-Cty.	45,140	-	(679)	(679)	-	-	(1,357)
69	8780	878 Dist Mtr/House Reg	848,813	(26,085)	(2,205)	(2,205)	-	-	(30,496)
70	8790	879 Dist Cust Install	3,009	-	-	-	-	-	-
71	8800	880 Dist Other Exp	5,729	2	-	-	-	-	2
72	8810	881 Dist Rents	443,578	-	(72,071)	(72,071)	-	-	(144,142)
73	8850	885 Dist Maint Super/Eng	1,232	-	-	-	-	-	-
74	8860	886 Dist Maint Struc/Improv	131	-	-	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Summary of Utility Jurisdictional Adjustments to
Operating Income by Major Accounts
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X____Base Period___X____Forecasted Period | FR 16(8)(d)1
Type of Filing:_______Original________Updated ____X____Revised | Schedule D-1
Workpaper Reference No(s).____________________ | Witness: Waller, Densman

Line No.	Account No. & Title		Base Period	Title of Adjustment D-2.2 ADJ 1	D-2.2 ADJ 2	D-2.2 ADJ 3	D-2.2 ADJ 4	D-2.2 ADJ 5	GRAND Total ADJUST.
75	8870	887 Dist Maint of Mains	30,074	(783)	(5)	(5)	-	-	(793)
76	8890	889 Dist Maint Meas/Reg Sta-Gen	71,786	(1,747)	(1,204)	(1,204)	-	-	(4,154)
77	8900	890 Dist Maint Meas/Reg Sta-Ind	2,114	(22)	-	-	-	-	(22)
78	8910	891 Dist Maint Meas/Reg Sta-Cty	950	-	(155)	(155)	-	-	(310)
79	8920	892 Dist Maint of Ser	6,794	(226)	-	-	-	-	(226)
80	8930	893 Dist Maint Mtr/House Reg	-	-	-	-	-	-	-
81	8940	894 Dist Maint Other Eq	7,847	-	-	-	-	-	-
82	8950	895 Maintenance of Other Plant	-	-	-	-	-	-	-
83	9010	901 Cust Accts Supervision	-	-	-	-	-	-	-
84	9020	902 Cust Accts Mtr Exp	1,127,896	(15,948)	(701)	(701)	-	-	(17,350)
85	9030	903 Cust Accts Records/Collections	1,283,457	(14,682)	(30)	(30)	-	-	(14,742)
86	9040	904 Cust Accts Uncoll Accts	549,343	-	-	-	(208,293)	-	(208,293)
87	9070	907 Cust Accts Supervision	-	-	-	-	-	-	-
88	9080	908 Customer Assistance Expenses	-	-	-	-	-	-	-
89	9090	909 Cust Ser Supervision	129,523	(3,583)	-	-	-	-	(3,583)
90	9100	910 Cust Ser Assist Exp	-	-	-	-	-	-	-
91	9110	911 Cust Ser Info Adv Exp	253,382	(6,378)	-	-	-	-	(6,378)
92	9120	912 Demonstrating and Selling Expenses	143,981	-	-	-	-	-	-
93	9130	913 Advertising Expenses	43,530	-	-	-	-	-	-
94	9160	916 Sales Promo Demo/Selling	-	-	-	-	-	-	-
95	9200	920 Administrative and General Salaries	132,956	(4,516)	-	-	-	-	(4,516)
96	9210	921 Adm Gen Office Supply	19,311	-	-	-	-	-	-
97	9220	922 Administrative Expense Transferred	13,030,745	-	-	-	-	1,468,019	1,468,019
98	9230	923 Adm Gen Outside Services Emply	359,911	-	-	-	-	-	-
99	9240	924 Property insurance	88,358	-	-	-	-	-	-
100	9250	925 Adm Gen Injuries/Damages	79,906	-	-	-	-	-	-
101	9260	926 Adm Gen Empl Pen/Ben	1,821,264	(16,969)	-	-	-	-	(16,969)
102	9270	927 Adm Gen Franchise Req	800	-	-	-	-	-	-
103	9280	928 Adm Gen Reg Comm Exp	92,766	-	-	-	-	-	-
104	9290	929 Uniforms capitalized	-	-	-	-	-	-	-
105	9301	9301 Adm Gen Goodwill Adv	-	-	-	-	-	-	-
106	9302	9302 Adm Gen Gen Exp	83,791	-	-	-	-	-	-
107	9310	931 A&G-Rents	13,266	-	(2,166)	(2,166)	-		(4,332)
108	9320	932 Adm Gen Maint Gen Plant	18,812	-	-	-	-	-	-
109	Total		28,531,137	(196,878)	(102,990)	(102,990)	(208,293)	1,468,019	856,988
110	Labor and Benefits		7,010,809	(196,878)					(196,878)
111	Rent, Maintenance and Utilites		630,787		(102,990)				(102,990)
112	Other O&M		15,500,391			(102,990)			(102,990)
113	Bad Debt		549,343				(208,293)		(208,293)
114	Costs allocated from SSU and KY-MDS General Office		13,030,745	0	(0)	(372,871)		1,468,019	1,095,148
115	Total		36,722,076	(196,878)	(102,990)	(475,861)	(208,293)	1,468,018	483,997
116	Blended Effective Tax Rate		25.74%	50,676	26,510	122,487	53,615	(377,868)	(124,581)
117	NET Operating Income Impact			(146,202)	(76,481)	(353,374)	(154,678)	1,090,150	359,416

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Summary of Utility Jurisdictional Adjustments to
Operating Income by Major Accounts
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X____Base Period___X____Forecasted Period — FR 16(8)(d)1
Type of Filing:_______Original________Updated ____X____Revised — Schedule D-1
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

			Title of Adjustment					
Line No.	Account No. & Title	Base Period	D-2.3 ADJ 1	D-2.3 ADJ 2	D-2.1 ADJ 3	D-2.2 ADJ 4	D-2.2 ADJ 5	Total ADJUST.
118	403 DEPRECIATION Expense	20,483,034	2,058,739					2,058,739
119	404 Amortization Expense	0						0
120	406 AMORT. - Gas Plant AQUIST.	24,559						0
121								
122	Total DEPRECIATION and Amortization	20,507,593	2,058,739					2,058,739
123								
124	Blended Effective Tax Rate	25.74%	529,920					529,920
125								
126	NET Operating Income Impact		1,528,820					1,528,820
127								
128								
129								
130								
131	408 Taxes, Other than Income	6,491,574		1,020,263				1,020,263
132								
133	Blended Effective Tax Rate	25.74%		262,616				262,616
134								
135	NET Operating Income Impact			757,648				757,648

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Detailed Adjustments
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:__X_____Base Period___X____Forecasted Period — FR 16(8)(d)2.1
Type of Filing:___X_____Original________Updated — Schedule D-2.1
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

LN NO	Purpose and Description		Amount
1	**ADJ1**		
2	SALE of Gas-Residential - the purpose of this Adjustment is to reflect the normalization of volumes	Forecasted	$96,519,490
3	due to cold weather in base period, and changes in gas costs between the periods	Base	106,055,302
4		Adjustment	($9,535,811)
5			-9.0%
6			
7	SALE of Gas-Commercial - the purpose of this Adjustment is to reflect the normalization of volumes	Forecasted	$41,608,020
8	due to cold weather in base period, and changes in gas costs between the periods	Base	45,531,133
9		Adjustment	($3,923,113)
10			-8.6%
11			
12	SALE of Gas-Industrial - the purpose of this Adjustment is to reflect known and measurable changes,	Forecasted	$5,370,385
13	increases and reductions, shifts from base period to test year and	Base	6,051,221
14	changes in gas costs between the periods.	Adjustment	($680,837)
15			-11.3%
16			
17	SALE of Gas-Public Authority - The purpose of this Adjustment is to reflect the normalization of	Forecasted	$6,749,807
18	volumes due to cold weather in base period, and changes in gas costs between the periods	Base	7,513,898
19		Adjustment	($764,092)
20			-10.2%
21			
22	SALE of Gas - Unbilled - no adjustment.	Forecasted	$0
23		Base	0
24		Adjustment	$0
25			0.0%
26	**ADJ2**		
27	Forfeited discounts - the purpose of this adjustment is to reflect anticipated changes in the billed late	Forecasted	$1,304,965
28	payment fees from the base period to the test year.	Base	1,388,389
29		Adjustment	($83,424)
30			-6.0%
31			
32	Misc Service Revenues - the purpose of this adjustment is to reflect modest reduction in service charg	Forecasted	$806,054
33	revenues for the base period.	Base	792,006
34		Adjustment	$14,048
35			1.8%
36			
37	Revenue from Transportation - the purpose of this Adjustment is to reflect known and measurable	Forecasted	$14,881,382
38	changes in demand for existing industries and account for migration to/from transportation service	Base	17,013,346
39		Adjustment	($2,131,964)
40			-12.5%
41			
42	Other gas service revenues - the purpose of this adjustment is to reflect pro forma adjustments for	Forecasted	$2,477,763
43	individual customers and special contract reformations	Base	1,148,568
44		Adjustment	$1,329,195
45			115.7%
46	**ADJ3**		
47	Gas Purchase Costs - The purpose of this Adjustment is to reflect the purchase quantities	Forecasted	$78,382,354
48	for sales service. The Base Period includes Unbilled Gas Costs that will zero out by the end	Base	83,882,422
49	of the base period when replaced by actuals. Gas costs in the Forecasted Period are lower primarily (	Adjustment	($5,500,067)
50	lower usage associated with warmer than normal temperatures		-6.6%
51			
52			
53			
54	Summary of Revenue Adjustments.		
55	Base Year Revenues		185,493,864
56	Base Year Gas Costs		83,882,422
57	Base Year Gross Profit		101,611,442
58			
59	Test Year Revenues		169,717,866
60	Test Year Gas costs		78,382,354
61	Test Year Gross Profit		91,335,512

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Detailed Adjustments
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X____Base Period___X____Forecasted Period — FR 16(8)(d)2.2
Type of Filing:___X_____Original________Updated — Schedule D-2.2
Workpaper Reference No(s).___________ — Witness: Waller, Densman

LN NO	Purpose and Description		Amount
1	**ADJ 1**		
2	Labor and Benefits - The purpose of this adjustment is to account for forecasted labor and benefits expense	Forecasted	6,813,931
3	due primarily to adjustments to labor capitalization rate versus the base period.	Base	7,010,809
4	Benefits are projected as a fixed benefit load percentage of labor expense plus an amount for workers' comp	Adjustment	(196,878)
5	insurance. This adjustment pertains to labor and benefits for Kentucky operations.		-2.8%
6			
7	**ADJ 2**		
8	Rent, Maintenance and Utilities - The purpose of this adjustment is to account for forecasted rent, maintenance	Forecasted	527,796
9	and utilities. Unlike other O&M categories that are likely to increase with normal inflation, our building rents are	Base	630,787
10	driven by leases already in place and can therefore be projected with a high level of accuracy. The rent portion	Adjustment	($102,990)
11	of this O&M category was projected by reviewing actual lease amounts. This adjustment pertains to expenses		-16.3%
12	for Kentucky operations.		
13			
14	**ADJ 3**		
15	Other O&M - The purpose of this adjustment is to account for projected changes in O&M expenses other than	Forecasted	6,833,591
16	labor, benefits, rent, and bad debt.	Base	7,309,452
17	This adjustment pertains to expenses for Kentucky operations.	Adjustment	($475,861)
18			-6.5%
19			
20	**ADJ 4**		
21	Bad Debt - The purpose of this adjustment is to account for anticipated bad debt costs due to uncollectible	Forecasted	341,050
22	accounts. The projection is made by calculating 0.50% of residential, commercial and public authority	Base	549,343
23	margins from the revenues projection.	Adjustment	($208,293)
24			-61.1%
25	**ADJ 5**		
26	Costs allocated from Shared Services and Kentucky-Mid States General Office - The purpose of this	Forecasted	14,498,764
27	adjustment is to account for the forecasted amount of expenses that are allocated to Kentucky from the	Base	13,030,746
28	Shared Services Unit and Division General Office.	Adjustment	$1,468,018
29			11.3%
30			
31	Summary of O & M adjustments.	Forecasted	29,015,133
32		Base	28,531,137
33		Adjustment	$483,996
34			1.7%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Detailed Adjustments
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X____Base Period___X____Forecasted Period — FR 16(8)(d)2.3
Type of Filing:___X____Original________Updated ________Revised — Schedule D-2.3
Workpaper Reference No(s).____________________ — Witness: Waller, Densman

LN NO	Purpose and Description		Amount
1	**ADJ1**		
2	Depreciation Expense - The purpose of this adjustment is to reflect the change in	Forecasted	$22,541,774
3	depreciation expense due to the increased level of depreciable plant investment.	Base	20,483,034
4		Adjustment	$2,058,739
5			10.1%
6	**ADJ2**		
7	Taxes Other - The purpose of this adjustment is to account for anticipated	Forecasted	$7,511,837
8	changes in Taxes, Other than Income Taxes	Base	6,491,574
9		Adjustment	$1,020,263
10			15.7%

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:

(e) A jurisdictional federal and state income tax summary for both the base period and the forecasted period with all supporting schedules of the various components of jurisdictional income taxes;

RESPONSE:

Please see attachment FR_16(8)(e)_Att1, Schedule E.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(e)_Att1 - Schedule E.xlsx, 1 Page.

Respondent: Greg Waller and Jennifer Story

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Computation of State & Federal Income Tax
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(e)
Type of Filing:___X____Original________Updated ________Revised — Schedule E
Workpaper Reference No(s).____________________ — Witness: Waller, Story

Line No.	Description	Base Period Unadjusted (1)	Adjustments (2)	Test Period Fully Adjusted (3)	Sched. Ref.
1	Operating Income before Income Tax & Interest	$ 33,982,731	$ 74,189	$ 34,056,920	C-2
2	Interest Deduction	7,832,145	1,535,590	9,367,735	*
3	Taxable Income	$ 26,150,586	$ (1,461,401)	$ 24,689,185	
4	Composite Tax Rate (state & federal)	25.740%		25.740%	* *
5	**State & Federal Income Tax**	$ 6,731,161	$ (376,165)	**$ 6,354,996**	
	* Interest Expense Calculation:				
6	13 Month Average Rate Base	$414,187,472		$496,111,427	B-1
7	Weighted cost of Debt	1.89%		1.89%	J-1
8	Interest Expense	$ 7,832,145		$ 9,367,735	
9	2018 * * Composite Tax Rate Calculation: 6.00% + 21%(100% - 6.00%) = 25.74%				
10	State Tax Rate	6.00%			
11	Federal Tax Rate	21.00%			

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:

(f) Summary schedules for both the base period and the forecasted period (the utility may also provide a summary segregating those items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures at country clubs; charitable contributions; marketing, sales, and advertising expenditures; professional service expenses; civic and political activity expenses; expenditures for employee parties and outings; employee gift expenses; and rate case expenses;

RESPONSE:

Please see attachment FR_16(8)(f)_Att1, Schedules F-1 through F-10.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(f)_Att1 - Schedule F.xlsx, 15 Pages.

Respondent: Greg Waller

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(f) SCHEDULE F

Schedule	Pages	Description
F-1	2	Social and Service Club Dues
F-2.1	1	Charitable Contributions
F-2.2	1	Initiation Fees/Country Club Expenses
F-2.3	1	Employee Party, Outing and Gift Expenses
F-3	1	Sales and Advertising Expenses
F-4	1	Advertising
F-5	1	Professional Service Expenses
F-6	1	Projected Rate Case Expense
F-7	1	Civic, Political and Related Activities
F-8	1	Expense Reports
F-9	1	Leases
F-10	1	Incentive Compensation Expense

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
SOCIAL and Service CLUB DUES
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X___Base Period___X____Forecasted Period — FR 16(8)(f)
Type of Filing:___X____Original________Updated________Revised — Schedule F-1
Workpaper Reference No(s). — Witness: Waller

Line No.	Account No.	Social Organization/Service Club	Total Utility	Jurisdictional %	Jurisdiction
		BASE PERIOD			
1	Various	AGA	44,365	100%	44,365
2	Various	MCLEAN COUNTY CHAMBER OF COMMERCE	100		100
3	Various	LAKE BARKLEY CHAMBER OF COMMERCE	140		140
4	Various	LEADERSHIP KENTUCKY FOUNDATION INC.	100		100
5	Various	LAKE NEWS	27		27
6	Various	NACE INTERNATIONAL	130		130
7	Various	PENNYRILE BOARD OF REALTORS	75		75
8	Various	KENTUCKY COUNTY JUDGE EXECUTIVE ASSOCIATION	200		200
9	Various	CAMPBELLSVILLE / TAYLOR COUNTY CHAMBER OF COMMERCE	59		59
10	Various	PRINCETON / CALDWELL COUNTY CHAMBER OF COMMERCE	510		510
11	Various	GLASGOW/BARREN COUNTY CHAMBER OF COMMERCE	2,500		2,500
12	Various	GLASGOW/BARREN COUNTY CHAMBER OF COMMERCE	1,250		1,250
13	Various	GLASGOW/BARREN COUNTY CHAMBER OF COMMERCE	75		75
14	Various	CAVE CITY CHAMBER OF COMMERCE	200		200
15	Various	HOPKINSVILLE CHRISTIAN AND TODD COUNTY ASSN OF REALT	150		150
16	Various	HOME BUILDERS ASSOCIATION OF OWENSBORO	300		300
17	Various	TRIGG COUNTY CHAMBER OF COMMERCE	235		235
18	Various	KENTUCKY GAS ASSOCIATION	250		250
19	Various	BUILDING INDUSTRY ASSOCIATION OF GREATER LOUISVILLE	421		421
20	Various	OHIO COUNTY CHAMBER OF COMMERCE	300		300
21	Various	PADUCAH AREA CHAMBER OF COMMERCE	350		350
22	Various	GREATER OWENSBORO ECONOMIC DEVELOPMENT CORP	10,000		10,000
23	Various	KENTUCKY CHAMBER OF COMMERCE	13,735		13,735
24	Various	MARION COUNTY CHAMBER OF COMMERCE	400		400
25	Various	GREATER BRECKINRIDGE COUNTY CHAMBER OF COMMERCE	150		150
26	Various	GREATER OWENSBORO CHAMBER OF COMMERCE	760		760
27	Various	HOPKINS COUNTY HOME BUILDERS ASSOCIATION	295		295
28	Various	ANDERSON COUNTY CHAMBER OF COMMERCE	300		300
29	Various	ANDERSON COUNTY CHAMBER OF COMMERCE	3,000		3,000
30	Various	GREENSBURG / GREEN COUNTY CHAMBER OF COMMERCE	200		200
31	Various	MAYFIELD /GRAVES COUNTY CHAMBER OF COMMERCE	775		775
32	Various	KENTUCKY ASSOCIATION OF MASTER CONTRACTORS INC	2,500		2,500
33	Various	GREATER MUHLENBERG CHAMBER OF COMMERCE	187		187
34	Various	SHELBY COUNTY CHAMBER OF COMMERCE	2,999		2,999
35	Various	ECONOMIC DEVELOPMENT COUNCIL	11,000		11,000
36	Various	CHRISTIAN COUNTY CHAMBER OF COMMERCE	1,348		1,348
37	Various	MAD HOP CO BOARD OF REALTORS	100		100
38	Various	KENTUCKY RESTAURANT ASSOCIATION	395		395
39	Various	BOWLING GREEN AREA CHAMBER OF COMMERCE	7,500		7,500
40	Various	HOPKINS COUNTY REGIONAL CHAMBER OF COMMERCE	305		305
41	Various	REALTOR ASSOCIATION OF SOUTHERN KENTUCKY	200		200
42	Various	HOME BUILDERS ASSOCIATION	415		415
43	Various	DANVILLE BOYLE COUNTY CHAMBER OF COMMERCE	421		421
44	Various	GREATER OWENSBORO REALTOR ASSOCIATION	256		256
45	Various	KENTUCKY LAKE CHAMBER OF COMMERCE	500		500
46	Various	GRAND RIVERS CHAMBER OF COMMERCE	100		100
47	Various	CADIZ ROTARY CLUB	100		100
48	Various	DAWSON SPRINGS CHAMBER OF COMMERCE	75		75
49	Various	HOME BUILDERS ASSOCIATION	450		450
50	Various	OWENSBORO ASSN OF PLUMBING HEATING AND COOLING COI	100		100
51	Various	FRANKLIN-SIMPSON CHAMBER OF COMMERCE	1,000		1,000
52	Various	PADUCAH BOARD OF REALTORS INC	300		300
53	Various	AMERICAN SOCIETY OF MECHANICAL ENGINEERS	155		155
54	Various	OKLAHOMA ACCOUNTANCY BOARD	34		34
55	Various	TENNESSEE PROFESSIONAL ENGINEER (LICENSE RENEWAL)	140		140
56	Various	SAM'S CLUB	50		50
57	Various	KENTUCKY STATE TREASURER (NOTARY RENEWAL)	50		50
58	Various	SAM'S CLUB	20		20
59	Various	CITY OF STANFORD, KY (BUSINESS LICENSE)	70		70
60	Various	WARREN COUNTY CLERKS OFFICE	38		38
61	Various	NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS	264		264
62	Various	TNTAP	409		409
63	Various	KENTUCKY OIL AND GAS ASSOCIATION	1,000		1,000
64	Various	LOGAN COUNTY HOME BUILDERS	350		350
65	Various	LINCOLN COUNTY CHAMBER OF COMMERCE	140		140
66	Various	SOCIETY FOR MARKETING PROFESSIONAL SERVICES	420		420
67	Various	CRITTENDEN COUNTY ECONOMIC DEVELOPMENT	250		250
68	Various	CRITTENDEN COUNTY ECONOMIC DEVELOPMENT	250		250
69	Various	GARRARD COUNTY CHAMBER OF COMMERCE	300		300
70	Various	HART COUNTY CHAMBER OF COMMERCE	200		200
71	Various	SOUTH WESTERN KENTUCKY ECONOMIC DEVELOPMENT COUI	11,000		11,000
		Total Base Period	126,745		126,745

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
SOCIAL and Service CLUB DUES
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X___Base Period___X____Forecasted Period — FR 16(8)(f)
Type of Filing:___X____Original________Updated________Revised — Schedule F-1
Workpaper Reference No(s). — Witness: Waller

Line No.	Account No.	Social Organization/Service Club	Total Utility	Jurisdictional %	Jurisdiction
		TEST PERIOD			
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2	Various	MCLEAN COUNTY CHAMBER OF COMMERCE	100		100
3	Various	LAKE BARKLEY CHAMBER OF COMMERCE	140		140
4	Various	LEADERSHIP KENTUCKY FOUNDATION INC.	100		100
5	Various	LAKE NEWS	27		27
6	Various	NACE INTERNATIONAL	130		130
7	Various	PENNYRILE BOARD OF REALTORS	75		75
8	Various	KENTUCKY COUNTY JUDGE EXECUTIVE ASSOCIATION	200		200
9	Various	CAMPBELLSVILLE / TAYLOR COUNTY CHAMBER OF COMMERCE	59		59
10	Various	PRINCETON / CALDWELL COUNTY CHAMBER OF COMMERCE	510		510
11	Various	GLASGOW/BARREN COUNTY CHAMBER OF COMMERCE	2,500		2,500
12	Various	GLASGOW/BARREN COUNTY CHAMBER OF COMMERCE	1,250		1,250
13	Various	GLASGOW/BARREN COUNTY CHAMBER OF COMMERCE	75		75
14	Various	CAVE CITY CHAMBER OF COMMERCE	200		200
15	Various	HOPKINSVILLE CHRISTIAN AND TODD COUNTY ASSN OF REALT	150		150
16	Various	HOME BUILDERS ASSOCIATION OF OWENSBORO	300		300
17	Various	TRIGG COUNTY CHAMBER OF COMMERCE	235		235
18	Various	KENTUCKY GAS ASSOCIATION	250		250
19	Various	BUILDING INDUSTRY ASSOCIATION OF GREATER LOUISVILLE	421		421
20	Various	OHIO COUNTY CHAMBER OF COMMERCE	300		300
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23	Various	KENTUCKY CHAMBER OF COMMERCE	13,735		13,735
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26	Various	GREATER OWENSBORO CHAMBER OF COMMERCE	760		760
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29	Various	ANDERSON COUNTY CHAMBER OF COMMERCE	3,000		3,000
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33	Various	GREATER MUHLENBERG CHAMBER OF COMMERCE	187		187
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36	Various	CHRISTIAN COUNTY CHAMBER OF COMMERCE	1,348		1,348
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38	Various	KENTUCKY RESTAURANT ASSOCIATION	395		395
39	Various	BOWLING GREEN AREA CHAMBER OF COMMERCE	7,500		7,500
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48	Various	DAWSON SPRINGS CHAMBER OF COMMERCE	75		75
49	Various	HOME BUILDERS ASSOCIATION	450		450
50	Various	OWENSBORO ASSN OF PLUMBING HEATING AND COOLING COI	100		100
51	Various	FRANKLIN-SIMPSON CHAMBER OF COMMERCE	1,000		1,000
52	Various	PADUCAH BOARD OF REALTORS INC	300		300
53	Various	AMERICAN SOCIETY OF MECHANICAL ENGINEERS	155		155
54	Various	OKLAHOMA ACCOUNTANCY BOARD	34		34
55	Various	TENNESSEE PROFESSIONAL ENGINEER (LICENSE RENEWAL)	140		140
56	Various	SAM'S CLUB	50		50
57	Various	KENTUCKY STATE TREASURER (NOTARY RENEWAL)	50		50
58	Various	SAM'S CLUB	20		20
59	Various	CITY OF STANFORD, KY (BUSINESS LICENSE)	70		70
60	Various	WARREN COUNTY CLERKS OFFICE	38		38
61	Various	NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS	264		264
62	Various	TNTAP	409		409
63	Various	KENTUCKY OIL AND GAS ASSOCIATION	1,000		1,000
64	Various	LOGAN COUNTY HOME BUILDERS	350		350
65	Various	LINCOLN COUNTY CHAMBER OF COMMERCE	140		140
66	Various	SOCIETY FOR MARKETING PROFESSIONAL SERVICES	420		420
67	Various	CRITTENDEN COUNTY ECONOMIC DEVELOPMENT	250		250
68	Various	CRITTENDEN COUNTY ECONOMIC DEVELOPMENT	250		250
69	Various	GARRARD COUNTY CHAMBER OF COMMERCE	300		300
70	Various	HART COUNTY CHAMBER OF COMMERCE	200		200
71	Various	SOUTH WESTERN KENTUCKY ECONOMIC DEVELOPMENT COUI	11,000		11,000
		Total Forecasted Period	126,745		126,745

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
CHARITABLE CONTRIBUTIONS
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X___Base Period___X____Forecasted Period — FR 16(8)(f)
Type of Filing:___X____Original________Updated________Revised — Schedule F-2.1
Workpaper Reference No(s). — Witness: Waller

Line No.	Account No.	Charitable Organization *	Total Utility	Jurisdictional %	Jurisdiction
		BASE PERIOD			
1	Various	Education	$ 36,363	100%	$ 36,363
2	Various	United Way Agencies	$ -		0
3	Various	Health	$ -		0
4	Various	Museums & Arts	$ 17,865		17,865
5	Various	Youth Clubs & Centers	$ 6,350		6,350
6	Various	Community Welfare	$111,309		111,309
7	Various	American Red Cross	$ 5,000		5,000
8	Various	Salvation Army	$ -		0
9	Various	Heat Help Assistance Programs	$115,000		115,000
		Total	$291,887		$ 291,887
		TEST PERIOD			
1	Various	Education	$ 36,363	100%	$ 36,363
2	Various	United Way Agencies	$ -		0
3	Various	Health	$ -		0
4	Various	Museums & Arts	$ 17,865		17,865
5	Various	Youth Clubs & Centers	$ 6,350		6,350
6	Various	Community Welfare	$111,309		111,309
7	Various	American Red Cross	$ 5,000		5,000
8	Various	Salvation Army	$ -		0
9	Various	Heat Help Assistance Programs	$115,000		115,000
		Total	$291,887		$ 291,887

Note: These items are not included in O&M and therefore not part of revenue requirements.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
INITIATION FEES/COUNTRY CLUB Expenses *
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___x___Base Period___x___Forecasted Period — FR 16(8)(f)
Type of Filing:___X____Original________Updated________Revised — Schedule F-2.2
Workpaper Reference No(s). — Witness: Waller

			Base Period			Forecasted Period		
Line No.	Account No.	Payee Organization	Total Utility	Jurisdictional %	Jurisdiction	Total Utility	Jurisdictional %	Jurisdictior
1	Various	Owensboro Country Club (dues)	$ -	100%	$ -	$ -	100%	$ -
2	Various	OCC - Expenses	0		0	0		0
3		Total	$ -		$ -	$ -		$ -

NOTE: Country Club dues will be excluded from O & M and therefore, excluded from the revenue requirements. A/C 870.
NOTE: There are no OCC expenses for the Base Period

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Employee PARTY, OUTING, and GIFT EXP.
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___x___Base Period___X___Forecasted Period
Type of Filing:___X____Original_______Updated_______Revised
Workpaper Reference No(s).____________________

FR 16(8)(f)
Schedule F-2.3
Witness: Waller

			Base Period			Forecasted Period		
Line No.	Account No.	Description of Expenses	Total Utility	Kentucky Jurisdictional	Allocated Amount	Total Utility	Kentucky Jurisdictional	Allocated Amount
1		**Div 009**						
2	Various	Sub Account 07421- Service Awards	$ -	100%	$ -	$ -	100%	$ -
3								
4		Total	$ -		$ -	$ -		$ -
5								
6		**Div 091**						
7	Various	Sub Account 07421- Service Awards	$ 44,392	49.78%	$ 22,098	$ 37,359	49.78%	$ 18,598
8								
9		Total	$ 44,392		$ 22,098	$ 37,359		$ 18,598
10								
11		**Div 002**						
12	Various	Sub Account 07421- Service Awards	$ -	5.18%	$ -	$ -	5.18%	$ -
13								
14		Total	$ -		$ -	$ -		$ -
15								
16		**Div 012**						
17	Various	Sub Account 07421- Service Awards	$ 175,118	5.64%	$ 9,879	$ 300,931	5.64%	$ 16,976
18								
19		Total	$ 175,118		$ 9,879	$ 300,931		$ 16,976
20								
21		**Grand Total**	$ 219,510		$ 31,977	$ 338,291		$ 35,574

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Customer Service and Informational SALES and General ADVERTISING Expense
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:__x___Base Period___x___Forecasted Period — FR 16(8)(f)
Type of Filing:___X____Original________Updated_________Revised — Schedule F-3
Workpaper Reference No(s).____________________ — Witness: Waller

Line No.	Account Number	Description of Expenses	Base Period Total Utility	Base Period Kentucky Jurisdictional	Base Period Allocated Amount	Forecasted Period Total Utility	Forecasted Period Kentucky Jurisdictional	Forecasted Period Allocated Amount
1		**Customer Service and Informational Expenses**						
2								
3		**Div 009**						
4	907	Supervision (1)	$ -	100%	$ -	$ -	100%	$ -
5	908	Customer Assistance	-	100%	-	-	100%	-
6	909	Informational Advertising (1)	129,523	100%	129,523	128,272	100%	128,272
7	910	Miscellaneous Customer Service and Informational (1)	-	100%	-	-	100%	-
8		Total	$ 129,523		$ 129,523	$ 128,272		$ 128,272
9								
10		**Div 091**						
11	907	Supervision (1)	$ -	49.78%	$ -	$ -	49.78%	$ -
12	908	Customer Assistance	-	49.78%	-	-	49.78%	-
13	909	Informational Advertising (1)	-	49.78%	-	-	49.78%	-
14	910	Miscellaneous Customer Service and Informational (1)	1,363	49.78%	679	1,616	49.78%	804
15		Total	$ 1,363		$ 679	$ 1,616		$ 804
16								
17		**Div 002**						
18	907	Supervision (1)	$ -	5.18%	$ -	$ -	5.18%	$ -
19	908	Customer Assistance	-	5.18%	-	-	5.18%	-
20	909	Informational Advertising (1)	-	5.18%	-	-	5.18%	-
21	910	Miscellaneous Customer Service and Informational (1)	-	5.18%	-	-	5.18%	-
22		Total	$ -		$ -	$ -		$ -
23								
24		**Div 012**						
25	907	Supervision (1)	$ -	5.64%	$ -	$ -	5.64%	$ -
26	908	Customer Assistance	-	5.64%	-	-	5.64%	-
27	909	Informational Advertising (1)	-	5.64%	-	-	5.64%	-
28	910	Miscellaneous Customer Service and Informational (1)	-	5.64%	-	-	5.64%	-
29		Total	$ -		$ -	$ -		$ -
30								
31		**Sales Expense**						
32								
33		**Div 009**						
34	911	Supervision	$ 253,382	100%	$ 253,382	$ 253,468	100%	$ 253,468
35	912	Demonstration and Selling (1)	143,981	100%	143,981	115,937	100%	115,937
36	913	Advertising	43,530	100%	43,530	35,170	100%	35,170
37	916	Miscellaneous Sales Expense	-	100%	-	-	100%	-
38		Total	$ 440,892		$ 440,892	$ 404,575		$ 404,575
39								
40		**Div 091**						
41	911	Supervision	$ 194,694	49.78%	$ 96,918	$ 210,011	49.78%	$ 104,543
42	912	Demonstration and Selling (1)	0	49.78%	0	0	49.78%	0
43	913	Advertising	1,230	49.78%	612	1,458	49.78%	726
44	916	Miscellaneous Sales Expense	0	49.78%	0	0	49.78%	0
45		Total	$ 195,923		$ 97,531	$ 211,468		$ 105,269
46								
47		**Div 002**						
48	911	Supervision	$ -	5.18%	$ -	$ -	5.18%	$ -
49	912	Demonstration and Selling (1)	20,339	5.18%	1,053	22,686	5.18%	1,174
50	913	Advertising	-	5.18%	-	-	5.18%	-
51	916	Miscellaneous Sales Expense	-	5.18%	-	-	5.18%	-
52		Total	$ 20,339		$ 1,053	$ 22,686		$ 1,174
53								
54		**Div 012**						
55	911	Supervision	$ -	5.64%	$ -	$ -	5.64%	$ -
56	912	Demonstration and Selling (1)	-	5.64%	-	-	5.64%	-
57	913	Advertising	-	5.64%	-	-	5.64%	-
58	916	Miscellaneous Sales Expense	-	5.64%	-	-	5.64%	-
59		Total	$ -		$ -	$ -		$ -

(1) Included in these accounts are advertising and promotional advertising expenses which are considered Non-recoverable and will be Excluded from O & M for ratemaking and therefore the Revenue Requirements. These amounts are shown properly classified on Schedule F-4, Advertising.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
ADVERTISING
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:__x___Base Period___x___Forecasted Period
Type of Filing:___X____Original________Updated________Revised
Workpaper Reference No(s).

FR 16(8)(f)
Schedule F-4
Witness: Waller

		Base Period						Forecasted Period		
Line No.	Item (A)	Sales or Promotional Advertising	Safety or Req by Law Advertising	Total Utility	Kentucky Jurisdictional	Allocated Amount		Sales or Promotional Advertising	Kentucky Jurisdictional	Allocated Amount
1	**Div 009**									
2	Newspaper, Magazine,bill stuffer & Other	$ 184,693	$ 4,894	$ 189,587	100%	$ 189,587		$ 184,693	100%	$ 184,693
3										
4	**Div 091**									
5	Newspaper, Magazine,bill stuffer & Other	1,363	318,911	320,275	49.78%	159,433		1,363	49.78%	679
6										
7	**Div 002**									
8	Newspaper, Magazine,bill stuffer & Other	209,133	-	209,133	5.18%	10,827		209,133	5.18%	10,827
9										
10	**Div 012**									
11	Newspaper, Magazine,bill stuffer & Other	1,752	-	1,752	5.64%	99		1,752	5.64%	99
12										
13	**Grand Total**	$ 396,941	$ 323,806	$ 720,747		$ 359,946		$ 396,941		$ 196,297

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
PROFESSIONAL Service Expenses
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:__x___Base Period___x___Forecasted Period — FR 16(8)(f)
Type of Filing:___X_____Original________Updated________Revised — Schedule F-5
Workpaper Reference No(s).____________________ — Witness: Waller

Line No.	Description	Base Period Total Utility	Base Period Kentucky Jurisdictional	Base Period Allocated Amount	Forecasted Period Total Utility	Forecasted Period Kentucky Jurisdictional	Forecasted Period Allocated Amount
	Account 923 - Outside Services Employed						
1							
2	Div 009						
3	06111- Contract Labor	$ (22,453)	100%	$ (22,453)	$ (21,192)	100%	$ (21,192)
4	06121- Legal	$ 382,365	100%	382,365	$ 360,889	100%	360,889
5	Total	$ 359,911		$ 359,911	$ 339,697		$ 339,697
6							
7	Div 091						
8	06111- Contract Labor	$ 35,196	49.78%	$ 17,520	$ 56,218	49.78%	$ 27,985
9	06121- Legal	$ 168,250	49.78%	83,755	$ 268,746	49.78%	133,782
10	Total	$ 203,446		$ 101,275	$ 324,964		$ 161,767
11							
12	Div 002						
13	06111- Contract Labor	$ 10,575,222	5.18%	$ 547,492	$10,595,303	5.18%	$ 548,532
14	06121- Legal	$ 454,128	5.18%	23,511	$ 454,990	5.18%	23,555
15	Total	$ 11,029,350		$ 571,003	$11,050,293		$ 572,087
16							
17	Div 012						
18	06111- Contract Labor	$ 614,020	5.64%	$ 34,638	$ 448,998	5.64%	$ 25,329
19	06121- Legal	$ 48,342	5.64%	2,727.06	$ 35,350	5.64%	1,994.15
20	Total	$ 662,361		$ 37,365	$ 484,348		$ 27,323

Note: Rate Case related expenses are shown separately on Schedule F-6.

Atmos Energy Corporation, Kentucky/Mid-States Divisio
Kentucky Jurisdiction Case No. 2018-00281
Projected Rate Case Expense

Data:__X___Base Period__X___Forecasted Period — FR 16(8)(f)
Type of Filing:___X____Original________Updated ________Revised — Schedule F-6
Workpaper Reference No(s). — Witness: Waller

Line No.	Description		Amount
1	**Consulting**		
2	Class Cost Study - P. Raab	$ 13,650	
3	Cost of Capital - Vander Weide, J. H.	16,200	
4	Depreciation - D. Watson	23,064	
5	sub-total		$ 52,914
6			
7	**Legal Fees**		
8	(J. Hughes/R. Hutchinson)		164,184
9			
10	**Employee Expense**		
11	(airfare, lodging, meals, etc.)		23,813
12			
13	**Miscellaneous Expense**		
14	(printing, advertising, etc.)		96,393
15			
16	**Total Projected Rate Case Expense**		$ 337,304
17			
18	**Three (3) Year Amortization of Rate Case Expenses**		$ 112,434.56

Data Source:
F.6 Schedule Rate Case Expenses.xls

Rate Case (3 year Amortization)

	Case No. 2017-00349 Regulated Asset Balance	Amortization Expense		**Case No. 2018-00281** Regulated Asset Balance	Amortization Expense
Mar-18	0	0	Mar-19	0	0
Apr-18	0	0	Apr-19	327,934	9,370
May-18	164,401	8,719	May-19	318,565	9,370
Jun-18	155,682	8,719	Jun-19	309,195	9,370
Jul-18	146,963	8,719	Jul-19	299,825	9,370
Aug-18	138,244	8,719	Aug-19	290,456	9,370
Sep-18	129,525	8,719	Sep-19	281,086	9,370
Oct-18	120,806	8,719	Oct-19	271,717	9,370
Nov-18	112,087	8,719	Nov-19	262,347	9,370
Dec-18	103,368	8,719	Dec-19	252,978	9,370
Jan-19	94,649	8,719	Jan-20	243,608	9,370
Feb-19	85,930	8,719	Feb-20	234,239	9,370
Mar-19	77,211	8,719	Mar-20	224,869	9,370
	102,221	95,909		255,140	112,435
	(13 Month Average)				
Apr-19	68,492	8,719	Apr-20	215,500	9,370
May-19	59,773	8,719	May-20	206,130	9,370
Jun-19	51,054	8,719	Jun-20	196,760	9,370
Jul-19	42,335	8,719	Jul-20	187,391	9,370
Aug-19	33,616	8,719	Aug-20	178,021	9,370
Sep-19	24,897	8,719	Sep-20	168,652	9,370
Oct-19	16,178	8,719	Oct-20	159,282	9,370
Nov-19	7,459	7,459	Nov-20	149,913	9,370
Dec-19	0	0	Dec-20	140,543	9,370
Jan-20	0	0	Jan-21	131,174	9,370
Feb-20	0	0	Feb-21	121,804	9,370
Mar-20	0	0	Mar-21	112,435	9,370
Apr-20	0	0	Apr-21	103,065	9,370
May-20	0	0	May-21	93,695	9,370
Jun-20	0	0	Jun-21	84,326	9,370
Jul-20	0	0	Jul-21	74,956	9,370
Aug-20	0	0	Aug-21	65,587	9,370
Sep-20	0	0	Sep-21	56,217	9,370
Oct-20	0	0	Oct-21	46,848	9,370
Nov-20	0	0	Nov-21	37,478	9,370
Dec-20	0	0	Dec-21	28,109	9,370
Jan-21	0	0	Jan-22	18,739	9,370
Feb-21	0	0	Feb-22	9,370	9,370
Mar-21	0	0	Mar-22	(0)	9,370

	Balance Total	Amortization Total
Mar-18	0	0
Apr-18	0	0
May-18	164,401	8,719
Jun-18	155,682	8,719
Jul-18	146,963	8,719
Aug-18	138,244	8,719
Sep-18	129,525	8,719
Oct-18	120,806	8,719
Nov-18	112,087	8,719
Dec-18	103,368	8,719
Jan-19	94,649	8,719
Feb-19	85,930	8,719
Mar-19	77,211	8,719
Apr-19	396,426	18,089
May-19	378,338	18,089
Jun-19	360,249	18,089
Jul-19	342,161	18,089
Aug-19	324,072	18,089
Sep-19	305,984	18,089
Oct-19	287,895	18,089
Nov-19	269,806	16,829
Dec-19	252,978	9,370
Jan-20	243,608	9,370
Feb-20	234,239	9,370
Mar-20	224,869	9,370
	284,449	180,927
	(13 Month Average)	
Apr-20	215,500	9,370
May-20	206,130	9,370
Jun-20	196,761	9,370
Jul-20	187,391	9,370
Aug-20	178,022	9,370
Sep-20	168,652	9,370
Oct-20	159,282	9,370
Nov-20	149,913	9,370
Dec-20	140,543	9,370
Jan-21	131,174	9,370
Feb-21	121,804	9,370
Mar-21	112,435	9,370
Apr-21	103,065	9,370
May-21	93,695	9,370
Jun-21	84,326	9,370
Jul-21	74,956	9,370
Aug-21	65,587	9,370
Sep-21	56,217	9,370
Oct-21	46,848	9,370
Nov-21	37,478	9,370
Dec-21	28,109	9,370
Jan-22	18,739	9,370
Feb-22	9,370	9,370
Mar-22	(0)	9,370

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
CIVIC, POLITICAL and RELATED ACTIVITIES
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:__x___Base Period___x___Forecasted Period — FR 16(8)(f)
Type of Filing:___X____Original________Updated________Revised — Schedule F-7
Workpaper Reference No(s). — Witness: Waller

Line No.	Item (A)	Base Period Total Utility	Base Period Kentucky Jurisdictional	Base Period Allocated Amount	Forecasted Period Total Utility	Forecasted Period Kentucky Jurisdictional	Forecasted Period Allocated Amount
1	**Div 009**						
2	Donations (1)	$ -	100%	$ -	$ -	100%	$ -
3	Civic Duties (2)	-	100%	-	-	100%	-
4	Political Activities (3)	55,500	100%	55,500	55,500	100%	55,500
5	Other	-	100%	-	-	100%	-
6	Total	$ 55,500		$ 55,500	$ 55,500		$ 55,500
7							
8	**Div 091**						
9	Donations (1)	$ -	49.78%	$ -	$ -	49.78%	$ -
10	Civic Duties (2)	-	49.78%	-	-	49.78%	-
11	Political Activities (3)	2,202	49.78%	1,096	2,202	49.78%	1,096
12	Other	-	49.78%	-	-	49.78%	-
13	Total	$ 2,202		$ 1,096	$ 2,202		$ 1,096
14							
15	**Div 002**						
16	Donations (1)	$ -	5.18%	$ -	$ -	5.18%	$ -
17	Civic Duties (2)	-	5.18%	-	-	5.18%	-
18	Political Activities (3)	562,154	5.18%	29,103	562,154	5.18%	29,103
19	Other	-	5.18%	-	-	5.18%	-
20	Total	$562,154		$ 29,103	$ 562,154		$ 29,103
21							
22	**Div 012**						
23	Donations (1)	$ -	5.64%	$ -	$ -	5.64%	$ -
24	Civic Duties (2)	-	5.64%	-	-	5.64%	-
25	Political Activities (3)	-	5.64%	-	-	5.64%	-
26	Other	-	5.64%	-	-	5.64%	-
27	Total	$ -		$ -	$ -		$ -
28							
29	**Grand Total**	$619,856		$ 85,700	$ 619,856		$ 85,700

Notes:
(1) These donations represent Economic Development Contributions, all Other civic donations are Included on Schedule F-2.1, Charitable Contributions.

(2) All civic Memberships are Included on Schedule F-1, Social and Service Club Dues.

(3) These expenses are recorded below the line and therefore not included in O&M.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
EMPLOYEE EXPENSE REPORT EXCLUSIONS

Data:__x___Base Period___x___Forecasted Period — FR 16(8)(f)
Type of Filing:___X_____Original________Updated________Revised — Schedule F-8
Workpaper Reference No(s).____________________ — Witness: Waller

Line No.	Description	Base Period Amount	Base Period Kentucky Jurisdictional	Base Period Allocated Amount	Forecasted Period Amount	Forecasted Period Kentucky Jurisdictional	Forecasted Period Allocated Amount
1	Div 009	$ 34,636	100.00%	$ 34,636	$ 34,636	100%	$ 34,636
2							
3	Div 091	45,057	49.78%	22,429	45,057	49.78%	22,429
4							
5	Div 002	358,332	5.18%	18,551	358,332	5.18%	18,551
6							
7	Div 012	150,085	5.64%	8,467	150,085	5.64%	8,467
8							
9	Total Expense Report Exclusions	$ 588,109		$ 84,083	$588,109		$ 84,083

NOTE: This amount is included on ratemaking adjustments on Schedule C-2 and therefore excluded from the Revenue Requirement

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
LEASE EXPENSE

Data:__x___Base Period___x___Forecasted Period — FR 16(8)(f)
Type of Filing:___X_____Original________Updated________Revised — Schedule F-9
Workpaper Reference No(s).____________________ — Witness: Waller

Line No.	Description	Monthly	Period affected	months	O&M factor	Total Amount
	Division 009 - Direct Kentucky					
1	Hopkinsville Office					$ 19,375
2						
3	Total lease expense to be avoided					$ 19,375
4						
5	Adjustment to O & M					$ (19,375)

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
INCENTIVE COMPENSATION EXPENSE

Data:__x___Base Period___x___Forecasted Period — FR 16(8)(f)
Type of Filing:___X_____Original________Updated________Revised — Schedule F-10
Workpaper Reference No(s).____________________ — Witness: Waller

Line No.	Div	Category	Total	Allocation Factor	Allocated Totals
Variable Pay & Management Incentive Plans					
1	2	VPP & MIP	4,619,227	5.18%	239,143
2	12	VPP & MIP	0	5.64%	0
3	91	VPP & MIP	846,073	49.78%	421,175
4	9	VPP & MIP	0	100.00%	0
5		Total Allocated VPP & MIP Plans			660,318
Restricted Stock Plans					
6	2	RSU-LTIP - Time Lapse	1,992,899	5.18%	103,175
7		RSU-LTIP - Performance Based	2,176,608	5.18%	112,686
8	12	RSU-LTIP - Time Lapse	51,607	5.64%	2,911
9		RSU-LTIP - Performance Based	58,921	5.64%	3,324
10	91	RSU-LTIP - Time Lapse/Performance I	161,851	49.78%	80,569
11					
12	9	RSU-LTIP - Time Lapse	0	100.00%	0
13		RSU-LTIP - Performance Based	0	100.00%	0
14		Total Allocated Restricted Stock Plans			302,665
15		Grand Total Allocated Expense			962,983

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
2017-00349 O&M Adjustments

Data:__x___Base Period___x___Forecasted Period
Type of Filing:___X_____Original________Updated________Revised
Workpaper Reference No(s).____________________

FR 16(8)(f)
Schedule F-10
Witness: Waller

Line No.	Division	Budget Sub Account	Amount	Allocation	Total
1					
2	002	Directors Retirement Expenses - 04113	3,664,608	5.18%	189,721
3	002	Removal of Retirement Benefits	1,161,419	5.18%	60,128
4	012	Removal of Retirement Benefits	664,153	5.64%	37,466
5	009	Removal of Retirement Benefits	339,023	100.00%	339,023
6	091	Removal of Retirement Benefits	164,728	49.78%	82,002
7					
8		Grand Total			708,340

REQUEST:

KY - Case No. 2015-00343 MFR FR 16(8)(g)

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:
  (g) Analyses of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title;

RESPONSE:

Please see attachment FR_16(13)(g)_Att1, Schedules G-1 through G-3.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(g)_Att1 - Schedule G.xlsx, 3 Pages.

Respondents: Greg Waller

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
PAYROLL Costs
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:__X___Base Period___X___Forecasted Period
Type of Filing:___X____Original________Updated
Workpaper Reference No(s).

FR 16(8)(g)
Schedule G-1
Witness: Waller

Line No.	Description	% of Labor	Total Company Unadjusted	Jurisdictional	Base Period Jurisdictional Unadjusted	Adjustments	Forecasted Period Jurisdictional ADJUSTED
1	Payroll Costs						
2	Labor		$ 12,385,641	100.00%	$ 12,385,641	$ 220,260	$ 12,605,902
3							
4	Employee Benefits						
5	PENSION & RETIREMENT Income Plan	4.18%	$ 517,502	100.00%	$ 517,502	$ 9,203	$ 526,705
6	FAS 106	-0.96%	(118,386)	100.00%	(118,386)	(260,729)	(379,115)
7	Employee INSURANCE PLANS	21.51%	2,663,627	100.00%	2,663,627	47,369	2,710,996
8	ESOP PLAN Contributions	5.66%	700,421	100.00%	700,421	12,456	712,877
9				100.00%	0	0	
10	Total Employee BENEFITS		$ 4,006,507		$ 4,006,507	$ 172,762	$ 4,179,269
11							
12	Payroll Taxes						
13	F.I.C.A.		$ -	100.00%	$ -	$ -	$ -
14	Federal Unemployment		$ -	100.00%	0	0	$ -
15	State Unemployment		$ 837,558	100.00%	837,558	39,300	$ 876,858
16	Total Payroll Taxes		$ 837,558		$ 837,558	$ 39,300	$ 876,858
17							
18	Total Payroll Costs		$ 17,229,707		$ 17,229,707	$ 432,322	$ 17,662,029

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Payroll Analysis by Employee Classifications/Payroll Distribution/Total Company
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X____Base Period___X____Forecasted Period
Type of Filing:___X_____Original________Updated
Workpaper Reference No(s).

FR 16(8)(g)
Schedule G-2
Witness: Waller

Line No.	Description	2013	% Change	2014	% Change	2015	% Change	2016	% Change	2017	% Change	Base Period	% Change	Forecasted Period
		Most Recent Five Fiscal Years*												
1														
2														
3	Man Hours													
4	Straight Time Hours	410,825	-0.16%	410,171	-0.16%	409,514	2.03%	417,832	-6.33%	391,365	7.36%	420,160	0.00%	420,160
5	OverTime Hours	18,473	15.01%	21,246	6.62%	22,653	6.69%	24,169	0.97%	24,403	3.35%	25,220	0.00%	25,220
6	Total Manhours	429,298	0.49%	431,417	0.17%	432,167	3.06%	442,001	0.76%	415,768	7.12%	445,380	0.00%	445,380
7	Ratio of OverTime Hours													
8	to Straight-Time Hours	4.497%		5.180%		5.532%		5.784%		6.235%		6.002%		6.002%
9														
10	Labor Dollars													
11	Straight-Time Dollars	10,464,861	1.29%	10,599,619	3.54%	10,974,506	7.17%	11,761,379	-3.29%	11,374,568	-0.15%	11,357,943	1.16%	11,489,523
12	OverTime Dollars	657,642	15.99%	762,824	9.91%	838,415	11.26%	932,823	5.65%	985,485	4.28%	1,027,699	8.63%	1,116,379
13	Total Labor Dollars	11,122,503	2.16%	11,362,443	3.96%	11,812,921	7.46%	12,694,202	-2.63%	12,360,053	0.21%	12,385,641	1.78%	12,605,902
14	Ratio of OverTime Dollars													
15	to Straight-Time Dollars	6.284%		7.197%		7.640%		7.931%		8.664%		9.048%		9.716%
16														
17	O&M Labor Dollars	5,094,063	-1.84%	5,000,231	1.61%	5,080,812	4.26%	5,185,743	-1.32%	5,163,405	2.59%	5,297,266	-3.40%	5,117,357
18	Ratio of O&M of Labor Dollars													
19	to Total Labor Dollars	45.800%		44.007%		43.011%		40.851%		41.775%		42.769%		40.595%
20														
21	Employee Benefits													
22	Total Employee Benefits	6,062,525	1.42%	6,148,916	-14.27%	5,271,508	-13.75%	4,546,845	-1.38%	4,483,971	-10.65%	4,006,507	4.31%	4,179,269
23	Employee Benefits Expensed	2,972,341	-5.54%	2,807,746	-18.40%	2,291,156	-15.77%	1,929,818	0.48%	1,939,113	-11.63%	1,713,543	-0.99%	1,696,574
24	Ratio of Employee Benefits													
25	Expensed to Total Employee													
26	Benefits	49.028%		45.662%		43.463%		42.443%		43.245%		42.769%		40.595%
27														
28	Payroll Taxes													
29	Total Payroll Taxes	842,968	32.66%	1,118,268	-19.88%	895,950	10.61%	991,045	6.66%	1,057,091	-20.77%	837,558	4.69%	876,858
30	Payroll Taxes Expensed	335,033	0.08%	335,294	4.12%	349,097	8.03%	377,118	-11.10%	335,253	6.85%	358,215	-0.63%	355,960
31	Ratio of Payroll Taxes													
32	Expensed to Total Payroll													
33	Taxes	39.744%		29.983%		38.964%		38.053%		31.715%		42.769%		40.595%
34														
35	Employee Levels													
36	Average Employee Levels	211	1.90%	215	-1.86%	211	1.90%	215	-4.19%	206	-1.94%	202	0.00%	202
37	Year end Employee Levels	213	2.35%	218	-2.29%	213	2.35%	218	-7.34%	202	0.00%	202	0.00%	202

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Executive Compensation
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:__X___Base Period___X___Forecasted Period
Type of Filing:___X____Original________Updated
Workpaper Reference No(s).___________________

FR 16(8)(g)
Schedule G-3
Witness: Waller

Line No.	Description	% of Labor FY17	FY18	Wtd Avg	Base Period Company Unallocated	Adjustments	Forecasted Period Company Unallocated
1	Includes 7 Officers						
2							
3	Gross Payroll						
4	Salary				$ 3,378,041	$ 135,122	$ 3,513,163
5	Other Allowances and Compensation				9,311,146	372,446	$ 9,683,592
6	Total Salary and Compensation				$ 12,689,188	$ 507,568	$ 13,196,755
7							
8	Employee Benefits	FY17	FY18	Wtd Avg			
9	Pensions	6.00%	4.40%	4.80%	$ 162,146	$ 6,486	$ 168,632
10	SERP				$ 2,758,681	110,347	$ 2,869,029
11	Other Benefits	28.00%	28.70%	28.53%	963,586	38,543	1,002,130
12	Total Employee Benefits				$ 3,884,414	$ 155,377	$ 4,039,790
13							
14	Payroll Taxes						
15	FICA/FUTA/SUTA				$ 247,462	$ 9,898	$ 257,361
16	Total Payroll Taxes				$ 247,462	$ 9,898	$ 257,361
17							
18	Total Compensation				$ 16,821,063	$ 672,843	$ 17,493,906

NOTE: This schedule contains confidential information, detail of these numbers are available upon request.

Positions included on this schedule are:
CEO
SVP, Utility Operations (created in January 2017)
SVP, General Counsel (vacant from Mar17-Jul17, filled in Aug-17)
President and COO
SVP, CFO
SVP, Safety and Enterprise
SVP, Human Resources

These costs are total costs for Atmos Energy Corporation, a portion of which are allocated to Kentucky.
*Wtd Avg is 9 mos of FY18 and 3 months of FY17

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:

(h) A computation of the gross revenue conversion factor for the forecasted period;

RESPONSE:

Please see attachment FR_16(8)(h)_Att1 - Schedule H.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(h)_Att1 - Schedule H.xlsx, 1 Page.

Respondents: Greg Waller and Jennifer Story

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Computation of Gross Revenue Conversion Factor
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:__X___Base Period___X___Forecasted Period — FR 16(8)(h)
Type of Filing:___X____Original________Updated ________Revised — Schedule H-1
Workpaper Reference No(s). — Witness: Waller

Line No.	Description		Base Year Percentage of Incremental Gross Revenue	Test Year Percentage of Incremental Gross Revenue
1	Operating Revenue		100.000000%	100.000000%
2	Less: Uncollectible Accounts Expense		0.500000%	0.500000%
3	Less: PSC Fees		0.200000%	0.200000%
4	Net Revenues		99.300000%	99.300000%
5	SIT Rate	6.00%	5.958000%	5.958000%
6	Income before Federal Income Tax		93.342000%	93.342000%
7	Federal Income Tax @	21%	19.601800%	19.601800%
8	Operating Income Percentage		73.740200%	73.740200%
9	Gross Revenue Conversion Factor			
10	(100 % divided by Income after Income Tax)		1.356112	1.356112

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:

(i) Comparative income statements (exclusive of dividends per share or earnings per share), revenue statistics and sales statistics for the five (5) most recent calendar years from the application filing date, the base period, the forecasted period, and two (2) calendar years beyond the forecast period;

RESPONSE:

Please see attachment FR_16(8)(i)_Att1, Schedules I.1 through I.3.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(i)_Att1 - Schedule I.xlsx, 3 Pages.

Respondents: Laura Gillham, Greg Waller and Josh Densman

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Comparative Income Statement
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X____Base Period___X____Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(i)1
Schedule I
Witness: Gillham, Waller, Densman

	Most Recent Five Calendar Years					Base Year	Test Year			
	2013	2014	2015	2016	2017	12/31/2018	3/31/2020	2020	2021	2022
INCOME STATEMENT	$	$	$	$		$	$	$	$	$
Operating Revenues										
Gas service revenue	148,865	180,147	153,228	129,827	144,870	154,820	150,248	149,814	148,321	147,963
Transportation	12,587	14,311	15,087	15,748	17,215	17,013	14,881	14,881	14,881	14,881
Other revenue	1,517	2,424	2,153	1,857	2,017	3,329	4,589	4,584	4,571	4,568
Total Operating Revenues	162,968	196,882	170,468	147,431	164,102	175,163	169,718	169,279	167,773	167,412
Purchase gas	94,657	118,107	87,746	61,180	70,880	83,882	78,382	77,907	76,310	75,848
Gross Profit	68,311	78,774	82,721	86,251	93,222	91,280	91,336	91,372	91,463	91,564
Operating Expenses										
Direct O&M	14,377	14,815	14,927	14,518	16,031	15,500	12,726	18,914	19,149	19,392
Allocated O&M	11,534	12,036	12,874	12,708	11,829	13,031	14,499	11,053	11,362	11,757
Depreciation & amortization	14,919	16,846	18,636	19,121	19,379	20,483	22,542	25,167	28,556	32,382
Taxes - other than income	3,871	4,648	7,343	5,919	6,336	6,492	7,512	9,637	10,834	12,165
Total Operating Expenses	44,701	48,344	53,779	52,266	53,575	55,506	57,279	64,771	69,901	75,696
Operating income(loss)	23,610	30,430	28,942	33,985	39,647	35,775	34,057	26,601	21,562	15,868
Other income										
Interest Income	83	69	40	42	32	32	32	32	32	32
Performance based rates	2,659	2,705	2,795	2,792	3,246	3,246	3,246	3,000	3,000	3,000
Donations	194	299	427	355	361	361	361	361	361	361
Other Income	(514)	(456)	(344)	(391)	(403)	(403)	(403)	(403)	(403)	(403)
Total other income	2,033	2,019	2,063	2,087	2,514	3,236	3,236	2,989	2,989	2,989
Interest Charges										
Total interest charges	6,436	6,419	6,744	7,377	8,009	7,832	9,368	8,206	9,822	11,924
Income Before Taxes	19,208	26,030	24,261	28,695	34,152	31,178	27,925	21,384	14,729	6,933
Provision for income taxes	7,420	9,672	9,884	9,516	9,697	8,025	7,188	4,040	2,327	321
Net Income	11,788	16,358	14,377	19,178	24,455	23,153	20,737	17,343	12,402	6,612

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Revenue Statistics
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X____Base Period___X____Forecasted Period
Type of Filing:___X_____Original________Updated
Workpaper Reference No(s).____________________

FR 16(8)(i)2
Schedule I
Witness: Gillham, Densman

Line No.	Description	Most Recent Five Calendar Years 2013	2014	2015	2016	2017	Base Period 12/31/2018	Forecasted Period 3/31/2020	2020	2021	2022
1	Revenue by Customer Class:										
2	Residential	$ 96,055,210	$115,327,134	$ 97,211,019	$ 85,596,832	$ 94,138,422	$ 99,146,045	$ 96,519,490	$ 96,326,563	$ 95,527,942	$ 95,391,680
3	Commercial	39,938,784	49,294,804	42,476,905	34,032,004	38,222,731	42,884,783	41,608,020	$ 41,428,893	$ 40,924,733	$ 40,763,656
4	Industrial	4,796,885	5,845,776	5,705,427	4,441,439	6,400,150	5,847,533	5,370,385	$ 5,338,211	$ 5,242,091	$ 5,211,956
5	Public Authority & Other	8,073,794	9,679,607	7,834,566	5,756,388	6,108,524	6,942,114	6,749,807	$ 6,720,022	$ 6,626,214	$ 6,595,813
6	Unbilled										
7	Total	$ 148,864,673	$180,147,322	$ 153,227,918	$ 129,826,663	$ 144,869,827	$154,820,476	$150,247,702	$ 149,813,689	$ 148,320,980	$ 147,963,105
8	Number of Customer by Class:										
9	Residential	153,904	155,702	155,281	155,597	156,174	157,307	157,713	157,875	158,200	158,525
10	Commercial	17,318	17,435	17,333	17,339	17,354	17,446	17,446	17,446	17,446	17,446
11	Industrial	207	204	201	205	206	215	215	215	215	215
12	Public Authority & Other	1,575	1,576	1,561	1,550	1,549	1,535	1,535	1,535	1,535	1,535
13	Total	173,004	174,917	174,376	174,692	175,282	176,502	176,909	177,071	177,396	177,721
14	Average Revenue per Class:										
15	Residential	$ 624	$ 741	$ 626	$ 550	$ 603	$ 630	$ 612	$ 610	$ 604	$ 602
16	Commercial	2,306	2,827	2,451	1,963	2,203	2,458	2,385	2,375	2,346	2,337
17	Industrial	23,183	28,703	28,362	21,630	31,094	27,138	24,924	24,774	24,328	24,188
18	Public Authority & Other	5,125	6,141	5,019	3,714	3,945	4,524	4,399	4,379	4,318	4,298

(1) Unbilled Revenue is not included in the appropriate customer class.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
SALES STATISTICS
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:___X____Base Period___X____Forecasted Period
Type of Filing:___X_____Original________Updated
Workpaper Reference NO(S)._____________________

FR 16(8)(i)3
Schedule I
Witness: Gillham, Densman

Line No.	Description	Most Recent Five Calendar Years 2013	2014	2015	2016	2017	Base Period 12/31/2018	Forecasted Period 3/31/2020	2020	2021	2022
		Mcf	Mcf	Mcf	Mcf		Mcf	Mcf	Mcf	Mcf	
1	Sales by Customer Class:										
2	Residential	10,662,876	11,757,007	10,133,138	8,859,272	8,360,876	10,051,263	10,083,093	10,087,189	10,107,961	10,128,734
3	Commercial	5,112,548	5,657,641	4,981,322	4,436,288	4,415,168	5,216,701	5,216,701	5,216,701	5,216,701	5,216,701
4	Industrial	807,006	780,039	706,192	1,021,718	1,517,001	991,585	991,585	991,585	991,585	991,585
5	Public Authority & Other	1,185,264	1,241,310	1,055,743	896,168	824,971	962,459	962,459	962,459	962,459	962,459
6	Unbilled										
7											
8	Total	17,767,695	19,435,997	16,876,396	15,213,446	15,118,017	17,222,008	17,253,838	17,257,933	17,278,706	17,299,479
9											
10	Number of Customer by Class:										
11	Residential	153,904	155,702	155,281	155,597	156,174	157,307	157,713	157,875	158,200	158,525
12	Commercial	17,318	17,435	17,333	17,339	17,354	17,446	17,446	17,446	17,446	17,446
13	Industrial	207	204	201	205	206	215	215	215	215	215
14	Public Authority & Other	1,575	1,576	1,561	1,550	1,549	1,535	1,535	1,535	1,535	1,535
15											
16	Total	173,004	174,917	174,376	174,692	175,282	176,502	176,909	177,071	177,396	177,721
17											
18	Average Volume per Class:										
19	Residential	69	76	65	57	54	64	64	64	64	64
20	Commercial	295	324	287	256	254	299	299	299	299	299
21	Industrial	3,900	3,830	3,510	4,976	7,370	4,602	4,602	4,602	4,602	4,602
22	Public Authority & Other	752	788	676	578	533	627	627	627	627	627

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:
  (j) A cost of capital summary for both the base period and forecasted period with supporting schedules providing details on each component of the capital structure;

RESPONSE:

Please see attachment FR_16(8)(j)_Att1, Schedules J-1 through J-4.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(j)_Att1 - Schedule J.xlsx, 8 Pages.

Respondent: Joe Christian

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Cost of Capital Summary
Base Period: Twelve Months Ended December 31, 2018

FR 16(8)(j)
Schedule J-1
Sheet 1 of 1
Witness: Christian

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

Line No.	Class of Capital	Workpaper Reference	Amount	Percent of Total	Cost Rate	Weighted Cost
		(A)	(B)	(C)	(D)	(E)
			$000	%	%	%
	Capital Structure					
6	SHORT-TERM DEBT	J-3	$ 281,542	3.44%	2.40%	0.08%
7	LONG-TERM DEBT	J-3	3,131,315	38.31%	4.72%	1.81%
8	PREFERRED STOCK	J-4	0	0.00%	0.00%	0.00%
9	COMMON EQUITY		$ 4,760,181	58.24%	10.40%	6.06%
10	Total Capital		$ 8,173,038	100.00%		7.95%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
13 Month Average Capital Structure
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020

Data:__X___Base Period___X___Forecasted Period — FR 16(8)(j)
Type of Filing:___X____Original________Updated ________Revised — Schedule J-1
Workpaper Reference No(s).____________________ — Witness: Christian

PROPOSED RATES

Line No.	Class of Capital	Workpaper Reference	Base Period Amount	Base Period Percent of Total	Base Period Cost Rate	Base Period Weighted Cost	Forecasted Period Amount	Forecasted Period Percent of Total	Forecasted Period Cost Rate	Forecasted Period Weighted Cost
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
			$000	%	%	%	$000	%	%	%
1	SHORT-TERM DEBT		281,542	3.44%	2.40%	0.08%	281,542	3.44%	2.40%	0.08%
2	LONG-TERM DEBT		3,131,315	38.31%	4.72%	1.81%	3,131,315	38.31%	4.72%	1.81%
3	Total DEBT		3,412,857	41.75%		1.89%	3,412,857	41.75%		1.89%
4	PREFERRED STOCK		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
5	COMMON EQUITY		4,760,181	58.24%	10.40%	6.06%	4,760,181	58.24%	10.40%	6.06%
6	Other Capital		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
7	Total Capital		8,173,038	100.0%		7.95%	8,173,038	100.0%		7.95%

CURRENT RATES

Line No.	Class of Capital	Workpaper Reference	Base Period Amount	Base Period Percent of Total	Base Period Cost Rate	Base Period Weighted Cost	Forecasted Period Amount	Forecasted Period Percent of Total	Forecasted Period Cost Rate	Forecasted Period Weighted Cost
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
			$000	%	%	%	$000	%	%	%
8	SHORT-TERM DEBT		281,542	3.44%	2.40%	0.08%	281,542	3.44%	2.40%	0.08%
9	LONG-TERM DEBT		3,131,315	38.31%	4.72%	1.81%	3,131,315	38.31%	4.72%	1.81%
10	Total DEBT		3,412,857	41.75%		1.89%	3,412,857	41.75%		1.89%
11	PREFERRED STOCK		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
12	COMMON EQUITY		4,760,181	58.24%	8.05%	4.69%	4,760,181	58.24%	6.34%	3.69%
13	Other Capital		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
14	Total Capital		8,173,038	100.0%		6.58%	8,173,038	100.0%		5.58%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
ANNUALIZED SHORT-TERM DEBT
as of December 31, 2017

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Schedule J-2
Sheet 1 of 1
Witness: Christian

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

Line No.	Issue	Amount Outstanding	(1) Interest Rate	Effective Annual Cost	Composite Interest Rate
	(A)	(B) $000	(C)	(D) $000	(E=D/B)
1	AVERAGE SHORT-TERM DEBT	$ 281,542	1.414%	$ 3,982	
2	COMMITMENT FEE & BANK ADMIN			$ 2,778	
3	TOTAL SHORT-TERM DEBT	$ 281,542		$ 6,760	2.40%

NOTES:

(1) Interest Rate is the actual average rate for 12 Months Ended June 30, 2018

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
AVERAGE ANNUALIZED LONG-TERM DEBT
Base Period: Twelve Months Ended December 31, 2018

Data:__X___Base Period______Forecasted Period — FR 16(8)(j)
Type of Filing:___X____Original________Updated ________Revised — Schedule J-3
Workpaper Reference No(s).____________________ — Witness: Christian

Line No.	Issue	13 Mth Avg. Amount Outstanding	Interest Rate	Effective Annual Cost	Composite Interest Rate
	(A)	(B)	(C)	(D)	(E=D/B)
1	6.75% Debentures Unsecured due July 2028	$ 150,000,000	6.75%	$10,125,000	
2	6.67% MTN A1 due Dec 2025	10,000,000	6.67%	667,000	
3	5.95% Sr Note due 10/15/2034	200,000,000	5.95%	11,900,000	
4	Sr Note 5.50% Due 06/15/2041	400,000,000	5.50%	22,000,000	
5	8.50% Sr Note due 3/15/2019; REFINANCE	513,000,000	5.07%	26,031,660	
6	4.15% Sr Note due 1/15/2043	500,000,000	4.15%	20,750,000	
7	4.125% Sr Note due 10/15/2044	750,000,000	4.13%	30,937,500	
8	3% Sr Note dues 6/15/2027	500,000,000	3.00%	15,000,000	
9	$200MM 3YR Sr Credit Facility (Est. 9/22/16)	125,000,000	3.06%	3,825,000	
10	Total	$ 3,148,000,000		$141,236,160	
11					
12	Annualized Amortization of Debt Exp. & Debt Dsct.			$6,580,966	
13	Less Unamortized Debt Discount	$4,425,158			
14	Less Unamortized Debt Expenses	($21,110,455)			
15					
16					
17					
18	Total LONG-TERM DEBT	$3,131,314,702.82		147,817,126	**4.72%**

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
EMBEDDED Cost of PREFERRED STOCK

FR 16(8)(j)
Schedule J-4
Sheet 1 of 1
Witness: Christian

Data:__X___Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated
Workpaper Reference No(s).____________________

Line No.	Dividend Rate, TYPE, PAR Amount	Date Issued (A)	Amount Outstanding (B)	Premium or Discount (C)	Issue Expense (D)	Gain or Loss on Reacquired Stock (E)	Net Proceeds (F=B+C-D+E)	Cost Rate At Issue (G)	Annualized Dividends (H=GXB)

Atmos Energy Corporation has no PREFERRED STOCK OUTSTANDING at this time.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Cost of Capital Summary
Thirteen Month Average as of March 31, 2019

Data:_____Base Period___X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(j)
Schedule J-1
Witness: Christian

Line No.	Class of Capital	Workpaper Reference (A)	Amount (B) $000		Percent of Total (C)	Cost Rate (D) %	Weighted Cost (E) %
	Capital Structure						
6	SHORT-TERM DEBT		$	281,542	3.4%	2.40%	0.08%
7	LONG-TERM DEBT	J-3		3,131,315	38.3%	4.72%	1.81%
8	PREFERRED STOCK	J-4		0	0.0%	0.00%	0.00%
9	COMMON EQUITY		$	4,760,181	58.2%	10.40%	6.06%
10	Total Capital		$	8,173,038	100.0%		7.95%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
AVERAGE ANNUALIZED SHORT-TERM DEBT
as of March 31, 2019

Data:_____Base Period___X___Forecasted Period | FR 16(8)(j)
Type of Filing:___X____Original________Updated ________Revised | Schedule J-2
Workpaper Reference No(s).____________________ | Witness: Christian

	Issue	Amount Outstanding	Interest Rate	Effective Annual Cost	Composite Interest Rate
	(A)	(B)	(C)	(D)	(E=D/B)
		$000		$000	
1	AVERAGE SHORT-TERM DEBT (1)	281,542	1.4143%	3,982	
2	COMMITMENT FEE			2,778	
3	TOTAL SHORT-TERM DEBT	281,542		6,760	2.40%

NOTES:

(1) Interest Rate is the actual average rate for 12 Months Ended June 30, 2018.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
AVERAGE ANNUALIZED LONG-TERM DEBT
Forecasted Test Period: Twelve Months Ended March 31, 2020

FR 16(8)(j)
Schedule J-3
Sheet 1 of 1
Witness: Christian

Data:_____Base Period___X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

Line No.	Issue	13 Mth Average Amount Outstanding	Interest Rate	Effective Annual Cost	Composite Interest Rate
	(A)	(B)	(C)	(D)	(E=D/B)
1	6.75% Debentures Unsecured due July 2028	$ 150,000,000	6.75%	$ 10,125,000	
2	6.67% MTN A1 due Dec 2025	10,000,000	6.67%	667,000	
3	5.95% Sr Note due 10/15/2034	200,000,000	5.95%	11,900,000	
4	Sr Note 5.50% Due 06/15/2041	400,000,000	5.50%	22,000,000	
5	8.50% Sr Note due 3/15/2019; REFINANCE	513,000,000	5.07%	26,031,660	
6	4.15% Sr Note due 1/15/2043	500,000,000	4.15%	20,750,000	
7	4.125% Sr Note due 10/15/2044	750,000,000	4.13%	30,937,500	
8	3% Sr Note due 6/15/2027	500,000,000	3.00%	15,000,000	
9	$200MM 3YR Sr Credit Facility (Est. 9/22/16)	125,000,000	3.06%	3,825,000	
10	Total	$ 3,148,000,000		$ 141,236,160	
11					
12	Annualized Amortization of Debt Exp. & Debt Dsct.			6,580,966	
13	Less Unamortized Debt Discount	$4,425,158			
14	Less Unamortized Debt Expenses	($21,110,455)			
15					
16					
17					
18	Total LONG-TERM DEBT	$ 3,131,314,703		$ 147,817,126	4.72%

<u>REQUEST:</u>

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:

(k) Comparative financial data and earnings measures for the ten (10) most recent calendar years, the base period, and the forecast period;

<u>RESPONSE:</u>

Please see attachment FR_16(8)(k)_Att1, Schedule K.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(k)_Att1 - Schedule K.xlsx, 3 Pages.

Respondents: Laura Gillham, Josh Densman and Greg Waller

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Comparative Financial Data
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020
and 10 Most Recent Calendar Years

Data:__X___Base Period___X___Forecasted Period
Type of Filing:_______Original________Updated ____X____Revised
Workpaper Reference No(s).____________________

FR 16(8)(k)
Schedule K
Witness: Gillham, Densman, and Waller

Line		Forecasted	Base	Most Recent Ten Calendar Years - as Reported									
No.	Description	Period	Period	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
1	Plant Data: ($000)												
2	Plant in Service by functional class:												
3	Intangible Plant	773	773	128	128	128	128	128	128	128	128	128	128
4	Production & Gathering Plant	0	0	0	0	0	636	901	901	901	901	901	901
5	Underground Storage	15,018	15,021	13,329	12,454	11,560	10,792	9,630	10,104	9,388	7,731	7,540	6,950
6	Transmission Plant	31,004	31,455	31,784	31,814	31,808	31,877	32,962	32,836	33,144	31,189	31,202	28,807
7	Distribution Plant	673,469	583,188	517,179	472,849	413,302	381,623	340,200	323,036	296,493	283,474	271,463	260,621
8	General Plant	42,857	40,871	21,675	21,271	18,126	16,683	15,589	15,238	16,000	15,103	14,696	15,422
9	Acquisition Adjustments			3,279	3,279	3,279	3,279	3,279	3,279	3,279	3,337	3,337	3,337
10													
11	Gross Plant	763,121	671,308	587,374	541,795	478,203	445,018	402,689	385,522	359,333	341,863	329,267	316,166
12	Less: Accumulated depreciation	198,557	196,858	175,150	167,228	165,298	160,839	158,300	151,849	150,795	147,462	144,016	139,212
13	Net plant in Service	564,564	474,449	412,224	374,567	312,905	284,179	244,389	233,673	208,538	194,401	185,251	176,954
14													
15	Construction Work in Progress	39,130	39,130	32,838	10,146	26,310	12,708	16,578	6,006	3,306	7,197	4,851	5,215
16													
17	Total CWIP	39,130	39,130	32,838	10,146	26,310	12,708	16,578	6,006	3,306	7,197	4,851	5,215
18													
19	Total	603,694	513,580	445,062	384,713	339,215	296,887	260,967	239,679	211,844	201,598	190,102	182,169
20													
21	% of Construction financed internally	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
22													
23													
24	Capital structure: **(Total Company)**												
25	(based on year-end accounts))												
26	Short-term debt ($000)	281,542	281,542	447,745	829,811	457,927	196,695	367,984	570,929	206,396	126,100	72,550	350,542
27	Long-term debt ($000)	3,131,315	3,131,315	3,067,045	2,438,779	2,437,515	2,455,986	2,455,671	1,956,305	2,206,117	1,809,551	2,169,400	2,119,792
28	Preferred stock ($000)			0	0	0	0	0	0	0	0	0	0
29	Common equity ($000)	4,760,181	4,760,181	3,898,666	3,463,059	3,194,797	3,086,232	2,580,409	2,359,243	2,255,421	2,178,348	2,176,761	2,052,492
30													
31	Total	8,173,038	8,173,038	7,413,456	6,731,649	6,090,239	5,738,913	5,404,064	4,886,477	4,667,934	4,113,999	4,418,711	4,522,826
32													
33	Condensed Income Statement data: ($000)												
34	Operating Revenues	169,718	175,163	164,102	147,431	170,468	196,882	162,968	134,778	149,662	156,816	190,356	244,308
35	Operating Expenses (excludes Federal			0	0	0	0	0	0	0	0	0	0
36	and State Taxes, includes gas cost)	135,661	139,388	124,455	113,447	141,526	166,452	139,358	112,027	126,219	136,649	176,587	224,348
37	State Income Tax (current))			0	0	0	0	0	0	0	0	0	0
38	Federal Income Tax (current)			0	0	0	0	0	0	0	0	0	0
39	Federal and State Income Tax - net	7,188	8,025	9,697	9,516	9,884	9,671	7,060	8,157	8,094	5,654	2,889	6,985
40	Investment tax credits	0	0	0	0	0	0	0	0	0	0	0	0
41	Operating Income	26,869	27,749	29,950	24,468	19,058	20,759	16,550	14,594	15,349	14,513	10,880	12,976
42	AFUDC	0	0	379	179	182	139	88	101	22	286	199	160

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2018-00281
Comparative Financial Data
Base Period: Twelve Months Ended December 31, 2018
Forecasted Test Period: Twelve Months Ended March 31, 2020
and 10 Most Recent Calendar Years

Data:__X___Base Period___X___Forecasted Period | FR 16(8)(k)
Type of Filing:_______Original________Updated ____X____Revised | Schedule K
Workpaper Reference No(s).____________________ | Witness: Gillham, Densman, and Waller

Line No.	Description	Forecasted Period	Base Period	Most Recent Ten Calendar Years - as Reported 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
43	Other Income net	3,236	3,236	2,514	2,087	2,063	2,019	2,033	2,046	2,657	1,748	2,278	2,529
44	Income available for fixed charges	30,105	30,985	32,843	26,734	21,303	22,917	18,671	16,741	18,028	16,547	13,357	15,665
45	Interest charges	9,368	7,832	8,388	7,556	6,926	6,559	6,524	5,612	5,792	6,270	6,633	6,138
46	Net Income	20,737	23,153	24,455	19,178	14,377	16,358	12,147	11,129	12,236	10,277	6,724	9,527
47	Preferred dividends accrual	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
48	Earnings available for common equity	20,737	23,153	24,455	19,178	14,377	16,358	12,147	11,129	12,236	10,277	6,724	9,527
49													
50	AFUDC - % of Net Income	0.00%	0.00%	1.55%	0.93%	1.27%	0.85%	0.72%	0.91%	0.18%	2.78%	2.96%	1.68%
51	AFUDC - % of earnings available for												
52	common equity	0.00%	0.00%	1.55%	0.93%	1.27%	0.85%	0.72%	0.91%	0.18%	2.78%	2.96%	1.68%
53													
54													
55													
56	Costs of Capital (1)												
57	Embedded cost of short-term debt (%)	2.40%	2.40%	1.68%	1.12%	1.09%	1.49%	1.17%	1.22%	1.03%	3.23%	6.80%	4.40%
58	Embedded cost of long-term debt (%)	4.72%	4.72%	5.45%	5.89%	5.90%	6.03%	6.26%	6.51%	6.75%	6.88%	6.90%	6.10%
59	Embedded cost of preferred stock (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
60													
61	Fixed Charge Coverage: (1)												
62	Pre-Tax Interest Coverage	3.98	4.98	6.03	5.72	5.26	4.69	3.91	3.06	2.97	3.00	2.84	3.06
63	Pre-Tax Interest Coverage (Excluding AFUDC)	3.98	4.98	6.06	5.74	5.28	4.70	3.92	3.04	2.95	2.99	2.80	3.12
64	After Tax Interest Coverage	3.21	3.96	4.18	4.01	3.63	3.24	2.89	2.36	2.26	2.23	2.20	2.26
65	SEC Coverage	3.94	4.91	5.45	5.16	4.77	4.11	3.63	2.84	2.78	2.78	2.55	2.76
66	After Tax Interest Coverage (Excluding AFUDC	3.21	3.96	4.21	4.03	3.65	3.25	2.91	2.35	2.24	2.21	2.16	2.31
67	Indenture Provision Coverage	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
68	After Tax Fixed Charge Coverage	5.04	7.66	3.81	3.64	3.32	3.02	2.70	2.21	2.13	2.08	2.18	2.15
69													
70	Stock and Bond Ratings: (1)												
71	Moody's Bond Rating	N/A	A2	A2	A2	A2	A2	Baa1	Baa1	Baa1	Baa2	Baa2	Baa3
72	S&P Bond Rating	N/A	A	A	A	A-	A-	A-	BBB+	BBB+	BBB+	BBB+	BBB
73	Moody's Preferred Stock Rating	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
74	S&P Preferred Stock Rating	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
75													
76	Common Stock Related Data: (1)												
77	Shares Outstanding Year End (000)	N/A	N/A	106,105	103,931	101,479	100,388	90,640	90,240	90,296	90,164	92,552	90,814
78	Shares Outstanding - Weighted	N/A	N/A	0	0	0	0	0	0	0	0	0	0
79	Average (Monthly) (000)	N/A	N/A	106,100	103,524	101,892	97,608	91,711	91,172	90,652	92,422	91,620	89,941
80	Earnings Per Share - Weighted Avg. ($)	N/A	N/A	3.73	3.38	3.09	2.96	2.64	2.37	2.27	2.20	2.07	1.99
81	Dividends Paid Per Share ($)	N/A	N/A	1.80	1.68	1.56	1.48	1.40	1.38	1.36	1.34	1.32	1.30
82	Dividends Declared Per Share ($)	N/A	N/A	1.80	1.68	1.56	1.48	1.40	1.38	1.36	1.34	1.32	1.30
83	Dividend Payout Ratio (Declared	N/A	N/A										
84	Basis) (%)	N/A	N/A	48%	50%	50%	50%	53%	58%	60%	61%	64%	65%
85	Market Price - High (Low)	N/A	N/A										

Atmos Energy Corporation, Kentucky/Mid-States Division
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Type of Filing:_______Original________Updated ____X____Revised
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FR 16(8)(k)
Schedule K
Witness: Gillham, Densman, and Waller

Line No.	Description	Forecasted Period	Base Period	Most Recent Ten Calendar Years - as Reported 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
86	1st Quarter - High ($)	N/A	N/A	74.730	64.250	58.080	47.060	36.860	35.400	31.720	30.060	27.880	29.460
87	1st Quarter - Low ($)	N/A	N/A	68.960	57.820	47.350	41.080	33.200	30.970	29.100	27.390	21.170	26.110
88	2nd Quarter - High ($)	N/A	N/A	80.400	74.330	58.810	48.010	42.690	33.150	34.980	29.520	25.950	28.960
89	2nd Quarter - Low ($)	N/A	N/A	73.210	61.740	52.020	44.190	35.110	30.600	31.510	26.520	20.200	25.090
90	3rd Quarter - High ($)	N/A	N/A	85.540	81.320	56.410	53.400	44.870	35.070	34.940	29.980	26.370	28.540
91	3rd Quarter - Low ($)	N/A	N/A	78.900	70.600	51.280	46.940	38.590	30.910	31.340	26.410	22.810	25.810
92	4th Quarter - High ($)	N/A	N/A	88.690	81.160	58.180	52.680	45.190	36.940	34.320	29.810	28.800	28.250
93	4th Quarter - Low ($)	N/A	N/A	82.420	71.880	51.480	47.010	39.400	34.940	28.870	26.820	24.650	25.490
94	Book Amount Per Share (Year-end) ($)	N/A	N/A	36.745	33.450	31.350	31.620	28.140	25.877	24.880	23.570	23.759	22.820
95													
96	(1) Based on fiscal year-end of parent company												
97													
98	Rate of Return Measures (1)												
99	Return On Common Equity (Average)	N/A	N/A	10.8%	10.5%	10.0%	10.2%	9.8%	8.3%	8.6%	8.7%	8.7%	8.8%
100	Return On Total Capital (Average)	0.3%	0.3%	5.6%	5.5%	5.2%	5.2%	4.8%	4.0%	4.3%	4.4%	4.3%	4.3%
101	Return On Net Plant in Service (Average)	4.8%	5.8%	4.5%	4.5%	4.5%	4.5%	4.3%	3.6%	3.8%	4.1%	4.3%	4.5%
102													
103	Other Financial and Operating Data:												
104	Mix of Sales: (MMcf)												
105	Residential	10,083	10,051	8,724	9,094	9,826	11,729	10,695	8,433	10,187	10,735	10,261	10,855
106	Commercial	5,217	5,217	4,575	4,538	4,845	5,650	5,143	3,972	4,642	5,049	4,659	5,017
107	Industrial	992	992	1,517	1,048	693	810	811	995	821	724	960	1,715
108	Public authority & Other Sales	962	962	859	916	1,025	1,234	1,179	980	1,111	1,192	1,176	1,253
109	Unbilled	0	0										
110	Total Mix of Sales	17,254	17,222	15,675	15,596	16,389	19,423	17,828	14,380	16,761	17,700	17,056	18,839
111													
112	Mix of Fuel: (MMcf)												
113		0	0	0	0	0	0	0	0	0	0	0	0
114	Other	17,582	17,549	16,060	15,417	18,606	21,324	18,367	17,441	16,748	17,596	17,034	18,790
115													
116	Total MIX of Fuel (2)	17,582	17,549	16,060	15,417	18,606	21,324	18,367	17,441	16,748	17,596	17,034	18,790
117													
118	Composite Depreciation Rate	2.96%	2.79%	3.12%	3.33%	3.66%	3.50%	3.31%	3.49%	3.58%	3.40%	3.43%	3.17%

(1) Based on fiscal year-end of parent company, except for Base Period & Test Period which are based on Atmos Energy Corporation, Kentucky.
(2) Kentucky gas purchases by accounting month.

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:

(l) A narrative description and explanation of all proposed tariff changes;

RESPONSE:

A narrative description and explanation of all proposed tariff changes is provided in the Direct Testimony of Mark Martin.

Respondent: Mark Martin

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:

(m) A revenue summary for both the base period and forecasted period with supporting schedules, which provide detailed billing analyses for all customer classes; and

RESPONSE:

Please see Attachment FR_16(8)(m)_Att1 for the revenue statistics.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(m)_Att1 - Revenue Statistics.xlsx, 2 Pages.

Respondent: Josh Densman

CASE NO. 2018-00281
FR_16(8)(m)
ATTACHMENT 1

FR 16(8)m
Schedule 1 of 2

Atmos Energy Corporation
Case No. 2018-00281
REVENUE STATISTICS - Total Company
For the BASE PERIOD ending December 31, 2018

Line No.	Description	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Revenue by Customer Class (000's)	(Act)	(Act)	(Act)	(Act)	(Act)	(Act)							
2														
3	Residential Sales	$ 15,890	$ 16,771	$ 12,623	$ 9,212	$ 5,638	$ 4,130	$ 3,764	$ 3,673	$ 3,652	$ 4,790	$ 8,256	$ 12,475	$ 100,874
4	Commercial Sales	6,774	7,121	5,467	4,059	2,578	1,921	1,767	1,668	1,650	2,092	3,548	5,285	43,930
5	Industrial Sales	1,471	1,074	588	530	269	150	175	200	188	254	362	542	5,803
6	Public Authority Sales	1,199	1,272	942	666	372	251	227	213	204	308	595	932	7,182
7	Unbilled	-	-	-	-	-	-	-	-	-	-	-	-	0
8														
9	Total Sales	25,334	26,238	19,620	14,468	8,858	6,451	5,932	5,754	5,693	7,444	12,760	19,234	157,788
10														
11	Transportation	1,882	1,550	1,639	1,492	1,324	1,223	1,151	1,248	1,252	1,412	1,518	1,669	17,359
12	Other Revenue	223	233	288	160	143	129	102	109	105	138	191	199	2,020
13														
14	Total Operating Revenues	27,439	28,021	21,547	16,121	10,325	7,804	7,185	7,111	7,050	8,994	14,469	21,101	177,167
15	Purchase Gas Costs	16,250	17,180	12,082	8,175	3,946	2,177	1,819	1,633	1,627	2,901	6,765	11,507	86,063
16														
17	Gross Profit	$ 11,189	$ 10,841	$ 9,464	$ 7,946	$ 6,378	$ 5,627	$ 5,366	$ 5,478	$ 5,423	$ 6,093	$ 7,705	$ 9,595	$ 91,104
18														
19														
20	Mcf by Customer Class (000's)	(Act)	(Act)	(Act)	(Act)	(Act)	(Act)							
21														
22	Residential Sales	1,972	2,001	1,406	917	405	197	150	150	152	327	860	1,513	10,051
23	Commercial Sales	917	922	676	472	257	165	145	146	145	216	441	714	5,217
24	Industrial Sales	275	184	91	81	42	23	26	35	32	46	61	96	992
25	Public Authority Sales	175	177	127	86	44	26	23	23	22	38	83	137	962
26	Unbilled	-	-	-	-	-	-	-	-	-	-	-	-	-
27														
28	Total Sales	3,339	3,284	2,300	1,557	747	412	344	353	352	628	1,445	2,460	17,222
29														
30	Transportation	3,511	2,902	3,081	2,600	2,416	2,165	1,915	2,064	2,168	2,487	2,654	2,937	30,901
31														
32	Total Deliveries	6,850	6,186	5,382	4,157	3,163	2,577	2,259	2,418	2,519	3,115	4,099	5,398	48,123

FR 16(8)m
Schedule 2 of 2

Atmos Energy Corporation
Case No. 2018-00281
REVENUE STATISTICS - Total Company
For the TEST YEAR ending March 31, 2020

Line No.	Description	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Total
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Revenue by Customer Class (000's)													
2														
3	Residential Sales	$ 8,611	$ 5,416	$ 4,025	$ 3,685	$ 3,687	$ 3,665	$ 4,814	$ 8,164	$ 12,309	$ 15,262	$ 15,294	$ 11,589	$ 96,519
4	Commercial Sales	3,740	2,431	1,825	1,683	1,674	1,656	2,100	3,492	5,195	6,453	6,412	4,947	41,608
5	Industrial Sales	476	245	137	160	202	189	256	354	530	1,367	935	519	5,370
6	Public Authority Sales	608	347	236	214	214	205	309	585	915	1,138	1,136	845	6,750
7	Unbilled	-	-	-	-	-	-	-	-	-	-	-	-	-
8														
9	Total Sales	13,435	8,439	6,223	5,742	5,777	5,715	7,480	12,595	18,949	24,219	23,777	17,899	150,248
10														
11	Transportation	1,492	1,324	1,223	1,151	1,248	1,252	1,412	1,518	1,669	1,882	1,550	1,639	17,359
12	Other Revenue	208	170	129	100	107	106	138	192	197	224	260	280	2,111
13														
14	Total Operating Revenues	15,135	9,933	7,575	6,993	7,132	7,072	9,030	14,304	20,814	26,325	25,587	19,818	169,718
15	Purchase Gas Costs	7,133	3,520	1,942	1,623	1,649	1,643	2,930	6,590	11,210	15,109	14,693	10,339	78,382
16														
17	Gross Profit	$ 8,002	$ 6,413	$ 5,633	$ 5,370	$ 5,482	$ 5,429	$ 6,100	$ 7,714	$ 9,604	$ 11,216	$ 10,894	$ 9,478	$ 91,336
18														
19														
20	Mcf by Customer Class (000's)													
21														
22	Residential Sales	919	406	197	150	151	153	328	862	1,516	1,980	2,010	1,412	10,083
23	Commercial Sales	472	257	165	145	146	145	216	441	714	917	922	676	5,217
24	Industrial Sales	81	42	23	26	35	32	46	61	96	275	184	91	992
25	Public Authority Sales	86	44	26	23	23	22	38	83	137	175	177	127	962
26	Unbilled	-	-	-	-	-	-	-	-	-	-	-	-	-
27														
28	Total Sales	1,559	748	412	344	354	352	628	1,447	2,464	3,347	3,292	2,306	17,254
29														
30	Transportation	2,600	2,416	2,165	1,915	2,064	2,168	2,487	2,654	2,937	3,511	2,902	3,081	30,901
31														
32	Total Deliveries	4,159	3,163	2,577	2,260	2,418	2,520	3,115	4,101	5,401	6,859	6,194	5,387	48,155

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(8) Each application seeking a general adjustment in rates supported by a forecasted test period shall include:
  (n) A typical bill comparison under present and proposed rates for all customer classes.

RESPONSE:

Please see attachment FR_16(8)(n)_Att1 for the bill comparison.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(8)(n)_Att1 - Bill Comparison.xls, 1 Page.

Respondent: Mark Martin

FR 16(8)(n)

Atmos Energy Corporation
Case No. 2018-00281
TYPICAL BILL COMPARISON UNDER PRESENT
AND PROPOSED RATES FOR ALL CUSTOMER CLASSES

Line No.	Description	Average Monthly Usage, Mcf (1)		Average Bill (2) Under Present Rates	Average Bill (2) Under Proposed Rates	Increase / Decrease
		(a)		(b)	(c)	(d)
1	Residential	5.3	5.3	$53.63	$58.04	$4.41
2						
3	Commercial	24.9	24.9	$213.09	$226.93	$13.84
4						
5	Industrial	266.6	266.6	$1,852.20	$1,930.09	$77.89
6						
7	Public Authority	52.3	52.3	$398.95	$420.05	$21.10

(1) Based on total annual Mcf requirements by class, divided by average number of customers, as projected for the test year ending March 31, 2020.

(2) The basis for gas costs in both present and proposed rates is based on the Company's Gas Cost Adjustment for August 2018, approved by the Commission in Case 2018-00233.

The impact on each customer's average bill will vary according to individual consumption and service type. The above calculations relate to firm sales service customers (G-1).

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(10) A request for a waiver from the requirements of this section shall include the specific reasons for the request. The commission shall grant the request upon good cause shown by the utility. In determining if good cause has been shown, the commission shall consider:

(a) If other information that the utility would provide if the waiver is granted is sufficient to allow the commission to effectively and efficiently review the rate application;
(b) If the information that is the subject of the waiver request is normally maintained by the utility or reasonably available to it from the information that it maintains; and
(c) The expense to the utility in providing the information that is the subject of the waiver request.

RESPONSE:

In its most recent four rate cases, Case No. 2009-00354, Case No. 2013-00148, Case No. 2015-00343, and Case No. 2017-00349, Atmos Energy filed fiscal year rather than calendar year data. After discussions with Staff, it was determined that it would be more efficient to provide fiscal year data rather than calendar year data as Atmos Energy maintains its budgets and managerial data by fiscal year. Atmos Energy's fiscal year runs October through September. Because Staff agreed to the use of fiscal year data versus calendar year data in the previous rate case, Atmos Energy has filed its data in conformity therewith.

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. In response to FR 16(7)(o), the Company is providing the monthly reports with quarterly narrative explanations similar to what the Commission allowed in Case No. 2017-00349.

Pursuant to this filing requirement, Atmos Energy specifically requests a waiver, to the extent that it is necessary, pertaining to its response to any of the filing requirements and subparts, including but not limited to the following:

FR 16(7)(u)(1)
FR 16(8)(i)
FR 16(8)(k)
FR 16(10)

Respondent: Mark Martin

REQUEST:

Section 17. Notice of General Rate Adjustment. Upon filing an application for a general rate adjustment, a utility shall provide notice as established in this section.

(1) Public postings.
  (a) A utility shall post at its place of business a copy of the notice no later than the date the application is submitted to the commission.
  (b) A utility that maintains a Web site shall, within five (5) business days of the date the application is submitted to the commission, post on its Web sites:
    1. A copy of the public notice; and
    2. A hyperlink to the location on the commission's Web site where the case documents are available.
  (c) The information required in paragraphs (a) and (b) of this subsection shall not be removed until the commission issues a final decision on the application.

RESPONSE:

A sample of the notice will be posted upon filing of the application at all of Atmos Energy's public office locations in Kentucky. A copy of the public notice as well as a hyperlink to Atmos Energy's filed application on the Commission's website will be posted on Atmos Energy's public website upon filing of the application.

Respondent: Mark Martin

REQUEST:

Section 17. Notice of General Rate Adjustment. Upon filing an application for a general rate adjustment, a utility shall provide notice as established in this section.

(2) Customer Notice.
  (b) If a utility has more than twenty (20) customers, it shall provide notice by:
    3. Publishing notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, the first publication to be made no later than the date the application is submitted to the commission; or

RESPONSE:

Please see the Company's response to FR 17(4)(a)-(j) for a copy of the notice. The notice is being published in local newspapers within the Atmos Energy service areas.

Respondent: Mark Martin

REQUEST:

Section 17. Notice of General Rate Adjustment. Upon filing an application for a general rate adjustment, a utility shall provide notice as established in this section.

(3) Proof of Notice. A utility shall file with the commission no later than forty-five (45) days from the date the application was initially submitted to the commission:

  (b) If notice is published in a newspaper of general circulation in the utility's service area, an affidavit from the publisher verifying the contents of the notice, that the notice was published, and the dates of the notice's publication; or

RESPONSE:

Affidavits from the publishers will be furnished to the Commission within 45 days of submission of the application.

Respondent: Mark Martin

REQUEST:

Section 17. Notice of General Rate Adjustment. Upon filing an application for a general rate adjustment, a utility shall provide notice as established in this section.

(4) Notice Content. Each notice issued in accordance with this section shall contain:
- (a) The proposed effective date and the date the proposed rates are expected to be filed with the commission;
- (b) The present rates and proposed rates for each customer classification to which the proposed rates will apply;
- (c) The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply;
- (d) The amount of the average usage and the effect upon the average bill for each customer classification to which the proposed rates will apply, except for local exchange companies, which shall include the effect upon the average bill for each customer classification for the proposed rate change in basic local service;
- (e) A statement that a person may examine this application at the offices of (utility name) located at (utility address);
- (f) A statement that a person may examine this application at the commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's Web site at http://psc.ky.gov;
- (g) A statement that comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602;
- (h) A statement that the rates contained in this notice are the rates proposed by (utility name) but that the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice;
- (i) A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and
- (j) A statement that if the commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the commission may take final action on the application.

RESPONSE:

Please see attachment FR_17(4)(a)-(j)_Att1 for the public notice.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_17(4)(a)-(j)_Att1 - 2018 Public Notice Final.pdf, 5 Pages.

Respondent: Mark Martin

NOTICE OF PROPOSED CHANGES IN GAS TARIFFS WHICH WILL RESULT IN INCREASED CHARGES

Notice is hereby given that Amos Energy Corporation ("Atmos Energy"), a public utility furnishing natural gas service within the Commonwealth of Kentucky, on or about the 28th day of September, 2018 pursuant to Kentucky Revised Statute 278.180 and the Rules of the Public Service Commission of Kentucky respecting tariffs filed its notice with the Kentucky Public Service Commission ("KPSC"), proposing to change its gas rates effective October 28, 2018. It is also proposing to delete its Pipeline Replacement Program (PRP) tariff and to make minor text changes to its Demand Side Management (DSM) tariff related to the timing of the adjustment for the distribution charge for residential and commercial G-1 sales.

The present and proposed rates charged in all territory served by Atmos Energy are as follows:

Rate Classifications	Present Rates		Proposed Rates		Rate Change $/% Increase / (Decrease)	
	Charge	Unit	Charge	Unit	Change	Change
Rate G-1, General Sales Service						
Residential Service						
Monthly Base Charge:	$17.50	Per meter	$20.50	Per meter	$3.00	17.1%
Commodity Charge						
First 300 Mcf or less per month	$6.3821	Per Mcf[1]	$6.6471	Per Mcf[1]	$0.2650	4.2%
Next 14,700 Mcf per month	$5.6171	Per Mcf	$5.8146	Per Mcf	$0.1975	3.5%
Over 15,000 Mcf per month*	$5.4271	Per Mcf	$5.5565	Per Mcf	$0.1294	2.4%
Minimum Charge: The Base Charge						
Non-Residential Service						

Monthly Base Charge:	$44.50	Per meter	$51.75	Per meter	$7.25	16.3%
Commodity Charge						
First 300 Mcf or less per month	$6.3821	Per Mcf	$6.6471	Per Mcf	$0.2650	4.2%
Next 14,700 Mcf per month	$5.6171	Per Mcf	$5.8146	Per Mcf	$0.1975	3.5%
Over 15,000 Mcf per month*	$5.4271	Per Mcf	$5.5565	Per Mcf	$0.1294	2.4%
Minimum Charge: The Base Charge						
Rate G-2, Interruptible Sales Service						
Monthly Base Charge:	$375.00	Per delivery point	$435.00	Per delivery point	$60.00	16.0%
Commodity Charge						
First 15,000 Mcf or less per month	$4.2039	Per Mcf	$4.3389	Per Mcf	$0.1350	3.2%
Over 15,000 Mcf per month	$3.9839	Per Mcf	$4.0789	Per Mcf	$0.0950	2.4%
Minimum Charge: The Base Charge plus any Transportation Fee and EFM facilities charge						
Rate T-3, Interruptible Transportation Service						
Transportation only service						
Monthly Base Charge:						

Meter Charge	$375.00	Per meter	$435.00	Per meter	$60.00	16.0%
Administrative Charge	$50.00		$50.00		$0.00	0.0%
Commodity Charge						
First 15,000 Mcf or less per month	$0.8550	Per Mcf	$0.9900	Per Mcf	$0.1350	15.8%
Over 15,000 Mcf per month	$0.6350	Per Mcf	$0.7300	Per Mcf	$0.0950	15.0%
Rate T-4, Firm Transportation Service Transportation only service						
Monthly Base Charge:						
Meter Charge	$375.00	Per meter	$435.00	Per meter	$60.00	16.0%
Administrative Charge	$50.00		$50.00		$0.00	0.0%
Commodity Charge						
First 300 Mcf or less per month	$1.7250	Per Mcf	$1.9900	Per Mcf	$0.2650	15.4%
Next 14,700 Mcf per month	$0.9600	Per Mcf	$1.1575	Per Mcf	$0.1975	20.6%
Over 15,000 Mcf per month*	$0.7700	Per Mcf	$0.8994	Per Mcf	$0.1294	16.8%

[1]Mcf = 1,000 cubic feet

All other charges not specifically mentioned herein shall remain the same as those presently in effect. The proposed rates will result in an overall approximate increase in the amount of $14,455,538 or 15.8% with increases of approximately $8,349,681 or 16.5% for residential consumers, and $3,224,373or 16.1% for commercial and public authority consumers, and approximately $2,777,316or 17.2% for industrial and transportation consumers. Charges from other gas revenue will increase $104,167 or 4.9%. The average monthly bill for residential consumers will increase approximately $4.41 or 8.6%. The average monthly bill for commercial and public authority consumers will increase approximately $14.45 or 6.6%. The average monthly bill for industrial and transportation customers will increase approximately $909.82 or 15.8%.

Customer Class	Average Monthly Usage (Mcf)	Average Monthly Bill (Present Rates)	Average Monthly Bill (Proposed Rates)	Increase in Average Monthly Bill ($)	Increase in Average Monthly Bill (%)
Residential	5.33	$51.52	$55.93	$4.41	8.6%
Commercial/Pub Auth	27.13	$217.64	$232.09	$14.45	6.6%
Industrial/transportation	6,294.96	$5757.19	$6667.01	$909.82	15.8%

The impact on each customer's average bill will vary according to individual consumption or transportation levels. However, this impact can be determined by each customer by applying the proposed rates listed above to their respective average consumption or transportation levels.

The rates contained in this notice are the rates proposed by Atmos Energy Corporation, however, the KPSC may order rates to be charged that differ from the proposed rates contained in this notice. Such action may result in rates for customers higher or lower than the rates included in this notice.

Atmos Energy's application for rate adjustment is available for examination at its offices listed below. Any person may obtain a copy of the application, testimony or other documents or examine the rate application and any related filings at the offices of Atmos Energy listed below or at its website www.atmosenergy.com or the Commission office or its website listed below.

A person may also examine the application at the Public Service Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's Web site at http://psc.ky.gov. Comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602.

A person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party. If the Public Service Commission does not receive a written request for intervention within thirty (30) days of initial publication of this Notice, it may take final action on Atmos Energy's application.

Atmos Energy Corporation
Attention: Mr. Mark A. Martin
3275 Highland Pointe Drive
Owensboro, KY 42303
(270) 685-8000
mark.martin@atmosenergy.com
www.atmosenergy.com

Atmos Energy Corporation has the following local offices:

Atmos Energy
3275 Highland Pointe Drive
Owensboro, KY 42303

Atmos Energy
449 Whirlaway Drive
Danville, KY 40422

Atmos Energy
638 W. Broadway
Madisonville, KY 42431

Atmos Energy
2850 Russellville Road
Bowling Green, KY 42101

Atmos Energy
1833 E 9th Street
Hopkinsville, KY 42240

Atmos Energy
108 Carroll Knicely Drive
Glasgow, KY 42141

Atmos Energy
3510 Coleman Road
Paducah, KY 42001

Atmos Energy
105 Hudson Blvd
Shelbyville, KY 40065

Atmos Energy
336 Commonwealth Drive
Campbellsville, KY 42718

Atmos Energy
307 Marion Road
Princeton, KY 42445

Atmos Energy
900 Commonwealth Drive
Mayfield, KY 42066

Public Service Commission of Kentucky
211 Sower Blvd.
P.O. Box 615
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