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 6, 2020
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)

Title of each class	**Trading Symbol**	**Name of each exchange on which registered**
Common stock No Par Value	ATO	New York Stock Exchange

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, May 6, 2020, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the 2020 fiscal year second quarter, which ended March 31, 2020, and that certain of its officers would discuss such financial results in a conference call on Thursday, May 7, 2020 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 6, 2020 (furnished under Item 2.02)
101.INS	XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document

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 6, 2020

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

Exhibit 99.1

News Release

Analysts and Media Contact:
Dan Meziere (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2020 Second Quarter; Reaffirms Fiscal 2020 Guidance

DALLAS (May 6, 2020) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its second fiscal quarter ended March 31, 2020.

Highlights

- Earnings per diluted share of $3.42 for the six months ended March 31, 2020; $1.95 per diluted share for the second fiscal quarter
- Consolidated net income of $418.3 million for the six months ended March 31, 2020; $239.6 million for the second fiscal quarter
- Capital expenditures were $994.7 million for the six months ended March 31, 2020, an increase of 28 percent
- Approximately 87 percent of capital spending related to system safety and reliability investments

Outlook

- Although the impacts of the pandemic remain uncertain, at this time Atmos Energy is not changing guidance for fiscal 2020 earnings per diluted share of $4.58 to $4.73.
- Capital expenditures are expected to be in the range of $1.85 billion to $1.95 billion in fiscal 2020.
- The company's Board of Directors has declared a quarterly dividend of $0.575 per common share. The indicated annual dividend for fiscal 2020 is $2.30, which represents a 9.5% increase over fiscal 2019.

“Our second quarter and six months ended March 31, 2020, results reflect the ongoing dedication and commitment of our 4,800 employees to provide our customers safe and reliable natural gas service,” said Kevin Akers, President and Chief Executive Officer of Atmos Energy Corporation. "As we move into the remainder of our fiscal year, we are positioned to focus on the health and safety of our employees, customers and communities as we execute our proven strategy of safely operating and modernizing our natural gas distribution and transmission system."

Results for the Three Months Ended March 31, 2020

Consolidated operating income increased $33.7 million to $331.4 million for the three months ended March 31, 2020, from $297.7 million in the prior-year quarter. Positive rate case outcomes in both segments and customer growth in our distribution segment were partially offset by increased depreciation expense.

Distribution operating income increased $24.5 million to $253.5 million for the three months ended March 31, 2020, compared with $229.0 million in the prior-year quarter. The increase primarily reflects a $28.6 million increase in rates and a $4.5 million increase from customer growth, mostly in the Mid-Tex and Kentucky/Mid-States divisions, partially offset by a $2.5 million increase in employee costs and a $6.4 million increase in depreciation expense due to increased capital investments.

Pipeline and storage operating income increased $9.2 million to $77.9 million for the three months ended March 31, 2020, compared with $68.7 million in the prior-year quarter. This increase is attributable to a $12.9 million increase in rates, due to the GRIP filings approved in fiscal 2019, partially offset by a $2.8 million increase in depreciation expense due to increased capital investments.

Results for the Six Months Ended March 31, 2020

Consolidated operating income increased $50.1 million to $584.2 million for the six months ended March 31, 2020, compared to $534.1 million in the prior year, which primarily reflects positive rate outcomes and customer growth in our distribution business, partially offset by higher operation and maintenance, depreciation and property tax expenses.

Distribution operating income increased $35.4 million to $433.8 million for the six months ended March 31, 2020, compared with $398.4 million in the prior year. The increase reflects a net $56.0 million increase in rates. In addition, customer growth increased $8.5 million, mainly in our Mid-Tex division. These increases were partially offset by a decrease in consumption of $1.5 million, primarily in our Louisiana division, a $6.8 million increase in operation and maintenance expense due primarily to higher employee and information technology costs and pipeline and maintenance activities, as well as a $15.6 million increase in depreciation and property tax expenses associated with increased capital investments.

Pipeline and storage operating income increased $14.7 million to $150.4 million for the six months ended March 31, 2020, compared with $135.7 million in the prior year. This increase is primarily attributable to a $26.6 million increase in revenue from our GRIP filing approved in fiscal 2019, partially offset by a $5.3 million increase in operation and maintenance expense primarily due to well integrity costs and a $5.4 million increase in depreciation expense due to increased capital investments.

Capital expenditures increased $217.1 million to $994.7 million for the six months ended March 31, 2020, compared with $777.6 million in the prior year, due to continued spending for infrastructure replacements and enhancements.

For the six months ended March 31, 2020, the company generated operating cash flow of $633.8 million, a $72.9 million increase compared with the six months ended March 31, 2019. The year-over-year increase reflects the positive cash effects of successful rate case outcomes achieved in fiscal 2019 and working capital changes, primarily as a result of the timing of gas cost recoveries under our purchase gas cost mechanisms.

Our equity capitalization ratio at March 31, 2020 was 58.2%, compared with 59.0% at September 30, 2019. The decrease primarily reflects the effects of higher short-term debt balances as of March 31, 2020 and long-term debt issuances in October 2019.

Conference Call to be Webcast May 7, 2020

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2020 second quarter financial results on Thursday, May 7, 2020, at 10:00 a.m. Eastern Time. The domestic telephone number is 877-407-3088 and the international telephone number is 201-389-0927. Kevin Akers, 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.

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 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 presentation, including the risks 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 following: the outbreak of COVID-19 and its impact on business and economic conditions; federal, state and local regulatory and political trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; 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; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; 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; the impact of climate change; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; increased dependence on technology that may hinder the Company's business if such technologies fail; 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; and natural disasters, terrorist activities or other significant events, 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, the company undertakes no obligation to update or revise any of our forward-looking statements whether as a result of new information, future events or otherwise.

About Atmos Energy

Atmos Energy Corporation is the nation's largest fully regulated, natural gas-only distributor of safe, clean, efficient and affordable energy. As part of our vision to be the safest provider of natural gas services, we are modernizing our business and our infrastructure while continuing to invest in safety, innovation, environmental sustainability and our communities. An S&P 500 company headquartered in Dallas, Atmos Energy serves more than 3 million distribution customers in over 1,400 communities across eight states and manages proprietary pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Find us online at http://www.atmosenergy.com, Facebook, Twitter, Instagram and YouTube.

This news release should be read in conjunction with the attached unaudited financial information.

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income (000s except per share)	Three Months Ended March 31 2020	2019
Operating revenues		
Distribution segment	$ 933,005	$ 1,057,889
Pipeline and storage segment	146,237	135,650
Intersegment eliminations	(101,577)	(98,894)
	977,665	1,094,645
Purchased gas cost		
Distribution segment	418,935	570,348
Pipeline and storage segment	202	(90)
Intersegment eliminations	(101,254)	(98,582)
	317,883	471,676
Operation and maintenance expense	147,824	149,427
Depreciation and amortization	105,916	96,772
Taxes, other than income	74,604	79,093
Operating income	331,438	297,677
Other non-operating income (expense)	(2,989)	4,232
Interest charges	22,171	26,949
Income before income taxes	306,278	274,960
Income tax expense	66,632	60,072
Net income	$ 239,646	$ 214,888
Basic net income per share	$ 1.95	$ 1.83
Diluted net income per share	$ 1.95	$ 1.82
Cash dividends per share	$ 0.575	$ 0.525
Basic weighted average shares outstanding	122,916	117,581
Diluted weighted average shares outstanding	122,997	117,756

Summary Net Income by Segment (000s)	Three Months Ended March 31 2020	2019
Distribution	$ 187,064	$ 172,193
Pipeline and storage	52,582	42,695
Net income	$ 239,646	$ 214,888

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Statements of Income	Six Months Ended March 31	
(000s except per share)	2020	2019
Operating revenues		
Distribution segment	$ 1,761,509	$ 1,896,724
Pipeline and storage segment	294,413	270,120
Intersegment eliminations	(202,694)	(194,417)
	1,853,228	1,972,427
Purchased gas cost		
Distribution segment	816,493	1,008,080
Pipeline and storage segment	301	(448)
Intersegment eliminations	(202,043)	(193,791)
	614,751	813,841
Operation and maintenance expense	300,069	288,027
Depreciation and amortization	210,978	192,837
Taxes, other than income	143,211	143,581
Operating income	584,219	534,141
Other non-operating income (expense)	1,898	(3,491)
Interest charges	49,400	54,798
Income before income taxes	536,717	475,852
Income tax expense	118,398	103,318
Net income	$ 418,319	$ 372,534
Basic net income per share	$ 3.43	$ 3.22
Diluted net income per share	$ 3.42	$ 3.21
Cash dividends per share	$ 1.15	$ 1.05
Basic weighted average shares outstanding	122,015	115,690
Diluted weighted average shares outstanding	122,179	115,794

	Six Months Ended March 31	
Summary Net Income by Segment (000s)	2020	2019
Distribution	$ 316,821	$ 286,578
Pipeline and storage	101,498	85,956
Net income	$ 418,319	$ 372,534

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	March 31, 2020	September 30, 2019
Net property, plant and equipment	$ 12,548,240	$ 11,787,669
Cash and cash equivalents	320,099	24,550
Accounts receivable, net	377,817	230,571
Gas stored underground	68,061	130,138
Other current assets	63,584	72,772
Total current assets	829,561	458,031
Goodwill	730,706	730,706
Deferred charges and other assets	607,891	391,213
	$ 14,716,398	$ 13,367,619
Shareholders' equity	$ 6,304,415	$ 5,750,223
Long-term debt	4,328,866	3,529,452
Total capitalization	10,633,281	9,279,675
Accounts payable and accrued liabilities	190,088	265,024
Other current liabilities	543,248	479,501
Short-term debt	199,923	464,915
Current maturities of long-term debt	131	—
Total current liabilities	933,390	1,209,440
Deferred income taxes	1,421,779	1,300,015
Regulatory excess deferred taxes	694,433	705,101
Deferred credits and other liabilities	1,033,515	873,388
	$ 14,716,398	$ 13,367,619

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Six Months Ended March 31 2020	Six Months Ended March 31 2019
Cash flows from operating activities		
Net income	$ 418,319	$ 372,534
Depreciation and amortization	210,978	192,837
Deferred income taxes	110,664	96,885
Other	7,144	5,334
Changes in assets and liabilities	(113,330)	(106,761)
Net cash provided by operating activities	633,775	560,829
Cash flows from investing activities		
Capital expenditures	(994,737)	(777,586)
Proceeds from the sale of discontinued operations	—	4,000
Debt and equity securities activities, net	(1,131)	777
Other, net	4,631	4,388
Net cash used in investing activities	(991,237)	(768,421)
Cash flows from financing activities		
Net decrease in short-term debt	(264,992)	(575,780)
Proceeds from issuance of long-term debt, net of premium/discount	799,450	1,045,221
Net proceeds from equity offering	258,047	494,085
Issuance of common stock through stock purchase and employee retirement plans	8,321	10,344
Settlement of interest rate swaps	—	(90,141)
Repayment of long-term debt	—	(450,000)
Cash dividends paid	(140,077)	(120,328)
Debt issuance costs	(7,738)	(11,227)
Net cash provided by financing activities	653,011	302,174
Net increase in cash and cash equivalents	295,549	94,582
Cash and cash equivalents at beginning of period	24,550	13,771
Cash and cash equivalents at end of period	$ 320,099	$ 108,353

Statistics	Three Months Ended March 31 2020	Three Months Ended March 31 2019	Six Months Ended March 31 2020	Six Months Ended March 31 2019
Consolidated distribution throughput (MMcf as metered)	163,870	185,432	303,428	328,178
Consolidated pipeline and storage transportation volumes (MMcf)	143,465	165,369	299,994	335,896
Distribution meters in service	3,312,616	3,279,005	3,312,616	3,279,005
Distribution average cost of gas	$ 3.51	$ 4.10	$ 3.74	$ 4.18

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August 5, 2020
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Emerging growth company ☐

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Item 2.02. Results of Operations and Financial Condition.

On Wednesday, August 5, 2020, Atmos Energy Corporation (the “Company”) issued a news release in which it reported the Company’s financial results for the 2020 fiscal year third quarter, which ended June 30, 2020, and that certain of its officers would discuss such financial results in a conference call on Thursday, August 6, 2020 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.

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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 5, 2020

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

Exhibit 99.1

News Release

Analysts and Media Contact:
Dan Meziere (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2020 Third Quarter; Affirms Fiscal 2020 Guidance

DALLAS (August 5, 2020) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its third fiscal quarter ended June 30, 2020.

Highlights

- Earnings per diluted share:
  - $4.37 for the nine months ended June 30, 2020
  - $0.96 per diluted share for the third fiscal quarter
- Consolidated net income:
  - $536.1 million for the nine months ended June 30, 2020
  - $117.8 million for the third fiscal quarter
- Adjusted net income and adjusted diluted earnings per share, which excludes a $21.0 million one-time tax benefit related to the remeasurement of net deferred tax liabilities:
  - $515.1 million and $4.20 for the nine months ended June 30, 2020
  - $96.8 million and $0.79 for the third fiscal quarter
- Capital expenditures were $1,405.7 million for the nine months ended June 30, 2020, an increase of 17 percent
- Approximately 88 percent of capital spending related to system safety and reliability investments

Outlook

- Adjusted earnings per diluted share for fiscal 2020 is expected to be in the previously announced range of $4.58 to $4.73.
- Capital expenditures are expected to be in the range of $1.85 billion to $1.95 billion in fiscal 2020.
- The company's Board of Directors has declared a quarterly dividend of $0.575 per common share. The indicated annual dividend for fiscal 2020 is $2.30, which represents a 9.5% increase over fiscal 2019.

"I am extremely proud of our employees as they continue demonstrating their dedication to delivering safe and reliable natural gas service, providing exceptional customer service and continuing to make a positive difference in the 1,400 communities we proudly serve," said Kevin Akers, President and Chief Executive Officer of Atmos Energy Corporation. He concluded that "Atmos Energy's commitment to safety, paired with our culture, continue to guide our operational and financial performance during these unique times."

Results for the Three Months Ended June 30, 2020

Consolidated operating income increased $16.8 million to $139.0 million for the three months ended June 30, 2020, from $122.2 million in the prior-year quarter. Rate case outcomes in both segments and lower operations and maintenance expense in our distribution segment were partially offset by a decrease in nonresidential revenue in our distribution segment and higher depreciation and property tax expenses.

Distribution operating income increased $13.8 million to $62.5 million for the three months ended June 30, 2020, compared with $48.7 million in the prior-year quarter. The increase primarily reflects a net $14.8 million increase in rates and a $1.8 million increase due to net customer growth, which was partially offset by a $9.2 million increase in depreciation and property tax expense due to increased capital investments. Current quarter operating income also reflects the impact of COVID-19. We experienced a 14 percent decline in nonresidential volumes quarter over quarter, which resulted in a $6.8 million decrease in net consumption and transportation. We also experienced a $3.3 million decrease in service order revenues. This decline was offset by a $12.5 million decrease in operations and maintenance expense.

Pipeline and storage operating income increased $3.0 million to $76.5 million for the three months ended June 30, 2020, compared with $73.5 million in the prior-year quarter. This increase is primarily attributable to a $13.3 million increase in rates, due to the GRIP filing approved in fiscal 2020, partially offset by a $5.1 million decrease in through system revenues as a result of declining volumes and prices due to decreased oil production and a $2.8 million increase in depreciation expense due to increased capital investments.

Results for the Nine Months Ended June 30, 2020

Consolidated operating income increased $67.0 million to $723.3 million for the nine months ended June 30, 2020, compared to $656.3 million in the prior year, which primarily reflects rate outcomes in both segments and customer growth and lower operations and maintenance expense in our distribution business, partially offset by lower through system revenue and higher operations and maintenance expense in our pipeline and storage segment and increased depreciation and property tax expense.

Distribution operating income increased $49.2 million to $496.3 million for the nine months ended June 30, 2020, compared with $447.1 million in the prior year. The increase reflects a net $70.8 million increase in rates and customer growth of $10.3 million, partially offset by a $3.9 million increase in software maintenance expense and a $24.8 million increase in depreciation and property tax expenses associated with increased capital investments. Year-to-date operating income also includes the impacts of COVID-19 described above.

Pipeline and storage operating income increased $17.6 million to $226.9 million for the nine months ended June 30, 2020, compared with $209.3 million in the prior year. This increase is primarily attributable to a $40.0 million increase from our GRIP filings approved in fiscal 2019 and 2020, partially offset by an $8.7 million decrease in through system revenues, a $6.6 million increase in operation and maintenance expense primarily due to well integrity costs and spending on hydro testing and in-line inspections and an $8.2 million increase in depreciation expense due to increased capital investments.

Capital expenditures increased $206.5 million to $1,405.7 million for the nine months ended June 30, 2020, compared with $1,199.2 million in the prior year, due to continued spending for infrastructure replacements and enhancements.

For the nine months ended June 30, 2020, the company generated operating cash flow of $895.5 million, an $86.6 million increase compared with the nine months ended June 30, 2019. The year-over-year increase reflects the positive cash effects of rate case outcomes achieved in fiscal 2019 and working capital changes, primarily as a result of the timing of gas cost recoveries under our purchase gas cost mechanisms.

Our equity capitalization ratio at June 30, 2020 was 58.8%, compared with 59.0% at September 30, 2019. The decrease primarily reflects long-term debt issuances over the last twelve months which resulted in a higher long-term debt balance as of June 30, 2020.

Conference Call to be Webcast August 6, 2020

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2020 third quarter financial results on Thursday, August 6, 2020, at 10:00 a.m. Eastern Time. The domestic telephone number is 877-407-3088 and the international telephone number is 201-389-0927. Kevin Akers, 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.

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 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 presentation, including the risks 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 following: the outbreak of COVID-19 and its impact on business and economic conditions; federal, state and local regulatory and political trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; 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; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; 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; the impact of climate change; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; increased dependence on technology that may hinder the Company's business if such technologies fail; 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; and natural disasters, terrorist activities or other significant events, 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, the company undertakes no obligation to update or revise any of our forward-looking statements whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

During our fiscal third quarter we remeasured our deferred income tax balance as a result of Kansas House Bill 2585 and an update to the state deferred tax rate. As a result, we recorded a non-cash income tax benefit of $21.0 million for the three and nine months ended June 30, 2020. Due to the non-recurring nature of this benefit, we believe that net income and diluted net income per share before the non-cash income tax benefit provide a more relevant measure to analyze our financial performance than net income and diluted net income per share in order to allow investors to better analyze our core results and allow the information to be presented on a comparative basis to the prior year. Accordingly, the discussion and analysis of our financial performance herein will reference adjusted net income and adjusted diluted net income per share, non-GAAP measures, which are calculated as follows:

	Three Months Ended June 30		
	2020	2019	Change
	(In thousands, except per share data)		
Net income	$ 117,791	$ 80,466	$ 37,325
Non-cash income tax benefit	(20,962)	—	(20,962)
Adjusted net income	$ 96,829	$ 80,466	$ 16,363
Diluted net income per share	$ 0.96	$ 0.68	$ 0.28
Diluted EPS from non-cash income tax benefit	(0.17)	—	(0.17)
Adjusted diluted net income per share	$ 0.79	$ 0.68	$ 0.11

	Nine Months Ended June 30		
	2020	2019	Change
	(In thousands, except per share data)		
Net income	$ 536,110	$ 453,000	$ 83,110
Non-cash income tax benefit	(20,962)	—	(20,962)
Adjusted net income	$ 515,148	$ 453,000	$ 62,148
Diluted net income per share	$ 4.37	$ 3.88	$ 0.49
Diluted EPS from non-cash income tax benefit	(0.17)	—	(0.17)
Adjusted diluted net income per share	$ 4.20	$ 3.88	$ 0.32

About Atmos Energy

Atmos Energy Corporation is the nation's largest fully regulated, natural gas-only distributor of safe, clean, efficient and affordable energy. As part of our vision to be the safest provider of natural gas services, we are modernizing our business and our infrastructure while continuing to invest in safety, innovation, environmental sustainability and our communities. An S&P 500 company headquartered in Dallas, Atmos Energy serves more than 3 million distribution customers in over 1,400 communities across eight states and manages proprietary pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Find us online at http://www.atmosenergy.com, Facebook, Twitter, Instagram and YouTube.

This news release should be read in conjunction with the attached unaudited financial information.

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income	Three Months Ended June 30	
(000s except per share)	2020	2019
Operating revenues		
Distribution segment	$ 435,308	$ 444,944
Pipeline and storage segment	158,008	149,198
Intersegment eliminations	(100,321)	(108,404)
	492,995	485,738
Purchased gas cost		
Distribution segment	126,093	139,518
Pipeline and storage segment	(11)	(96)
Intersegment eliminations	(100,010)	(108,096)
	26,072	31,326
Operation and maintenance expense	149,460	164,545
Depreciation and amortization	107,104	97,700
Taxes, other than income	71,324	69,965
Operating income	139,035	122,202
Other non-operating income	7,235	1,645
Interest charges	19,580	19,592
Income before income taxes	126,690	104,255
Income tax expense	8,899	23,789
Net income	$ 117,791	$ 80,466
Basic net income per share	$ 0.96	$ 0.68
Diluted net income per share	$ 0.96	$ 0.68
Cash dividends per share	$ 0.575	$ 0.525
Basic weighted average shares outstanding	123,026	118,075
Diluted weighted average shares outstanding	123,032	118,430

	Three Months Ended June 30	
Summary Net Income by Segment (000s)	2020	2019
Distribution	$ 58,899	$ 32,398
Pipeline and storage	58,892	48,068
Net income	$ 117,791	$ 80,466

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Statements of Income	Nine Months Ended June 30	
(000s except per share)	2020	2019
Operating revenues		
Distribution segment	$ 2,196,817	$ 2,341,668
Pipeline and storage segment	452,421	419,318
Intersegment eliminations	(303,015)	(302,821)
	2,346,223	2,458,165
Purchased gas cost		
Distribution segment	942,586	1,147,598
Pipeline and storage segment	290	(544)
Intersegment eliminations	(302,053)	(301,887)
	640,823	845,167
Operation and maintenance expense	449,529	452,572
Depreciation and amortization	318,082	290,537
Taxes, other than income	214,535	213,546
Operating income	723,254	656,343
Other non-operating income (expense)	9,133	(1,846)
Interest charges	68,980	74,390
Income before income taxes	663,407	580,107
Income tax expense	127,297	127,107
Net income	$ 536,110	$ 453,000
Basic net income per share	$ 4.38	$ 3.89
Diluted net income per share	$ 4.37	$ 3.88
Cash dividends per share	$ 1.725	$ 1.575
Basic weighted average shares outstanding	122,352	116,485
Diluted weighted average shares outstanding	122,463	116,673

	Nine Months Ended June 30	
Summary Net Income by Segment (000s)	2020	2019
Distribution	$ 375,720	$ 318,976
Pipeline and storage	160,390	134,024
Net income	$ 536,110	$ 453,000

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	June 30, 2020	September 30, 2019
Net property, plant and equipment	$ 12,880,850	$ 11,787,669
Cash and cash equivalents	208,064	24,550
Accounts receivable, net	236,466	230,571
Gas stored underground	84,886	130,138
Other current assets	72,743	72,772
Total current assets	602,159	458,031
Goodwill	730,706	730,706
Deferred charges and other assets	657,267	391,213
	$ 14,870,982	$ 13,367,619
Shareholders' equity	$ 6,461,471	$ 5,750,223
Long-term debt	4,531,341	3,529,452
Total capitalization	10,992,812	9,279,675
Accounts payable and accrued liabilities	200,116	265,024
Other current liabilities	502,413	479,501
Short-term debt	—	464,915
Current maturities of long-term debt	157	—
Total current liabilities	702,686	1,209,440
Deferred income taxes	1,420,065	1,300,015
Regulatory excess deferred taxes	702,493	705,101
Deferred credits and other liabilities	1,052,926	873,388
	$ 14,870,982	$ 13,367,619

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Nine Months Ended June 30 2020	Nine Months Ended June 30 2019
Cash flows from operating activities		
Net income	$ 536,110	$ 453,000
Depreciation and amortization	318,082	290,537
Deferred income taxes	137,996	120,220
One-time income tax benefit	(20,962)	—
Other	5,935	9,649
Changes in assets and liabilities	(81,675)	(64,478)
Net cash provided by operating activities	895,486	808,928
Cash flows from investing activities		
Capital expenditures	(1,405,673)	(1,199,199)
Proceeds from the sale of discontinued operations	—	4,000
Debt and equity securities activities, net	(692)	(4,041)
Other, net	6,098	3,839
Net cash used in investing activities	(1,400,267)	(1,195,401)
Cash flows from financing activities		
Net decrease in short-term debt	(464,915)	(500,838)
Proceeds from issuance of long-term debt, net of premium/discount	999,450	1,045,221
Net proceeds from equity offering	358,047	593,731
Issuance of common stock through stock purchase and employee retirement plans	14,125	14,128
Settlement of interest rate swaps	—	(90,141)
Repayment of long-term debt	—	(450,000)
Cash dividends paid	(210,674)	(181,982)
Debt issuance costs	(7,738)	(11,254)
Net cash provided by financing activities	688,295	418,865
Net increase in cash and cash equivalents	183,514	32,392
Cash and cash equivalents at beginning of period	24,550	13,771
Cash and cash equivalents at end of period	$ 208,064	$ 46,163

Statistics	Three Months Ended June 30 2020	Three Months Ended June 30 2019	Nine Months Ended June 30 2020	Nine Months Ended June 30 2019
Consolidated distribution throughput (MMcf as metered)	69,162	76,192	372,590	404,370
Consolidated pipeline and storage transportation volumes (MMcf)	153,652	181,292	453,646	517,188
Distribution meters in service	3,322,332	3,284,722	3,322,332	3,284,722
Distribution average cost of gas	$ 3.24	$ 3.35	$ 3.66	$ 4.06

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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 11, 2020
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)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

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, November 11, 2020, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the fourth quarter and full 2020 fiscal year, which ended September 30, 2020, and that certain of its officers would discuss such financial results in a conference call on Thursday, November 12, 2020 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 November 11, 2020 (furnished under Item 2.02)
101.INS	XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document

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 12, 2020

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

Exhibit 99.1

News Release

Analysts and Media Contact:
Dan Meziere (972) 855-3729

**Atmos Energy Corporation Reports Earnings for Fiscal 2020;
Initiates Fiscal 2021 through Fiscal 2025 Guidance; Raises Dividend 8.7 Percent**

DALLAS (November 11, 2020) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its fourth fiscal quarter ended September 30, 2020.

Highlights

- Earnings per diluted share:
  - $4.89 for the year ended September 30, 2020
  - $0.53 for the quarter ended September 30, 2020
- Consolidated net income:
  - $601.4 million for the year ended September 30, 2020
  - $65.3 million for the quarter ended September 30, 2020
- Adjusted net income and adjusted diluted earnings per share, which excludes a $21.0 million one-time tax benefit related to the remeasurement of net deferred tax liabilities was $580.5 million and $4.72 for the year ended September 30, 2020.
- Capital expenditures rose 14 percent to $1,935.7 million for the year ended September 30, 2020, with approximately 88 percent of capital spending related to system safety and reliability investments.

Outlook

- Earnings per diluted share for fiscal 2021 is expected to be in the range of $4.90 to $5.10.
- Capital expenditures are expected to be in the range of $2.0 billion to $2.2 billion in fiscal 2021.
- The company's Board of Directors has declared a quarterly dividend of $0.625 per common share. The indicated annual dividend for fiscal 2021 is $2.50, which represents an 8.7% increase over fiscal 2020.

“I am extremely proud of every employee for their commitment to deliver safe and reliable natural gas service paired with exceptional customer service. The preparation and dedication of our employees and leadership has served us and our customers well as we have continued to perform at the highest levels on every facet of our business during this pandemic,” said Kevin Akers, president and chief executive officer of Atmos Energy Corporation. “As we continue to execute our strategy of modernizing our natural gas distribution, transmission and storage systems to improve safety, reliability and environmental performance along with providing exceptional customer service at an affordable price, we remain well positioned to continue delivering annual earnings per share growth in the six to eight percent range," Akers concluded.

Results for the Fiscal Year Ended September 30, 2020

Consolidated operating income increased $78.0 million to $824.1 million for the year ended September 30, 2020, compared to $746.1 million in the prior year, which primarily reflects rate outcomes in both segments and customer growth and lower operation and maintenance expense in our distribution business, partially offset by lower through system revenue and higher operation and maintenance expense in our pipeline and storage segment and increased depreciation and property tax expense.

Distribution operating income increased $57.4 million to $528.2 million for the year ended September 30, 2020, compared with $470.8 million in the prior year. The increase reflects a net $86.8 million increase in rates and customer growth of $13.7 million, partially offset by a $30.6 million increase in depreciation and property tax expenses associated with increased capital investments. Due to the timing of our fiscal year, the economic impacts from COVID-19 had a limited impact on our operating income.

Pipeline and storage operating income increased $20.6 million to $295.9 million for the year ended September 30, 2020, compared with $275.3 million in the prior year. This increase is primarily attributable to a $53.2 million increase from our GRIP filings approved in fiscal 2019 and 2020, partially offset by a $13.6 million decrease in through system revenues, a $6.8 million increase in operation and maintenance expense primarily due to well integrity costs and spending on hydro testing and in-line inspections and a $12.5 million increase in depreciation expense due to increased capital investments.

Capital expenditures increased $242.2 million to $1,935.7 million for the year ended September 30, 2020, compared with $1,693.5 million in the prior year, due to continued spending for infrastructure replacements and enhancements.

For the year ended September 30, 2020, the company generated operating cash flow of $1,038.0 million, a $69.2 million increase compared with the year ended September 30, 2019. The year-over-year increase reflects the positive cash effects of rate case outcomes achieved in fiscal 2020 and working capital changes, primarily as a result of the timing of gas cost recoveries under our purchase gas cost mechanisms.

Our equity capitalization ratio at September 30, 2020 was 60.0%, compared with 59.0% at September 30, 2019. The increase primarily reflects the absence of short-term debt balances at September 30, 2020.

Results for the Three Months Ended September 30, 2020

Consolidated operating income increased $11.1 million to $100.8 million for the three months ended September 30, 2020, from $89.7 million in the prior-year quarter. Rate case outcomes in both segments and customer growth in our distribution segment were partially offset by lower through system revenue in our pipeline and storage segment, decreased service order revenue in our distribution segment and higher depreciation expense.

Distribution operating income increased $8.2 million to $31.9 million for the three months ended September 30, 2020, compared with $23.7 million in the prior-year quarter. The increase primarily reflects a net $16.0 million increase in rates and a $3.4 million increase due to net customer growth, partially offset by a $10.5 million increase in operating expenses primarily related to increased bad debt expense and a $3.1 million decrease in service order revenues.

Pipeline and storage operating income increased $2.9 million to $68.9 million for the three months ended September 30, 2020, compared with $66.0 million in the prior-year quarter. This increase is primarily attributable to a $13.3 million increase in rates, due to the GRIP filing approved in fiscal 2020, partially offset by a $5.0 million decrease in through system revenues and a $4.2 million increase in depreciation expense due to increased capital investments.

Conference Call to be Webcast November 12, 2020

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2020 fourth quarter financial results on Thursday, November 12, 2020, at 10:00 a.m. Eastern Time. The domestic telephone number is 877-407-3088 and the international telephone number is 201-389-0927. Kevin Akers, 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.

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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, the company undertakes no obligation to update or revise any of our forward-looking statements whether as a result of new information, future events or otherwise.

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During our fiscal third quarter we remeasured our deferred income tax balance as a result of Kansas House Bill 2585 and an update to the state deferred tax rate. As a result, we recorded a non-cash income tax benefit of $21.0 million for the year ended September 30, 2020. Due to the non-recurring nature of this benefit, we believe that net income and diluted net income per share before the non-cash income tax benefit provide a more relevant measure to analyze our financial performance than net income and diluted net income per share in order to allow investors to better analyze our core results and allow the information to be presented on a comparative basis to the prior year. Accordingly, the discussion and analysis of our financial performance herein will reference adjusted net income and adjusted diluted net income per share, non-GAAP measures, which are calculated as follows:

	Year Ended September 30		
	2020	2019	Change
	(In thousands, except per share data)		
Net income	$ 601,443	$ 511,406	$ 90,037
Non-cash income tax benefit	(20,962)	—	(20,962)
Adjusted net income	$ 580,481	$ 511,406	$ 69,075
Diluted net income per share	$ 4.89	$ 4.35	$ 0.54
Diluted EPS from non-cash income tax benefit	(0.17)	—	(0.17)
Adjusted diluted net income per share	$ 4.72	$ 4.35	$ 0.37

About Atmos Energy

Atmos Energy Corporation is the nation’s largest fully regulated, natural gas-only distributor of safe, clean, efficient and affordable energy. As part of our vision to be the safest provider of natural gas services, we are modernizing our business and our infrastructure while continuing to invest in safety, innovation, environmental sustainability and our communities.

An S&P 500 company headquartered in Dallas, Atmos Energy serves more than 3 million distribution customers in over 1,400 communities across eight states and manages proprietary pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Find us online at http://www.atmosenergy.com, Facebook, Twitter, Instagram and YouTube.

This news release should be read in conjunction with the attached unaudited financial information.

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income (000s except per share)	Year Ended September 30 2020	2019
Operating revenues		
Distribution segment	$ 2,626,993	$ 2,745,461
Pipeline and storage segment	609,339	567,024
Intersegment eliminations	(415,195)	(410,637)
	2,821,137	2,901,848
Purchased gas cost		
Distribution segment	1,071,227	1,268,591
Pipeline and storage segment	1,548	(360)
Intersegment eliminations	(413,921)	(409,394)
	658,854	858,837
Operation and maintenance expense	629,601	630,308
Depreciation and amortization	429,828	391,456
Taxes, other than income	278,755	275,189
Operating income	824,099	746,058
Other non-operating income	7,171	7,404
Interest charges	84,474	103,153
Income before income taxes	746,796	650,309
Income tax expense	145,353	138,903
Net income	$ 601,443	$ 511,406
Basic net income per share	$ 4.89	$ 4.36
Diluted net income per share	$ 4.89	$ 4.35
Cash dividends per share	$ 2.30	$ 2.10
Basic weighted average shares outstanding	122,788	117,200
Diluted weighted average shares outstanding	122,872	117,461

Summary Net Income by Segment (000s)	Year Ended September 30 2020	2019
Distribution	$ 395,664	$ 328,814
Pipeline and storage	205,779	182,592
Net income	$ 601,443	$ 511,406

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Statements of Income	Three Months Ended September 30	
(000s except per share)	2020	2019
Operating revenues		
Distribution segment	$ 430,176	$ 403,793
Pipeline and storage segment	156,918	147,706
Intersegment eliminations	(112,180)	(107,816)
	474,914	443,683
Purchased gas cost		
Distribution segment	128,641	120,993
Pipeline and storage segment	1,258	184
Intersegment eliminations	(111,868)	(107,507)
	18,031	13,670
Operation and maintenance expense	180,072	177,736
Depreciation and amortization	111,746	100,919
Taxes, other than income	64,220	61,643
Operating income	100,845	89,715
Other non-operating income (expense)	(1,962)	9,250
Interest charges	15,494	28,763
Income before income taxes	83,389	70,202
Income tax expense	18,056	11,796
Net income	$ 65,333	$ 58,406
Basic net income per share	$ 0.53	$ 0.49
Diluted net income per share	$ 0.53	$ 0.49
Cash dividends per share	$ 0.575	$ 0.525
Basic weighted average shares outstanding	124,096	119,345
Diluted weighted average shares outstanding	124,100	119,824

Summary Net Income by Segment (000s)	Three Months Ended September 30	
	2020	2019
Distribution	$ 19,944	$ 9,838
Pipeline and storage	45,389	48,568
Net income	$ 65,333	$ 58,406

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	September 30, 2020	September 30, 2019
Net property, plant and equipment	$ 13,355,347	$ 11,787,669
Cash and cash equivalents	20,808	24,550
Accounts receivable, net	230,595	230,571
Gas stored underground	111,950	130,138
Other current assets	107,905	72,772
Total current assets	471,258	458,031
Goodwill	731,257	730,706
Deferred charges and other assets	801,170	391,213
	$ 15,359,032	$ 13,367,619
Shareholders' equity	$ 6,791,203	$ 5,750,223
Long-term debt	4,531,779	3,529,452
Total capitalization	11,322,982	9,279,675
Accounts payable and accrued liabilities	235,775	265,024
Other current liabilities	546,461	479,501
Short-term debt	—	464,915
Current maturities of long-term debt	165	—
Total current liabilities	782,401	1,209,440
Deferred income taxes	1,456,569	1,300,015
Regulatory excess deferred taxes	697,764	705,101
Deferred credits and other liabilities	1,099,316	873,388
	$ 15,359,032	$ 13,367,619

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows	Year Ended September 30	
(000s)	2020	2019
Cash flows from operating activities		
Net income	$ 601,443	$ 511,406
Depreciation and amortization	429,828	391,456
Deferred income taxes	155,322	132,004
One-time income tax benefit	(20,962)	—
Other	6,044	10,589
Changes in assets and liabilities	(133,676)	(76,686)
Net cash provided by operating activities	1,037,999	968,769
Cash flows from investing activities		
Capital expenditures	(1,935,676)	(1,693,477)
Proceeds from the sale of discontinued operations	—	4,000
Debt and equity securities activities, net	491	(2,784)
Other, net	9,667	8,601
Net cash used in investing activities	(1,925,518)	(1,683,660)
Cash flows from financing activities		
Net decrease in short-term debt	(464,915)	(110,865)
Proceeds from issuance of long-term debt, net of premium/discount	999,450	1,045,221
Net proceeds from equity offering	624,302	694,103
Issuance of common stock through stock purchase and employee retirement plans	19,548	19,323
Settlement of interest rate swaps	(4,426)	(90,141)
Repayment of long-term debt	—	(575,000)
Cash dividends paid	(282,444)	(245,717)
Debt issuance costs	(7,738)	(11,254)
Net cash provided by financing activities	883,777	725,670
Net increase (decrease) in cash and cash equivalents	(3,742)	10,779
Cash and cash equivalents at beginning of period	24,550	13,771
Cash and cash equivalents at end of period	$ 20,808	$ 24,550

	Three Months Ended September 30		Year Ended September 30	
Statistics	2020	2019	2020	2019
Consolidated distribution throughput (MMcf as metered)	66,447	66,184	439,037	470,554
Consolidated pipeline and storage transportation volumes (MMcf)	167,725	204,810	621,371	721,998
Distribution meters in service	3,333,181	3,291,835	3,333,181	3,291,835
Distribution average cost of gas	$ 3.75	$ 3.68	$ 3.67	$ 4.02

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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 19, 2020
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)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	**ATO**	**New York Stock Exchange**

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.

On November 19, 2020, Kim R. Cocklin, Executive Chairman of the Board, notified the Company of his intention to retire from the Company, effective December 10, 2020. On November 23, 2020, the Board of Directors appointed Mr. Cocklin as Chairman of the Board of Directors, effective December 10, 2020.

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 24, 2020

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 2, 2021
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)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

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 2, 2021, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the 2021 fiscal year first quarter, which ended December 31, 2020, and that certain of its officers would discuss such financial results in a conference call on Wednesday, February 3, 2021 at 9 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 2, 2021 (furnished under Item 2.02)
101.INS	XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document

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 2, 2021

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

Exhibit 99.1

News Release

Analysts and Media Contact:
Dan Meziere (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2021 First Quarter; Affirms Fiscal 2021 Guidance

DALLAS (February 2, 2021) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its first fiscal quarter ended December 31, 2020.

Highlights

- Earnings per diluted share was $1.71 for the three months ended December 31, 2020.
- Consolidated net income was $217.7 million for the three months ended December 31, 2020.
- Capital expenditures totaled $456.8 million for the three months ended December 31, 2020, with approximately 87 percent of capital spending related to system safety and reliability investments.

Outlook

- Earnings per diluted share for fiscal 2021 is expected to be in the previously announced range of $4.90 to $5.10.
- Capital expenditures are expected to be in the range of $2.0 billion to $2.2 billion in fiscal 2021.
- The company's Board of Directors has declared a quarterly dividend of $0.625 per common share. The indicated annual dividend for fiscal 2021 is $2.50, which represents an 8.7% increase over fiscal 2020.

"I am so proud of our employees and their continued dedication to execute our strategy of investing in safety and reliability," said Kevin Akers, President and Chief Executive Officer of Atmos Energy. "Their resilience and hard work positions us for continued success in fiscal 2021."

Results for the Three Months Ended December 31, 2020

Consolidated operating income increased $46.0 million to $298.8 million for the three months ended December 31, 2020, compared to $252.8 million in the prior year, which primarily reflects rate outcomes combined with lower operating and maintenance expenses in both segments, partially offset by lower service order revenue in our distribution segment, lower through system revenue in our pipeline and storage segment and increased depreciation and property tax expenses.

Distribution operating income increased $29.3 million to $209.6 million for the three months ended December 31, 2020, compared with $180.3 million in the prior year. The increase reflects a net $37.0 million increase in rates and customer growth in most of our jurisdictions of $5.7 million combined with $2.9 million decrease in travel and entertainment expense, partially offset by a $9.8 million increase in depreciation and property tax expenses associated with increased capital investments and a $4.5 million decrease in service order revenues.

Pipeline and storage operating income increased $16.8 million to $89.3 million for the three months ended December 31, 2020, compared with $72.5 million in the prior year. This increase is primarily attributable to a $13.3 million increase from our GRIP filings approved in fiscal 2020 and an $8.1 million decrease in operating and maintenance expense due primarily to nonrecurring well integrity costs in the prior-year quarter. These increases were partially offset by a $1.2 million decrease in through system revenues, and a $4.6 million increase in depreciation and property tax expenses due to increased capital investments.

Capital expenditures decreased $72.4 million to $456.8 million for the three months ended December 31, 2020, compared with $529.2 million in the prior year, primarily as a result of timing of spending in our distribution segment.

For the three months ended December 31, 2020, the company generated operating cash flow of $157.1 million, a $15.4 million decrease compared with the three months ended December 31, 2019. The year-over-year decrease is primarily the result of the increase in the price of natural gas, the timing of gas cost recoveries under our purchase gas cost mechanisms and the timing of customer collections partially offset by the positive effects of rate case outcomes completed in fiscal 2020.

Our equity capitalization ratio at December 31, 2020 was 58.5%, compared with 60.0% at September 30, 2020, due to the issuance of $600 million of 1.50% senior notes in October 2020.

Conference Call to be Webcast February 3, 2021

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2021 first quarter financial results on Wednesday, February 3, 2021, at 9:00 a.m. Eastern Time. The domestic telephone number is 877-407-3088 and the international telephone number is 201-389-0927. Kevin Akers, 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.

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 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 presentation, including the risks 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 risks and uncertainties include the following: federal, state and local regulatory and political trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; the impact of climate change; the inability to continue to hire, train and retain operational, technical and managerial personnel; increased dependence on technology that may hinder the Company's business if such technologies fail; 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; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; 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; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; increased costs of providing health care benefits, along with pension and postretirement health care benefits and increased funding requirements; and the outbreak of COVID-19 and its impact on business and economic conditions.

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, the company undertakes no obligation to update or revise any of our forward-looking statements whether as a result of new information, future events or otherwise.

About Atmos Energy

Atmos Energy Corporation is the nation's largest fully regulated, natural gas-only distributor of safe, clean, efficient and affordable energy. As part of our vision to be the safest provider of natural gas services, we are modernizing our business and our infrastructure while continuing to invest in safety, innovation, environmental sustainability and our communities. An S&P 500 company headquartered in Dallas, Atmos Energy serves more than 3 million distribution customers in over 1,400 communities across eight states and manages proprietary pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Find us online at http://www.atmosenergy.com, Facebook, Twitter, Instagram and YouTube.

This news release should be read in conjunction with the attached unaudited financial information.

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income	Three Months Ended December 31	
(000s except per share)	2020	2019
Operating revenues		
Distribution segment	$ 876,650	$ 828,504
Pipeline and storage segment	159,713	148,176
Intersegment eliminations	(121,883)	(101,117)
	914,480	875,563
Purchased gas cost		
Distribution segment	411,072	397,558
Pipeline and storage segment	(1,244)	99
Intersegment eliminations	(121,568)	(100,789)
	288,260	296,868
Operation and maintenance expense	138,643	152,245
Depreciation and amortization	115,285	105,062
Taxes, other than income	73,452	68,607
Operating income	298,840	252,781
Other non-operating income	6,072	4,887
Interest charges	22,010	27,229
Income before income taxes	282,902	230,439
Income tax expense	65,224	51,766
Net income	$ 217,678	$ 178,673
Basic net income per share	$ 1.71	$ 1.47
Diluted net income per share	$ 1.71	$ 1.47
Cash dividends per share	$ 0.625	$ 0.575
Basic weighted average shares outstanding	127,034	121,113
Diluted weighted average shares outstanding	127,034	121,359

	Three Months Ended December 31	
Summary Net Income by Segment (000s)	2020	2019
Distribution	$ 153,692	$ 129,757
Pipeline and storage	63,986	48,916
Net income	$ 217,678	$ 178,673

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	December 31, 2020	September 30, 2020
Net property, plant and equipment	$ 13,762,143	$ 13,355,347
Cash and cash equivalents	457,599	20,808
Accounts receivable, net	492,526	230,595
Gas stored underground	99,569	111,950
Other current assets	142,594	107,905
Total current assets	1,192,288	471,258
Goodwill	731,257	731,257
Deferred charges and other assets	790,191	801,170
	$ 16,475,879	$ 15,359,032
Shareholders' equity	$ 7,213,156	$ 6,791,203
Long-term debt	5,124,862	4,531,779
Total capitalization	12,338,018	11,322,982
Accounts payable and accrued liabilities	284,995	235,775
Other current liabilities	512,673	546,461
Current maturities of long-term debt	171	165
Total current liabilities	797,839	782,401
Deferred income taxes	1,542,394	1,456,569
Regulatory excess deferred taxes	695,191	697,764
Deferred credits and other liabilities	1,102,437	1,099,316
	$ 16,475,879	$ 15,359,032

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Three Months Ended December 31 2020	2019
Cash flows from operating activities		
Net income	$ 217,678	$ 178,673
Depreciation and amortization	115,285	105,062
Deferred income taxes	64,587	46,726
Other	(2,976)	(616)
Changes in assets and liabilities	(237,505)	(157,400)
Net cash provided by operating activities	157,069	172,445
Cash flows from investing activities		
Capital expenditures	(456,809)	(529,186)
Debt and equity securities activities, net	511	(1,602)
Other, net	2,706	2,553
Net cash used in investing activities	(453,592)	(528,235)
Cash flows from financing activities		
Net decrease in short-term debt	—	(464,915)
Proceeds from issuance of long-term debt, net of premium/discount	597,390	799,450
Net proceeds from equity offering	216,002	259,005
Issuance of common stock through stock purchase and employee retirement plans	4,007	4,267
Cash dividends paid	(79,023)	(69,557)
Debt issuance costs	(5,062)	(7,738)
Net cash provided by financing activities	733,314	520,512
Net increase in cash and cash equivalents	436,791	164,722
Cash and cash equivalents at beginning of period	20,808	24,550
Cash and cash equivalents at end of period	$ 457,599	$ 189,272

Statistics	Three Months Ended December 31 2020	2019
Consolidated distribution throughput (MMcf as metered)	128,470	139,558
Consolidated pipeline and storage transportation volumes (MMcf)	144,587	156,529
Distribution meters in service	3,369,622	3,307,663
Distribution average cost of gas	$ 4.63	$ 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

February 12, 2021
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)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	**ATO**	**New York Stock Exchange**

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.

A historic winter weather storm impacted supply, market pricing and demand for natural gas in service territories of Atmos Energy Corporation (the "Company") beginning February 11 and continuing through the date of this disclosure. On February 12, 2021, the Governor of Texas declared a state of disaster for all 254 counties in the State in response to the then-forecasted weather conditions. The declaration certified that severe winter weather posed an imminent threat due to prolonged freezing temperatures, heavy snow, and freezing rain statewide.

Also, on February 12, 2021, the Railroad Commission of Texas (the "RRC") issued an Emergency Order to temporarily implement a statewide utilities curtailment program intended to protect residences, hospitals, schools, churches, and other human needs customers in the State of Texas.

On February 13, 2021, the RRC issued a Notice to Local Distribution Companies that acknowledged that, due to the demand for natural gas during this winter weather event, natural gas utility local distribution companies may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary expenses when responding to the winter weather event. The RRC also encouraged natural gas utilities to continue to work to ensure that the citizens of the State of Texas are provided with safe and reliable natural gas service. To partially defer and reduce the impact on customers for these costs that ultimately are reflected in customer bills, the RRC authorized local distribution companies to record a regulatory asset to account for the extraordinary expenses associated with this winter weather event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply. These expenses will be fully subject to review for reasonableness and accuracy in future regulatory proceedings. As a reminder, Atmos Energy buys gas at a wholesale rate and passes that price on to customers without any markup.

On February 14, 2021, the Governor of Kansas issued a State of Disaster Emergency due to wind chill warnings and stress on utility and natural gas providers caused by the significantly colder than normal weather. The executive order also urged Kansas citizens to conserve energy to help ensure a continued supply of natural gas and electricity and keep their own personal costs down. The declaration also noted that due to increased energy demand and natural gas supply constraints caused by sub-zero temperatures, utilities are currently experiencing wholesale natural gas prices anywhere from 10 to 100 times higher than normal.

On February 15, 2021 the State Corporation Commission of the State of Kansas issued an Emergency Order (the "Order") directing all jurisdictional natural gas and electric utilities to coordinate efforts and take all reasonably feasible, lawful, and appropriate actions to ensure adequate delivery of natural gas and electricity to interconnected, non-jurisdictional utilities in Kansas. The Order also requires jurisdictional natural gas and electric utilities to do all things possible and necessary to ensure natural gas and electricity utility services continue to be provided to their customers in Kansas. Finally, the Order allows those electric and natural gas distribution utilities who incur extraordinary costs to ensure its customers and other interconnected customers continue to receive utility service during this unprecedented cold weather event to defer those costs to a regulatory asset account. Once this weather event is over, each jurisdictional utility will be required to file a compliance report detailing the extent of such costs incurred and present a plan to minimize the financial impacts of this event on ratepayers over a reasonable time frame.

Due to the historic nature of this winter storm, the Company experienced unforeseeable and unprecedented market pricing for gas costs, most notably in our Colorado, Kansas, and Texas jurisdictions, which resulted in aggregated natural gas purchases during this period of approximately $2.5 to $3.5 billion for these jurisdictions. These purchases are generally payable at the end of March 2021.

As of February 18, 2021, the Company had approximately $3.0 billion in total liquidity, including approximately $800 million in total cash assets.

The Company is evaluating a number of financing alternatives including available cash, short-term debt, long-term debt, and equity. The Company intends to finance its incremental natural gas purchases using one or more of these financing alternatives in a manner that will maintain strong investment grade credit ratings.

The Company believes its balanced financing strategy, combined with the regulatory asset treatment described above will support cost-effective financing for these incremental natural gas purchases. Therefore, the Company continues to believe earnings per diluted share for fiscal 2021 will be in the previously announced range of $4.90 to $5.10.

The information furnished in this Item 7.01 (including Exhibits 99.1, 99.2, 99.3, 99.4, and 99.5) 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.

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 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 presentation, including the risks 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 risks and uncertainties include the following: federal, state and local regulatory and political trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; the impact of climate change; the inability to continue to hire, train and retain operational, technical and managerial personnel; increased dependence on technology that may hinder the Company's business if such technologies fail; 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; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; 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; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; increased costs of providing health care benefits, along with pension and postretirement health care benefits and increased funding requirements; and the outbreak of COVID-19 and its impact on business and economic conditions. 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, the Company undertakes no obligation to update or revise any of our forward-looking statements whether as a result of new information, future events or otherwise.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	Proclamation by the Governor of the State of Texas
99.2	Railroad Commission of Texas – Emergency Order
99.3	Railroad Commission of Texas – Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event
99.4	State of Disaster Emergency Proclamation by the Governor of the State of Kansas
99.5	State Corporation Committee of the State of Kansas – Emergency Order
104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document

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 19, 2021

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and Chief Financial Officer

Exhibit 99.1

PROCLAMATION
BY THE
Governor of the State of Texas

TO ALL TO WHOM THESE PRESENTS SHALL COME:

I, GREG ABBOTT, Governor of the State of Texas, do hereby certify that severe winter weather poses an imminent threat of widespread and severe property damage, injury, and loss of life due to prolonged freezing temperatures, heavy snow, and freezing rain statewide.

THEREFORE, in accordance with the authority vested in me by Section 418.014 of the Texas Government Code, I do hereby declare a state of disaster in all 254 counties based on the existence of such threat.

Pursuant to Section 418.017 of the code, I authorize the use of all available resources of state government and of political subdivisions that are reasonably necessary to cope with this disaster.

Pursuant to Section 418.016 of the code, any regulatory statute prescribing the procedures for conduct of state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster shall be suspended upon written approval of the Office of the Governor. However, to the extent that the enforcement of any state statute or administrative rule regarding contracting or procurement would impede any state agency's emergency response that is necessary to protect life or property threatened by this declared disaster, I hereby authorize the suspension of such statutes and rules for the duration of this declared disaster.

In accordance with the statutory requirements, copies of this proclamation shall be filed with the applicable authorities.

IN TESTIMONY WHEREOF, I have hereunto signed my name and have officially caused the Seal of State to be affixed at my office in the City of Austin, Texas, this the 12th day of February, 2021.

/s/ Greg Abbott
GREG ABBOTT
Governor

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
3:30 p.m. O'CLOCK
FEB 12 2021

ATTESTED BY:

/s/ Ruth R. Hughs
RUTH R. HUGHS
Secretary of State

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
3:30 p.m. O'CLOCK
FEB 12 2021

Exhibit 99.2

RAILROAD COMMISSION OF TEXAS

EMERGENCY ORDER

WHEREAS, after Notice of Emergency Meeting to consider this Emergency Order was duly posted on February 12, 2021 with the Secretary of State within the time period provided by law pursuant to Tex. Gov't Code Chapter 551, *et seq*., the Railroad Commission of Texas ("Commission") determined that an Emergency Order is necessary to protect human needs customers in the State of Texas because of current conditions which threaten and health, safety and welfare of those customers, and determined that the existing regulations and Orders of the Commission do not sufficiently address the specific conditions of this emergency; and

WHEREAS, on February 12, 2021, the Governor of the State of Texas issued a State of Disaster in all 254 counties due to severe weather posing an imminent threat of widespread and severe property damage, injury, and loss of life due to prolonged freezing temperatures, heavy snow, and freezing rain statewide; and

WHEREAS, pursuant to the authority granted to the Commission in the Texas Utilities Code, the Commission has the authority to issue this Emergency Order affecting the operation of the gas utility systems in this state to prevent such threats to the public; and

WHEREAS, the transportation, delivery and/or sale of natural gas in the State of Texas for any other purpose other than serving human needs customers should be curtailed to the extent possible and necessary for the duration of this Emergency Order.

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE RAILROAD COMMISSION OF TEXAS that Rule 2 of Docket 489 is temporarily amended as follows:

RULE 2.

Until such time as the Commission has specifically approved a utilities curtailment program, the following priorities in descending order shall be observed:

A. Deliveries of gas by natural gas utilities to residences, hospitals, schools, churches and other human needs customers, and deliveries to Local Distribution Companies which serve human needs customers.

B. Deliveries of gas to electric generation facilities which serve human needs customers.

C. Deliveries of gas to small industrials and regular commercial loads (defined as those customers using less than 3,000 MCF per day) and delivery of gas for use as pilot lights or in accessory or auxiliary equipment essential to avoid serious damage to industrial plants.

. D. Large users of gas for fuel or as a raw material where an alternate cannot be used and operation and plant production would be curtailed or shut down completely when gas is curtailed.

. E. Large users of gas for boiler fuel or other fuel users where alternate fuels can be used. This category is not to be determined by whether or not a user has actually installed alternate fuel facilities, but whether or not an alternate fuel "could" be used.

F. Interruptible sales made subject to interruption or curtailment at Seller's sole discretion under contracts or tariffs which provide in effect for the sale of such gas as Seller may be agreeable to selling and Buyer may be agreeable to buying from time to time.

IT IS FURTHER ORDERED that gas utilities which have a specific curtailment plan/program that has been approved by the Commission shall ensure that their top two priorities in the plan/program are A and B as listed above for the duration of this Emergency Order.

IT IS FURTHER ORDERED that this Emergency Order is in effect until 11:59 p.m. Central Standard Time Friday, February 19, 2021, unless otherwise renewed by the Commission in a subsequent Emergency Order.

SIGNED this 12th day of February 2021.

RAILROAD COMMISSION OF TEXAS

DocuSigned by:

/s/ Christi Craddick
Christi Craddick
CHAIRMAN CHRISTI CRADDICK

DocuSigned by:

/s/ Wayne Christian
Wayne Christian
COMMISSIONER WAYNE CHRISTIAN

DocuSigned by:

/s/ Jim Wright
Jim Wright
COMMISSIONER JIM WRIGHT

ATTEST:

DocuSigned by:

/s/ Callie Farrar
Callie Farrar
SECRETARY

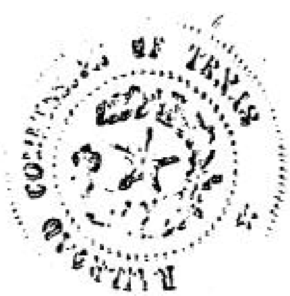

Exhibit 99.3

RAILROAD COMMISSION OF TEXAS
Oversight and Safety Division
Gas Services Department

NOTICE TO LOCAL DISTRIBUTION COMPANIES

Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event

On February 12, 2021, Governor Greg Abbott declared a State of Disaster in Texas for all Texas counties in response to the unprecedented cold winter weather event that began in Texas on Thursday, February 11, 2021 and is expected to continue until, at a minimum, Thursday, February 18, 2021 ("2021 Winter Weather Event"). The Commission is aware that, due to the demand for natural gas during the 2021 Winter Weather Event, natural gas utility local distribution companies ("LDCs") may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary expenses when responding to the 2021 Winter Weather Event. The Commission encourages LDCs to continue to work to ensure that the citizens of the State of Texas are provided with safe and reliable natural gas service.

Through this Notice, the Commission authorizes LDCs to use an accounting mechanism and a subsequent process through which those regulated companies may seek future recovery of extraordinary expenses resulting from the effects of the 2021 Winter Weather Event in order to partially defer and reduce the impact on customers of these extraordinary expenses. The Commission has exclusive, original jurisdiction to prescribe the manner and form of the books, records, and accounts for gas utilities pursuant to the Gas Utility Regulatory Act, Texas Utility Code §102.101(a), (b) and (d). **The Commission hereby authorizes each LDC to record in a regulatory asset account the extraordinary expenses associated with the 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply.**

This Notice only authorizes the ability to record the expenses related to securing natural gas throughout the 2021 Winter Weather Event in a regulatory asset account and does **not** authorize the reasonableness, necessity, or accuracy of the expenses placed into the regulatory asset account. In future rate proceedings, the expenses will be fully subject to review for reasonableness and accuracy, and the LDCs shall bear the burden to prove that the expenses would not have been incurred but for the 2021 Winter Weather Event.

If you have questions regarding this notice, please contact the Commission at mark.evarts@rrc.texas.gov.

Please Forward to the Appropriate Section of Your Company

Austin, Texas **February 2021**

Exhibit 99.4

STATE OF DISASTER EMERGENCY PROCLAMATION

Executive Department
State of Kansas
Topeka, Kansas

By the Governor

By virtue of the authority vested in me by the Kansas Emergency Management Act, Chapter 48, Article 9, of the Kansas Statutes Annotated, to meet the inherent dangers of disasters to which the State and its citizens have been exposed, and upon advice of the State Adjutant General as the Director of the Division of Emergency Management, I hereby proclaim a State of Disaster Emergency as follows:

NATURE OF THE DISASTER:

Low temperatures with sub-zero wind chills over the past several days accompanied by snow, sleet, and freezing rain across the state have caused stress on the energy infrastructure. Power outages and critical energy supply shortages are anticipated over the next few days. Communities are feeling the impacts with water main breaks, the need for warming stations, and seeing an increase in the demand for natural gas and electricity.

DATE THAT DISASTER AFFECTED THE AREA:

February 14, 2021 and continuing

AREA AFFECTED BY THE DISASTER:

All Kansas counties and Federally Recognized Indian Tribes in Kansas

I hereby proclaim, direct, and order the Adjutant General of the State of Kansas to activate the disaster response and recovery portions of the Kansas Response Plan and to utilize all available resources of the state to cope with the disaster as necessary. The Adjutant General shall coordinate local and inter-jurisdictional disaster plans applicable to the political subdivisions of areas affected by this Proclamation.

Any or all of the powers conferred upon the Governor by the Kansas Emergency Management Act may be delegated to the Adjutant General as deemed appropriate during this period of proclaimed State of Disaster Emergency. This may be delegated by written orders or oral orders subsequently reduced to writing with reference to this Proclamation.

I hereby suspend the provisions of any regulatory statute prescribing the procedures for conduct of state business, or the order or rules and regulations of any state agency which implements such statute, if strict compliance with the provisions of such statutes, order or rule and regulation would prevent, hinder, or delay in any way necessary action in coping with the disaster as set forth in KSA 48-925(c)(l).

I hereby direct state agencies to implement necessary continuity activities to ensure the delivery of essential functions that include continuity of operations (COOP) planning with pandemic considerations applied.

This Proclamation shall be filed promptly with the Division of Emergency Management, the Office of the Secretary of State and each city clerk or county clerk, as appropriate, in the area to which this Proclamation applies. Further dissemination of this Proclamation shall occur by means calculated to bring its contents to the attention of the general public.

DONE At the Capitol in Topeka
Under the Great Seal of the State
this 14th, day of February
A.D., 2021

FILED
FEB 15 2021
SCOTT SCHWAB
SECRETARY OF STATE

BY THE GOVERNOR ______________________

____

Secretary of State

Assistant Secretary of State

Exhibit 99.5

20210215115542
Kansas Corporation Commission

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Andrew J. French, Chairperson
Dwight D. Keen
Susan K. Duffy

In the Matter of Record Natural Gas Prices and	)	
Potential System Reliability Issues from	)	Docket No. 21-GIMX-303-MIS
Unprecedented and Sustained Cold Weather.	)	

EMERGENCY ORDER

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed the pleadings and record, the Commission makes the following findings:

1. On February 14, 2021, Governor Kelly issued an State of Disaster Emergency due to wind chill warnings and stress on utility and natural gas providers, noting that the current sub-zero temperatures are causing increased energy demand and natural gas supply constraints throughout Kansas, and utilities are currently experiencing wholesale natural gas price increase from 10 to 100 times higher than normal (the "2021 Winter Weather Event"). Those costs will eventually flow through to consumers through increases in monthly natural gas and electric bills. Additionally, Kansas utilities are facing potential reliability issues related to the prolonged arctic temperatures. Therefore, under these circumstances, the Commission, pursuant to K.S.A. 77-536(a), will exercise its powers to protect the public from immediate danger to health, safety, and welfare.

2. In the public interest, the Commission has jurisdiction to regulate and oversee certain facets of service provided by natural gas public utilities and electric utilities operating in

the State, and is empowered to do certain things necessary and convenient to exercise its authority.[1]

3. K.S.A. 77-536(a) provides State agencies with the authority to act when there is "an immediate danger to the public health, safety or welfare requiring immediate state agency action." Pursuant to K.S.A. 77-536(a), the Commission directs all jurisdictional natural gas and electric utilities to coordinate efforts and take all reasonably feasible, lawful, and appropriate actions to ensure adequate transportation of natural gas and electricity to interconnected, non-jurisdictional Kansas utilities. Jurisdictional natural gas and electric utilities are ordered to do everything necessary to ensure natural gas and electricity service continues to be provided to their customers in Kansas.

4. The Commission authorizes every jurisdictional electric and natural gas distribution utility that incurs extraordinary costs associated with ensuring that their customers or the customers of interconnected Kansas utilities that are non-jurisdictional to the Commission continue to receive utility service during this unprecedented cold weather event to defer those costs to a regulatory asset account. Such costs include but are not limited to the cost of procuring and transporting natural gas supplies for jurisdictional utility customers, costs associated with jurisdictional utilities coordinating and assisting non-jurisdictional utilities with the transportation of gas supplies[2], and any other reasonable costs necessary to ensure stability and reliability of natural gas and electricity service. These deferred costs may also include carrying costs at the utility's weighted average cost of capital. All deferred costs shall be segregated by detailed cost category and shall contain enough detail for the Commission to perform a subsequent review for prudence and reasonableness. This deferral is for accounting

[1] K.S.A. 66-1,201; K.S.A. 66-101.
[2] Nothing in this section is intended to require a jurisdictional utility to procure natural gas supplies for non-jurisdictional utilities.

purposes only. Any decisions related to ratepayer recovery will be addressed in future proceedings.

5. Each utility bears the burden of proof that the costs described in paragraph 4: (1) would not have been incurred but for the 2021 Winter Weather Event, and (2) are just, reasonable, and necessary to provide utility services during this extraordinary event. Once this 2021 Winter Weather Event is over, and after all costs have been accumulated and recorded, each jurisdictional utility is directed to file a compliance report in this Docket detailing the extent of such costs incurred, and present a plan to minimize the financial impacts of this event on ratepayers over a reasonable time frame.

THEREFORE, THE COMMISSION ORDERS:

A. All jurisdictional natural gas and electric utilities are directed to coordinate efforts and take all reasonably feasible, lawful, and appropriate actions to ensure adequate delivery of natural gas and electricity to interconnected, non-jurisdictional utilities in Kansas.

B. Jurisdictional natural gas and electric utilities are ordered to do all things possible and necessary to ensure natural gas and electricity utility services continue to be provided to their customers in the State.

C. Every electric and natural gas distribution utility that incurs extraordinary costs associated with ensuring its customers or the customers of interconnected Kansas utilities that are non-jurisdictional to the Commission continue to receive utility service during this unprecedented cold weather event is authorized to defer those costs to a regulatory asset account.

BY THE COMMISSION IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Duffy, Commissioner

Dated: 02/15/2021

/s/ Lynn M. Retz

Lynn M. Retz
Executive Director

BGF

CERTIFICATE OF SERVICE

21-GIMX-303-MIS

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 02/15/2021.

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CERTIFICATE OF SERVICE

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CERTIFICATE OF SERVICE

21-GIMX-303-MIS

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CERTIFICATE OF SERVICE

21-GIMX-303-MIS

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/S/ DeeAnn Shupe
DeeAnn Shupe

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 1, 2021
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)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

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.

A historic winter weather storm impacted supply, market pricing and demand for natural gas in service territories of Atmos Energy Corporation (the "Company") beginning February 11 and continuing through February 20, 2021. Due to the historic nature of this winter storm, the Company experienced unforeseeable and unprecedented market pricing for gas costs. The Company previously disclosed it had made estimated aggregated gas purchases during this period of $2.5 billion to $3.5 billion based on preliminary pricing and purchased volume information available at that time and management estimates.

Based on currently available pricing and purchased volume information and management estimates, the Company now estimates the aggregated natural gas purchases for all jurisdictions during this period to be approximately $2.5 billion, most notably in Texas and then Kansas and Colorado, with Texas representing approximately 95% of this estimate. The final amount of the gas purchases remains subject to change as volume balancing, final pricing and invoicing is completed later this month.

As of February 28, 2021, the Company had approximately $2.8 billion in total liquidity, including approximately $422 million in operating cash and $247 million in net proceeds from our At-the-Market equity sales program which must be utilized by September 30, 2021. The Company currently anticipates funding these gas purchases using a mix of long-term debt, available proceeds from our At-the-Market equity sales program, short-term debt, and cash. The Company intends to finance its incremental natural gas purchases prior to March 25, 2021, when payment for these purchases is due, using one or more of these financing alternatives in a manner that will maintain strong investment grade credit ratings. The Company is currently in the process of preparing for regulatory approval for these financing alternatives where necessary.

The Company believes its balanced financing strategy, combined with the regulatory asset treatment described in the Company's Form 8-K filed on February 19, 2021 will support cost-effective financing for these incremental natural gas purchases. Therefore, the Company continues to believe earnings per diluted share for fiscal 2021 will be in the previously announced range of $4.90 to $5.10. Further, the Company believes its proven strategy focused on system modernization to safely deliver reliable and affordable natural gas in an environmentally responsible manner will continue to support annual earnings per share growth in the range of 6% to 8%.

The information furnished in this Item 7.01 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.

Forward-Looking Statements

The matters discussed in this filing 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 filing 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 filing or 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 filing, including the risks 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 risks and uncertainties include the following: federal, state and local regulatory and political trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas;

the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions, including the impacts from the February 2021 winter storm; the impact of climate change; the inability to continue to hire, train and retain operational, technical and managerial personnel; increased dependence on technology that may hinder the Company’s business if such technologies fail; 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; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; 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; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas, including the impacts from the February 2021 winter storm; increased costs of providing health care benefits, along with pension and postretirement health care benefits and increased funding requirements; and the outbreak of COVID-19 and its impact on business and economic conditions. 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, the Company undertakes no obligation to update or revise any of our 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: March 1, 2021

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and Chief Financial Officer

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 5, 2021
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)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

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, May 5, 2021, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the 2021 fiscal year second quarter, which ended March 31, 2021, and that certain of its officers would discuss such financial results in a conference call on Thursday, May 6, 2021 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 5, 2021 (furnished under Item 2.02)
101.INS	XBRL Instance Document - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document

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 5, 2021

By: /s/ CHRISTOPHER T. FORSYTHE
Christopher T. Forsythe
Senior Vice President and
Chief Financial Officer

Exhibit 99.1

News Release

Analysts and Media Contact:
Dan Meziere (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2021 Second Quarter; Affirms Fiscal 2021 Guidance

DALLAS (May 5, 2021) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its second fiscal quarter ended March 31, 2021.

Highlights

- Earnings per diluted share was $4.01 for the six months ended March 31, 2021; $2.30 per diluted share for the second fiscal quarter.
- Consolidated net income was $514.4 million for the six months ended March 31, 2021; $296.8 million for the second fiscal quarter.
- Capital expenditures totaled $845.7 million for the six months ended March 31, 2021, with approximately 87 percent of capital spending related to system safety and reliability investments.

Outlook

- Earnings per diluted share for fiscal 2021 is expected to be in the previously announced range of $4.90 to $5.10.
- Capital expenditures are expected to be in the range of $2.0 billion to $2.2 billion in fiscal 2021.
- The company's Board of Directors has declared a quarterly dividend of $0.625 per common share. The indicated annual dividend for fiscal 2021 is $2.50, which represents an 8.7% increase over fiscal 2020.

"Our operating and financial performance for the first six months of the fiscal year reflects our employees' continued ability to execute at the highest levels on all facets of our business," said Kevin Akers, President and Chief Executive Officer of Atmos Energy. "Their dedication and resilience leaves us well positioned for a successful fiscal 2021," Akers concluded.

Results for the Three Months Ended March 31, 2021

Consolidated operating income increased $50.4 million to $381.8 million for the three months ended March 31, 2021, from $331.4 million in the prior-year quarter. Rate case outcomes in both segments and customer growth in our distribution segment were partially offset by lower through system revenue in our pipeline and storage segment, decreased service order revenue and higher bad debt expense in our distribution segment and higher depreciation and property tax expenses.

Distribution operating income increased $49.8 million to $303.3 million for the three months ended March 31, 2021, compared with $253.5 million in the prior-year quarter. The increase primarily reflects a net $65.8 million increase in rates and a $4.9 million increase due to net customer growth, partially offset by a $12.3 million increase in depreciation and property tax expenses associated with increased capital investments, a $6.5 million increase in bad debt expense, and a $3.9 million decrease in service order revenues.

Pipeline and storage operating income increased $0.7 million to $78.5 million for the three months ended March 31, 2021, compared with $77.9 million in the prior-year quarter. This increase is primarily attributable to a $14.0 million increase in rates, due to the GRIP filing approved in fiscal 2020, partially offset by a $6.8 million increase in depreciation and property tax expenses due to increased capital investments, a $6.4 million decrease due to the refund of excess deferred income taxes to customers and a $3.4 million decrease in through system revenues.

Results for the Six Months Ended March 31, 2021

Consolidated operating income increased $96.4 million to $680.6 million for the six months ended March 31, 2021, compared to $584.2 million in the prior year, which primarily reflects rate outcomes in both segments, customer growth in our distribution segment and lower operating and maintenance expenses, partially offset by higher bad debt expense and lower service order revenue in our distribution segment, lower through system revenue in our pipeline and storage segment and increased depreciation and property tax expenses.

Distribution operating income increased $79.0 million to $512.8 million for the six months ended March 31, 2021, compared with $433.8 million in the prior year. The increase reflects a net $102.7 million increase in rates, customer growth of $10.7 million and a $6.2 million savings in operations and maintenance expense excluding bad debt expense, partially offset by a $22.1 million increase in depreciation and property tax expenses associated with increased capital investments, increased bad debt expense of $8.8 million, an $8.1 million decrease in weather and consumption and an $8.4 million decrease in service order revenues.

Pipeline and storage operating income increased $17.4 million to $167.8 million for the six months ended March 31, 2021, compared with $150.4 million in the prior year. This increase is primarily attributable to a $27.3 million increase from our GRIP filings approved in fiscal 2020 and a $7.7 million decrease in operating and maintenance expense due primarily to nonrecurring well integrity costs in the prior-year period. These increases were partially offset by an $11.4 million increase in depreciation and property tax expenses due to increased capital investments, a $6.4 million decrease due to the refund of excess deferred income taxes to customers and a $4.9 million decrease in through system revenues.

Additionally, our year-to-date results reflect a reduction in our annual effective tax rate related to the refund of excess deferred taxes, primarily to APT customers, which has been or will be offset by a corresponding decrease in revenues over the remainder of the fiscal year. As a result, our consolidated effective tax rate declined from 22.1% in the prior-year period to 19.8% for the six months ended March 31, 2021.

Capital expenditures decreased $149.0 million to $845.7 million for the six months ended March 31, 2021, compared with $994.7 million in the prior year, primarily as a result of timing of spending in our distribution segment.

For the six months ended March 31, 2021, the company generated negative operating cash flow of $1,402.2 million, a $2,036.0 million decrease compared with the six months ended March 31,

2020. The year-over-year decrease is primarily the result of gas costs incurred during Winter Storm Uri.

Our equity capitalization ratio at March 31, 2021 was 51.7%, compared with 60.0% at September 30, 2020, due to the issuance of $600 million of 1.50% senior notes in October 2020 and a $2.2 billion debt issuance in March 2021 in order to finance gas costs incurred during Winter Storm Uri. Excluding the $2.2 billion of incremental financing, our equity capitalization ratio would have been 60.4% at March 31, 2021.

Conference Call to be Webcast May 6, 2021

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2021 second quarter financial results on Thursday, May 6, 2021, at 10:00 a.m. Eastern Time. The domestic telephone number is 877-407-3088 and the international telephone number is 201-389-0927. Kevin Akers, 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.

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 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 presentation, including the risks 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 risks and uncertainties include the following: federal, state and local regulatory and political trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; the impact of climate change; the inability to continue to hire, train and retain operational, technical and managerial personnel; increased dependence on technology that may hinder the Company's business if such technologies fail; 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; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; 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; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; increased costs of providing health care benefits, along with pension and postretirement health care benefits and increased funding requirements; and the outbreak of COVID-19 and its impact on business and economic conditions.

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, the company undertakes no obligation to update or revise any of our forward-looking statements whether as a result of new information, future events or otherwise.

About Atmos Energy

Atmos Energy Corporation, an S&P 500 company headquartered in Dallas, is the country's largest natural gas-only distributor. We safely deliver reliable, affordable, efficient and abundant natural gas to more than 3 million distribution customers in over 1,400 communities across eight states located primarily in the South. As part of our vision to be the safest provider of natural gas services, we are modernizing our business and infrastructure while continuing to invest in safety, innovation, environmental sustainability and our communities. Atmos Energy manages proprietary pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. Find us online at http://www.atmosenergy.com, Facebook, Twitter, Instagram and YouTube.

This news release should be read in conjunction with the attached unaudited financial information.

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income (000s except per share)	Three Months Ended March 31 2021	2020
Operating revenues		
Distribution segment	$ 1,282,674	$ 933,005
Pipeline and storage segment	154,168	146,237
Intersegment eliminations	(117,769)	(101,577)
	1,319,073	977,665
Purchased gas cost		
Distribution segment	691,147	418,935
Pipeline and storage segment	113	202
Intersegment eliminations	(117,451)	(101,254)
	573,809	317,883
Operation and maintenance expense	156,375	147,824
Depreciation and amortization	118,636	105,916
Taxes, other than income	88,449	74,604
Operating income	381,804	331,438
Other non-operating income (expense)	2,834	(2,989)
Interest charges	26,096	22,171
Income before income taxes	358,542	306,278
Income tax expense	61,788	66,632
Net income	$ 296,754	$ 239,646
Basic net income per share	$ 2.30	$ 1.95
Diluted net income per share	$ 2.30	$ 1.95
Cash dividends per share	$ 0.625	$ 0.575
Basic weighted average shares outstanding	129,161	122,916
Diluted weighted average shares outstanding	129,164	122,997

Summary Net Income by Segment (000s)	Three Months Ended March 31 2021	2020
Distribution	$ 232,336	$ 187,064
Pipeline and storage	64,418	52,582
Net income	$ 296,754	$ 239,646

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Statements of Income (000s except per share)	Six Months Ended March 31 2021	2020
Operating revenues		
Distribution segment	$ 2,159,324	$ 1,761,509
Pipeline and storage segment	313,881	294,413
Intersegment eliminations	(239,652)	(202,694)
	2,233,553	1,853,228
Purchased gas cost		
Distribution segment	1,102,219	816,493
Pipeline and storage segment	(1,131)	301
Intersegment eliminations	(239,019)	(202,043)
	862,069	614,751
Operation and maintenance expense	295,018	300,069
Depreciation and amortization	233,921	210,978
Taxes, other than income	161,901	143,211
Operating income	680,644	584,219
Other non-operating income	8,906	1,898
Interest charges	48,106	49,400
Income before income taxes	641,444	536,717
Income tax expense	127,012	118,398
Net income	$ 514,432	$ 418,319
Basic net income per share	$ 4.01	$ 3.43
Diluted net income per share	$ 4.01	$ 3.42
Cash dividends per share	$ 1.25	$ 1.15
Basic weighted average shares outstanding	128,098	122,015
Diluted weighted average shares outstanding	128,100	122,179

Summary Net Income by Segment (000s)	Six Months Ended March 31 2021	2020
Distribution	$ 386,028	$ 316,821
Pipeline and storage	128,404	101,498
Net income	$ 514,432	$ 418,319

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	March 31, 2021	September 30, 2020
Net property, plant and equipment	$ 14,039,588	$ 13,355,347
Cash and cash equivalents	865,311	20,808
Accounts receivable, net	469,595	230,595
Gas stored underground	50,043	111,950
Other current assets	235,485	107,905
Total current assets	1,620,434	471,258
Goodwill	731,257	731,257
Deferred charges and other assets	3,017,531	801,170
	$ 19,408,810	$ 15,359,032
Shareholders' equity	$ 7,820,925	$ 6,791,203
Long-term debt	7,316,404	4,531,779
Total capitalization	15,137,329	11,322,982
Accounts payable and accrued liabilities	263,597	235,775
Other current liabilities	607,525	546,461
Current maturities of long-term debt	177	165
Total current liabilities	871,299	782,401
Deferred income taxes	1,658,000	1,456,569
Regulatory excess deferred taxes	639,496	697,764
Deferred credits and other liabilities	1,102,686	1,099,316
	$ 19,408,810	$ 15,359,032

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Six Months Ended March 31 2021	Six Months Ended March 31 2020
Cash flows from operating activities		
Net income	$ 514,432	$ 418,319
Depreciation and amortization	233,921	210,978
Deferred income taxes	128,725	110,664
Other	(938)	7,144
Changes in Winter Storm Uri regulatory asset	(2,093,534)	—
Changes in other assets and liabilities	(184,852)	(113,330)
Net cash provided by (used in) operating activities	(1,402,246)	633,775
Cash flows from investing activities		
Capital expenditures	(845,728)	(994,737)
Debt and equity securities activities, net	(5,506)	(1,131)
Other, net	5,171	4,631
Net cash used in investing activities	(846,063)	(991,237)
Cash flows from financing activities		
Net decrease in short-term debt	—	(264,992)
Proceeds from issuance of long-term debt, net of premium/discount	2,797,346	799,450
Net proceeds from equity offering	460,678	258,047
Issuance of common stock through stock purchase and employee retirement plans	8,291	8,321
Cash dividends paid	(159,348)	(140,077)
Debt issuance costs	(14,155)	(7,738)
Net cash provided by financing activities	3,092,812	653,011
Net increase in cash and cash equivalents	844,503	295,549
Cash and cash equivalents at beginning of period	20,808	24,550
Cash and cash equivalents at end of period	$ 865,311	$ 320,099

Statistics	Three Months Ended March 31 2021	Three Months Ended March 31 2020	Six Months Ended March 31 2021	Six Months Ended March 31 2020
Consolidated distribution throughput (MMcf as metered)	191,243	163,870	319,713	303,428
Consolidated pipeline and storage transportation volumes (MMcf)	130,578	143,465	275,165	299,994
Distribution meters in service	3,380,153	3,312,616	3,380,153	3,312,616
Distribution average cost of gas	$ 4.75	$ 3.51	$ 4.70	$ 3.74

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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, 2019

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.)*
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)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

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 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 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 ☐

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 31, 2019.

Class	Shares Outstanding
Common stock No Par Value	118,200,689

GLOSSARY OF KEY TERMS

Adjusted diluted net income per share	Non-GAAP measure defined as diluted net income per share before the one-time, non-cash income tax benefit
Adjusted net income	Non-GAAP measure defined as net income before the one-time, non-cash income tax benefit
AEC	Atmos Energy Corporation
AOCI	Accumulated other comprehensive income
ARM	Annual Rate Mechanism
ASC	Accounting Standards Codification
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
FERC	Federal Energy Regulatory Commission
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
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, 2019	September 30, 2018
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 13,687,833	$ 12,567,373
Less accumulated depreciation and amortization	2,347,237	2,196,226
Net property, plant and equipment	11,340,596	10,371,147
Current assets		
Cash and cash equivalents	46,163	13,771
Accounts receivable, net	285,433	253,295
Gas stored underground	106,014	165,732
Other current assets	65,924	46,055
Total current assets	503,534	478,853
Goodwill	730,419	730,419
Deferred charges and other assets	306,549	294,018
	$ 12,881,098	$ 11,874,437
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, 2019 — 118,196,113 shares; September 30, 2018 — 111,273,683 shares	$ 591	$ 556
Additional paid-in capital	3,599,724	2,974,926
Accumulated other comprehensive loss	(115,663)	(83,647)
Retained earnings	2,157,344	1,878,116
Shareholders' equity	5,641,996	4,769,951
Long-term debt	3,529,135	2,493,665
Total capitalization	9,171,131	7,263,616
Current liabilities		
Accounts payable and accrued liabilities	206,500	217,283
Other current liabilities	494,932	547,068
Short-term debt	74,942	575,780
Current maturities of long-term debt	125,000	575,000
Total current liabilities	901,374	1,915,131
Deferred income taxes	1,280,307	1,154,067
Regulatory excess deferred taxes (See Note 13)	709,974	739,670
Regulatory cost of removal obligation	464,855	466,405
Pension and postretirement liabilities	177,602	177,520
Deferred credits and other liabilities	175,855	158,028
	$ 12,881,098	$ 11,874,437

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30	
	2019	2018
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 444,944	$ 535,488
Pipeline and storage segment	149,198	127,633
Intersegment eliminations	(108,404)	(100,876)
Total operating revenues	485,738	562,245
Purchased gas cost		
Distribution segment	139,518	230,887
Pipeline and storage segment	(96)	561
Intersegment eliminations	(108,096)	(100,562)
Total purchased gas cost	31,326	130,886
Operation and maintenance expense	164,545	143,748
Depreciation and amortization expense	97,700	90,671
Taxes, other than income	69,965	72,620
Operating income	122,202	124,320
Other non-operating income (expense)	1,645	(3,330)
Interest charges	19,592	23,349
Income before income taxes	104,255	97,641
Income tax expense	23,789	26,448
Net income	$ 80,466	$ 71,193
Basic net income per share	$ 0.68	$ 0.64
Diluted net income per share	$ 0.68	$ 0.64
Cash dividends per share	$ 0.525	$ 0.485
Basic weighted average shares outstanding	118,075	111,851
Diluted weighted average shares outstanding	118,430	111,851
Net income	$ 80,466	$ 71,193
Other comprehensive income, net of tax		
Net unrealized holding gains on available-for-sale securities, net of tax of $27 and $92 (See Note 2)	94	310
Cash flow hedges:		
Amortization and unrealized gain on interest rate agreements, net of tax of $312 and $2,460	1,053	8,320
Total other comprehensive income	1,147	8,630
Total comprehensive income	$ 81,613	$ 79,823

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended June 30	
	2019	2018
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 2,341,668	$ 2,595,571
Pipeline and storage segment	419,318	375,051
Intersegment eliminations	(302,821)	(299,776)
Total operating revenues	2,458,165	2,670,846
Purchased gas cost		
Distribution segment	1,147,598	1,421,698
Pipeline and storage segment	(544)	1,906
Intersegment eliminations	(301,887)	(298,841)
Total purchased gas cost	845,167	1,124,763
Operation and maintenance expense	452,572	431,952
Depreciation and amortization expense	290,537	268,426
Taxes, other than income	213,546	208,400
Operating income	656,343	637,305
Other non-operating expense	(1,846)	(8,054)
Interest charges	74,390	82,162
Income before income taxes	580,107	547,089
Income tax expense (benefit)	127,107	(17,228)
Net income	$ 453,000	$ 564,317
Basic net income per share	$ 3.89	$ 5.09
Diluted net income per share	$ 3.88	$ 5.09
Cash dividends per share	$ 1.575	$ 1.455
Basic weighted average shares outstanding	116,485	110,707
Diluted weighted average shares outstanding	116,673	110,707
Net income	$ 453,000	$ 564,317
Other comprehensive income (loss), net of tax		
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of $56 and $(246) (See Note 2)	191	(736)
Cash flow hedges:		
Amortization and unrealized gain (loss) on interest rate agreements, net of tax of $(7,093) and $8,486	(23,997)	29,609
Total other comprehensive income (loss)	(23,806)	28,873
Total comprehensive income	$ 429,194	$ 593,190

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended June 30	
	2019	**2018**
	(Unaudited) (In thousands)	
Cash Flows From Operating Activities		
Net income	$ 453,000	$ 564,317
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	290,537	268,426
Deferred income taxes	120,220	139,852
One-time income tax benefit	—	(165,522)
Other	9,649	18,007
Net assets / liabilities from risk management activities	(1,976)	912
Net change in operating assets and liabilities	(62,502)	209,304
Net cash provided by operating activities	808,928	1,035,296
Cash Flows From Investing Activities		
Capital expenditures	(1,199,199)	(1,088,472)
Proceeds from the sale of discontinued operations	4,000	3,000
Debt and equity securities activities, net	(4,041)	(7,857)
Other, net	3,839	6,105
Net cash used in investing activities	(1,195,401)	(1,087,224)
Cash Flows From Financing Activities		
Net decrease in short-term debt	(500,838)	(202,968)
Net proceeds from equity offering	593,731	395,092
Issuance of common stock through stock purchase and employee retirement plans	14,128	15,850
Proceeds from issuance of long-term debt	1,045,221	—
Settlement of interest rate swaps	(90,141)	—
Repayment of long-term debt	(450,000)	—
Cash dividends paid	(181,982)	(160,007)
Debt issuance costs	(11,254)	—
Other	—	(1,518)
Net cash provided by financing activities	418,865	46,449
Net increase (decrease) in cash and cash equivalents	32,392	(5,479)
Cash and cash equivalents at beginning of period	13,771	26,409
Cash and cash equivalents at end of period	$ 46,163	$ 20,930

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2019

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") and its subsidiaries are 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, 2019, 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, aside from accounting policy changes noted below, 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, 2018. 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, 2018. Because of seasonal and other factors, the results of operations for the nine-month period ended June 30, 2019 are not indicative of our results of operations for the full 2019 fiscal year, which ends September 30, 2019.

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, 2018.

During the second quarter of fiscal 2019, we completed our annual goodwill impairment assessment. Based on the assessment performed, we determined that our goodwill was not impaired.

Accounting pronouncements adopted in fiscal 2019

During the first quarter of fiscal 2019, we adopted the following accounting guidance updates, effective October 1, 2018. The adoption of this new guidance, individually and collectively, did not have a material impact on our financial position, results of operations or cash flows.

- Revenue recognition - Under the new guidance, we are required to recognize revenue when we transfer promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. See Note 5 for our discussion of the effects of implementing this standard.

- Classification and measurement of financial instruments - The new guidance requires that we recognize changes in the fair value of our equity securities formerly designated as available-for-sale in other non-operating income (expense) in our condensed consolidated statement of comprehensive income on a prospective basis from the date of adoption. However, we continue to classify cash flows from purchases and sales of equity securities within investing activities given the nature of these securities. Additionally, in accordance with the guidance, we reclassified a net $8.2 million unrealized gain related to these equity securities from accumulated other comprehensive income (AOCI) to retained earnings. The accounting for debt securities designated as available-for-sale did not change as a result of this new guidance. Accordingly, changes in the fair value of these securities will continue to be recorded as a component of AOCI.

- Presentation of the Components of Net Periodic Benefit Cost - The new guidance requires us to present only the current service cost component of the net benefit cost within operations and maintenance expense in the statement of comprehensive income. The remaining components of net benefit cost are now recorded in other non-operating income (expense) in our condensed consolidated statements of comprehensive income. The change in presentation of these costs was implemented on a retrospective basis as required by the guidance. In lieu of determining how each component of the net periodic benefit cost was actually reflected in the prior periods' condensed statement of comprehensive income, we elected to utilize a practical expedient that permits the use of the amounts disclosed for these costs in our pension and post-retirement benefit plans footnote as the basis to retroactively apply this standard.

In addition, under the new guidance, only the service cost component of net benefit cost is eligible for capitalization (e.g., as part of inventory or property, plant, and equipment). We continue to capitalize these costs into property, plant and equipment.

However, the Federal Energy Regulatory Commission (FERC), which establishes the regulatory accounting practices for rate-regulated entities, issued guidance that permits such entities the option to continue to capitalize non-service benefit costs for regulatory purposes. Since the accounting guidelines by the FERC are typically followed by our state regulatory authorities, for U.S. GAAP reporting purposes, we are prospectively deferring into a regulatory asset the portion of non-service components of net periodic benefit cost that are capitalizable for regulatory purposes.

- Accounting for Implementation Costs Incurred in A Hosting Arrangement That Is A Service Contract - The new guidance aligns the requirements for capitalizing implementation costs incurred for these contracts with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). We elected to early adopt the new guidance on a prospective basis. Accordingly, we will capitalize the up-front costs incurred for cloud computing arrangements had they been capitalizable in a similar on-premise software solution.

Accounting pronouncements that will be effective after fiscal 2019

In February 2016, the Financial Accounting Standards Board (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. Subsequently, the FASB issued practical expedients to 1) allow entities to not evaluate existing or expired land easements that were not previously accounted for as leases under the current guidance and 2) allow entities the option to adopt the standard and recognize a cumulative–effect adjustment to the opening balance of retained earnings in the period of adoption rather than applying the new guidance at the beginning of the earliest comparative period presented in the year of adoption. The new standard will be effective for us beginning on October 1, 2019.

The impact of this change on our financial position is not reasonably estimable at this time. We do not anticipate the adoption of this standard will have a material impact to our results of operations or cash flows. We continue to evaluate our adoption of certain practical expedients, however we currently anticipate adopting the following practical expedients:

- land easements under the provisions of ASU 2018-01, as described above,
- package of three practical expedients described in ASC 842-10-65-1 and
- transition method practical expedient provided in ASU 2018-11, as described above.

We are implementing a new lease accounting system, which we will utilize to capture, track and account for lease data. The new system will also aid in automating the compilation of disclosure information.

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 debt 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, 2020; 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 August 2018, the FASB issued new guidance that modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The guidance removes the disclosure requirements for the amounts of gain/loss and prior service cost/credit amortization expected in the following year and the disclosure of the effect of a one-percentage-point change in the health care cost trend rate, among other changes. The guidance adds certain disclosures including the weighted average interest crediting rate for cash balance plans and a narrative description for the significant change in gains and losses as well as any other significant change in the plan obligations or assets. The new guidance is effective for us in the fiscal year beginning October 1, 2020 and should be applied on a retrospective basis to all periods presented. Early adoption is permitted. The adoption of this new guidance impacts only our disclosures. We intend to early adopt the guidance as of September 30, 2019.

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 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 are reported separately.

Significant regulatory assets and liabilities as of June 30, 2019 and September 30, 2018 included the following:

	June 30, 2019	September 30, 2018
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs	$ 8,007	$ 6,496
Infrastructure mechanisms(1)	111,211	96,739
Deferred gas costs	7,227	1,927
Recoverable loss on reacquired debt	7,000	8,702
Deferred pipeline record collection costs	25,347	20,467
Rate case costs	1,413	2,741
Other	4,465	6,739
	$ 164,670	$ 143,811
Regulatory liabilities:		
Regulatory excess deferred taxes(2)	$ 731,837	$ 744,895
Regulatory cost of service reserve(3)	6,079	22,508
Regulatory cost of removal obligation	526,403	522,175
Deferred gas costs	66,171	94,705
Asset retirement obligation	12,887	12,887
APT annual adjustment mechanism	63,130	35,228
Pension and postretirement benefit costs	80,330	69,113
Other	3,038	9,486
	$ 1,489,875	$ 1,510,997

(1) 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.

(2) The TCJA resulted in the remeasurement of the net deferred tax liability included in our rate base. Of this amount, $21.9 million as of June 30, 2019 and $5.2 million as of September 30, 2018 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 13 for further information.

(3) 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 13 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 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, 2018.

Income statements and capital expenditures for the three and nine months ended June 30, 2019 and 2018 by segment are presented in the following tables:

	Three Months Ended June 30, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 444,287	$ 41,451	$ —	$ 485,738
Intersegment revenues	657	107,747	(108,404)	—
Total operating revenues	444,944	149,198	(108,404)	485,738
Purchased gas cost	139,518	(96)	(108,096)	31,326
Operation and maintenance expense	123,998	40,855	(308)	164,545
Depreciation and amortization expense	70,611	27,089	—	97,700
Taxes, other than income	62,134	7,831	—	69,965
Operating income	48,683	73,519	—	122,202
Other non-operating income (expense)	3,005	(1,360)	—	1,645
Interest charges	10,597	8,995	—	19,592
Income before income taxes	41,091	63,164	—	104,255
Income tax expense	8,693	15,096	—	23,789
Net income	$ 32,398	$ 48,068	$ —	$ 80,466
Capital expenditures	$ 316,825	$ 104,788	$ —	$ 421,613

	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	110,568	33,494	(314)	143,748
Depreciation and amortization expense	66,504	24,167	—	90,671
Taxes, other than income	64,420	8,200	—	72,620
Operating income	63,109	61,211	—	124,320
Other non-operating expense	(2,518)	(812)	—	(3,330)
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

	Nine Months Ended June 30, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 2,339,660	$ 118,505	$ —	$ 2,458,165
Intersegment revenues	2,008	300,813	(302,821)	—
Total operating revenues	2,341,668	419,318	(302,821)	2,458,165
Purchased gas cost	1,147,598	(544)	(301,887)	845,167
Operation and maintenance expense	347,386	106,120	(934)	452,572
Depreciation and amortization expense	210,224	80,313	—	290,537
Taxes, other than income	189,377	24,169	—	213,546
Operating income	447,083	209,260	—	656,343
Other non-operating income (expense)	1,791	(3,637)	—	(1,846)
Interest charges	44,703	29,687	—	74,390
Income before income taxes	404,171	175,936	—	580,107
Income tax expense	85,195	41,912	—	127,107
Net income	$ 318,976	$ 134,024	$ —	$ 453,000
Capital expenditures	$ 912,640	$ 286,559	$ —	$ 1,199,199

	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	343,860	89,027	(935)	431,952
Depreciation and amortization expense	197,587	70,839	—	268,426
Taxes, other than income	184,219	24,181	—	208,400
Operating income	448,207	189,098	—	637,305
Other non-operating expense	(5,961)	(2,093)	—	(8,054)
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

Balance sheet information at June 30, 2019 and September 30, 2018 by segment is presented in the following tables:

	June 30, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 8,404,238	$ 2,936,358	$ —	$ 11,340,596
Total assets	$ 12,083,315	$ 3,174,516	$ (2,376,733)	$ 12,881,098

	September 30, 2018			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 7,644,693	$ 2,726,454	$ —	$ 10,371,147
Total assets	$ 11,109,128	$ 2,963,480	$ (2,198,171)	$ 11,874,437

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 weighted average shares outstanding is calculated based upon the weighted average number of common shares outstanding during the periods presented. Also, this calculation includes fully vested stock awards that have not yet been issued as common stock. Additionally, the weighted average shares outstanding for diluted EPS includes the incremental effects of the forward sale agreements, discussed in Note 7, when the impact is dilutive. Basic and diluted earnings per share for the three and nine months ended June 30, 2019 and 2018 are calculated as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2019	2018	2019	2018
	(In thousands, except per share amounts)			
Basic Earnings Per Share				
Net income	$ 80,466	$ 71,193	$ 453,000	$ 564,317
Less: Income allocated to participating securities	64	59	386	545
Income available to common shareholders	$ 80,402	$ 71,134	$ 452,614	$ 563,772
Basic weighted average shares outstanding	118,075	111,851	116,485	110,707
Net income per share — Basic	$ 0.68	$ 0.64	$ 3.89	$ 5.09
Diluted Earnings Per Share				
Income available to common shareholders	$ 80,402	$ 71,134	$ 452,614	$ 563,772
Effect of dilutive shares	—	—	—	—
Income available to common shareholders	$ 80,402	$ 71,134	$ 452,614	$ 563,772
Basic weighted average shares outstanding	118,075	111,851	116,485	110,707
Dilutive shares	355	—	188	—
Diluted weighted average shares outstanding	118,430	111,851	116,673	110,707
Net income per share - Diluted	$ 0.68	$ 0.64	$ 3.88	$ 5.09

5. Revenue

Effective October 1, 2018, we adopted the new guidance under Accounting Standards Codification (ASC) Topic 606. The implementation of the new guidance did not have a material impact on our financial position, results of operations, cash flow or business processes. However, the guidance introduced new disclosures which are presented below. The following table disaggregates our revenue from contracts with customers by customer type and segment and provides a reconciliation to total revenues for the period presented.

	Three Months Ended June 30, 2019		Nine Months Ended June 30, 2019	
	Distribution	Pipeline and Storage	Distribution	Pipeline and Storage
	(In thousands)			
Gas sales revenues:				
Residential	$ 269,484	$ —	$ 1,513,239	$ —
Commercial	113,591	—	611,474	—
Industrial	25,277	—	95,701	—
Public authority and other	6,305	—	36,677	—
Total gas sales revenues	414,657	—	2,257,091	—
Transportation revenues	22,923	166,864	76,005	456,558
Miscellaneous revenues	6,125	2,407	20,439	6,862
Revenues from contracts with customers	443,705	169,271	2,353,535	463,420
Alternative revenue program revenues	748	(20,073)	(13,388)	(44,102)
Other revenues	491	—	1,521	—
Total operating revenues	$ 444,944	$ 149,198	$ 2,341,668	$ 419,318

Distribution Revenues

Distribution revenues represent the delivery of natural gas to residential, commercial, industrial and public authority customers at prices based on tariff rates established by regulatory authorities in the states in which we operate. Revenue is recognized and our performance obligation is satisfied over time when natural gas is delivered and simultaneously consumed by our customer. We have elected to use the invoice practical expedient and recognize revenue for volumes delivered that we have the right to invoice our customers. We read meters and bill our customers on a monthly cycle basis. Accordingly, we estimate volumes from the last meter read to the balance sheet date and accrue revenue for gas delivered but not yet billed.

In our Texas and Mississippi jurisdictions, we pay franchise fees and gross receipt taxes to operate in these service areas. These franchise fees and gross receipts taxes are required to be paid regardless of our ability to collect from our customers. Accordingly, we account for these amounts on a gross basis in revenue and we record the associated tax expense as a component of taxes, other than income.

Pipeline and Storage Revenues

Pipeline and storage revenues primarily represent the transportation and storage of natural gas on our Atmos Pipeline-Texas (APT) system and the transmission of natural gas through our 21-mile pipeline in Louisiana. APT provides transportation and storage services to our Mid-Tex Division, other third party local distribution companies and certain industrial customers under tariff rates approved by the Railroad Commission of Texas (RRC). APT also provides certain transportation and storage services to industrial and electric generation customers, as well as marketers and producers, under negotiated rates. Our pipeline in Louisiana is primarily used to aggregate gas supply for our Louisiana Division under a long-term contract and on a more limited basis to third parties. The demand fee charged to our Louisiana Division is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans with distribution affiliates of the Company at terms that have been approved by the applicable state regulatory commissions. The performance obligations for these transportation customers are satisfied by means of transporting customer-supplied gas to the designated location. Revenue is recognized and our performance obligation is satisfied over time when natural gas is delivered to the customer. Management determined that these arrangements qualify for the invoice practical expedient for recognizing revenue. For demand fee arrangements, revenue is recognized and our performance obligation is satisfied by standing ready to transport natural gas over the period of each individual month.

Alternative Revenue Program Revenues

In our distribution segment, we have weather-normalization adjustment mechanisms that serve to minimize the effects of weather on our contribution margin. Additionally, APT has a regulatory mechanism that requires that we share with its tariffed customers 75% of the difference between the total non-tariffed revenues earned during a test period and a revenue benchmark of $69.4 million that was established in its most recent rate case. Differences between actual revenues and revenues calculated under these mechanisms adjust the amount billed to customers. These mechanisms are considered to be alternative revenue programs under accounting standards generally accepted in the United States as they are deemed to be contracts between us and our regulator. Accordingly, revenue under these mechanisms are excluded from revenue from contracts with customers.

6. 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, 2018. Other than as described below, there were no material changes in the terms of our debt instruments during the nine months ended June 30, 2019.

Long-term debt at June 30, 2019 and September 30, 2018 consisted of the following:

	June 30, 2019	September 30, 2018
	(In thousands)	
Unsecured 8.50% Senior Notes, due March 2019	$ —	$ 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
Unsecured 4.30% Senior Notes, due 2048	600,000	—
Unsecured 4.125% Senior Notes, due 2049	450,000	—
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	3,685,000	3,085,000
Less:		
Original issue (premium) / discount on unsecured senior notes and debentures	225	(4,439)
Debt issuance cost	30,640	20,774
Current maturities	125,000	575,000
	$ 3,529,135	$ 2,493,665

(1) Up to $200 million can be drawn under this term loan.

On March 4, 2019, we completed a public offering of $450 million of 4.125% senior notes due 2049. The effective interest rate of these notes is 4.86%, after giving effect to the offering costs and the settlement of the associated forward starting interest rate swaps. The net proceeds, after the underwriting discount and offering expenses, of $443.4 million, together with available cash, was used to repay at maturity our $450 million 8.50% unsecured senior notes due March 15, 2019 and the related settlement of our interest rate swaps.

On October 4, 2018, we completed a public offering of $600 million of 4.30% senior notes due 2048. We received net proceeds from the offering, after the underwriting discount and offering expenses, of $590.6 million, that were used to repay working capital borrowings pursuant to our commercial paper program. The effective interest rate of these notes is 4.37% after giving effect to the offering costs.

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 driven primarily by construction work in progress and 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 29, 2019, we executed our final one-year extension option which extended the maturity date from September 25, 2022 to September 25, 2023. The facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin 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 June 30, 2019 and September 30, 2018, a total of $74.9 million and $575.8 million was outstanding under our commercial paper program.

Additionally, we have a $25 million 364-day unsecured facility, which was renewed effective April 1, 2019 and expires March 31, 2020, and a $10 million 364-day unsecured revolving credit facility, which is used primarily to issue letters of credit. At June 30, 2019, 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, 2019, 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 if not paid at maturity. We were in compliance with all of our debt covenants as of June 30, 2019. 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.

7. Shareholders' Equity

The following tables present a reconciliation of changes in stockholders' equity for the three and nine months ended June 30, 2019 and 2018.

	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, 2018	111,273,683	$ 556	$ 2,974,926	$ (83,647)	$ 1,878,116	$ 4,769,951
Net income	—	—	—	—	157,646	157,646
Other comprehensive loss	—	—	—	(22,258)	—	(22,258)
Cash dividends ($0.525 per share)	—	—	—	—	(58,722)	(58,722)
Cumulative effect of accounting change (See Note 2)	—	—	—	(8,210)	8,210	—
Common stock issued:						
Public and other stock offerings	5,434,812	27	498,948	—	—	498,975
Stock-based compensation plans	184,464	1	2,602	—	—	2,603
Balance, December 31, 2018	116,892,959	584	3,476,476	(114,115)	1,985,250	5,348,195
Net income	—	—	—	—	214,888	214,888
Other comprehensive loss	—	—	—	(2,695)	—	(2,695)
Cash dividends ($0.525 per share)	—	—	—	—	(61,606)	(61,606)
Common stock issued:						
Public and other stock offerings	61,006	1	5,453	—	—	5,454
Stock-based compensation plans	28,938	—	3,865	—	—	3,865
Balance, March 31, 2019	116,982,903	585	3,485,794	(116,810)	2,138,532	5,508,101
Net income	—	—	—	—	80,466	80,466
Other comprehensive income	—	—	—	1,147	—	1,147
Cash dividends ($0.525 per share)	—	—	—	—	(61,654)	(61,654)
Common stock issued:						
Public and other stock offerings	1,127,244	5	103,425	—	—	103,430
Stock-based compensation plans	85,966	1	10,505	—	—	10,506
Balance, June 30, 2019	118,196,113	$ 591	$ 3,599,724	$ (115,663)	$ 2,157,344	$ 5,641,996

	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, 2017	106,104,634	$ 531	$ 2,536,365	$ (105,254)	$ 1,467,024	$ 3,898,666
Net income	—	—	—	—	314,132	314,132
Other comprehensive loss	—	—	—	(1,062)	—	(1,062)
Cash dividends ($0.485 per share)	—	—	—	—	(51,837)	(51,837)
Common stock issued:						
Public and other stock offerings	4,621,518	22	400,737	—	—	400,759
Stock-based compensation plans	235,960	2	2,960	—	—	2,962
Balance, December 31, 2017	110,962,112	555	2,940,062	(106,316)	1,729,319	4,563,620
Net income	—	—	—	—	178,992	178,992
Other comprehensive income	—	—	—	21,305	—	21,305
Cash dividends ($0.485 per share)	—	—	—	—	(54,054)	(54,054)
Common stock issued:						
Public and other stock offerings	76,776	—	6,235	—	—	6,235
Stock-based compensation plans	21,440	—	5,248	—	—	5,248
Balance, March 31, 2018	111,060,328	555	2,951,545	(85,011)	1,854,257	4,721,346
Net income	—	—	—	—	71,193	71,193
Other comprehensive income	—	—	—	8,630	—	8,630
Cash dividends ($0.485 per share)	—	—	—	—	(54,116)	(54,116)
Common stock issued:						
Public and other stock offerings	45,307	1	3,947	—	—	3,948
Stock-based compensation plans	89,813	—	8,551	—	—	8,551
Balance, June 30, 2018	111,195,448	$ 556	$ 2,964,043	$ (76,381)	$ 1,871,334	$ 4,759,552

Shelf Registration, At-the-Market Equity Sales Program and Equity Issuances

On November 13, 2018, we filed a registration statement with the Securities and Exchange Commission (SEC) to issue, from time to time, up to $3.0 billion in common stock and/or debt securities, which expires November 13, 2021. This registration statement replaced our previous registration statement that was effectively exhausted in October 2018. At June 30, 2019, approximately $1.3 billion of securities remained available for issuance under the shelf registration statement.

On November 19, 2018, 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 (including shares of common stock that may be sold pursuant to a forward sale agreement entered into concurrently with the ATM equity sales program), which expires November 13, 2021. As of June 30, 2019, the ATM program had approximately $231 million of equity available for issuance.

On November 30, 2018, we filed a prospectus supplement under the registration statement relating to an underwriting agreement to sell 5,390,836 shares of our common stock for $500 million. After expenses, net proceeds from the offering were $494.1 million. Concurrently, we entered into separate forward sale agreements with two forward sellers, collectively referred to as the block.

The following table presents information relevant to the forward sales during fiscal year 2019.

Maturity	September 30, 2020			March 31, 2020			Total		
	Shares	Price[1]	Proceeds (in millions)	Shares	Price[1]	Proceeds (in millions)	Shares	Price[1]	Proceeds (in millions)
Available Balance September 30, 2018	—	$ —	$ —	—	$ —	$ —	—	$ —	$ —
Issued via Block	—	—		2,668,464	91.77		2,668,464	91.77	
Available Balance December 31, 2018 [2]	—	—	—	2,668,464	91.90	245.2	2,668,464	91.90	245.2
Issued via ATM	—	—		1,670,509	95.46		1,670,509	95.46	
Available Balance March 31, 2019 [2]	—	—	—	4,338,973	93.08	403.9	4,338,973	93.08	403.9
Issued via ATM	1,050,563	101.41		—	—		1,050,563	101.41	
Settled Block	—	—		(1,089,700)	91.44		(1,089,700)	91.44	
Available Balance June 30, 2019 [2]	1,050,563	$101.11	$ 106.2	3,249,273	$ 93.34	$ 303.3	4,299,836	$ 95.24	$ 409.5

(1) Issued price as disclosed is calculated as the weighted average price for activity occurring during the quarter.
(2) If we had settled all shares available under the forward agreements as of the period end, including forward price adjustments, we would receive proceeds based on the stated net price.

On November 30, 2017, we filed a prospectus supplement under the previous 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 debt securities and interest rate agreement cash flow hedges. Deferred gains (losses) for our available-for-sale debt securities 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[1]	Interest Rate Agreement Cash Flow Hedges	Total
		(In thousands)	
September 30, 2018	$ 8,124	$ (91,771)	$ (83,647)
Other comprehensive income (loss) before reclassifications	192	(25,966)	(25,774)
Amounts reclassified from accumulated other comprehensive income	(1)	1,969	1,968
Net current-period other comprehensive income (loss)	191	(23,997)	(23,806)
Cumulative effect of accounting change (See Note 2)	(8,210)	—	(8,210)
June 30, 2019	$ 105	$ (115,768)	$ (115,663)

	Available-for-Sale Securities[1]	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)

(1) Available-for-sale-securities reported in fiscal 2018 include both debt and equity securities, while fiscal 2019 includes only debt securities. See Note 2 for further discussion regarding our adoption of the new accounting standard.

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, 2019 and 2018 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 or deferred as a regulatory asset or liability. The remaining costs are recorded as a component of operation and maintenance expense or other non-operating expense.

	Three Months Ended June 30			
	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 4,044	$ 4,794	$ 2,702	$ 3,020
Interest cost(1)	6,799	6,448	2,960	2,726
Expected return on assets(1)	(7,113)	(6,917)	(2,664)	(2,002)
Amortization of prior service cost (credit)(1)	(57)	(57)	43	2
Amortization of actuarial (gain) loss(1)	1,606	3,050	(2,045)	(1,618)
Settlements(1)	—	888	—	—
Net periodic pension cost	$ 5,279	$ 8,206	$ 996	$ 2,128

	Nine Months Ended June 30			
	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 12,134	$ 13,929	$ 8,107	$ 9,059
Interest cost(1)	20,399	19,311	8,879	8,180
Expected return on assets(1)	(21,339)	(20,750)	(7,994)	(6,005)
Amortization of prior service cost (credit)(1)	(173)	(173)	130	8
Amortization of actuarial (gain) loss(1)	4,821	9,224	(6,134)	(4,855)
Settlements(1)	—	3,303	—	—
Net periodic pension cost	$ 15,842	$ 24,844	$ 2,988	$ 6,387

(1) The components of net periodic cost other than the service cost component are included in the line item other non-operating expense in the condensed consolidated statement of comprehensive income or are capitalized on the condensed consolidated balance sheets as a regulatory asset or liability, as described in Note 2.

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 (RRC) 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. In May 2019, the parties resolved the civil action to their mutual satisfaction subject to our self-insured retention noted above.

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. These purchase commitment contracts are detailed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2018. At June 30, 2019, we were committed to purchase 53.9 Bcf within one year and 1.8 Bcf within two to three years under indexed contracts.

Leases

We have entered into operating leases for towers, office and warehouse space, vehicles and heavy equipment used in our operations. During the nine months ended June 30, 2019, we executed amendments to some of our lease agreements that impacted terms as well as our future minimum lease payments. As of June 30, 2019, the remaining lease terms range from one to 20 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 June 30, 2019 totaled $194.9 million.

Rate Regulatory Proceedings

Except for routine rate regulatory proceedings as discussed below, there were no material changes to rate regulatory proceedings for the nine months ended June 30, 2019.

As of June 30, 2019, rate regulatory proceedings were in progress in some of our service areas. These rate 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 13, all jurisdictions are addressing impacts of the Tax Cuts and Jobs Act of 2017 (the "TCJA").

10. Financial Instruments

We currently use financial instruments to mitigate commodity price risk and in the past have also used financial instruments to mitigate 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, 2018. During the nine months ended June 30, 2019, 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 2018-2019 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 33 percent, or 18.9 Bcf of the winter flowing gas requirements. We have not designated these financial instruments as hedges for accounting purposes.

Interest Rate Risk Management Activities

Historically, we managed interest rate risk by periodically entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

In fiscal 2014 and 2015, we entered into forward starting interest rate swaps to fix the Treasury yield component associated with $450 million of the then anticipated issuance of $450 million unsecured senior notes in fiscal 2019. These notes were issued as planned in March 2019 and we settled the swaps with the payment of $90.1 million. Because the swaps were effective, the realized loss was recorded as a component of AOCI and is being recognized as a component of interest expense over the 30-year life of the senior notes.

As of June 30, 2019, we had $115.8 million of net realized losses in 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 2049.

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 statements of comprehensive income.

As of June 30, 2019, 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, 2019, we had 16,784 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, 2019 and September 30, 2018. 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. However, for June 30, 2019 and September 30, 2018, no gross amounts and no cash collateral were netted within our consolidated balance sheet.

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
June 30, 2019			
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	$ 2,408	$ (3,358)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	149	(513)
Total		2,557	(3,871)
Gross / Net Financial Instruments		$ 2,557	$ (3,871)

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
September 30, 2018			
Designated As Hedges:			
Interest rate swaps	Other current assets / Other current liabilities	$ —	$ (56,499)
Total		—	(56,499)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	1,369	(235)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	250	(103)
Total		1,619	(338)
Gross / Net Financial Instruments		$ 1,619	$ (56,837)

Impact of Financial Instruments on the Statement of Comprehensive Income

Cash Flow Hedges

As discussed above, in the past our distribution segment had interest rate agreements, which we designated as cash flow hedges at the time the agreements were executed. The net loss on settled interest rate agreements reclassified from AOCI into interest charges on our condensed consolidated statements of comprehensive income for the three months ended June 30, 2019 and 2018 was $1.4 million and $0.6 million and for the nine months ended June 30, 2019 and 2018 was $2.6 million and $1.8 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, 2019 and 2018. The amounts included in the table below exclude gains and losses arising from ineffectiveness because those amounts are immediately recognized in the statement of comprehensive income as incurred.

	Three Months Ended June 30		Nine Months Ended June 30	
	2019	2018	2019	2018
	(In thousands)			
Increase (decrease) in fair value:				
Interest rate agreements	$ —	$ 7,861	$ (25,966)	$ 28,315
Recognition of losses in earnings due to settlements:				
Interest rate agreements	1,053	459	1,969	1,294
Total other comprehensive income (loss) from hedging, net of tax	$ 1,053	$ 8,320	$ (23,997)	$ 29,609

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, 2019, 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.

	Interest Rate Agreements
	(In thousands)
Next twelve months	$ (4,212)
Thereafter	(111,556)
Total	$ (115,768)

Financial Instruments Not Designated as Hedges

As discussed above, commodity contracts which are 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 comprehensive 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, 2018. During the nine months ended June 30, 2019, 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, 2018.

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, 2019 and September 30, 2018. 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	June 30, 2019
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 2,557	$ —	$ —	$ 2,557
Debt and equity securities					
Registered investment companies	43,798	—	—	—	43,798
Bond mutual funds	25,778	—	—	—	25,778
Bonds[2]	—	31,097	—	—	31,097
Money market funds	—	1,369	—	—	1,369
Total debt and equity securities	69,576	32,466	—	—	102,042
Total assets	$ 69,576	$ 35,023	$ —	$ —	$ 104,599
Liabilities:					
Financial instruments	$ —	$ 3,871	$ —	$ —	$ 3,871

	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, 2018
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 1,619	$ —	$ —	$ 1,619
Debt and equity securities					
Registered investment companies	42,644	—	—	—	42,644
Bond mutual funds	21,507	—	—	—	21,507
Bonds(2)	—	31,400	—	—	31,400
Money market funds	—	3,834	—	—	3,834
Total debt and equity securities	64,151	35,234	—	—	99,385
Total assets	$ 64,151	$ 36,853	$ —	$ —	$ 101,004
Liabilities:					
Financial instruments	$ —	$ 56,837	$ —	$ —	$ 56,837

(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.

(2) Our investments in bonds are considered available-for-sale debt securities in accordance with current accounting guidance as described in Note 2.

Debt and equity securities are comprised of our available-for-sale debt securities and our equity securities. We regularly evaluate the performance of our available-for-sale debt securities on an investment by investment basis for impairment, taking into consideration the investment'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 and the other-than-temporary impairment is recognized in the statement of comprehensive income. At June 30, 2019 and September 30, 2018, our available-for-sale debt securities amortized cost was $31.0 million and $31.5 million. At June 30, 2019, we maintained investments in bonds that have contractual maturity dates ranging from July 2019 through February 2022.

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, 2019 and September 30, 2018:

	June 30, 2019	September 30, 2018
	(In thousands)	
Carrying Amount	$ 3,685,000	$ 3,085,000
Fair Value	$ 4,144,253	$ 3,161,679

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, 2018. During the nine months ended June 30, 2019, there were no material changes in our concentration of credit risk.

13. 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. As a result of the implementation of the TCJA, we recognized a $165.5 million income tax benefit in our condensed consolidated statement of comprehensive income during the nine months ended June 30, 2018 related to a change in deferred taxes that were not related to our cost of service ratemaking. The change in deferred taxes related to our cost of service ratemaking (referred to as excess deferred taxes) was reclassified into a regulatory liability and will be returned to ratepayers in accordance with regulatory requirements. As of June 30, 2019 and September 30, 2018, this liability totaled $731.8 million and $744.9 million.

We have worked and continue to work with our regulators in each jurisdiction to fully incorporate the effects of the TCJA into customer bills. As of June 30, 2019, we have received approval from regulators to update our cost of service rates to reflect the decrease in the statutory income tax rate in all of our service areas.

Regulators in all of our service areas issued accounting orders that required us to establish, effective January 1, 2018, a separate regulatory liability for the difference in taxes included in our rates that were calculated based on a 35% statutory income tax rate and rates based on the new 21% statutory income tax rate until the new rates could be established. As of June 30, 2019, we received approval from substantially all regulators to return these liabilities to customers. This regulatory liability totaled $6.1 million and $22.5 million as of June 30, 2019 and September 30, 2018.

As of June 30, 2019, we received approval from regulators to return excess deferred taxes in most of our jurisdictions in accordance with regulatory proceedings on a provisional basis over periods ranging from 13 to 51 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.

The SEC issued guidance in Staff Accounting Bulletin 118 (SAB 118), which allowed us to record provisional amounts during a one-year measurement period, similar to the measurement period in accounting for business combinations. The Company recorded provisional amounts for the income tax effects of the TCJA for the fiscal year ended September 30, 2018. Although the Company no longer considers the accounting effects of the TCJA to be provisional under SAB 118, many aspects of the TCJA remain unclear and its impact on the Company's income tax balances may change following further interpretation of TCJA provisions by issuance of U.S. Treasury regulations or guidance from the Internal Revenue Service. We continue to monitor and assess the accounting implications of the TCJA developments on the consolidated financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Atmos Energy Corporation

Results of Review of Interim Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of Atmos Energy Corporation as of June 30, 2019, the related condensed consolidated statements of comprehensive income for the three and nine month periods ended June 30, 2019 and 2018, the condensed consolidated statements of cash flows for the nine month periods ended June 30, 2019 and 2018 and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements 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) (PCAOB), the consolidated balance sheet of the Company as of September 30, 2018, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended, and related notes and schedule (not presented herein); and in our report dated November 13, 2018, 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, 2018, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements 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 PCAOB, 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.

/s/ ERNST & YOUNG LLP

Dallas, Texas
August 7, 2019

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, 2018.

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: state and local regulatory trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; 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; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; 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; the impact of climate change or related additional legislation or regulation in the future; 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, 2019 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.

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, 2018 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, 2019.

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 condensed consolidated statements of comprehensive income 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 13, 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 net income and diluted net income per share before the non-cash income tax benefit provide a more relevant measure to analyze our financial performance than net income and diluted net income per share in order to allow investors to better analyze our core results and allow the information to be presented on a comparative basis to the prior year. Accordingly, the following discussion and analysis of our financial performance will reference adjusted net income and adjusted diluted earnings per share, non-GAAP financial measures, which are calculated as follows:

	Nine Months Ended June 30		
	2019	2018	Change
	(In thousands, except per share data)		
Net income	$ 453,000	$ 564,317	$ (111,317)
TCJA non-cash income tax benefit	—	(165,522)	165,522
Adjusted net income	$ 453,000	$ 398,795	$ 54,205
Diluted net income per share	$ 3.88	$ 5.09	$ (1.21)
Diluted EPS from TCJA non-cash income tax benefit	—	(1.49)	1.49
Adjusted diluted net income per share	$ 3.88	$ 3.60	$ 0.28

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, 2019, we recorded net income of $453.0 million, or $3.88 per diluted share, compared to net income of $564.3 million, or $5.09 per diluted share for the nine months ended June 30, 2018.

After adjusting for the nonrecurring benefit recognized after implementing the TCJA in fiscal 2018, we recorded adjusted net income of $398.8 million, or $3.60 per diluted share for the nine months ended June 30, 2018. The period-over-period increase in adjusted net income of $54.2 million, or 14 percent, largely reflects positive rate outcomes, customer growth in our distribution business, positive Contribution Margins in our pipeline and storage business due to positive supply and demand dynamics affecting the Permian Basin primarily due to wider spreads and the impact of the TCJA on our effective income tax rate. During the nine months ended June 30, 2019, we implemented ratemaking regulatory actions which resulted in an increase in annual operating income of $102.9 million and had seven ratemaking efforts in progress at June 30, 2019, seeking a total increase in annual operating income of $79.9 million.

Capital expenditures for the nine months ended June 30, 2019 increased 10 percent period-over-period, to $1.2 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 range from $1.65 billion to $1.75 billion for fiscal 2019. We funded our capital expenditures program primarily through operating cash flows of $808.9 million. Additionally, we completed over $2 billion in external financing during the nine months ended June 30, 2019 with the issuance of $1.1 billion in 30-year senior notes and approximately $1.0 billion of common stock, of which approximately $417 million was allocated to forward sale agreements which have not yet been settled. The net proceeds from these issuances, together with available cash, were used to repay at maturity our $450 million 8.50% unsecured senior notes, 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 8.2 percent for fiscal 2019.

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, 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 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.

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 have 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. 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. 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 revenue-related taxes arising from changes in gas costs affect Contribution Margin, over time the impact is offset within operating income.

Although the cost of gas typically does not have a direct impact on our Contribution Margin, 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.

Three Months Ended June 30, 2019 compared with Three Months Ended June 30, 2018

Financial and operational highlights for our distribution segment for the three months ended June 30, 2019 and 2018 are presented below.

	Three Months Ended June 30		
	2019	**2018**	**Change**
	(In thousands, unless otherwise noted)		
Operating revenues	$ 444,944	$ 535,488	$ (90,544)
Purchased gas cost	139,518	230,887	(91,369)
Contribution Margin	305,426	304,601	825
Operating expenses	256,743	241,492	15,251
Operating income	48,683	63,109	(14,426)
Other non-operating income (expense)	3,005	(2,518)	5,523
Interest charges	10,597	13,315	(2,718)
Income before income taxes	41,091	47,276	(6,185)
Income tax expense	8,693	11,932	(3,239)
Net income	$ 32,398	$ 35,344	$ (2,946)
Consolidated distribution sales volumes — MMcf	41,683	49,369	(7,686)
Consolidated distribution transportation volumes — MMcf	34,509	33,079	1,430
Total consolidated distribution throughput — MMcf	76,192	82,448	(6,256)
Consolidated distribution average cost of gas per Mcf sold	$ 3.35	$ 4.68	$ (1.33)

Income before income taxes for our distribution segment decreased 13 percent, primarily due to a $15.3 million increase in operating expenses, slightly offset by an $0.8 million increase in Contribution Margin and a $5.5 million increase in other non-operating income. The quarter-over-quarter increase in Contribution Margin primarily reflects:

- a $7.1 million net increase in rate adjustments, after the effect of the TCJA, primarily in our Mid-Tex and West Texas Divisions.
- a $2.9 million increase from customer growth primarily in our Mid-Tex Division.
- a $3.8 million decrease in residential and commercial net consumption, primarily due to warmer weather than the prior year period.
- a $4.6 million decrease in revenue-related taxes primarily in our Mid-Tex Division, offset by a corresponding $7.1 million decrease in the related tax expense.

Operating expenses, which includes operation and maintenance expense, provision for doubtful accounts, depreciation and amortization expense and taxes, other than income, increased $15.3 million, primarily due to:

- a $9.0 million increase in pipeline maintenance and related activities.
- a $7.4 million increase in depreciation expense and property taxes associated with increased capital investments.
- a $4.5 million increase in employee and training costs as we have increased service-related headcount to support operations in our fastest growing service territories.

These increases are partially offset by a decrease in revenue-related taxes of $7.1 million, corresponding to the decrease in revenue-related taxes within Contribution Margin as described above.

Additionally, the quarter-over-quarter increase in other non-operating income primarily reflects the adoption of new accounting standards. As discussed further in Note 2, we are now required to recognize changes in the fair value of our equity securities formerly designated as available-for-sale on our condensed consolidated statement of comprehensive income and the components of net periodic cost other than the service cost component are included in the line item other non-operating expense in the condensed consolidated statement of comprehensive income.

The following table shows our operating income by distribution division, in order of total rate base, for the three months ended June 30, 2019 and 2018. 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		
	2019	2018	Change
		(In thousands)	
Mid-Tex	$ 23,757	$ 24,612	$ (855)
Kentucky/Mid-States	10,486	11,546	(1,060)
Louisiana	8,517	10,821	(2,304)
West Texas	5,053	5,135	(82)
Mississippi	1,694	5,421	(3,727)
Colorado-Kansas	2,399	2,043	356
Other	(3,223)	3,531	(6,754)
Total	$ 48,683	$ 63,109	$ (14,426)

Nine Months Ended June 30, 2019 compared with Nine Months Ended June 30, 2018

Financial and operational highlights for our distribution segment for the nine months ended June 30, 2019 and 2018 are presented below.

	Nine Months Ended June 30		
	2019	2018	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 2,341,668	$ 2,595,571	$ (253,903)
Purchased gas cost	1,147,598	1,421,698	(274,100)
Contribution Margin	1,194,070	1,173,873	20,197
Operating expenses	746,987	725,666	21,321
Operating income	447,083	448,207	(1,124)
Other non-operating income (expense)	1,791	(5,961)	7,752
Interest charges	44,703	51,581	(6,878)
Income before income taxes	404,171	390,665	13,506
TCJA non-cash income tax benefit	—	(143,789)	143,789
Income tax expense	85,195	104,768	(19,573)
Net income	$ 318,976	$ 429,686	$ (110,710)
Consolidated distribution sales volumes — MMcf	282,623	269,722	12,901
Consolidated distribution transportation volumes — MMcf	121,747	117,061	4,686
Total consolidated distribution throughput — MMcf	404,370	386,783	17,587
Consolidated distribution average cost of gas per Mcf sold	$ 4.06	$ 5.27	$ (1.21)

Income before income taxes for our distribution segment increased three percent, primarily due to a $20.2 million increase in Contribution Margin, a combined $14.6 million decrease in other non-operating expense and interest charges, partially offset by a $21.3 million increase in operating expenses. The year-over-year increase in Contribution Margin primarily reflects:

- a $23.8 million net increase in rate adjustments, after the effect of the TCJA, primarily in our Mid-Tex and Mississippi Divisions.
- a $10.6 million increase from customer growth primarily in our Mid-Tex Division.

- an $8.7 million decrease in revenue-related taxes primarily in our Mid-Tex Division, partially offset by a corresponding $7.8 million decrease in the related tax expense.
- a $4.7 million decrease in residential and commercial net consumption.

Operating expenses increased $21.3 million primarily due to:

- a $22.8 million increase in depreciation expense and property taxes associated with increased capital investments.
- an $11.7 million increase in pipeline maintenance and related activities.
- a $6.6 million increase in employee and training costs as we have increased service-related headcount to support operations in our fastest growing service territories.
- a $3.0 million increase in software licensing fees.

These increases are partially offset by a $24 million decrease in nonrecurring expenses related to the planned outage of our natural gas distribution system in Northwest Dallas in March 2018.

The year-over-year increase in other non-operating income primarily reflects the adoption of new accounting standards. As discussed further in Note 2, we are now required to recognize changes in the fair value of our equity securities formerly designated as available-for-sale on our condensed consolidated statement of comprehensive income and the components of net periodic cost other than the service cost component are included in the line item other non-operating expense in the condensed consolidated statement of comprehensive income.

Additionally, the year-over-year decrease in interest charges reflects higher capitalized interest associated with increased capital spending.

The decrease in income tax expense reflects a reduction in our effective tax rate from 26.8% to 21.1%, as a result of the TCJA, as described above.

The following table shows our operating income by distribution division, in order of total rate base, for the nine months ended June 30, 2019 and 2018. 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		
	2019	2018	Change
		(In thousands)	
Mid-Tex	$ 189,294	$ 175,727	$ 13,567
Kentucky/Mid-States	69,960	76,204	(6,244)
Louisiana	63,571	64,849	(1,278)
West Texas	41,797	42,326	(529)
Mississippi	48,392	48,792	(400)
Colorado-Kansas	35,892	32,448	3,444
Other	(1,823)	7,861	(9,684)
Total	$ 447,083	$ 448,207	$ (1,124)

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 2019, we implemented twenty regulatory proceedings, resulting in a $53.7 million increase in annual operating income as summarized below. The ratemaking outcomes for rate case activity in fiscal 2019 include the effect of tax reform legislation enacted effective January 1, 2018 and do not reflect the true economic benefit of the outcomes because they do not include the corresponding income tax benefit we will receive due to the decrease in our statutory tax rate.

Rate Action	Annual Increase in Operating Income
	(In thousands)
Annual formula rate mechanisms	$ 51,870
Rate case filings	1,656
Other rate activity	214
	$ 53,740

The following ratemaking efforts seeking $79.9 million in increased annual operating income were in progress as of June 30, 2019:

Division	Rate Action	Jurisdiction	Operating Income Requested (In thousands)
Colorado-Kansas	Rate Case	Kansas	$ 3,697
Kentucky/Mid-States	Infrastructure Mechanism	Virginia	85
Louisiana	Formula Rate Mechanism	LGS [1]	7,124
Mid-Tex	Formula Rate Mechanism	Mid-Tex Cities	47,733
Mid-Tex	Infrastructure Mechanism	ATM Cities	6,591
Mississippi	Infrastructure Mechanism	Mississippi [2]	8,433
West Texas	Formula Rate Mechanism	West Texas Cities	6,226
			$ 79,889

(1) On June 19, 2019, the Louisiana Public Service Commission approved this filing with rates to be implemented beginning July 1, 2019.
(2) On July 1, 2019, we updated this filing to increase the amount requested to $8.6 million.

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)
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, which reflect a 21% federal income tax rate resulting from the TCJA, were approved during the nine months ended June 30, 2019:

Division	Jurisdiction	Test Year Ended	Increase (Decrease) in Annual Operating Income	Effective Date
			(In thousands)	
2019 Filings:				
Mid-Tex	Environs	12/31/2018	$ 2,435	06/04/2019
West Texas	Environs	12/31/2018	1,005	06/04/2019
Mid-Tex	DARR (1)	09/30/2018	9,452	06/01/2019
Kentucky/Mid-States	Tennessee ARM	05/31/2020	2,393	06/01/2019
West Texas	Amarillo, Lubbock, Dalhart and Channing	12/31/2018	5,692	05/01/2019
Colorado-Kansas	Kansas GSRS	12/31/2018	1,562	05/01/2019
Louisiana	Trans La	09/30/2018	4,719	04/01/2019
Colorado-Kansas	Colorado GIS	12/31/2019	87	04/01/2019
Colorado-Kansas	Colorado SSIR	12/31/2019	2,147	01/01/2019
Mississippi	Mississippi - SIR	10/31/2019	7,135	11/01/2018
Mississippi	Mississippi - SRF	10/31/2019	(118)	11/01/2018
Kentucky/Mid-States	Tennessee ARM	05/31/2019	(5,032)	10/15/2018
Mid-Tex	Mid-Tex RRM Cities	12/31/2017	17,633	10/01/2018
West Texas	West Texas Cities RRM	12/31/2017	2,760	10/01/2018
Total 2019 Filings			$ 51,870	

(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.

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, which reflect a 21% federal income tax rate resulting from the TCJA, that were completed during the nine months ended June 30, 2019.

Division	State	Increase (Decrease) in Annual Operating Income	Effective Date
		(In thousands)	
2019 Rate Case Filings:			
Mid-Tex (ATM Cities)	Texas	$ 2,113	06/01/2019
Kentucky/Mid-States	Kentucky	3,441	05/08/2019
Kentucky/Mid-States	Virginia	(400)	04/01/2019
Mid-Tex (Environs)	Texas	(2,674)	01/01/2019
West Texas (Environs)	Texas	(824)	01/01/2019
Total 2019 Rate Case Filings		$ 1,656	

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the nine months ended June 30, 2019.

Division	Jurisdiction	Rate Activity	Increase in Annual Operating Income	Effective Date
			(In thousands)	
2019 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad Valorem (1)	$ 214	02/01/2019
Total 2019 Other Rate Activity			$ 214	

(1) The Ad Valorem filing relates to property taxes that are either over or undercollected compared to 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 and eastern 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 owns and operates five underground storage facilities in Texas.

Our natural gas transmission operations in Louisiana are comprised of a 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 supply areas that we serve, which may influence the level of throughput we may be able to transport on our pipelines. 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 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. On February 15, 2019, APT made a GRIP filing that covered changes in net investment from January 1, 2018 through December 31, 2018 with a requested increase in operating income of $49.2 million. On May 7, 2019, the Texas Railroad Commission approved the Company's GRIP filing.

Three Months Ended June 30, 2019 compared with Three Months Ended June 30, 2018

Financial and operational highlights for our pipeline and storage segment for the three months ended June 30, 2019 and 2018 are presented below.

	Three Months Ended June 30		
	2019	2018	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 94,092	$ 83,592	$ 10,500
Third-party transportation revenue	50,801	40,515	10,286
Other revenue	4,305	3,526	779
Total operating revenues	149,198	127,633	21,565
Total purchased gas cost	(96)	561	(657)
Contribution Margin	149,294	127,072	22,222
Operating expenses	75,775	65,861	9,914
Operating income	73,519	61,211	12,308
Other non-operating expense	(1,360)	(812)	(548)
Interest charges	8,995	10,034	(1,039)
Income before income taxes	63,164	50,365	12,799
Income tax expense	15,096	14,516	580
Net income	$ 48,068	$ 35,849	$ 12,219
Gross pipeline transportation volumes — MMcf	214,627	215,775	(1,148)
Consolidated pipeline transportation volumes — MMcf	181,292	180,371	921

Income before income taxes for our pipeline and storage segment increased 25 percent, primarily due to a $22.2 million increase in Contribution Margin, partially offset by a $9.9 million increase in operating expenses. The quarter-over-quarter increase in Contribution Margin primarily reflects:

- a $16.5 million net increase in rate adjustments, after the effect of the TCJA, primarily from the approved GRIP filings approved in May 2018 and May 2019. The increase in rates was driven primarily by increased safety and reliability spending.
- a net increase of $4.5 million from positive supply and demand dynamics affecting the Permian Basin, primarily due to wider spreads.

Operating expenses increased $9.9 million, primarily due to higher depreciation expense associated with increased capital investments and higher system maintenance expense of $6.7 million primarily due to spending on hydro testing and in-line inspections.

Nine Months Ended June 30, 2019 compared with Nine Months Ended June 30, 2018

Financial and operational highlights for our pipeline and storage segment for the nine months ended June 30, 2019 and 2018 are presented below.

	Nine Months Ended June 30		
	2019	**2018**	**Change**
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 276,815	$ 267,121	$ 9,694
Third-party transportation revenue	131,623	97,860	33,763
Other revenue	10,880	10,070	810
Total operating revenues	419,318	375,051	44,267
Total purchased gas cost	(544)	1,906	(2,450)
Contribution Margin	419,862	373,145	46,717
Operating expenses	210,602	184,047	26,555
Operating income	209,260	189,098	20,162
Other non-operating expense	(3,637)	(2,093)	(1,544)
Interest charges	29,687	30,581	(894)
Income before income taxes	175,936	156,424	19,512
TCJA non-cash income tax benefit	—	(21,733)	21,733
Income tax expense	41,912	43,526	(1,614)
Net income	$ 134,024	$ 134,631	$ (607)
Gross pipeline transportation volumes — MMcf	708,315	666,079	42,236
Consolidated pipeline transportation volumes — MMcf	517,188	484,456	32,732

Income before income taxes for our pipeline and storage segment increased 12 percent, primarily due to a $46.7 million increase in Contribution Margin, partially offset by a $26.6 million increase in operating expenses. The year-over-year increase in Contribution Margin primarily reflects:

- a $33.3 million net increase in rate adjustments, after the effect of the TCJA, from the approved GRIP filings approved in December 2017, May 2018 and May 2019. The increase in rates was driven primarily by increased safety and reliability spending.
- a net increase of $9.4 million primarily from positive supply and demand dynamics affecting the Permian Basin, primarily due to wider spreads.

Operating expenses increased $26.6 million, primarily due to higher depreciation expense of $9.5 million associated with increased capital investments and higher system maintenance expense of $13.8 million primarily due to spending on hydro testing and in-line inspections.

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 2019 and beyond.

To continue to support our capital market activities, we filed a registration statement with the SEC on November 13, 2018 that permits us to issue a total of $3.0 billion in common stock and/or debt securities. This registration statement replaced our previous registration statement that was effectively exhausted in October 2018. At June 30, 2019, approximately $1.3 billion of securities remained available for issuance under the shelf registration statement.

On November 19, 2018, 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 (including shares of common stock that may be sold pursuant to forward sale agreements entered into concurrently with the ATM equity sales program). At June 30, 2019, approximately $231 million remained available under the ATM equity sales program.

During the nine months ended June 30, 2019, we completed over $2 billion of long-term debt and equity financing.

- In October 2018, we completed the public offering of $600 million of 30-year 4.30% senior notes. The net proceeds of $590.6 million were used to repay working capital borrowings pursuant to our commercial paper program.
- In November 2018, we sold 5,390,836 shares of common stock for $500 million. The net proceeds of $494.1 million were used to fund our capital expenditure program and for general corporate purposes.
- In March 2019, we completed the public offering of $450 million of 30-year 4.125% senior notes. The net proceeds of $443.4 million, together with available cash, were used to repay at maturity our $450 million 8.50% 10-year unsecured senior notes due March 15, 2019 and the related settlement of our interest rate swaps for $90.1 million.
- In November 2018, February 2019 and May 2019, we executed forward sales with various forward sellers who borrowed and sold 5,389,536 million shares of our common stock for initial aggregate proceeds of approximately $516 million.
- In May 2019, we settled forward sale agreements for 1,089,700 million shares of common stock based on a net price of $91.44 per share for net proceeds of $99.6 million.

The following table summarizes the remaining availability under our various forward sales as of June 30, 2019:

Issue Quarter	Issued Under	Shares Available	Net Proceeds Available (In thousands)	Maturity	Forward Price
December 31, 2018	Block	1,578,764	$ 144,608	3/31/2020	$ 91.60
March 31, 2019	ATM	1,670,509	158,684	3/31/2020	$ 94.99
June 30, 2019	ATM	1,050,563	106,219	9/30/2020	$ 101.11
Total		4,299,836	$ 409,511		

The following table presents our capitalization inclusive of short-term debt and the current portion of long-term debt as of June 30, 2019, September 30, 2018 and June 30, 2018:

	June 30, 2019		September 30, 2018		June 30, 2018	
			(In thousands, except percentages)			
Short-term debt	$ 74,942	0.8%	$ 575,780	6.8%	$ 244,777	3.0%
Long-term debt(1)	3,654,135	39.0%	3,068,665	36.5%	3,068,315	38.0%
Shareholders' equity	5,641,996	60.2%	4,769,951	56.7%	4,759,552	59.0%
Total	$ 9,371,073	100.0%	$ 8,414,396	100.0%	$ 8,072,644	100.0%

(1) In September 2019, our $125 million term loan, which we plan to refinance, will mature.

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, 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, 2019 and 2018 are presented below.

	Nine Months Ended June 30		
	2019	2018	Change
		(In thousands)	
Total cash provided by (used in)			
Operating activities	$ 808,928	$ 1,035,296	$ (226,368)
Investing activities	(1,195,401)	(1,087,224)	(108,177)
Financing activities	418,865	46,449	372,416
Change in cash and cash equivalents	32,392	(5,479)	37,871
Cash and cash equivalents at beginning of period	13,771	26,409	(12,638)
Cash and cash equivalents at end of period	$ 46,163	$ 20,930	$ 25,233

Cash flows from operating activities

For the nine months ended June 30, 2019, we generated cash flow from operating activities of $808.9 million compared with $1,035.3 million for the nine months ended June 30, 2018. The $226.4 million decrease in operating cash flows is primarily attributable to the change in net income and working capital changes, particularly in our distribution segment resulting from the timing of payments for natural gas purchases and deferred gas cost recoveries.

Cash flows from investing activities

Our capital expenditures are primarily used to improve the safety and reliability of our distribution and transmission system through pipeline replacement and system modernization and to enhance and expand our system to meet customer needs. Over the last three fiscal years, approximately 82 percent of our capital spending has been committed to improving the safety and reliability of our system.

We allocate our capital spending among our service areas using risk management models and subject matter experts to identify, assess and develop a plan of action to address our highest risk facilities. We have regulatory mechanisms in most of our service areas that provide the opportunity to include approved capital costs in rate base on a periodic basis without being required to file a rate case. These mechanisms permit us a reasonable opportunity to earn a fair return on our investment without compromising safety or reliability.

For the nine months ended June 30, 2019, cash used for investing activities was $1.2 billion compared to $1.1 billion for the nine months ended June 30, 2018. Capital spending increased by $110.7 million, or 10 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.

Cash flows from financing activities

For the nine months ended June 30, 2019, our financing activities provided $418.9 million of cash compared with $46.4 million of cash provided by financing activities in the prior-year period.

In the nine months ended June 30, 2019, we received $1.6 billion in net proceeds from the issuance of long-term debt and equity. The net proceeds were used primarily to support capital spending, reduce short term debt, repay at maturity our $450 million 8.50% unsecured senior notes and the settlement of related interest rate swaps for $90.1 million and for other general corporate purposes. Cash dividends increased due to an 8.2 percent increase in our dividend rate and an increase in shares outstanding.

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.

The following table summarizes our share issuances for the nine months ended June 30, 2019 and 2018:

	Nine Months Ended June 30	
	2019	2018
Shares issued:		
Direct Stock Purchase Plan	78,697	111,727
1998 Long-Term Incentive Plan	299,368	347,213
Retirement Savings Plan and Trust	63,829	73,470
Equity Issuance	6,480,536	4,558,404
Total shares issued	6,922,430	5,090,814

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 but not limited to, debt to total capitalization, operating cash flow relative to outstanding debt, operating cash flow coverage of interest and pension liabilities. 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). On December 14, 2018, Moody's affirmed our debt ratings and improved their outlook from stable to positive, citing improvements to our regulatory construct that reduce investment recovery lag and our balanced fiscal policy. As of June 30, 2019, S&P 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 June 30, 2019. Our debt covenants are described in greater detail in Note 6 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, 2019.

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. In the past we managed interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

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, 2019 and 2018:

	Three Months Ended June 30		Nine Months Ended June 30	
	2019	2018	2019	2018
	(In thousands)			
Fair value of contracts at beginning of period	$ 1,573	$ (86,342)	$ (55,218)	$ (109,159)
Contracts realized/settled	6	(13)	96,380	(1,213)
Fair value of new contracts	(1,226)	109	(337)	(607)
Other changes in value	(1,667)	10,719	(42,139)	35,452
Fair value of contracts at end of period	(1,314)	(75,527)	(1,314)	(75,527)
Netting of cash collateral	—	—	—	—
Cash collateral and fair value of contracts at period end	$ (1,314)	$ (75,527)	$ (1,314)	$ (75,527)

The fair value of our financial instruments at June 30, 2019 is presented below by time period and fair value source:

	Fair Value of Contracts at June 30, 2019				
	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	$ (950)	$ (364)	$ —	$ —	$ (1,314)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$ (950)	$ (364)	$ —	$ —	$ (1,314)

Pension and Postretirement Benefits Obligations

For the nine months ended June 30, 2019 and 2018, our total net periodic pension and other postretirement benefits costs were $18.8 million and $31.2 million. Most of these costs are recoverable through our rates. A portion of these costs is capitalized into our rate base or deferred as a regulatory asset or liability. The remaining costs are recorded as a component of operation and maintenance expense or other non-operating expense as discussed in Note 8.

Our fiscal 2019 costs were determined using a September 30, 2018 measurement date. As of September 30, 2018, interest and corporate bond rates were higher than the rates as of September 30, 2017. Therefore, we increased the discount rate used to measure our fiscal 2019 net periodic cost from 3.89 percent to 4.38 percent. The expected return on plan assets remained consistent with prior year at 6.75 percent in the determination of our fiscal 2019 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 2019 net periodic pension cost to be lower than fiscal 2018.

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, 2019, we were not required to make a minimum contribution to our defined benefit plan during fiscal 2019. However, we may consider whether a voluntary contribution is prudent to maintain certain funding levels.

For the nine months ended June 30, 2019 we contributed $10.1 million to our postretirement medical plans. We anticipate contributing a total of between $10 million and $20 million to our postretirement plans during fiscal 2019.

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, 2019 and 2018.

Distribution Sales and Statistical Data

	Three Months Ended June 30		Nine Months Ended June 30	
	2019	2018	2019	2018
METERS IN SERVICE, end of period				
Residential	3,001,552	2,969,270	3,001,552	2,969,270
Commercial	272,942	270,455	272,942	270,455
Industrial	1,668	1,667	1,668	1,667
Public authority and other	8,560	8,388	8,560	8,388
Total meters	3,284,722	3,249,780	3,284,722	3,249,780
INVENTORY STORAGE BALANCE — Bcf	49.1	47.5	49.1	47.5
SALES VOLUMES — MMcf[1]				
Gas sales volumes				
Residential	17,469	21,399	162,090	150,872
Commercial	15,838	17,368	90,395	85,273
Industrial	7,389	9,325	24,290	27,491
Public authority and other	987	1,277	5,848	6,086
Total gas sales volumes	41,683	49,369	282,623	269,722
Transportation volumes	36,367	34,989	127,453	122,691
Total throughput	78,050	84,358	410,076	392,413
OPERATING REVENUES (000's)[1][2]				
Gas sales revenues				
Residential	$ 270,237	$ 318,501	$ 1,492,043	$ 1,680,155
Commercial	113,848	145,685	605,939	687,577
Industrial	25,226	31,283	95,677	104,300
Public authority and other	6,352	8,581	36,482	41,150
Total gas sales revenues	415,663	504,050	2,230,141	2,513,182
Transportation revenues	22,686	23,965	75,568	79,266
Other gas revenues[3]	6,595	7,473	35,959	3,123
Total operating revenues	$ 444,944	$ 535,488	$ 2,341,668	$ 2,595,571
Average cost of gas per Mcf sold	$ 3.35	$ 4.68	$ 4.06	$ 5.27

See footnote following these tables.

Pipeline and Storage Operations Sales and Statistical Data

	Three Months Ended June 30		Nine Months Ended June 30	
	2019	2018	2019	2018
CUSTOMERS, end of period				
Industrial	93	93	93	93
Other	234	237	234	237
Total	327	330	327	330
INVENTORY STORAGE BALANCE — Bcf	1.3	0.5	1.3	0.5
PIPELINE TRANSPORTATION VOLUMES — MMcf(1)	214,627	215,775	708,315	666,079
OPERATING REVENUES (000's)(1)(2)	$ 149,198	$ 127,633	$ 419,318	$ 375,051

Note to preceding tables:

(1) Sales volumes and revenues reflect segment operations, including intercompany sales and transportation amounts.
(2) Operating revenues include revenues from our alternative revenue programs as defined in Note 5.
(3) Other gas revenues include impacts of the TCJA.

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, 2018. During the nine months ended June 30, 2019, 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, 2019 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, 2019 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, 2019, 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, 2018. 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
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 February 5, 2019)	Exhibit 3.1 to Form 8-K dated February 5, 2019 (File No. 1-10042)
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 - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	
101.SCH	Inline XBRL Taxonomy Extension Schema	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase	
101.PRE	Inline 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 7, 2019

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, 2019

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.)*
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)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

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 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 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 ☐

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 January 31, 2020.

Class	Shares Outstanding
Common stock No Par Value	122,266,316

GLOSSARY OF KEY TERMS

AEC	Atmos Energy Corporation
AOCI	Accumulated other comprehensive income
ARM	Annual Rate Mechanism
ASC	Accounting Standards Codification
Bcf	Billion cubic feet
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
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
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, 2019	September 30, 2019
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 14,691,719	$ 14,180,593
Less accumulated depreciation and amortization	2,441,296	2,392,924
Net property, plant and equipment	12,250,423	11,787,669
Current assets		
Cash and cash equivalents	189,272	24,550
Accounts receivable, net	435,616	230,571
Gas stored underground	115,259	130,138
Other current assets	71,982	72,772
Total current assets	812,129	458,031
Goodwill	730,706	730,706
Deferred charges and other assets	594,867	391,213
	$ 14,388,125	$ 13,367,619
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, 2019 — 122,262,403 shares; September 30, 2019 — 119,338,925 shares	$ 611	$ 597
Additional paid-in capital	3,979,564	3,712,194
Accumulated other comprehensive loss	(113,531)	(114,583)
Retained earnings	2,261,131	2,152,015
Shareholders' equity	6,127,775	5,750,223
Long-term debt	4,324,285	3,529,452
Total capitalization	10,452,060	9,279,675
Current liabilities		
Accounts payable and accrued liabilities	308,113	265,024
Other current liabilities	537,009	479,501
Short-term debt	—	464,915
Current maturities of long-term debt	50	—
Total current liabilities	845,172	1,209,440
Deferred income taxes	1,352,333	1,300,015
Regulatory excess deferred taxes	699,375	705,101
Regulatory cost of removal obligation	451,178	473,172
Deferred credits and other liabilities	588,007	400,216
	$ 14,388,125	$ 13,367,619

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended December 31	
	2019	2018
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 828,504	$ 838,835
Pipeline and storage segment	148,176	134,470
Intersegment eliminations	(101,117)	(95,523)
Total operating revenues	875,563	877,782
Purchased gas cost		
Distribution segment	397,558	437,732
Pipeline and storage segment	99	(358)
Intersegment eliminations	(100,789)	(95,209)
Total purchased gas cost	296,868	342,165
Operation and maintenance expense	152,245	138,600
Depreciation and amortization expense	105,062	96,065
Taxes, other than income	68,607	64,488
Operating income	252,781	236,464
Other non-operating income (expense)	4,887	(7,723)
Interest charges	27,229	27,849
Income before income taxes	230,439	200,892
Income tax expense	51,766	43,246
Net income	$ 178,673	$ 157,646
Basic net income per share	$ 1.47	$ 1.38
Diluted net income per share	$ 1.47	$ 1.38
Cash dividends per share	$ 0.575	$ 0.525
Basic weighted average shares outstanding	121,113	113,800
Diluted weighted average shares outstanding	121,359	113,832
Net income	$ 178,673	$ 157,646
Other comprehensive income (loss), net of tax		
Net unrealized holding losses on available-for-sale securities, net of tax of $0 and $0	(1)	—
Cash flow hedges:		
Amortization and unrealized loss on interest rate agreements, net of tax of $311 and $(6,580)	1,053	(22,258)
Total other comprehensive income (loss)	1,052	(22,258)
Total comprehensive income	$ 179,725	$ 135,388

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31	
	2019	2018
	(Unaudited) (In thousands)	
Cash Flows From Operating Activities		
Net income	$ 178,673	$ 157,646
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	105,062	96,065
Deferred income taxes	46,726	40,339
Other	(616)	6,231
Net assets / liabilities from risk management activities	4,143	(2,458)
Net change in operating assets and liabilities	(161,543)	(133,139)
Net cash provided by operating activities	172,445	164,684
Cash Flows From Investing Activities		
Capital expenditures	(529,186)	(416,404)
Debt and equity securities activities, net	(1,602)	(963)
Other, net	2,553	2,074
Net cash used in investing activities	(528,235)	(415,293)
Cash Flows From Financing Activities		
Net decrease in short-term debt	(464,915)	(575,780)
Net proceeds from equity offering	259,005	494,734
Issuance of common stock through stock purchase and employee retirement plans	4,267	4,241
Proceeds from issuance of long-term debt	799,450	596,994
Cash dividends paid	(69,557)	(58,722)
Debt issuance costs	(7,738)	(6,432)
Net cash provided by financing activities	520,512	455,035
Net increase in cash and cash equivalents	164,722	204,426
Cash and cash equivalents at beginning of period	24,550	13,771
Cash and cash equivalents at end of period	$ 189,272	$ 218,197

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 31, 2019

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") and its subsidiaries are 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, 2019, 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, aside from accounting policy changes noted below, 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, 2019. 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, 2019. Because of seasonal and other factors, the results of operations for the three-month period ended December 31, 2019 are not indicative of our results of operations for the full 2020 fiscal year, which ends September 30, 2020.

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, 2019.

Accounting pronouncements adopted in fiscal 2020

In February 2016, the Financial Accounting Standards Board (FASB) issued a comprehensive new leasing standard that requires lessees to recognize a lease liability and a right-of-use (ROU) asset for all leases, including operating leases on its balance sheet. The new standard was effective for us beginning on October 1, 2019. See Note 6 to the unaudited condensed consolidated financial statements for further details regarding our adoption of the new lease standard and the related disclosures.

Accounting pronouncements that will be effective after fiscal 2020

In December 2019, the FASB issued new guidance related to accounting for income taxes which removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocations and calculating income taxes in interim periods. The new standard also adds guidance to reduce complexity in certain areas, such as recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The new standard will be effective for us beginning on October 1, 2021; 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 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 debt securities that will require credit losses to be recorded through an allowance account. The new standard will be effective for us beginning on October 1, 2020; 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.

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 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 are reported separately.

Significant regulatory assets and liabilities as of December 31, 2019 and September 30, 2019 included the following:

	December 31, 2019	September 30, 2019
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs	$ 83,783	$ 86,089
Infrastructure mechanisms[1]	108,997	131,894
Deferred gas costs	10,386	23,766
Recoverable loss on reacquired debt	6,102	6,551
Deferred pipeline record collection costs	27,414	26,418
Rate case costs	1,052	1,346
Other	4,324	8,483
	$ 242,058	$ 284,547
Regulatory liabilities:		
Regulatory excess deferred taxes[2]	$ 721,049	$ 726,307
Regulatory cost of service reserve[3]	4,747	5,238
Regulatory cost of removal obligation	519,538	528,893
Deferred gas costs	42,142	14,112
Asset retirement obligation	17,054	17,054
APT annual adjustment mechanism	72,732	78,402
Other	17,755	16,120
	$ 1,395,017	$ 1,386,126

(1) 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.

(2) The Tax Cuts and Jobs Act of 2017 (the "TCJA") resulted in the remeasurement of the net deferred tax liability included in our rate base. Of this amount, \$21.7 million as of December 31, 2019 and \$21.2 million as of September 30, 2019 is recorded in other current liabilities. These liabilities are being returned to customers in most of our jurisdictions on a provisional basis over 15 to 46 years until formal orders establish the final refund periods.

(3) 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.

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 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, 2019.

Income statements and capital expenditures for the three months ended December 31, 2019 and 2018 by segment are presented in the following tables:

	Three Months Ended December 31, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
		(In thousands)		
Operating revenues from external parties	$ 827,840	$ 47,723	$ —	$ 875,563
Intersegment revenues	664	100,453	(101,117)	—
Total operating revenues	828,504	148,176	(101,117)	875,563
Purchased gas cost	397,558	99	(100,789)	296,868
Operation and maintenance expense	114,352	38,221	(328)	152,245
Depreciation and amortization expense	76,074	28,988	—	105,062
Taxes, other than income	60,243	8,364	—	68,607
Operating income	180,277	72,504	—	252,781
Other non-operating income	1,954	2,933	—	4,887
Interest charges	16,362	10,867	—	27,229
Income before income taxes	165,869	64,570	—	230,439
Income tax expense	36,112	15,654	—	51,766
Net income	$ 129,757	$ 48,916	$ —	$ 178,673
Capital expenditures	$ 404,247	$ 124,939	$ —	$ 529,186

	Three Months Ended December 31, 2018			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
		(In thousands)		
Operating revenues from external parties	$ 838,181	$ 39,601	$ —	$ 877,782
Intersegment revenues	654	94,869	(95,523)	—
Total operating revenues	838,835	134,470	(95,523)	877,782
Purchased gas cost	437,732	(358)	(95,209)	342,165
Operation and maintenance expense	105,767	33,147	(314)	138,600
Depreciation and amortization expense	69,709	26,356	—	96,065
Taxes, other than income	56,190	8,298	—	64,488
Operating income	169,437	67,027	—	236,464
Other non-operating expense	(6,477)	(1,246)	—	(7,723)
Interest charges	18,210	9,639	—	27,849
Income before income taxes	144,750	56,142	—	200,892
Income tax expense	30,365	12,881	—	43,246
Net income	$ 114,385	$ 43,261	$ —	$ 157,646
Capital expenditures	$ 302,545	$ 113,859	$ —	$ 416,404

Balance sheet information at December 31, 2019 and September 30, 2019 by segment is presented in the following tables:

	December 31, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 9,083,765	$ 3,166,658	$ —	$ 12,250,423
Total assets	$ 13,599,293	$ 3,389,655	$ (2,600,823)	$ 14,388,125

	September 30, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 8,737,590	$ 3,050,079	$ —	$ 11,787,669
Total assets	$ 12,579,741	$ 3,279,323	$ (2,491,445)	$ 13,367,619

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 weighted average shares outstanding is calculated based upon the weighted average number of common shares outstanding during the periods presented. Also, this calculation includes fully vested stock awards that have not yet been issued as common stock. Additionally, the weighted average shares outstanding for diluted EPS includes the incremental effects of the forward sale agreements, discussed in Note 8 to the unaudited condensed consolidated financial statements, when the impact is dilutive. Basic and diluted earnings per share for the three months ended December 31, 2019 and 2018 are calculated as follows:

	Three Months Ended December 31	
	2019	2018
	(In thousands, except per share amounts)	
Basic Earnings Per Share		
Net income	$ 178,673	$ 157,646
Less: Income allocated to participating securities	136	135
Income available to common shareholders	$ 178,537	$ 157,511
Basic weighted average shares outstanding	121,113	113,800
Net income per share — Basic	$ 1.47	$ 1.38
Diluted Earnings Per Share		
Income available to common shareholders	$ 178,537	$ 157,511
Effect of dilutive shares	—	—
Income available to common shareholders	$ 178,537	$ 157,511
Basic weighted average shares outstanding	121,113	113,800
Dilutive shares	246	32
Diluted weighted average shares outstanding	121,359	113,832
Net income per share - Diluted	$ 1.47	$ 1.38

5. Revenue

Our revenue recognition policy is fully described in Note 2 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. The following tables disaggregate our revenue from contracts with customers by customer type and segment and provides a reconciliation to total operating revenues, including intersegment revenues, for the three months ended December 31, 2019 and 2018.

	Three Months Ended December 31, 2019	
	Distribution	Pipeline and Storage
	(In thousands)	
Gas sales revenues:		
Residential	$ 552,076	$ —
Commercial	211,314	—
Industrial	24,925	—
Public authority and other	13,022	—
Total gas sales revenues	801,337	—
Transportation revenues	26,640	152,010
Miscellaneous revenues	6,786	5,155
Revenues from contracts with customers	834,763	157,165
Alternative revenue program revenues	(6,751)	(8,989)
Other revenues	492	—
Total operating revenues	$ 828,504	$ 148,176

	Three Months Ended December 31, 2018	
	Distribution	Pipeline and Storage
	(In thousands)	
Gas sales revenues:		
Residential	$ 547,928	$ —
Commercial	218,938	—
Industrial	34,537	—
Public authority and other	13,285	—
Total gas sales revenues	814,688	—
Transportation revenues	25,400	147,424
Miscellaneous revenues	6,950	1,682
Revenues from contracts with customers	847,038	149,106
Alternative revenue program revenues	(8,739)	(14,636)
Other revenues	536	—
Total operating revenues	$ 838,835	$ 134,470

6. Leases

We adopted the provisions of the new lease accounting standard beginning on October 1, 2019, using the optional transition method, which allows us to apply the provisions of the new standard to all leases that existed as of the date of adoption. Therefore, results for reporting periods beginning on October 1, 2019 are presented under the new lease accounting standard and prior periods are presented under the former lease accounting standard.

The new guidance included several practical expedients to facilitate the implementation of the new standard. The following summarizes the practical expedients we used to implement the standard.

- We elected to bundle our lease and non-lease components as a single component for all asset classes.

- We elected not to perform the following:
  - Evaluate existing or expired land easements prior to October 1, 2019 to determine if they are leases.
  - Include short-term leases in the calculation of our lease liability.
  - Evaluate existing or expired contracts to determine if they are leases.
  - Assess lease classification for existing or expired leases.
  - Review initial direct costs for existing leases.
  - Use hindsight in order to determine the lease term or impairment of our ROU assets.

Upon adoption of this new guidance, we recorded ROU assets and lease liabilities of $231.3 million. Additionally, we reclassified a net $6.5 million of accrued and prepaid lease costs to the ROU asset and $2.5 million related to an existing finance lease from deferred credits and other liabilities to long-term debt.

Implementation of the new lease accounting guidance had no material impact on our condensed consolidated statements of comprehensive income or our condensed consolidated statements of cash flows. Additionally, we did not record a cumulative-effect adjustment to retained earnings on the opening balance sheet.

New Lease Accounting Policy

We determine if an arrangement is a lease at the inception of the agreement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and we have the right to control the asset. We are the lessee for substantially all of our leasing activity, which primarily includes operating leases for office and warehouse space, towers, vehicles and heavy equipment used in our operations. We are also a lessee in a finance lease for a service center.

We record a lease liability and a corresponding ROU asset for all of our leases with a term greater than 12 months. For lease contracts containing renewal and termination options, we include the option period in the lease term when it is reasonably certain the option will be exercised. We most frequently assume renewal options at the inception of the arrangement for our tower and fleet leases, based on our anticipated use of the assets. Real estate leases that contain a renewal option are evaluated on a lease-by-lease basis to determine if the option period should be included in the lease term. Currently, we have not included material renewal options for real estate leases in our ROU asset or lease liability. The following table presents our weighted average remaining lease term for our leases.

	December 31, 2019
Weighted average remaining lease term (years)	
Finance lease	19.00
Operating leases	10.78

The lease liability represents the present value of all lease payments over the lease term. The discount rate used to determine the present value of the lease liability is the rate implicit in the lease unless that rate cannot be readily determined. We use the implicit rate stated in the agreement to determine the lease liability for our fleet leases. We use our corporate collateralized incremental borrowing rate as the discount rate for all other lease agreements. This rate is appropriate because we believe it represents the rate we would have incurred to borrow funds to acquire the leased asset over a similar term. We calculated this rate using a combination of inputs, including our current credit rating, quoted market prices of interest rates for our publicly traded unsecured debt, observable market yield curve data for peer companies with a credit rating one notch higher than our current credit rating and the lease term.

The following table represents our weighted average discount rate at December 31, 2019:

	December 31, 2019
Weighted average discount rate	
Finance lease	9.57%
Operating leases	2.91%

The ROU asset represents the right to use the underlying asset for the lease term, and is equal to the lease liability, adjusted for prepaid or accrued lease payments and any lease incentives that have been paid to us or when we are reasonably certain to incur costs equal to or greater than the allowance defined in the contract.

Variable payments included in our leasing arrangements are expensed in the period in which the obligation for these payments is incurred. Variable payments are dependent on usage, output or may vary for other reasons. Most of our variable lease expense is related to tower leases that have escalating payments based on changes to a stated CPI index, and usage of certain office equipment.

We have not provided material residual value guarantees for our leases, nor do our leases contain material restrictions or covenants.

Lease costs for the three months ended December 31, 2019 are presented in the table below. These costs include both amounts recognized in expense and amounts capitalized. For the three months ended December 31, 2019, we did not have material short-term lease costs or variable lease costs.

	Three Months Ended December 31, 2019	
	(In thousands)	
Finance lease cost	$	73
Operating lease cost		9,925
Total lease cost	$	9,998

Our ROU assets and lease liabilities are presented as follows on the condensed consolidated balance sheets (unaudited):

	Balance Sheet Classification	December 31, 2019	
		(In thousands)	
Assets			
Finance lease	Net Property, Plant and Equipment	$	2,522
Operating leases	Deferred charges and other assets		223,486
Total right-of-use assets		$	226,008
Liabilities			
Current			
Finance lease	Current maturities of long-term debt	$	50
Operating leases	Other current liabilities		30,099
Noncurrent			
Finance lease	Long-term debt		2,484
Operating leases	Deferred credits and other liabilities		200,997
Total lease liabilities		$	233,630

Other pertinent information related to leases was as follows. During the three months ended December 31, 2019, amounts paid in cash for our finance lease were not material, nor did we enter into any new finance leases.

	Three Months Ended December 31, 2019	
	(In thousands)	
Cash paid amounts included in the measurement of lease liabilities		
Operating cash flows used for operating leases	$	8,840
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	$	6,812

Maturities of our lease liabilities as of December 31, 2019, presented on a rolling 12-month basis, were as follows:

	Total	Finance Lease	Operating Leases
		(In thousands)	
Year 1	$ 35,719	$ 244	$ 35,475
Year 2	35,954	249	35,705
Year 3	32,230	254	31,976
Year 4	27,421	259	27,162
Year 5	18,981	264	18,717
Thereafter	127,745	4,222	123,523
Total lease payments	278,050	5,492	272,558
Less: Imputed interest	44,420	2,958	41,462
Total	$ 233,630	$ 2,534	$ 231,096
Reported as of December 31, 2019			
Short-term lease liabilities	$ 30,149	$ 50	$ 30,099
Long-term lease liabilities	203,481	2,484	200,997
Total lease liabilities	$ 233,630	$ 2,534	$ 231,096

Disclosures Related to Prior Periods

The future minimum lease payments as September 30, 2019 were as follows:

	Operating Leases(1)	Capital Lease
	(In thousands)	
2020	$ 21,017	$ 243
2021	20,416	248
2022	19,370	253
2023	18,071	258
2024	15,718	263
Thereafter	105,544	4,343
Total minimum lease payments	$ 200,136	5,608
Less amount representing interest		3,018
Present value of net minimum lease payments		$ 2,590

(1) Future minimum lease payments do not include amounts for fleet leases and other de minimis items that can be renewed beyond the initial lease term. The Company anticipates renewing the leases beyond the initial term, but the anticipated payments associated with the renewals do not meet the definition of expected minimum lease payments and therefore are not included above. Expected payments are $17.6 million in 2020, $18.0 million in 2021, $11.8 million in 2022, $8.5 million in 2023, $5.4 million 2024 and $2.7 million thereafter.

Consolidated lease and rental expense for the three months ended December 31, 2018 was $10.0 million.

7. Debt

The nature and terms of our debt instruments and credit facilities are described in detail in Note 6 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. Other than as described below, there were no material changes in the terms of our debt instruments during the three months ended December 31, 2019.

Long-term debt at December 31, 2019 and September 30, 2019 consisted of the following:

	December 31, 2019	September 30, 2019
	(In thousands)	
Unsecured 3.00% Senior Notes, due 2027	$ 500,000	$ 500,000
Unsecured 2.625% Senior Notes, due 2029	300,000	—
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
Unsecured 4.30% Senior Notes, due 2048	600,000	600,000
Unsecured 4.125% Senior Notes, due 2049	450,000	450,000
Unsecured 3.375% Senior Notes, due 2049	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
Finance lease obligations (see Note 6)	2,534	—
Total long-term debt	4,362,534	3,560,000
Less:		
Original issue (premium) / discount on unsecured senior notes and debentures	703	193
Debt issuance cost	37,496	30,355
Current maturities	50	—
	$ 4,324,285	$ 3,529,452

On October 2, 2019, we completed a public offering of $300 million of 2.625% senior notes due 2029 and $500 million of 3.375% senior notes due 2049. We received net proceeds from the offering, after the underwriting discount and offering expenses, of $791.7 million, that were used for general corporate purposes, including the repayment of borrowings pursuant to our commercial paper program. The effective interest rate on these notes is 2.72% and 3.42%, after giving effect to the offering costs.

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 driven primarily by construction work in progress and 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 on September 25, 2023. The facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin 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, 2019, there were no amounts outstanding under our commercial paper program. At September 30, 2019, a total of $464.9 million was outstanding.

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, 2019, 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, 2019, 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 if not paid at maturity. We were in compliance with all of our debt covenants as of December 31, 2019. 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.

8. Shareholders' Equity

The following tables present a reconciliation of changes in stockholders' equity for the three months ended December 31, 2019 and 2018.

	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, 2019	119,338,925	$ 597	$ 3,712,194	$ (114,583)	$ 2,152,015	$ 5,750,223
Net income	—	—	—	—	178,673	178,673
Other comprehensive income	—	—	—	1,052	—	1,052
Cash dividends ($0.575 per share)	—	—	—	—	(69,557)	(69,557)
Common stock issued:						
Public and other stock offerings	2,758,929	13	263,259	—	—	263,272
Stock-based compensation plans	164,549	1	4,111	—	—	4,112
Balance, December 31, 2019	122,262,403	$ 611	$ 3,979,564	$ (113,531)	$ 2,261,131	$ 6,127,775

	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, 2018	111,273,683	$ 556	$ 2,974,926	$ (83,647)	$ 1,878,116	$ 4,769,951
Net income	—	—	—	—	157,646	157,646
Other comprehensive loss	—	—	—	(22,258)	—	(22,258)
Cash dividends ($0.525 per share)	—	—	—	—	(58,722)	(58,722)
Cumulative effect of accounting change	—	—	—	(8,210)	8,210	—
Common stock issued:						
Public and other stock offerings	5,434,812	27	498,948	—	—	498,975
Stock-based compensation plans	184,464	1	2,602	—	—	2,603
Balance, December 31, 2018	116,892,959	$ 584	$ 3,476,476	$ (114,115)	$ 1,985,250	$ 5,348,195

Shelf Registration, At-the-Market Equity Sales Program and Equity Issuances

We have a shelf registration statement on file with the Securities and Exchange Commission (SEC) that allows us to issue up to $3.0 billion in common stock and/or debt securities. At December 31, 2019, approximately $0.5 billion of securities remained available for issuance under the shelf registration statement, which expires November 13, 2021.

We also have an at-the-market (ATM) equity sales program that allows us to issue and sell shares of our common stock up to an aggregate offering price of $500 million (including shares of common stock that may be sold pursuant to a forward sale agreement entered into in connection with the ATM equity sales program), which expires November 13, 2021. During the three months ended December 31, 2019, we executed forward sales under the ATM with various forward sellers who borrowed and sold 339,574 shares of our common stock for $36.8 million. Additionally, during the three months ended December 31, 2019, we settled 2,234,871 shares that had been sold during fiscal 2019 under the ATM for net proceeds of $214.6 million. As of December 31, 2019, the ATM program had approximately $38 million of equity available for issuance.

On November 30, 2018, we filed a prospectus supplement under the registration statement relating to an underwriting agreement to sell 5,390,836 shares of our common stock for $500 million. After expenses, net proceeds from the offering were $494.1 million. Concurrently, we entered into separate forward sale agreements with two forward sellers who borrowed and sold 2,668,464 shares of our common stock for $247.5 million. During the three months ended December 31, 2019, we settled the remaining 485,189 shares under these agreements for net proceeds of $44.4 million.

If we had settled all shares that remain available under our various forward sale agreements as of December 31, 2019, we would have received proceeds of $239.6 million, based on a net price of $106.51 per share.

The following table presents information relevant to the forward sales during the first quarter of fiscal 2020.

	Maturity					
	September 30, 2020		March 31, 2020		Total	
	Shares	Price[1]	Shares	Price[1]	Shares	Price[1]
Available Balance September 30, 2019	2,474,162		2,155,698		4,629,860	
Q1 Issuance	339,574	$ 107.40	—	$ —	339,574	$ 107.40
Q1 Settlement	(564,362)	$ 100.21	(2,155,698)	$ 93.88	(2,720,060)	$ 95.22
Available Balance December 31, 2019	2,249,374		—		2,249,374	

(1) Issued price as disclosed is calculated as the weighted average price for activity occurring during the quarter.

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in AOCI related to available-for-sale debt securities and interest rate agreement cash flow hedges. Deferred gains (losses) for our available-for-sale debt securities 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, 2019	$ 132	$ (114,715)	$ (114,583)
Other comprehensive loss before reclassifications	(1)	—	(1)
Amounts reclassified from accumulated other comprehensive income	—	1,053	1,053
Net current-period other comprehensive income (loss)	(1)	1,053	1,052
December 31, 2019	$ 131	$ (113,662)	$ (113,531)

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Total
		(In thousands)	
September 30, 2018	$ 8,124	$ (91,771)	$ (83,647)
Other comprehensive loss before reclassifications	—	(22,716)	(22,716)
Amounts reclassified from accumulated other comprehensive income	—	458	458
Net current-period other comprehensive loss	—	(22,258)	(22,258)
Cumulative effect of accounting change	(8,210)	—	(8,210)
December 31, 2018	$ (86)	$ (114,029)	$ (114,115)

9. 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, 2019 and 2018 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 or deferred as a regulatory asset or liability. The remaining costs are recorded as a component of operation and maintenance expense or other non-operating expense.

	Three Months Ended December 31			
	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 4,653	$ 4,045	$ 3,366	$ 2,702
Interest cost(1)	5,843	6,799	2,653	2,961
Expected return on assets(1)	(7,079)	(7,113)	(2,625)	(2,665)
Amortization of prior service cost (credit)(1)	(58)	(58)	43	43
Amortization of actuarial (gain) loss(1)	(1,271)	1,608	(334)	(2,045)
Net periodic pension cost	$ 2,088	$ 5,281	$ 3,103	$ 996

(1) The components of net periodic cost other than the service cost component are included in the line item other non-operating expense in the condensed consolidated statement of comprehensive income or are capitalized on the condensed consolidated balance sheets as a regulatory asset or liability, as described in Note 2 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

10. 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 (RRC) 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.

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. These purchase commitment contracts are detailed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. At December 31, 2019, we were committed to purchase 25.7 Bcf within one year and 1.0 Bcf within two to three years under indexed contracts.

Rate Regulatory Proceedings

Except for routine rate regulatory proceedings as discussed below, there were no material changes to rate regulatory proceedings for the three months ended December 31, 2019.

As of December 31, 2019, five rate regulatory proceedings were in progress in some of our service areas. These proceedings are discussed in further detail below in *Management's Discussion and Analysis — Recent Ratemaking Developments*.

11. Financial Instruments

We currently use financial instruments to mitigate commodity price risk and in the past have also used financial instruments to mitigate 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 14 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. During the three months ended December 31, 2019, 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 2019-2020 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we anticipate hedging approximately 49 percent, or 19.9 Bcf of the winter flowing gas requirements. We have not designated these financial instruments as hedges for accounting purposes.

Interest Rate Risk Management Activities

Historically, we managed interest rate risk by periodically entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

As of December 31, 2019, we had $113.7 million of net realized losses in 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 2049.

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 statements of comprehensive income.

As of December 31, 2019, 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, 2019, we had 14,530 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 December 31, 2019 and September 30, 2019. 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. However, for December 31, 2019 and September 30, 2019, no gross amounts and no cash collateral were netted within our consolidated balance sheet.

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
December 31, 2019			
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	$ 1,213	$ (8,391)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	158	(439)
Total		1,371	(8,830)
Gross / Net Financial Instruments		$ 1,371	$ (8,830)

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
September 30, 2019			
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	$ 1,586	$ (4,552)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	225	(1,249)
Total		1,811	(5,801)
Gross / Net Financial Instruments		$ 1,811	$ (5,801)

Impact of Financial Instruments on the Statement of Comprehensive Income

Cash Flow Hedges

As discussed above, in the past our distribution segment had interest rate agreements, which we designated as cash flow hedges at the time the agreements were executed. The net loss on settled interest rate agreements reclassified from AOCI into interest charges on our condensed consolidated statements of comprehensive income for the three months ended December 31, 2019 and 2018 was $1.4 million and $0.6 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, 2019 and 2018. The amounts included in the table below exclude gains and losses arising from ineffectiveness because those amounts are immediately recognized in the statement of comprehensive income as incurred.

	Three Months Ended December 31	
	2019	2018
	(In thousands)	
Increase (decrease) in fair value:		
Interest rate agreements	$ —	$ (22,716)
Recognition of losses in earnings due to settlements:		
Interest rate agreements	1,053	458
Total other comprehensive income (loss) from hedging, net of tax	$ 1,053	$ (22,258)

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 December 31, 2019, 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.

	Interest Rate Agreements
	(In thousands)
Next twelve months	$ (4,212)
Thereafter	(109,450)
Total	$ (113,662)

Financial Instruments Not Designated as Hedges

As discussed above, commodity contracts which are 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 comprehensive 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.

12. 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, 2019. During the three months ended December 31, 2019, 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 8 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

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, 2019 and September 30, 2019. 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, 2019
					(In thousands)					
Assets:										
Financial instruments	$	—	$	1,371	$	—	$	—	$	1,371
Debt and equity securities										
Registered investment companies		44,468		—		—		—		44,468
Bond mutual funds		26,150		—		—		—		26,150
Bonds(2)		—		32,055		—		—		32,055
Money market funds		—		1,453		—		—		1,453
Total debt and equity securities		70,618		33,508		—		—		104,126
Total assets	$	70,618	$	34,879	$	—	$	—	$	105,497
Liabilities:										
Financial instruments	$	—	$	8,830	$	—	$	—	$	8,830

	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, 2019
					(In thousands)					
Assets:										
Financial instruments	$	—	$	1,811	$	—	$	—	$	1,811
Debt and equity securities										
Registered investment companies		41,406		—		—		—		41,406
Bond mutual funds		25,966		—		—		—		25,966
Bonds(2)		—		31,915		—		—		31,915
Money market funds		—		2,596		—		—		2,596
Total debt and equity securities		67,372		34,511		—		—		101,883
Total assets	$	67,372	$	36,322	$	—	$	—	$	103,694
Liabilities:										
Financial instruments	$	—	$	5,801	$	—	$	—	$	5,801

(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.

(2) Our investments in bonds are considered available-for-sale debt securities in accordance with current accounting guidance.

Debt and equity securities are comprised of our available-for-sale debt securities and our equity securities. We regularly evaluate the performance of our available-for-sale debt securities on an investment by investment basis for impairment, taking into consideration the investment'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 and the other-than-temporary impairment is recognized in the statement of comprehensive income. At December 31, 2019 and September 30, 2019, the amortized cost of our available-for-sale debt securities was $31.9 million and $31.7 million. At December 31, 2019, we maintained investments in bonds that have contractual maturity dates ranging from January 2020 through February 2022.

Other Fair Value Measures

Our long-term debt is recorded at carrying value. The fair value of our long-term debt, excluding finance leases, 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 carrying value of our finance lease materially approximates fair value. The following table presents the carrying value and fair value of our long-term debt, excluding finance leases, as of December 31, 2019 and September 30, 2019:

	December 31, 2019	September 30, 2019
	(In thousands)	
Carrying Amount	$ 4,360,000	$ 3,560,000
Fair Value	$ 4,927,756	$ 4,216,249

13. Concentration of Credit Risk

Information regarding our concentration of credit risk is disclosed in Note 17 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. During the three months ended December 31, 2019, 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

Results of Review of Interim Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of Atmos Energy Corporation (the Company) as of December 31, 2019, the related condensed consolidated statements of comprehensive income and cash flows for the three months ended December 31, 2019 and 2018, and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements 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) (PCAOB), the consolidated balance sheet of the Company as of September 30, 2019, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for the year then ended, and the related notes and schedule (not presented herein); and in our report dated November 12, 2019, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2019, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements 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 PCAOB, 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.

/s/ ERNST & YOUNG LLP

Dallas, Texas
February 4, 2020

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, 2019.

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: state and local regulatory trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; 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; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; 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; the impact of climate change; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; increased dependence on technology that may hinder the Company's business if such technologies fail; 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, 2019 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.

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 the allowance for doubtful accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and the valuation of goodwill 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, 2019 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, 2019.

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 three months ended December 31, 2019, we recorded net income of $178.7 million, or $1.47 per diluted share, compared to net income of $157.6 million, or $1.38 per diluted share for the three months ended December 31, 2018. The period-over-period increase in net income of $21.1 million, or 13 percent, largely reflects positive rate outcomes and customer growth in our distribution business. During the three months ended December 31, 2019, we implemented ratemaking regulatory actions which resulted in an increase in annual operating income of $56.7 million and had five ratemaking efforts in progress at December 31, 2019, seeking a total increase in annual operating income of $6.6 million.

Capital expenditures for the three months ended December 31, 2019 increased 27 percent period over period, to $529.2 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 range from $1.85 billion to $1.95 billion for fiscal 2020. During the three months ended December 31, 2019, we completed the public offering of $300 million of 10-year senior notes and $500 million of 30-year senior notes and received net proceeds of $791.7 million. We also received net proceeds from the settlement of certain equity forward sale agreements of $259.0 million during the first fiscal quarter of 2020.

As a result of our sustained financial performance, improved cash flows and capital structure, our Board of Directors increased the quarterly dividend by 9.5 percent for fiscal 2020.

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, 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 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.

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 have 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. 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. Revenues in our Texas and Mississippi service areas include 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 the cost of gas typically does not have a direct impact on our operating income, 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.

Three Months Ended December 31, 2019 compared with Three Months Ended December 31, 2018

Financial and operational highlights for our distribution segment for the three months ended December 31, 2019 and 2018 are presented below.

	Three Months Ended December 31		
	2019	2018	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 828,504	$ 838,835	$ (10,331)
Purchased gas cost	397,558	437,732	(40,174)
Operating expenses	250,669	231,666	19,003
Operating income	180,277	169,437	10,840
Other non-operating income (expense)	1,954	(6,477)	8,431
Interest charges	16,362	18,210	(1,848)
Income before income taxes	165,869	144,750	21,119
Income tax expense	36,112	30,365	5,747
Net income	$ 129,757	$ 114,385	$ 15,372
Consolidated distribution sales volumes — MMcf	99,061	101,698	(2,637)
Consolidated distribution transportation volumes — MMcf	40,497	41,048	(551)
Total consolidated distribution throughput — MMcf	139,558	142,746	(3,188)
Consolidated distribution average cost of gas per Mcf sold	$ 4.01	$ 4.30	$ (0.29)

Operating income for our distribution segment increased 6 percent, which primarily reflects:

- a $27.0 million net increase in rate adjustments, primarily in our Mid-Tex, Mississippi, Louisiana and West Texas Divisions.
- a $4.0 million increase from customer growth primarily in our Mid-Tex Division.
- a $1.4 million decrease in net consumption, primarily due to warmer weather than the prior year period.
- a $9.2 million increase in depreciation expense and property taxes associated with increased capital investments.
- a $3.1 million increase in pipeline maintenance and related activities.
- a $2.5 million increase in employee costs as we increased service-related headcount during fiscal 2019 to support operations in our fastest growing service territories.

Additionally, the quarter-over-quarter increase in other non-operating income primarily reflects changes in the fair value of our equity securities.

The following table shows our operating income by distribution division, in order of total rate base, for the three months ended December 31, 2019 and 2018. 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		
	2019	2018	Change
		(In thousands)	
Mid-Tex	$ 78,295	$ 72,406	$ 5,889
Kentucky/Mid-States	23,281	24,452	(1,171)
Louisiana	24,293	22,153	2,140
West Texas	17,766	15,823	1,943
Mississippi	22,414	19,588	2,826
Colorado-Kansas	13,736	13,789	(53)
Other	492	1,226	(734)
Total	$ 180,277	$ 169,437	$ 10,840

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 2020, we implemented six regulatory proceedings, resulting in a $56.7 million increase in annual operating income as summarized below.

Rate Action	Annual Increase in Operating Income
	(In thousands)
Annual formula rate mechanisms	$ 56,727
Rate case filings	—
Other rate activity	—
	$ 56,727

The following ratemaking efforts seeking $6.6 million in increased annual operating income were in progress as of December 31, 2019:

Division	Rate Action	Jurisdiction	Operating Income Requested
			(In thousands)
Colorado-Kansas	Infrastructure Mechanism	Colorado (1)	$ 2,082
Colorado-Kansas	Ad Valorem	Kansas (2)	353
Colorado-Kansas	Rate Case	Kansas	3,697
Kentucky/Mid-States	Formula Rate Mechanism	Tennessee	726
West Texas	Rate Case	West Texas Triangle	(242)
			$ 6,616

(1) The Colorado Public Utilities Commission approved the SSIR implementation at their December 17, 2019 meeting with rates effective January 1, 2020.
(2) The Kansas Corporation Commission approved the Ad Valorem filing on January 16, 2020.

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)
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, 2019:

Division	**Jurisdiction**	**Test Year Ended**	**Increase (Decrease) in Annual Operating Income**	**Effective Date**
			(In thousands)	
2020 Filings:				
Mississippi	Mississippi - SIR	10/31/2020	$ 7,586	11/01/2019
Mississippi	Mississippi - SRF	10/31/2020	6,886	11/01/2019
Kentucky/Mid-States	Virginia - SAVE	09/30/2020	84	10/01/2019
Kentucky/Mid-States	Kentucky PRP	09/30/2020	2,912	10/01/2019
Mid-Tex	Mid-Tex Cities RRM	12/31/2018	34,380	10/01/2019
West Texas	West Texas Cities RRM	12/31/2018	4,879	10/01/2019
Total 2020 Filings			$ 56,727	

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, 2019.

Other Ratemaking Activity

The Company had no other ratemaking activity during the three months ended December 31, 2019.

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 and eastern Texas, extending into or near the major producing areas of the Barnett Shale, the Texas Gulf Coast and the Permian Basin of West Texas. APT 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 owns and operates five underground storage facilities in Texas.

Our natural gas transmission operations in Louisiana are comprised of a 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 supply areas that we serve, which may influence the level of throughput we may be able to transport on our pipelines. 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 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.

Three Months Ended December 31, 2019 compared with Three Months Ended December 31, 2018

Financial and operational highlights for our pipeline and storage segment for the three months ended December 31, 2019 and 2018 are presented below.

	Three Months Ended December 31		
	2019	**2018**	**Change**
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 113,163	$ 101,727	$ 11,436
Third-party transportation revenue	30,300	31,035	(735)
Other revenue	4,713	1,708	3,005
Total operating revenues	148,176	134,470	13,706
Total purchased gas cost	99	(358)	457
Operating expenses	75,573	67,801	7,772
Operating income	72,504	67,027	5,477
Other non-operating income (expense)	2,933	(1,246)	4,179
Interest charges	10,867	9,639	1,228
Income before income taxes	64,570	56,142	8,428
Income tax expense	15,654	12,881	2,773
Net income	$ 48,916	$ 43,261	$ 5,655
Gross pipeline transportation volumes — MMcf	223,712	238,855	(15,143)
Consolidated pipeline transportation volumes — MMcf	156,529	170,527	(13,998)

Operating income for our pipeline and storage segment increased 8 percent. Operating revenue increased $13.7 million, primarily due to rate adjustments from the GRIP filing approved in May 2019. The increase in rates was driven primarily by increased safety and reliability spending. This increase was partially offset by a $7.8 million increase in operating expenses, primarily due to higher depreciation expense associated with increased capital investments and higher system maintenance expense of $5.7 million primarily due to well integrity costs and spending on hydro testing and in-line inspections.

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 2020 and beyond.

We have a shelf registration statement on file with the Securities and Exchange Commission (SEC) that allows us to issue up to $3.0 billion in common stock and/or debt securities. At December 31, 2019, approximately $0.5 billion of securities remained available for issuance under the shelf registration statement, which expires November 13, 2021.

We also have an at-the-market (ATM) equity sales program that allows us to issue and sell shares of our common stock up to an aggregate offering price of $500 million (including shares of common stock that may be sold pursuant to a forward sale agreement entered into in connection with the ATM equity sales program), which expires November 13, 2021. During the three months ended December 31, 2019, we executed forward sales under the ATM with various forward sellers who borrowed and sold 339,574 shares of our common stock for $36.8 million. Additionally, during the three months ended December 31, 2019, we settled 2,234,871 shares that had been sold during fiscal 2019 under the ATM for net proceeds of $214.6 million. As of December 31, 2019, the ATM program had approximately $38 million of equity available for issuance.

On November 30, 2018, we filed a prospectus supplement under the registration statement relating to an underwriting agreement to sell 5,390,836 shares of our common stock for $500 million. After expenses, net proceeds from the offering were $494.1 million. Concurrently, we entered into separate forward sale agreements with two forward sellers who borrowed and sold 2,668,464 shares of our common stock for $247.5 million. During the three months ended December 31, 2019, we settled the remaining 485,189 shares under these agreements for net proceeds of $44.4 million.

On October 2, 2019, we completed the public offering of $300 million of 2.625% senior notes due 2029 and $500 million of 3.375% senior notes due 2049. We received net proceeds from the offering, after the underwriting discount and offering expenses, of $791.7 million, that were used for general corporate purposes, including the repayment of working capital borrowings pursuant to our commercial paper program.

The following table summarizes the remaining availability under our various forward sales as of December 31, 2019:

Issue Quarter	Issued Under	Shares Available	Net Proceeds Available (In thousands)	Maturity	Forward Price
June 30, 2019	ATM	486,201	$ 49,063	9/30/2020	$ 100.91
September 30, 2019	ATM	1,423,599	154,125	9/30/2020	$ 108.70
December 31, 2019	ATM	339,574	36,385	9/30/2020	$ 107.40
Total		2,249,374	$ 239,573		

The following table presents our capitalization inclusive of short-term debt and the current portion of long-term debt as of December 31, 2019, September 30, 2019 and December 31, 2018:

	December 31, 2019		September 30, 2019		December 31, 2018	
			(In thousands, except percentages)			
Short-term debt	$ —	—%	$ 464,915	4.8%	$ —	—%
Long-term debt	4,324,335	41.4%	3,529,452	36.2%	3,659,779	40.6%
Shareholders' equity	6,127,775	58.6%	5,750,223	59.0%	5,348,195	59.4%
Total	$ 10,452,110	100.0%	$ 9,744,590	100.0%	$ 9,007,974	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, 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, 2019 and 2018 are presented below.

	Three Months Ended December 31		
	2019	2018	Change
		(In thousands)	
Total cash provided by (used in)			
Operating activities	$ 172,445	$ 164,684	$ 7,761
Investing activities	(528,235)	(415,293)	(112,942)
Financing activities	520,512	455,035	65,477
Change in cash and cash equivalents	164,722	204,426	(39,704)
Cash and cash equivalents at beginning of period	24,550	13,771	10,779
Cash and cash equivalents at end of period	$ 189,272	$ 218,197	$ (28,925)

Cash flows from operating activities

For the three months ended December 31, 2019, we generated cash flow from operating activities of $172.4 million compared with $164.7 million for the three months ended December 31, 2018. The $7.8 million increase in operating cash flows is primarily attributable to working capital changes, particularly in our distribution segment resulting from the timing of payments for natural gas purchases and deferred gas cost recoveries.

Cash flows from investing activities

Our capital expenditures are primarily used to improve the safety and reliability of our distribution and transmission system through pipeline replacement and system modernization and to enhance and expand our system to meet customer needs. Over the last three fiscal years, approximately 84 percent of our capital spending has been committed to improving the safety and reliability of our system.

We allocate our capital spending among our service areas using risk management models and subject matter experts to identify, assess and develop a plan of action to address our highest risk facilities. We have regulatory mechanisms in most of our service areas that provide the opportunity to include approved capital costs in rate base on a periodic basis without being required to file a rate case. These mechanisms permit us a reasonable opportunity to earn a fair return on our investment without compromising safety or reliability.

For the three months ended December 31, 2019, cash used for investing activities was $528.2 million compared to $415.3 million for the three months ended December 31, 2018. Capital spending increased by $112.8 million, or 27 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.

Cash flows from financing activities

For the three months ended December 31, 2019, our financing activities provided $520.5 million of cash compared with $455.0 million of cash provided by financing activities in the prior-year period.

In the three months ended December 31, 2019, we received $1.1 billion in net proceeds from the issuance of long-term debt and equity. The net proceeds were used primarily to support capital spending, reduce short term debt and for other general corporate purposes. Cash dividends increased due to a 9.5 percent increase in our dividend rate and an increase in shares outstanding.

In the three months ended December 31, 2018, we used $1.1 billion in net proceeds from debt and equity financing to reduce short-term debt, to support our capital spending and for other general corporate purposes.

The following table summarizes our share issuances for the three months ended December 31, 2019 and 2018:

	Three Months Ended December 31	
	2019	2018
Shares issued:		
Direct Stock Purchase Plan	17,772	20,559
1998 Long-Term Incentive Plan	164,549	184,464
Retirement Savings Plan and Trust	21,097	23,417
Equity Issuance	2,720,060	5,390,836
Total shares issued	2,923,478	5,619,276

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 but not limited to, debt to total capitalization, operating cash flow relative to outstanding debt, operating cash flow coverage of interest and pension liabilities. 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). On December 16, 2019, Moody's upgraded our senior unsecured long-term debt rating to A1 and changed their outlook to stable, citing our strong credit metrics as a result of continued improvement in rate design to minimize regulatory lag and our balanced fiscal policy. As of December 31, 2019, S&P 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	A1
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 December 31, 2019. Our debt covenants are described in greater detail in Note 7 to the unaudited condensed consolidated financial statements.

Contractual Obligations and Commercial Commitments

Except as noted in Note 10 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, 2019.

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. In the past we managed interest rate risk by entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

The following table shows the components of the change in fair value of our financial instruments for the three months ended December 31, 2019 and 2018:

	Three Months Ended December 31	
	2019	2018
	(In thousands)	
Fair value of contracts at beginning of period	$ (3,990)	$ (55,218)
Contracts realized/settled	(2,863)	6,458
Fair value of new contracts	105	484
Other changes in value	(711)	(35,393)
Fair value of contracts at end of period	(7,459)	(83,669)
Netting of cash collateral	—	—
Cash collateral and fair value of contracts at period end	$ (7,459)	$ (83,669)

The fair value of our financial instruments at December 31, 2019 is presented below by time period and fair value source:

	Fair Value of Contracts at December 31, 2019				
	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	$ (7,178)	$ (281)	$ —	$ —	$ (7,459)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$ (7,178)	$ (281)	$ —	$ —	$ (7,459)

Pension and Postretirement Benefits Obligations

Our fiscal 2020 pension and postretirement costs were determined using a September 30, 2019 measurement date, as discussed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. For the three months ended December 31, 2019 and 2018, our total net periodic pension and other postretirement benefits costs were $5.2 million and $6.3 million. Most of these costs are recoverable through our rates. A portion of these costs is capitalized into our rate base or deferred as a regulatory asset or liability. The remaining costs are recorded as a component of operation and maintenance expense or other non-operating expense as discussed in Note 9 to the unaudited condensed consolidated financial statements.

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, 2019, we were not required to make a minimum contribution to our defined benefit plan during the first quarter of fiscal 2020. However, we may consider whether a voluntary contribution is prudent to maintain certain funding levels.

For the three months ended December 31, 2019 we contributed $2.6 million to our postretirement medical plans. We anticipate contributing a total of between $10 million and $20 million to our postretirement plans during fiscal 2020.

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, 2019 and 2018.

Distribution Sales and Statistical Data

	Three Months Ended December 31	
	2019	**2018**
METERS IN SERVICE, end of period		
Residential	3,020,990	2,988,920
Commercial	276,455	273,032
Industrial	1,664	1,682
Public authority and other	8,554	8,386
Total meters	3,307,663	3,272,020
INVENTORY STORAGE BALANCE — Bcf	58.1	56.7
SALES VOLUMES — MMcf[(1)]		
Gas sales volumes		
Residential	58,780	59,864
Commercial	31,253	31,583
Industrial	6,855	8,174
Public authority and other	2,173	2,077
Total gas sales volumes	99,061	101,698
Transportation volumes	42,274	42,851
Total throughput	141,335	144,549
OPERATING REVENUES (000's)[(1)(2)]		
Gas sales revenues		
Residential	$ 546,450	$ 540,439
Commercial	210,287	217,060
Industrial	24,868	34,472
Public authority and other	12,922	13,107
Total gas sales revenues	794,527	805,078
Transportation revenues	26,542	25,350
Other gas revenues[(3)]	7,435	8,407
Total operating revenues	$ 828,504	$ 838,835
Average cost of gas per Mcf sold	$ 4.01	$ 4.30

See footnote following these tables.

Pipeline and Storage Operations Sales and Statistical Data

	Three Months Ended December 31			
	2019		2018	
CUSTOMERS, end of period				
Industrial		94		93
Other		242		242
Total		336		335
INVENTORY STORAGE BALANCE — Bcf		1.4		1.0
PIPELINE TRANSPORTATION VOLUMES — MMcf[1]		223,712		238,855
OPERATING REVENUES (000's)[1][2]	$	148,176	$	134,470

Note to preceding tables:

(1) Sales volumes and revenues reflect segment operations, including intercompany sales and transportation amounts.
(2) Operating revenues include revenues from our alternative revenue programs as defined in Note 2 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019.
(3) Other gas revenues include impacts of the TCJA.

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, 2019. During the three months ended December 31, 2019, 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, 2019 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, 2020 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, 2019, except as noted in Note 10 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 12 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. 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
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 February 5, 2019)	Exhibit 3.1 to Form 8-K dated February 5, 2019 (File No. 1-10042)
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 - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	
101.SCH	Inline XBRL Taxonomy Extension Schema	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document	

* 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: February 4, 2020

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, 2020

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.)*
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)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

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 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 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 ☐

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 May 1, 2020.

Class	Shares Outstanding
Common stock No Par Value	122,311,513

GLOSSARY OF KEY TERMS

AEC	Atmos Energy Corporation
AOCI	Accumulated other comprehensive income
ARM	Annual Rate Mechanism
Bcf	Billion cubic feet
DARR	Dallas Annual Rate Review
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
LIBOR	London Interbank Offered Rate
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
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, 2020	September 30, 2019
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 15,044,831	$ 14,180,593
Less accumulated depreciation and amortization	2,496,591	2,392,924
Net property, plant and equipment	12,548,240	11,787,669
Current assets		
Cash and cash equivalents	320,099	24,550
Accounts receivable, net	377,817	230,571
Gas stored underground	68,061	130,138
Other current assets	63,584	72,772
Total current assets	829,561	458,031
Goodwill	730,706	730,706
Deferred charges and other assets	607,891	391,213
	$ 14,716,398	$ 13,367,619
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, 2020 — 122,308,725 shares; September 30, 2019 — 119,338,925 shares	$ 612	$ 597
Additional paid-in capital	3,986,187	3,712,194
Accumulated other comprehensive loss	(112,641)	(114,583)
Retained earnings	2,430,257	2,152,015
Shareholders' equity	6,304,415	5,750,223
Long-term debt	4,328,866	3,529,452
Total capitalization	10,633,281	9,279,675
Current liabilities		
Accounts payable and accrued liabilities	190,088	265,024
Other current liabilities	543,248	479,501
Short-term debt	199,923	464,915
Current maturities of long-term debt	131	—
Total current liabilities	933,390	1,209,440
Deferred income taxes	1,421,779	1,300,015
Regulatory excess deferred taxes	694,433	705,101
Regulatory cost of removal obligation	448,681	473,172
Deferred credits and other liabilities	584,834	400,216
	$ 14,716,398	$ 13,367,619

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
	2020	2019
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 933,005	$ 1,057,889
Pipeline and storage segment	146,237	135,650
Intersegment eliminations	(101,577)	(98,894)
Total operating revenues	977,665	1,094,645
Purchased gas cost		
Distribution segment	418,935	570,348
Pipeline and storage segment	202	(90)
Intersegment eliminations	(101,254)	(98,582)
Total purchased gas cost	317,883	471,676
Operation and maintenance expense	147,824	149,427
Depreciation and amortization expense	105,916	96,772
Taxes, other than income	74,604	79,093
Operating income	331,438	297,677
Other non-operating income (expense)	(2,989)	4,232
Interest charges	22,171	26,949
Income before income taxes	306,278	274,960
Income tax expense	66,632	60,072
Net income	$ 239,646	$ 214,888
Basic net income per share	$ 1.95	$ 1.83
Diluted net income per share	$ 1.95	$ 1.82
Cash dividends per share	$ 0.575	$ 0.525
Basic weighted average shares outstanding	122,916	117,581
Diluted weighted average shares outstanding	122,997	117,756
Net income	$ 239,646	$ 214,888
Other comprehensive income (loss), net of tax		
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of $(49) and $29	(163)	97
Cash flow hedges:		
Amortization and unrealized loss on interest rate agreements, net of tax of $312 and $(825)	1,053	(2,792)
Total other comprehensive income (loss)	890	(2,695)
Total comprehensive income	$ 240,536	$ 212,193

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended March 31	
	2020	2019
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 1,761,509	$ 1,896,724
Pipeline and storage segment	294,413	270,120
Intersegment eliminations	(202,694)	(194,417)
Total operating revenues	1,853,228	1,972,427
Purchased gas cost		
Distribution segment	816,493	1,008,080
Pipeline and storage segment	301	(448)
Intersegment eliminations	(202,043)	(193,791)
Total purchased gas cost	614,751	813,841
Operation and maintenance expense	300,069	288,027
Depreciation and amortization expense	210,978	192,837
Taxes, other than income	143,211	143,581
Operating income	584,219	534,141
Other non-operating income (expense)	1,898	(3,491)
Interest charges	49,400	54,798
Income before income taxes	536,717	475,852
Income tax expense	118,398	103,318
Net income	$ 418,319	$ 372,534
Basic net income per share	$ 3.43	$ 3.22
Diluted net income per share	$ 3.42	$ 3.21
Cash dividends per share	$ 1.15	$ 1.05
Basic weighted average shares outstanding	122,015	115,690
Diluted weighted average shares outstanding	122,179	115,794
Net income	$ 418,319	$ 372,534
Other comprehensive income (loss), net of tax		
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of $(49) and $29	(164)	97
Cash flow hedges:		
Amortization and unrealized loss on interest rate agreements, net of tax of $623 and $(7,405)	2,106	(25,050)
Total other comprehensive income (loss)	1,942	(24,953)
Total comprehensive income	$ 420,261	$ 347,581

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended March 31	
	2020	2019
	(Unaudited) (In thousands)	
Cash Flows From Operating Activities		
Net income	$ 418,319	$ 372,534
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	210,978	192,837
Deferred income taxes	110,664	96,885
Other	7,144	5,334
Net assets / liabilities from risk management activities	1,310	(333)
Net change in operating assets and liabilities	(114,640)	(106,428)
Net cash provided by operating activities	633,775	560,829
Cash Flows From Investing Activities		
Capital expenditures	(994,737)	(777,586)
Proceeds from the sale of discontinued operations	—	4,000
Debt and equity securities activities, net	(1,131)	777
Other, net	4,631	4,388
Net cash used in investing activities	(991,237)	(768,421)
Cash Flows From Financing Activities		
Net decrease in short-term debt	(264,992)	(575,780)
Net proceeds from equity offering	258,047	494,085
Issuance of common stock through stock purchase and employee retirement plans	8,321	10,344
Proceeds from issuance of long-term debt	799,450	1,045,221
Settlement of interest rate swaps	—	(90,141)
Repayment of long-term debt	—	(450,000)
Cash dividends paid	(140,077)	(120,328)
Debt issuance costs	(7,738)	(11,227)
Net cash provided by financing activities	653,011	302,174
Net increase in cash and cash equivalents	295,549	94,582
Cash and cash equivalents at beginning of period	24,550	13,771
Cash and cash equivalents at end of period	$ 320,099	$ 108,353

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2020

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") and its subsidiaries are 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, 2020, 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, aside from accounting policy changes noted below, 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, 2019. 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, 2019. Because of seasonal and other factors, the results of operations for the six-month period ended March 31, 2020 are not indicative of our results of operations for the full 2020 fiscal year, which ends September 30, 2020.

Except as noted below related to recent ratemaking activity, in Note 7 to the unaudited condensed consolidated financial statements regarding recent financing activity and in Note 11 to the unaudited condensed consolidated financial statements regarding new cash flow hedges, no events have occurred subsequent to the balance sheet date that would require recognition or disclosure in the unaudited 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, 2019.

During the second quarter of fiscal 2020, 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.

Accounting pronouncements adopted in fiscal 2020

In February 2016, the Financial Accounting Standards Board (FASB) issued a comprehensive new leasing standard that requires lessees to recognize a lease liability and a right-of-use (ROU) asset for all leases, including operating leases on its balance sheet. The new standard was effective for us beginning on October 1, 2019. See Note 6 to the unaudited condensed consolidated financial statements for further details regarding our adoption of the new lease standard and the related disclosures.

Accounting pronouncements that will be effective after fiscal 2020

In March 2020, the FASB issued optional guidance which will ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The amendments provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the cessation of the London Interbank Offered Rate (LIBOR). The amendments can be elected immediately, as of March 12, 2020, through December 31, 2022. We are currently evaluating if we will apply the optional guidance as we assess the impact of the cessation of LIBOR on our current contracts and hedging relationships and the potential impact on our financial position, results of operations and cash flows.

In December 2019, the FASB issued new guidance related to accounting for income taxes which removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocations and calculating income taxes in interim periods. The new standard also adds guidance to reduce complexity in certain areas, such as recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The new standard will be effective for us beginning on October 1, 2021; 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 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 debt securities that will require credit losses to be recorded through an allowance account. The new standard will be effective for us beginning on October 1, 2020. 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 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 are reported separately.

Significant regulatory assets and liabilities as of March 31, 2020 and September 30, 2019 included the following:

	March 31, 2020	September 30, 2019
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs	$ 80,955	$ 86,089
Infrastructure mechanisms(1)	142,075	131,894
Deferred gas costs	—	23,766
Recoverable loss on reacquired debt	5,652	6,551
Deferred pipeline record collection costs	27,811	26,418
Rate case costs	2,250	1,346
Other	7,765	8,483
	$ 266,508	$ 284,547
Regulatory liabilities:		
Regulatory excess deferred taxes(2)	$ 715,807	$ 726,307
Regulatory cost of service reserve	3,770	5,238
Regulatory cost of removal obligation	521,319	528,893
Deferred gas costs	115,112	14,112
Asset retirement obligation	17,054	17,054
APT annual adjustment mechanism	68,048	78,402
Other	17,591	16,120
	$ 1,458,701	$ 1,386,126

(1) 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.

(2) The Tax Cuts and Jobs Act of 2017 (the "TCJA") resulted in the remeasurement of the net deferred tax liability included in our rate base. Of this amount, $21.4 million as of March 31, 2020 and $21.2 million as of September 30, 2019 is recorded in other current liabilities. These liabilities are being returned to customers in most of our jurisdictions on a provisional basis over 15 to 46 years until formal orders establish the final refund periods.

Subsequent to March 31, 2020, we have received regulatory orders in Louisiana, Mississippi, Texas (including APT) and Virginia to defer into a regulatory asset all expenses, beyond the normal course of business, related to Coronavirus Disease 2019 (COVID-19 or virus), including bad debt expense.

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 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, 2019.

Income statements and capital expenditures for the three and six months ended March 31, 2020 and 2019 by segment are presented in the following tables:

	Three Months Ended March 31, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 932,296	$ 45,369	$ —	$ 977,665
Intersegment revenues	709	100,868	(101,577)	—
Total operating revenues	933,005	146,237	(101,577)	977,665
Purchased gas cost	418,935	202	(101,254)	317,883
Operation and maintenance expense	115,851	32,296	(323)	147,824
Depreciation and amortization expense	76,265	29,651	—	105,916
Taxes, other than income	68,413	6,191	—	74,604
Operating income	253,541	77,897	—	331,438
Other non-operating income (expense)	(5,191)	2,202	—	(2,989)
Interest charges	10,797	11,374	—	22,171
Income before income taxes	237,553	68,725	—	306,278
Income tax expense	50,489	16,143	—	66,632
Net income	$ 187,064	$ 52,582	$ —	$ 239,646
Capital expenditures	$ 373,313	$ 92,238	$ —	$ 465,551

	Three Months Ended March 31, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 1,057,192	$ 37,453	$ —	$ 1,094,645
Intersegment revenues	697	98,197	(98,894)	—
Total operating revenues	1,057,889	135,650	(98,894)	1,094,645
Purchased gas cost	570,348	(90)	(98,582)	471,676
Operation and maintenance expense	117,621	32,118	(312)	149,427
Depreciation and amortization expense	69,904	26,868	—	96,772
Taxes, other than income	71,053	8,040	—	79,093
Operating income	228,963	68,714	—	297,677
Other non-operating income (expense)	5,263	(1,031)	—	4,232
Interest charges	15,896	11,053	—	26,949
Income before income taxes	218,330	56,630	—	274,960
Income tax expense	46,137	13,935	—	60,072
Net income	$ 172,193	$ 42,695	$ —	$ 214,888
Capital expenditures	$ 293,270	$ 67,912	$ —	$ 361,182

	Six Months Ended March 31, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 1,760,136	$ 93,092	$ —	$ 1,853,228
Intersegment revenues	1,373	201,321	(202,694)	—
Total operating revenues	1,761,509	294,413	(202,694)	1,853,228
Purchased gas cost	816,493	301	(202,043)	614,751
Operation and maintenance expense	230,203	70,517	(651)	300,069
Depreciation and amortization expense	152,339	58,639	—	210,978
Taxes, other than income	128,656	14,555	—	143,211
Operating income	433,818	150,401	—	584,219
Other non-operating income (expense)	(3,237)	5,135	—	1,898
Interest charges	27,159	22,241	—	49,400
Income before income taxes	403,422	133,295	—	536,717
Income tax expense	86,601	31,797	—	118,398
Net income	$ 316,821	$ 101,498	$ —	$ 418,319
Capital expenditures	$ 777,560	$ 217,177	$ —	$ 994,737

	Six Months Ended March 31, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 1,895,373	$ 77,054	$ —	$ 1,972,427
Intersegment revenues	1,351	193,066	(194,417)	—
Total operating revenues	1,896,724	270,120	(194,417)	1,972,427
Purchased gas cost	1,008,080	(448)	(193,791)	813,841
Operation and maintenance expense	223,388	65,265	(626)	288,027
Depreciation and amortization expense	139,613	53,224	—	192,837
Taxes, other than income	127,243	16,338	—	143,581
Operating income	398,400	135,741	—	534,141
Other non-operating expense	(1,214)	(2,277)	—	(3,491)
Interest charges	34,106	20,692	—	54,798
Income before income taxes	363,080	112,772	—	475,852
Income tax expense	76,502	26,816	—	103,318
Net income	$ 286,578	$ 85,956	$ —	$ 372,534
Capital expenditures	$ 595,815	$ 181,771	$ —	$ 777,586

Balance sheet information at March 31, 2020 and September 30, 2019 by segment is presented in the following tables:

	March 31, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 9,364,424	$ 3,183,816	$ —	$ 12,548,240
Total assets	$ 13,946,651	$ 3,403,106	$ (2,633,359)	$ 14,716,398

	September 30, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 8,737,590	$ 3,050,079	$ —	$ 11,787,669
Total assets	$ 12,579,741	$ 3,279,323	$ (2,491,445)	$ 13,367,619

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 weighted average shares outstanding is calculated based upon the weighted average number of common shares outstanding during the periods presented. Also, this calculation includes fully vested stock awards that have not yet been issued as common stock. Additionally, the weighted average shares outstanding for diluted EPS includes the incremental effects of the forward sale agreements, discussed in Note 8 to the unaudited condensed consolidated financial statements, when the impact is dilutive. Basic and diluted earnings per share for the three and six months ended March 31, 2020 and 2019 are calculated as follows:

	Three Months Ended March 31		Six Months Ended March 31	
	2020	2019	2020	2019
	(In thousands, except per share amounts)			
Basic Earnings Per Share				
Net income	$ 239,646	$ 214,888	$ 418,319	$ 372,534
Less: Income allocated to participating securities	178	170	314	301
Income available to common shareholders	$ 239,468	$ 214,718	$ 418,005	$ 372,233
Basic weighted average shares outstanding	122,916	117,581	122,015	115,690
Net income per share — Basic	$ 1.95	$ 1.83	$ 3.43	$ 3.22
Diluted Earnings Per Share				
Income available to common shareholders	$ 239,468	$ 214,718	$ 418,005	$ 372,233
Effect of dilutive shares	—	—	—	—
Income available to common shareholders	$ 239,468	$ 214,718	$ 418,005	$ 372,233
Basic weighted average shares outstanding	122,916	117,581	122,015	115,690
Dilutive shares	81	175	164	104
Diluted weighted average shares outstanding	122,997	117,756	122,179	115,794
Net income per share - Diluted	$ 1.95	$ 1.82	$ 3.42	$ 3.21

5. Revenue

Our revenue recognition policy is fully described in Note 2 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. The following tables disaggregate our revenue from contracts with customers by customer type and segment and provide a reconciliation to total operating revenues, including intersegment revenues, for the three and six months ended March 31, 2020 and 2019.

	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
	Distribution	Pipeline and Storage	Distribution	Pipeline and Storage
	(In thousands)			
Gas sales revenues:				
Residential	$ 596,315	$ —	$ 695,827	$ —
Commercial	230,779	—	278,945	—
Industrial	25,628	—	35,887	—
Public authority and other	14,662	—	17,087	—
Total gas sales revenues	867,384	—	1,027,746	—
Transportation revenues	28,504	154,748	27,682	142,270
Miscellaneous revenues	6,986	1,335	7,364	2,773
Revenues from contracts with customers	902,874	156,083	1,062,792	145,043
Alternative revenue program revenues[1]	29,638	(9,846)	(5,397)	(9,393)
Other revenues	493	—	494	—
Total operating revenues	$ 933,005	$ 146,237	$ 1,057,889	$ 135,650

	Six Months Ended March 31, 2020		Six Months Ended March 31, 2019	
	Distribution	Pipeline and Storage	Distribution	Pipeline and Storage
	(In thousands)			
Gas sales revenues:				
Residential	$ 1,148,391	$ —	$ 1,243,755	$ —
Commercial	442,093	—	497,883	—
Industrial	50,553	—	70,424	—
Public authority and other	27,684	—	30,372	—
Total gas sales revenues	1,668,721	—	1,842,434	—
Transportation revenues	55,144	306,758	53,082	289,694
Miscellaneous revenues	13,772	6,490	14,314	4,455
Revenues from contracts with customers	1,737,637	313,248	1,909,830	294,149
Alternative revenue program revenues[(1)]	22,887	(18,835)	(14,136)	(24,029)
Other revenues	985	—	1,030	—
Total operating revenues	$ 1,761,509	$ 294,413	$ 1,896,724	$ 270,120

(1) In our distribution segment, we have weather-normalization adjustment mechanisms that serve to minimize the effects of weather on our revenue. Additionally, APT has a regulatory mechanism that requires that we share with its tariffed customers 75% of the difference between the total non-tariffed revenues earned during a test period and a revenue benchmark.

6. Leases

We adopted the provisions of the new lease accounting standard beginning on October 1, 2019, using the optional transition method, which allows us to apply the provisions of the new standard to all leases that existed as of the date of adoption. Therefore, results for reporting periods beginning on October 1, 2019 are presented under the new lease accounting standard and prior periods are presented under the former lease accounting standard.

The new guidance included several practical expedients to facilitate the implementation of the new standard. The following summarizes the practical expedients we used to implement the standard.

- We elected to bundle our lease and non-lease components as a single component for all asset classes.
- We elected not to perform the following:
  - Evaluate existing or expired land easements prior to October 1, 2019 to determine if they are leases.
  - Include short-term leases in the calculation of our lease liability.
  - Evaluate existing or expired contracts to determine if they are leases.
  - Assess lease classification for existing or expired leases.
  - Review initial direct costs for existing leases.
  - Use hindsight in order to determine the lease term or impairment of our ROU assets.

Upon adoption of this new guidance, we recorded ROU assets and lease liabilities of $231.3 million. Additionally, we reclassified a net $6.5 million of accrued and prepaid lease costs to the ROU asset and $2.5 million related to an existing finance lease from deferred credits and other liabilities to long-term debt.

Implementation of the new lease accounting guidance had no material impact on our condensed consolidated statements of comprehensive income or our condensed consolidated statements of cash flows. Additionally, we did not record a cumulative-effect adjustment to retained earnings on the opening balance sheet.

New Lease Accounting Policy

We determine if an arrangement is a lease at the inception of the agreement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and we have the right to control the asset. We are the lessee for substantially all of our leasing activity, which primarily includes operating leases for office and warehouse space, tower space, vehicles and heavy equipment used in our operations. We are also a lessee in finance leases for service centers.

We record a lease liability and a corresponding ROU asset for all of our leases with a term greater than 12 months. For lease contracts containing renewal and termination options, we include the option period in the lease term when it is reasonably certain the option will be exercised. We most frequently assume renewal options at the inception of the arrangement for our tower and fleet leases, based on our anticipated use of the assets. Real estate leases that contain a renewal option are evaluated on a lease-by-lease basis to determine if the option period should be included in the lease term. Currently, we have not included material renewal options for real estate leases in our ROU asset or lease liability. The following table presents our weighted average remaining lease term for our leases.

	March 31, 2020
Weighted average remaining lease term (years)	
Finance leases	19.45
Operating leases	10.72

The lease liability represents the present value of all lease payments over the lease term. The discount rate used to determine the present value of the lease liability is the rate implicit in the lease unless that rate cannot be readily determined. We use the implicit rate stated in the agreement to determine the lease liability for our fleet leases. We use our corporate collateralized incremental borrowing rate as the discount rate for all other lease agreements. This rate is appropriate because we believe it represents the rate we would have incurred to borrow funds to acquire the leased asset over a similar term. We calculated this rate using a combination of inputs, including our current credit rating, quoted market prices of interest rates for our publicly traded unsecured debt, observable market yield curve data for peer companies with a credit rating one notch higher than our current credit rating and the lease term.

The following table represents our weighted average discount rate at March 31, 2020:

	March 31, 2020
Weighted average discount rate	
Finance leases	6.95%
Operating leases	2.92%

The ROU asset represents the right to use the underlying asset for the lease term, and is equal to the lease liability, adjusted for prepaid or accrued lease payments and any lease incentives that have been paid to us or when we are reasonably certain to incur costs equal to or greater than the allowance defined in the contract.

Variable payments included in our leasing arrangements are expensed in the period in which the obligation for these payments is incurred. Variable payments are dependent on usage, output or may vary for other reasons. Most of our variable lease expense is related to tower leases that have escalating payments based on changes to a stated CPI index, and usage of certain office equipment.

We have not provided material residual value guarantees for our leases, nor do our leases contain material restrictions or covenants.

Lease costs for the three and six months ended March 31, 2020 are presented in the table below. These costs include both amounts recognized in expense and amounts capitalized. For the three and six months ended March 31, 2020, we did not have material short-term lease costs or variable lease costs.

	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
	(In thousands)	
Finance lease cost	$ 105	$ 178
Operating lease cost	10,166	20,091
Total lease cost	$ 10,271	$ 20,269

Our ROU assets and lease liabilities are presented as follows on the condensed consolidated balance sheets (unaudited):

	Balance Sheet Classification	March 31, 2020
		(In thousands)
Assets		
Finance leases	Net Property, Plant and Equipment	$ 6,631
Operating leases	Deferred charges and other assets	222,653
Total right-of-use assets		$ 229,284
Liabilities		
Current		
Finance leases	Current maturities of long-term debt	$ 131
Operating leases	Other current liabilities	31,482
Noncurrent		
Finance leases	Long-term debt	6,535
Operating leases	Deferred credits and other liabilities	199,563
Total lease liabilities		$ 237,711

Other pertinent information related to leases was as follows. During the six months ended March 31, 2020, amounts paid in cash for our finance leases were not material.

	Six Months Ended March 31, 2020
	(In thousands)
Cash paid amounts included in the measurement of lease liabilities	
Operating cash flows used for operating leases	$ 18,223
Right-of-use assets obtained in exchange for lease obligations	
Finance leases	$ 4,150
Operating leases	$ 13,854

Maturities of our lease liabilities as of March 31, 2020, presented on a rolling 12-month basis, were as follows:

	Total	Finance Leases	Operating Leases
		(In thousands)	
Year 1	$ 36,723	$ 516	$ 36,207
Year 2	37,066	526	36,540
Year 3	32,468	536	31,932
Year 4	27,244	547	26,697
Year 5	17,088	558	16,530
Thereafter	133,876	9,335	124,541
Total lease payments	284,465	12,018	272,447
Less: Imputed interest	46,754	5,352	41,402
Total	$ 237,711	$ 6,666	$ 231,045
Reported as of March 31, 2020			
Short-term lease liabilities	$ 31,613	$ 131	$ 31,482
Long-term lease liabilities	206,098	6,535	199,563
Total lease liabilities	$ 237,711	$ 6,666	$ 231,045

Disclosures Related to Prior Periods

The future minimum lease payments as of September 30, 2019 were as follows:

	Operating Leases(1)	Capital Lease
	(In thousands)	
2020	$ 21,017	$ 243
2021	20,416	248
2022	19,370	253
2023	18,071	258
2024	15,718	263
Thereafter	105,544	4,343
Total minimum lease payments	$ 200,136	5,608
Less amount representing interest		3,018
Present value of net minimum lease payments		$ 2,590

(1) Future minimum lease payments do not include amounts for fleet leases and other de minimis items that can be renewed beyond the initial lease term. The Company anticipates renewing the leases beyond the initial term, but the anticipated payments associated with the renewals do not meet the definition of expected minimum lease payments and therefore are not included above. Expected payments are $17.6 million in 2020, $18.0 million in 2021, $11.8 million in 2022, $8.5 million in 2023, $5.4 million 2024 and $2.7 million thereafter.

Consolidated lease and rental expense for the three and six months ended March 31, 2019 was $10.3 million and $20.3 million.

7. Debt

The nature and terms of our debt instruments and credit facilities are described in detail in Note 6 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. Other than as described below, there were no material changes in the terms of our debt instruments during the six months ended March 31, 2020.

Long-term debt at March 31, 2020 and September 30, 2019 consisted of the following:

	March 31, 2020	September 30, 2019
	(In thousands)	
Unsecured 3.00% Senior Notes, due 2027	$ 500,000	$ 500,000
Unsecured 2.625% Senior Notes, due 2029	300,000	—
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
Unsecured 4.30% Senior Notes, due 2048	600,000	600,000
Unsecured 4.125% Senior Notes, due 2049	450,000	450,000
Unsecured 3.375% Senior Notes, due 2049	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
Finance lease obligations (see Note 6)	6,666	—
Total long-term debt	4,366,666	3,560,000
Less:		
Original issue (premium) / discount on unsecured senior notes and debentures	663	193
Debt issuance cost	37,006	30,355
Current maturities	131	—
	$ 4,328,866	$ 3,529,452

On April 9, 2020, we entered into a two year, $200 million term loan agreement. Borrowings under the term loan may be repaid on or after April 9, 2021 and will bear interest at a rate of LIBOR plus 1.25 percent. The term loan was used to pay down all of our outstanding commercial paper.

On October 2, 2019, we completed a public offering of $300 million of 2.625% senior notes due 2029 and $500 million of 3.375% senior notes due 2049. We received net proceeds from the offering, after the underwriting discount and offering expenses, of $791.7 million, that were used for general corporate purposes, including the repayment of borrowings pursuant to our commercial paper program. The effective interest rate on these notes is 2.72% and 3.42%, after giving effect to the offering costs.

Short-term debt

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 driven primarily by construction work in progress and 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.

As of March 31, 2020, our short-term borrowing requirements were 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 on September 25, 2023. The facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin 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, 2020 and September 30, 2019, a total of $199.9 million and $464.9 million was outstanding under our commercial paper program.

Additionally, we had a $25 million 364-day unsecured facility that was available to provide working capital funding. There were no borrowings outstanding under this facility as of March 31, 2020. This facility was renewed effective April 1, 2020 and was increased to $50 million.

Finally, we had a $10 million 364-day unsecured revolving credit facility, which was used primarily to issue letters of credit. At March 31, 2020, there were no borrowings outstanding under the facility; however, outstanding letters of credit reduced the total amount available to us under our $10 million facility to $4.4 million. On April 30, 2020, we executed a new $50 million 364-day unsecured revolving credit facility which replaced this facility.

On April 23, 2020, we executed a new $600 million 364-day unsecured revolving credit facility to provide additional working capital funding. The facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin ranging from zero percent to 1.25 percent, based on the Company's credit ratings.

Following the completion of the new facilities and the amendment to our existing facility in April 2020, our short term borrowing requirements are now satisfied through a combination of a $1.5 billion commercial paper program and four committed revolving credit facilities with third-party lenders that provide approximately $2.2 billion of total working capital funding.

Debt covenants

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, 2020, 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 if not paid at maturity. We were in compliance with all of our debt covenants as of March 31, 2020. 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.

8. Shareholders' Equity

The following tables present a reconciliation of changes in stockholders' equity for the three and six months ended March 31, 2020 and 2019.

	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, 2019	119,338,925	$ 597	$ 3,712,194	$ (114,583)	$ 2,152,015	$ 5,750,223
Net income	—	—	—	—	178,673	178,673
Other comprehensive income	—	—	—	1,052	—	1,052
Cash dividends ($0.575 per share)	—	—	—	—	(69,557)	(69,557)
Common stock issued:						
Public and other stock offerings	2,758,929	13	263,259	—	—	263,272
Stock-based compensation plans	164,549	1	4,111	—	—	4,112
Balance, December 31, 2019	122,262,403	611	3,979,564	(113,531)	2,261,131	6,127,775
Net income	—	—	—	—	239,646	239,646
Other comprehensive income	—	—	—	890	—	890
Cash dividends ($0.575 per share)	—	—	—	—	(70,520)	(70,520)
Common stock issued:						
Public and other stock offerings	38,662	1	3,095	—	—	3,096
Stock-based compensation plans	7,660	—	3,528	—	—	3,528
Balance, March 31, 2020	122,308,725	$ 612	$ 3,986,187	$ (112,641)	$ 2,430,257	$ 6,304,415

	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, 2018	111,273,683	$ 556	$ 2,974,926	$ (83,647)	$ 1,878,116	$ 4,769,951
Net income	—	—	—	—	157,646	157,646
Other comprehensive loss	—	—	—	(22,258)	—	(22,258)
Cash dividends ($0.525 per share)	—	—	—	—	(58,722)	(58,722)
Cumulative effect of accounting change	—	—	—	(8,210)	8,210	—
Common stock issued:						
Public and other stock offerings	5,434,812	27	498,948	—	—	498,975
Stock-based compensation plans	184,464	1	2,602	—	—	2,603
Balance, December 31, 2018	116,892,959	584	3,476,476	(114,115)	1,985,250	5,348,195
Net income	—	—	—	—	214,888	214,888
Other comprehensive loss	—	—	—	(2,695)	—	(2,695)
Cash dividends ($0.525 per share)	—	—	—	—	(61,606)	(61,606)
Common stock issued:						
Public and other stock offerings	61,006	1	5,453	—	—	5,454
Stock-based compensation plans	28,938	—	3,865	—	—	3,865
Balance, March 31, 2019	116,982,903	$ 585	$ 3,485,794	$ (116,810)	$ 2,138,532	$ 5,508,101

Shelf Registration, At-the-Market Equity Sales Program and Equity Issuances

On February 11, 2020, we filed a shelf registration statement with the Securities and Exchange Commission (SEC) that allows us to issue up to $4.0 billion in common stock and/or debt securities, which expires February 11, 2023. This shelf registration statement replaced our previous shelf registration statement which was filed on November 13, 2018 (2018 Registration Statement). At March 31, 2020, approximately $3.0 billion of securities remained available for issuance under the shelf registration statement.

On February 12, 2020, we filed a prospectus supplement under the shelf registration statement relating to an at-the-market (ATM) equity sales program (February 2020 ATM) under which we may issue and sell shares of our common stock up to an aggregate offering price of $1.0 billion (including shares of common stock that may be sold pursuant to forward sale agreements entered into concurrently with the ATM equity sales program). This ATM equity sales program replaced our previous ATM equity sales program, filed on November 19, 2018 (November 2018 ATM), which was exhausted during the second quarter with the execution of forward sales.

During the six months ended March 31, 2020, we executed forward sales under the February 2020 ATM and the November 2018 ATM equity sales programs with various forward sellers who borrowed and sold 1,890,857 shares of our common stock at an aggregate price of $219.9 million. Additionally, during the six months ended March 31, 2020, we settled forward sale agreements with respect to 2,234,871 shares that had been borrowed and sold by various forward sellers during fiscal 2019 under the November 2018 ATM for net proceeds of $213.6 million. As of March 31, 2020, the February 2020 ATM program had approximately $855 million of equity available for issuance.

On November 30, 2018, we filed a prospectus supplement under the 2018 Registration Statement relating to an underwriting agreement to sell 5,390,836 shares of our common stock for $500 million. After expenses, net proceeds from the offering were $494.1 million. Concurrently, we entered into separate forward sales agreements with two forward sellers who borrowed and sold 2,668,464 shares of our common stock at an aggregate price of $247.5 million. During the six months ended March 31, 2020, we settled the remaining 485,189 shares under these forward sale agreements for net proceeds of $44.4 million.

During the six months ended March 31, 2019, we executed forward sales under the November 2018 ATM with various forward sellers who borrowed and sold 1,670,509 shares of our common stock at a weighted average price of $95.46 per share.

If we had settled all shares that remain available under our outstanding forward sale agreements as of March 31, 2020, we would have received proceeds of $418.6 million, based on a net price of $110.13 per share. Additional details are presented below.

Issue Quarter	Issued Under	Shares Available	Net Proceeds Available (In thousands)	Maturity	Forward Price
June 30, 2019	ATM	486,201	$ 48,819	9/30/2020	$ 100.41
September 30, 2019	ATM	1,423,599	153,426	9/30/2020	$ 107.77
December 31, 2019	ATM	339,574	36,218	9/30/2020	$ 106.66
March 31, 2020	ATM	1,551,283	180,117	9/30/2020 3/31/2021	$ 116.11
Total		3,800,657	$ 418,580		

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in AOCI related to available-for-sale debt securities and interest rate agreement cash flow hedges. Deferred gains (losses) for our available-for-sale debt securities 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, 2019	$ 132	$ (114,715)	$ (114,583)
Other comprehensive loss before reclassifications	(163)	—	(163)
Amounts reclassified from accumulated other comprehensive income	(1)	2,106	2,105
Net current-period other comprehensive income (loss)	(164)	2,106	1,942
March 31, 2020	$ (32)	$ (112,609)	$ (112,641)

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Total
		(In thousands)	
September 30, 2018	$ 8,124	$ (91,771)	$ (83,647)
Other comprehensive income (loss) before reclassifications	97	(25,966)	(25,869)
Amounts reclassified from accumulated other comprehensive income	—	916	916
Net current-period other comprehensive income (loss)	97	(25,050)	(24,953)
Cumulative effect of accounting change	(8,210)	—	(8,210)
March 31, 2019	$ 11	$ (116,821)	$ (116,810)

9. 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, 2020 and 2019 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 or deferred as a regulatory asset or liability. The remaining costs are recorded as a component of operation and maintenance expense or other non-operating expense.

	Three Months Ended March 31			
	Pension Benefits		Other Benefits	
	2020	2019	2020	2019
		(In thousands)		
Components of net periodic pension cost:				
Service cost	$ 4,652	$ 4,045	$ 3,366	$ 2,703
Interest cost(1)	5,843	6,801	2,653	2,958
Expected return on assets(1)	(7,079)	(7,113)	(2,625)	(2,665)
Amortization of prior service cost (credit)(1)	(58)	(58)	43	44
Amortization of actuarial (gain) loss(1)	3,242	1,607	(334)	(2,044)
Net periodic pension cost	$ 6,600	$ 5,282	$ 3,103	$ 996

	Six Months Ended March 31			
	Pension Benefits		Other Benefits	
	2020	2019	2020	2019
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 9,305	$ 8,090	$ 6,733	$ 5,405
Interest cost(1)	11,686	13,600	5,306	5,919
Expected return on assets(1)	(14,158)	(14,226)	(5,249)	(5,330)
Amortization of prior service cost (credit)(1)	(116)	(116)	87	87
Amortization of actuarial (gain) loss(1)	6,483	3,215	(669)	(4,089)
Net periodic pension cost	$ 13,200	$ 10,563	$ 6,208	$ 1,992

(1) The components of net periodic cost other than the service cost component are included in the line item other non-operating expense in the condensed consolidated statements of comprehensive income or are capitalized on the condensed consolidated balance sheets as a regulatory asset or liability, as described in Note 2 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

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, 2020, we are not required to make a minimum contribution to our defined benefit plan during fiscal 2020. However, we may consider whether a voluntary contribution is prudent to maintain certain funding levels.

For the six months ended March 31, 2020 we contributed $7.4 million to our postretirement medical plans. We anticipate contributing a total of between $10 million and $20 million to our postretirement plans during fiscal 2020.

10. 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 (RRC) 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.

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. These purchase commitment contracts are detailed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. At March 31, 2020, we were committed to purchase 44.1 Bcf within one year, 61.5 Bcf within two to three years and 3.4 Bcf beyond three years under indexed contracts.

Rate Regulatory Proceedings

As of March 31, 2020, routine rate regulatory proceedings were in progress in several of our service areas, which are discussed in further detail below in *Management's Discussion and Analysis — Recent Ratemaking Developments*. Except for these proceedings, there were no material changes to rate regulatory proceedings for the six months ended March 31, 2020.

11. Financial Instruments

We currently use financial instruments to mitigate commodity price risk and periodically to mitigate 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 14 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. During the six months ended March 31, 2020, 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 2019-2020 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 49 percent, or 19.9 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 manage interest rate risk by periodically entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

In April 2020, we entered into forward starting interest rate swaps to effectively fix the Treasury yield component associated with $500 million of a planned issuance of unsecured senior notes in fiscal 2021 at 0.69% and $450 million of a planned issuance of unsecured senior notes in fiscal 2022 at 1.33%, which we designated 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 charges over the life of the related financing arrangement. Hedge ineffectiveness to the extent incurred, will be reported as a component of interest charges.

As of March 31, 2020, we had $112.6 million of net realized losses in 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 charges over the life of the associated notes from the date of settlement. The remaining amortization periods for these settled amounts extend through fiscal 2049.

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 statements of comprehensive income.

As of March 31, 2020, 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, 2020, we had 4,510 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 March 31, 2020 and September 30, 2019. 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. However, for March 31, 2020 and September 30, 2019, no gross amounts and no cash collateral were netted within our consolidated balance sheet.

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
March 31, 2020			
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	$ 880	$ (1,714)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	2	—
Total		882	(1,714)
Gross / Net Financial Instruments		$ 882	$ (1,714)

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
September 30, 2019			
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	$ 1,586	$ (4,552)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	225	(1,249)
Total		1,811	(5,801)
Gross / Net Financial Instruments		$ 1,811	$ (5,801)

Impact of Financial Instruments on the Statement of Comprehensive Income

Cash Flow Hedges

As discussed above, in the past our distribution segment had interest rate agreements, which we designated as cash flow hedges at the time the agreements were executed. The net loss on settled interest rate agreements reclassified from AOCI into interest charges on our condensed consolidated statements of comprehensive income for the three months ended March 31, 2020 and 2019 was $1.4 million and $0.6 million and for the six months ended March 31, 2020 and 2019 was $2.7 million and $1.2 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, 2020 and 2019. The amounts included in the table below exclude gains and losses arising from ineffectiveness because those amounts are immediately recognized in the statement of comprehensive income as incurred.

	Three Months Ended March 31		Six Months Ended March 31	
	2020	2019	2020	2019
	(In thousands)			
Increase (decrease) in fair value:				
Interest rate agreements	$ —	$ (3,250)	$ —	$ (25,966)
Recognition of losses in earnings due to settlements:				
Interest rate agreements	1,053	458	2,106	916
Total other comprehensive income (loss) from hedging, net of tax	$ 1,053	$ (2,792)	$ 2,106	$ (25,050)

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, 2020, 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.

		Interest Rate Agreements
		(In thousands)
Next twelve months	$	(4,212)
Thereafter		(108,397)
Total	$	(112,609)

Financial Instruments Not Designated as Hedges

As discussed above, commodity contracts which are 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 comprehensive 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.

12. 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, 2019. During the six months ended March 31, 2020, 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 8 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

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, 2020 and September 30, 2019. 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, 2020
						(In thousands)				
Assets:										
Financial instruments	$	—	$	882	$	—	$	—	$	882
Debt and equity securities										
Registered investment companies		35,839		—		—		—		35,839
Bond mutual funds		25,905		—		—		—		25,905
Bonds(2)		—		32,520		—		—		32,520
Money market funds		—		1,815		—		—		1,815
Total debt and equity securities		61,744		34,335		—		—		96,079
Total assets	$	61,744	$	35,217	$	—	$	—	$	96,961
Liabilities:										
Financial instruments	$	—	$	1,714	$	—	$	—	$	1,714

		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, 2019
						(In thousands)				
Assets:										
Financial instruments	$	—	$	1,811	$	—	$	—	$	1,811
Debt and equity securities										
Registered investment companies		41,406		—		—		—		41,406
Bond mutual funds		25,966		—		—		—		25,966
Bonds(2)		—		31,915		—		—		31,915
Money market funds		—		2,596		—		—		2,596
Total debt and equity securities		67,372		34,511		—		—		101,883
Total assets	$	67,372	$	36,322	$	—	$	—	$	103,694
Liabilities:										
Financial instruments	$	—	$	5,801	$	—	$	—	$	5,801

(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.
(2) Our investments in bonds are considered available-for-sale debt securities in accordance with current accounting guidance.

Debt and equity securities are comprised of our available-for-sale debt securities and our equity securities. We regularly evaluate the performance of our available-for-sale debt securities on an investment by investment basis for impairment, taking into consideration the investment'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 and the other-than-temporary impairment is recognized in the statement of comprehensive income. At March 31, 2020 and September 30, 2019, the amortized cost of our available-for-sale debt securities was $32.6 million and $31.7 million. At March 31, 2020, we maintained investments in bonds that have contractual maturity dates ranging from April 2020 through September 2022.

Other Fair Value Measures

Our long-term debt is recorded at carrying value. The fair value of our long-term debt, excluding finance leases, 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 carrying value of our finance leases materially approximates fair value. The following table presents the carrying value and fair value of our long-term debt, excluding finance leases, as of March 31, 2020 and September 30, 2019:

	March 31, 2020	September 30, 2019
	(In thousands)	
Carrying Amount	$ 4,360,000	$ 3,560,000
Fair Value	$ 4,863,851	$ 4,216,249

13. Concentration of Credit Risk

Information regarding our concentration of credit risk is disclosed in Note 17 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. During the six months ended March 31, 2020, 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

Results of Review of Interim Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of Atmos Energy Corporation (the Company) as of March 31, 2020, the related condensed consolidated statements of comprehensive income for the three and six months ended March 31, 2020 and 2019, the condensed consolidated statements of cash flows for the six months ended March 31, 2020 and 2019, and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements 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) (PCAOB), the consolidated balance sheet of the Company as of September 30, 2019, the related consolidated statements of comprehensive income, shareholders’ equity, and cash flows for the year then ended, and the related notes and schedule (not presented herein); and in our report dated November 12, 2019, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2019, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements 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 PCAOB, 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.

/s/ ERNST & YOUNG LLP

Dallas, Texas
May 6, 2020

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, 2019.

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: the outbreak of COVID-19 and its impact on business and economic conditions; federal, state and local regulatory and political trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; 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; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; 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; the impact of climate change; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; increased dependence on technology that may hinder the Company's business if such technologies fail; 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, 2020 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.

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 the allowance for doubtful accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and the valuation of goodwill 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, 2019 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, 2020.

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 six months ended March 31, 2020, we recorded net income of $418.3 million, or $3.42 per diluted share, compared to net income of $372.5 million, or $3.21 per diluted share for the six months ended March 31, 2019. The period-over-period increase in net income of $45.8 million, or 12 percent, largely reflects positive rate outcomes and customer growth in our distribution business. During the six months ended March 31, 2020, we implemented ratemaking regulatory actions which resulted in an increase in annual operating income of $59.2 million and had thirteen ratemaking efforts in progress at March 31, 2020, seeking a total increase in annual operating income of $219.3 million.

Capital expenditures for the six months ended March 31, 2020 increased 28 percent period over period, to $994.7 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. During the six months ended March 31, 2020, we completed the public offering of $300 million of 10-year senior notes and $500 million of 30-year senior notes and received net proceeds of $791.7 million. We also received net proceeds from the settlement of certain equity forward sale agreements of $258.0 million during the first six months of 2020.

As a result of our sustained financial performance, improved cash flows and capital structure, our Board of Directors increased the quarterly dividend by 9.5 percent for fiscal 2020.

COVID-19 Impact

Beginning in January 2020, there has been an outbreak of the Coronavirus Disease 2019 (COVID-19 or virus), which has been declared a “pandemic” by the World Health Organization. During this time, we continue to provide essential services to ensure the safety and functionality of our critical infrastructure. These activities include essential service orders, third party damage prevention activities, compliance work and substantially all construction activities. As we perform these activities, we are taking precautions to provide a safe work environment for employees and customers. Our employees are practicing social distancing guidelines, wearing face coverings while working in our communities and working in smaller construction crews. We have also established a remote working protocol where possible and have suspended employee travel. Currently, approximately 95 percent of our employees are working remotely.

To protect and support our customers we have implemented customer screening precautions and have safely limited when service technicians will be in customer homes and businesses. And, we have temporarily suspended disconnects for non-payment and waived late payment fees and certain reconnect fees.

For the six months ended March 31, 2020, the pandemic did not have a material impact on our operational and financial performance because mitigation efforts to contain the spread of the virus were implemented in our service territories during the last two weeks of the quarter.

Approximately 70 percent of our distribution segment's fiscal year revenues are earned during the first two fiscal quarters. In our distribution segment, approximately 60 percent of our revenues from April through September relate to our residential customers and 40 percent relate to non-residential customers including commercial, industrial and transportation. Our rate design allows us to recover approximately 59 percent of our distribution segment revenue, excluding gas costs, through the base customer charge, which partially separates the recovery of our approved rate from customer usage patterns.

In our pipeline and storage segment, over 80 percent of that segment's revenues are derived from delivery services provided to our Mid-Tex Division and a limited number of other local distribution companies. The revenue earned from these services is charged to these local distribution companies and is recovered from customers through the gas cost component of distribution company bills.

With respect to distribution bad debt expense, we have the ability to recover bad debt expense in our next rate filing. Filings are made annually in most of our jurisdictions. Additionally, the Company has the ability to immediately defer the gas cost component of bad debt expense on approximately 77 percent of our residential and commercial revenues. Further, since March 31, 2020, we have received regulatory orders in Louisiana, Mississippi, Texas (including APT) and Virginia to defer into a regulatory asset all expenses, beyond the normal course of business, related to COVID-19, including bad debt expense.

Our regulatory mechanisms continue to operate as designed and we continue to make compliance filings that impact customer rates in accordance with established procedural timelines. However, for approximately 32 percent of our customers in Texas (including the City of Dallas), we have voluntarily delayed implementation of new rates to September 1, 2020 that were scheduled to go into effect during our fiscal third quarter. These delayed implementations will not have a material impact to our fiscal 2020 financial performance.

As of March 31, 2020, our equity capitalization was 58.2 percent and we had approximately $2 billion in total liquidity, including cash and cash equivalents and funds available through our equity forward sales agreements. Since March 31, 2020, we have taken steps to ensure we have sufficient liquidity to continue to provide the essential services necessary to support the safety and functionality of our critical infrastructure. In April 2020, we executed a new $200 million 2-year term loan, a new $600 million 364-day credit facility and replaced our $10 million 364-day credit facility with a new $50 million 364-day credit facility. We also renewed an existing credit facility and increased the size to $50 million. As of April 30, 2020, our total liquidity, including cash and cash equivalents and funds available through our equity forward sales agreements, was approximately $2.9 billion.

The extent of the pandemic's effect on our future operational and financial performance will depend in large part on future developments, which are difficult to predict. Future developments include the duration, scope and severity of the pandemic, the actions taken to contain or mitigate its impact, actions that may be taken by our regulators, the development of treatments or vaccines, and the resumption of widespread economic activity. As of the date of this report, we continue to believe we remain positioned to continue modernizing our natural gas delivery network and business processes over the long-term.

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, 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 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.

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 have been approved by state regulatory commissions for approximately 96 percent of our residential and commercial revenues 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. 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. Revenues in our Texas and Mississippi service areas include 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.

The cost of gas typically does not have a direct impact on our operating income because these costs are recovered through our purchased gas cost adjustment mechanisms. However, higher gas costs may adversely impact our accounts receivable collections, resulting in higher bad debt expense. This risk is currently mitigated by rate design that allows us to collect from our customers the gas cost portion of our bad debt expense on approximately 77 percent of our residential and commercial revenues. Additionally, higher gas costs may require us to increase borrowings under our credit facilities, resulting in higher interest expense. Finally, 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.

Three Months Ended March 31, 2020 compared with Three Months Ended March 31, 2019

Financial and operational highlights for our distribution segment for the three months ended March 31, 2020 and 2019 are presented below.

	Three Months Ended March 31		
	2020	2019	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 933,005	$ 1,057,889	$ (124,884)
Purchased gas cost	418,935	570,348	(151,413)
Operating expenses	260,529	258,578	1,951
Operating income	253,541	228,963	24,578
Other non-operating income (expense)	(5,191)	5,263	(10,454)
Interest charges	10,797	15,896	(5,099)
Income before income taxes	237,553	218,330	19,223
Income tax expense	50,489	46,137	4,352
Net income	$ 187,064	$ 172,193	$ 14,871
Consolidated distribution sales volumes — MMcf	119,358	139,242	(19,884)
Consolidated distribution transportation volumes — MMcf	44,512	46,190	(1,678)
Total consolidated distribution throughput — MMcf	163,870	185,432	(21,562)
Consolidated distribution average cost of gas per Mcf sold	$ 3.51	$ 4.10	$ (0.59)

Operating income for our distribution segment increased 11 percent, which primarily reflects:

- a $28.6 million net increase in rate adjustments, primarily in our Mid-Tex, Mississippi, Louisiana and West Texas Divisions.
- a $4.5 million increase from customer growth primarily in our Mid-Tex Division.

Partially offset by:

- a $6.4 million increase in depreciation expense associated with increased capital investments.
- a $2.5 million increase in employee costs as we increased service-related headcount during fiscal 2019 to support operations in our fastest growing service territories.

Additionally, the quarter-over-quarter change in other non-operating expense and interest charges of $5.4 million is primarily due to decreases in the fair value of our equity securities partially offset by increased capitalized interest and allowance for funds used during construction (AFUDC) primarily due to increased capital spending.

The following table shows our operating income by distribution division, in order of total rate base, for the three months ended March 31, 2020 and 2019. 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		
	2020	2019	Change
	(In thousands)		
Mid-Tex	$ 109,707	$ 93,131	$ 16,576
Kentucky/Mid-States	34,386	35,022	(636)
Louisiana	31,302	32,901	(1,599)
West Texas	23,844	20,921	2,923
Mississippi	32,243	27,110	5,133
Colorado-Kansas	18,796	19,704	(908)
Other	3,263	174	3,089
Total	$ 253,541	$ 228,963	$ 24,578

Six Months Ended March 31, 2020 compared with Six Months Ended March 31, 2019

Financial and operational highlights for our distribution segment for the six months ended March 31, 2020 and 2019 are presented below.

	Six Months Ended March 31		
	2020	2019	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 1,761,509	$ 1,896,724	$ (135,215)
Purchased gas cost	816,493	1,008,080	(191,587)
Operating expenses	511,198	490,244	20,954
Operating income	433,818	398,400	35,418
Other non-operating expense	(3,237)	(1,214)	(2,023)
Interest charges	27,159	34,106	(6,947)
Income before income taxes	403,422	363,080	40,342
Income tax expense	86,601	76,502	10,099
Net income	$ 316,821	$ 286,578	$ 30,243
Consolidated distribution sales volumes — MMcf	218,419	240,940	(22,521)
Consolidated distribution transportation volumes — MMcf	85,009	87,238	(2,229)
Total consolidated distribution throughput — MMcf	303,428	328,178	(24,750)
Consolidated distribution average cost of gas per Mcf sold	$ 3.74	$ 4.18	$ (0.44)

Operating income for our distribution segment increased nine percent, which primarily reflects:

- a $56.0 million net increase in rate adjustments, primarily in our Mid-Tex, Mississippi, Louisiana and West Texas Divisions.
- an $8.5 million increase from customer growth primarily in our Mid-Tex Division.

Partially offset by:

- a $15.6 million increase in depreciation expense and property taxes associated with increased capital investments.
- a $4.3 million increase in employee costs as we increased service-related headcount during fiscal 2019 to support operations in our fastest growing service territories.
- a $2.6 million increase in pipeline maintenance and related activities.

The year-over-year change in other non-operating expense and interest charges of $4.9 million primarily reflects increased capitalized interest and AFUDC primarily due to increased capital spending, partially offset by decreases in the fair value of our equity securities and an increase in interest expense due to the issuance of long-term debt during fiscal 2020.

Additionally, the increase in income tax expense is primarily a result of increases in income before income taxes as our effective income tax rate of 21.5% in the current year is consistent with 21.1% 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, 2020 and 2019. 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		
	2020	2019	Change
		(In thousands)	
Mid-Tex	$ 188,002	$ 165,537	$ 22,465
Kentucky/Mid-States	57,667	59,474	(1,807)
Louisiana	55,595	55,054	541
West Texas	41,610	36,744	4,866
Mississippi	54,657	46,698	7,959
Colorado-Kansas	32,532	33,493	(961)
Other	3,755	1,400	2,355
Total	$ 433,818	$ 398,400	$ 35,418

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 2020, we implemented eight regulatory proceedings, resulting in a $59.2 million increase in annual operating income as summarized below.

Rate Action	Annual Increase in Operating Income
	(In thousands)
Annual formula rate mechanisms	$ 58,809
Rate case filings	—
Other rate activity	353
	$ 59,162

The following ratemaking efforts seeking $170.0 million in increased annual operating income were in progress as of March 31, 2020:

Division	Rate Action	Jurisdiction	Operating Income Requested
			(In thousands)
Colorado-Kansas	Rate Case	Kansas (1)	$ 3,697
Kentucky/Mid-States	Formula Rate Mechanism	Tennessee	726
Louisiana	Formula Rate Mechanism	Louisiana	14,781
Mid-Tex	Formula Rate Mechanism	City of Dallas	17,137
Mid-Tex	Infrastructure Mechanism	ATM Cities	11,148
Mid-Tex	Infrastructure Mechanism	Environs	4,440
Mid-Tex	Formula Rate Mechanism	Mid-Tex Cities	94,060
Mississippi	Infrastructure Mechanism	Mississippi	10,242
West Texas	Infrastructure Mechanism	Cities of Amarillo, Lubbock, Dalhart and Channing	5,937
West Texas	Infrastructure Mechanism	Environs	1,031
West Texas	Formula Rate Mechanism	West Texas Cities	7,057
West Texas	Rate Case	WTX Triangle (2)	(242)
			$ 170,014

(1) On February 24, 2020, the Kansas Corporation Commission approved this filing with a decrease to operating income of $0.2 million with rates to be implemented beginning April 1, 2020.
(2) On April 21, 2020, the Texas Railroad Commission approved this filing with a decrease to operating income of $0.8 million.

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)
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, 2020:

Division	**Jurisdiction**	**Test Year Ended**	**Increase (Decrease) in Annual Operating Income** (In thousands)	**Effective Date**
2020 Filings:				
Colorado-Kansas	Colorado SSIR	12/31/2020	$ 2,082	01/01/2020
Mississippi	Mississippi - SIR	10/31/2020	7,586	11/01/2019
Mississippi	Mississippi - SRF	10/31/2020	6,886	11/01/2019
Kentucky/Mid-States	Virginia - SAVE	09/30/2020	84	10/01/2019
Kentucky/Mid-States	Kentucky PRP	09/30/2020	2,912	10/01/2019
Mid-Tex	Mid-Tex Cities RRM	12/31/2018	34,380	10/01/2019
West Texas	West Texas Cities RRM	12/31/2018	4,879	10/01/2019
Total 2020 Filings			$ 58,809	

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 six months ended March 31, 2020.

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the six months ended March 31, 2020.

Division	Jurisdiction	Rate Activity	Increase in Annual Operating Income	Effective Date
			(In thousands)	
2020 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad Valorem (1)	$ 353	02/01/2020
Total 2020 Other Rate Activity			$ 353	

(1) The Ad Valorem filing relates to property taxes that are either over or undercollected compared to 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 and eastern Texas, extending into or near the major producing areas of the Barnett Shale, the Texas Gulf Coast and the Permian Basin of West Texas. APT 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 owns and operates five underground storage facilities in Texas.

Our natural gas transmission operations in Louisiana are comprised of a 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 supply areas that we serve, which may influence the level of throughput we may be able to transport on our pipelines. 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 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. On February 14, 2020, APT made a GRIP filing that covered changes in net investments from January 1, 2019 through December 31, 2019 with a requested increase in operating income of $49.3 million.

Three Months Ended March 31, 2020 compared with Three Months Ended March 31, 2019

Financial and operational highlights for our pipeline and storage segment for the three months ended March 31, 2020 and 2019 are presented below.

	Three Months Ended March 31		
	2020	**2019**	**Change**
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 113,570	$ 102,812	$ 10,758
Third-party transportation revenue	31,307	30,042	1,265
Other revenue	1,360	2,796	(1,436)
Total operating revenues	146,237	135,650	10,587
Total purchased gas cost	202	(90)	292
Operating expenses	68,138	67,026	1,112
Operating income	77,897	68,714	9,183
Other non-operating income (expense)	2,202	(1,031)	3,233
Interest charges	11,374	11,053	321
Income before income taxes	68,725	56,630	12,095
Income tax expense	16,143	13,935	2,208
Net income	$ 52,582	$ 42,695	$ 9,887
Gross pipeline transportation volumes — MMcf	218,530	254,833	(36,303)
Consolidated pipeline transportation volumes — MMcf	143,465	165,369	(21,904)

Operating income for our pipeline and storage segment increased thirteen percent. Operating revenue increased $10.6 million, primarily due to rate adjustments from the GRIP filing approved in May 2019. The increase in rates was driven primarily by increased safety and reliability spending. This increase was partially offset by a $1.1 million increase in operating expenses, primarily due to higher depreciation expense associated with increased capital investments and higher system maintenance expense primarily due to spending on hydro testing and in-line inspections.

Six Months Ended March 31, 2020 compared with Six Months Ended March 31, 2019

Financial and operational highlights for our pipeline and storage segment for the six months ended March 31, 2020 and 2019 are presented below.

	Six Months Ended March 31		
	2020	**2019**	**Change**
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 226,733	$ 204,539	$ 22,194
Third-party transportation revenue	61,607	61,077	530
Other revenue	6,073	4,504	1,569
Total operating revenues	294,413	270,120	24,293
Total purchased gas cost	301	(448)	749
Operating expenses	143,711	134,827	8,884
Operating income	150,401	135,741	14,660
Other non-operating income (expense)	5,135	(2,277)	7,412
Interest charges	22,241	20,692	1,549
Income before income taxes	133,295	112,772	20,523
Income tax expense	31,797	26,816	4,981
Net income	$ 101,498	$ 85,956	$ 15,542
Gross pipeline transportation volumes — MMcf	442,242	493,688	(51,446)
Consolidated pipeline transportation volumes — MMcf	299,994	335,896	(35,902)

Operating income for our pipeline and storage segment increased eleven percent. Operating revenue increased $24.3 million, primarily due to rate adjustments from the GRIP filing approved in May 2019. The increase in rates was driven primarily by increased safety and reliability spending. This increase was partially offset by an $8.9 million increase in operating expenses, primarily due to higher depreciation expense associated with increased capital investments and higher system maintenance expense of $6.8 million primarily due to well integrity costs and spending on hydro testing and in-line inspections.

Additionally, the year-over-year change in other non-operating income and interest charges of $5.9 million primarily reflects increased AFUDC primarily due to increased capital spending.

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. As of the date of this report, external debt financing is provided primarily through the issuance of long-term debt, a $1.5 billion commercial paper program and four committed revolving credit facilities with a total availability from third-party lenders of approximately $2.2 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.

We have a shelf registration statement on file with the Securities and Exchange Commission (SEC) that allows us to issue up to $4.0 billion in common stock and/or debt securities. At March 31, 2020, approximately $3.0 billion of securities remained available for issuance under the shelf registration statement, which expires February 11, 2023.

We also have an at-the-market (ATM) equity sales program that allows us to issue and sell shares of our common stock up to an aggregate offering price of $1.0 billion (including shares of common stock that may be sold pursuant to forward sale agreements entered into in connection with the ATM equity sales program), which expires February 11, 2023. As of March 31, 2020, approximately $855 million of equity is available for issuance under this ATM equity sales program.

During the first six months of 2020, we executed forward sales under the ATM with various forward sellers who borrowed and sold 1,890,857 shares of our common stock at an aggregate price of $219.9 million. Additionally, we settled forward sale agreements with respect to 2,720,060 shares that had been borrowed and sold by various forward sellers during fiscal 2019 at an aggregate price of $258.0 million. As of March 31, 2020, if we had settled all 3,800,657 shares that remain available under our various forward sale agreements we would have received proceeds of $418.6 million. Additional details are summarized below.

Issue Quarter	Issued Under	Shares Available	Net Proceeds Available (In thousands)	Maturity	Forward Price
June 30, 2019	ATM	486,201	$ 48,819	9/30/2020	$ 100.41
September 30, 2019	ATM	1,423,599	153,426	9/30/2020	$ 107.77
December 31, 2019	ATM	339,574	36,218	9/30/2020	$ 106.66
March 31, 2020	ATM	1,551,283	180,117	9/30/2020 3/31/2021	$ 116.11
Total		3,800,657	$ 418,580		

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 2020 and beyond. Additionally we expect to continue to be able to obtain financing upon reasonable terms as necessary.

The following table presents our capitalization inclusive of short-term debt and the current portion of long-term debt as of March 31, 2020, September 30, 2019 and March 31, 2019:

	March 31, 2020		September 30, 2019		March 31, 2019	
			(In thousands, except percentages)			
Short-term debt	$ 199,923	1.8%	$ 464,915	4.8%	$ —	—%
Long-term debt[(1)]	4,328,997	40.0%	3,529,452	36.2%	3,653,713	39.9%
Shareholders’ equity	6,304,415	58.2%	5,750,223	59.0%	5,508,101	60.1%
Total	$ 10,833,335	100.0%	$ 9,744,590	100.0%	$ 9,161,814	100.0%

(1) Inclusive of our finance leases as of March 31, 2020.

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, 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, 2020 and 2019 are presented below.

	Six Months Ended March 31		
	2020	2019	Change
		(In thousands)	
Total cash provided by (used in)			
Operating activities	$ 633,775	$ 560,829	$ 72,946
Investing activities	(991,237)	(768,421)	(222,816)
Financing activities	653,011	302,174	350,837
Change in cash and cash equivalents	295,549	94,582	200,967
Cash and cash equivalents at beginning of period	24,550	13,771	10,779
Cash and cash equivalents at end of period	$ 320,099	$ 108,353	$ 211,746

Cash flows from operating activities

For the six months ended March 31, 2020, we generated cash flow from operating activities of $633.8 million compared with $560.8 million for the six months ended March 31, 2019. The $72.9 million increase in operating cash flows reflects positive cash effects of successful rate case outcomes achieved in fiscal 2019 and working capital changes, primarily as a result of the timing of gas cost recoveries under our purchase gas cost mechanisms.

Cash flows from investing activities

Our capital expenditures are primarily used to improve the safety and reliability of our distribution and transmission system through pipeline replacement and system modernization and to enhance and expand our system to meet customer needs. Over the last three fiscal years, approximately 84 percent of our capital spending has been committed to improving the safety and reliability of our system.

We allocate our capital spending among our service areas using risk management models and subject matter experts to identify, assess and develop a plan of action to address our highest risk facilities. We have regulatory mechanisms in most of our service areas that provide the opportunity to include approved capital costs in rate base on a periodic basis without being required to file a rate case. These mechanisms permit us a reasonable opportunity to earn a fair return on our investment without compromising safety or reliability.

For the six months ended March 31, 2020, cash used for investing activities was $991.2 million compared to $768.4 million for the six months ended March 31, 2019. Capital spending increased by $217.2 million, or 28 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.

Cash flows from financing activities

For the six months ended March 31, 2020, our financing activities provided $653.0 million of cash compared with $302.2 million of cash provided by financing activities in the prior-year period.

In the six months ended March 31, 2020, we received $1.1 billion in net proceeds from the issuance of long-term debt and equity. On October 2, 2019, we completed a public offering of $300 million of 2.625% senior notes due 2029 and $500 million of 3.375% senior notes due 2049. We received net proceeds from the offering, after the underwriting discount and offering expenses, of $791.7 million. Additionally, during the six months ended March 31, 2020, we settled 2,720,060 shares that had been sold on a forward basis during fiscal 2019 for net proceeds of $258.0 million. The net proceeds were used primarily to support capital spending, reduce short term debt and for other general corporate purposes.

Cash dividends increased due to a 9.5 percent increase in our dividend rate and an increase in shares outstanding.

In the six months ended March 31, 2019, we received $1.5 billion in net proceeds from the issuance of long-term debt and equity. A portion of the net proceeds was used to repay at maturity our $450 million 8.50% unsecured senior notes and the related settlement of our interest rate swaps for $90.1 million, to reduce short-term debt, to support our capital spending and for other general corporate purposes. Cash dividends increased due to an 8.2 percent increase in our dividend rate and an increase in shares outstanding.

The following table summarizes our share issuances for the six months ended March 31, 2020 and 2019:

	Six Months Ended March 31	
	2020	2019
Shares issued:		
Direct Stock Purchase Plan	36,752	61,237
1998 Long-Term Incentive Plan	172,209	213,402
Retirement Savings Plan and Trust	40,779	43,745
Equity Issuance	2,720,060	5,390,836
Total shares issued	2,969,800	5,709,220

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 but not limited to, debt to total capitalization, operating cash flow relative to outstanding debt, operating cash flow coverage of interest and pension liabilities. 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). On December 16, 2019, Moody's upgraded our senior unsecured long-term debt rating to A1 and changed their outlook to stable, citing our strong credit metrics as a result of continued improvement in rate design to minimize regulatory lag and our balanced fiscal policy. As of March 31, 2020, S&P 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	A1
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 March 31, 2020. Our debt covenants are described in greater detail in Note 7 to the unaudited condensed consolidated financial statements.

Contractual Obligations and Commercial Commitments

Except as noted in Note 10 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, 2020.

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 periodically entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

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, 2020 and 2019:

	Three Months Ended March 31		Six Months Ended March 31	
	2020	2019	2020	2019
	(In thousands)			
Fair value of contracts at beginning of period	$ (7,459)	$ (83,669)	$ (3,990)	$ (55,218)
Contracts realized/settled	(4,073)	89,916	(6,936)	96,374
Fair value of new contracts	(10)	405	95	889
Other changes in value	10,710	(5,079)	9,999	(40,472)
Fair value of contracts at end of period	(832)	1,573	(832)	1,573
Netting of cash collateral	—	—	—	—
Cash collateral and fair value of contracts at period end	$ (832)	$ 1,573	$ (832)	$ 1,573

The fair value of our financial instruments at March 31, 2020 is presented below by time period and fair value source:

	Fair Value of Contracts at March 31, 2020				
	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	$ (834)	$ 2	$ —	$ —	$ (832)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$ (834)	$ 2	$ —	$ —	$ (832)

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, 2020 and 2019.

Distribution Sales and Statistical Data

	Three Months Ended March 31		Six Months Ended March 31	
	2020	2019	2020	2019
METERS IN SERVICE, end of period				
Residential	3,025,771	2,995,438	3,025,771	2,995,438
Commercial	276,668	273,533	276,668	273,533
Industrial	1,659	1,669	1,659	1,669
Public authority and other	8,518	8,365	8,518	8,365
Total meters	3,312,616	3,279,005	3,312,616	3,279,005
INVENTORY STORAGE BALANCE — Bcf	34.5	30.3	34.5	30.3
SALES VOLUMES — MMcf[(1)]				
Gas sales volumes				
Residential	71,124	84,757	129,904	144,621
Commercial	37,585	42,974	68,838	74,557
Industrial	7,913	8,727	14,768	16,901
Public authority and other	2,736	2,784	4,909	4,861
Total gas sales volumes	119,358	139,242	218,419	240,940
Transportation volumes	46,542	48,235	88,816	91,086
Total throughput	165,900	187,477	307,235	332,026

Pipeline and Storage Operations Sales and Statistical Data

	Three Months Ended March 31		Six Months Ended March 31	
	2020	2019	2020	2019
CUSTOMERS, end of period				
Industrial	93	93	93	93
Other	235	230	235	230
Total	328	323	328	323
INVENTORY STORAGE BALANCE — Bcf	1.0	0.2	1.0	0.2
PIPELINE TRANSPORTATION VOLUMES — MMcf[(1)]	218,530	254,833	442,242	493,688

Note to preceding tables:

(1) Sales and transportation volumes 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, 2019. During the six months ended March 31, 2020, 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, 2020 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, 2020 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, 2020, except as noted in Note 10 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 12 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. 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 1A. ***Risk Factors***

Except as updated below, there were no material changes from the risk factors disclosed under the heading "Risk Factors" in Item 1A in the Annual Report on Form 10-K for the year ended September 30, 2019.

The outbreak of COVID-19 and its impact on business and economic conditions could negatively affect our business, results of operations and financial condition.

The scale and scope of the recent COVID-19 outbreak, the resulting pandemic, and the impact on the economy and financial markets could adversely affect the Company's business, results of operations and financial condition. As an essential business, the Company continues to provide natural gas services and has implemented business continuity and emergency response plans to continue to provide natural gas services to customers and support the Company's operations, while taking health and safety measures such as implementing worker distancing measures and using a remote workforce where possible. However, there is no assurance that the continued spread of COVID-19 and efforts to contain the virus (including, but not limited to, voluntary and mandatory quarantines, restrictions on travel, limiting gatherings of people, and reduced operations and extended closures of many businesses and institutions) will not materially impact our business, results of operations and financial condition. In particular, the continued spread of COVID-19 and efforts to contain the virus could:

- impact customer demand for natural gas, particularly from commercial and industrial customers;
- reduce the availability and productivity of our employees and contractors;
- cause us to experience an increase in costs as a result of our emergency measures, delayed payments from our customers and uncollectable accounts;
- cause the Company's contractors, suppliers and other business partners to be unable to fulfill their contractual obligations;
- result in our inability to meet the requirements of the covenants in our existing credit facilities, including covenants regarding the ratio of indebtedness to total capitalization;
- cause a deterioration in our financial metrics or the business environment that impacts our credit ratings;
- impact our liquidity position and cost of and ability to access funds from financial institutions and capital markets; and
- cause other unpredictable events.

The situation surrounding COVID-19 remains fluid and the likelihood of an impact on the Company that could be material increases the longer the virus impacts activity levels in the United States. Therefore, it is difficult to predict with certainty the potential impact of the virus on the Company's business, results of operations and financial condition.

To the extent the COVID-19 pandemic has an adverse impact on the Company's business, results of operations and financial condition, it may also have the effect of heightening many of the other risk factors disclosed under the heading "Risk Factors" in Item 1A in the Annual Report on Form 10-K for the year ended September 30, 2019, such as those relating to our ability to continue to access the credit and capital markets to execute our business strategy; market risks beyond our control affecting our risk management activities, including commodity price volatility, counterparty performance or creditworthiness and interest rate risk; and the impact of adverse economic conditions on our customers.

Item 6. ***Exhibits***

The following exhibits are filed as part of this Quarterly Report.

Exhibit Number	Description	Page Number or Incorporation by Reference to
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 February 5, 2019)	Exhibit 3.1 to Form 8-K dated February 5, 2019 (File No. 1-10042)
10.1	Equity Distribution Agreement, dated as of February 12, 2020, among Atmos Energy Corporation and the Managers and Forward Purchasers named in Schedule A thereto	Exhibit 1.1 to Form 8-K dated February 12, 2020 (File No. 1-10042)
10.2	Form of Master Forward Sale Confirmation	Exhibit 1.2 to Form 8-K dated February 12, 2020 (File No. 1-10042)
10.3	Term Loan Agreement, dated as of April 9, 2020, among Atmos Energy Corporation, Credit Agricole Corporate and Investment Bank, as the Administrative Agent, Canadian Imperial Bank of Commerce, New York Branch, as Syndication Agent, Credit Agricole Corporation and Investment Bank and Canadian Imperial Bank of Commerce, New York Branch, as Joint Lead Arrangers and Joint-Bookrunners, and the lenders named therein	Exhibit 10.1 to Form 8-K dated April 9, 2020 (File No. 1-10042)
10.4	364-Day Revolving Credit Agreement, dated as of April 23, 2020, among Atmos Energy Corporation, Mizuho Bank, Ltd., as the Administrative Agent, the agents, arrangers and bookrunners named therein, and the lenders named therein	Exhibit 10.1 to Form 8-K dated April 23, 2020 (File No. 1-10042)
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 - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	
101.SCH	Inline XBRL Taxonomy Extension Schema	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document	

* 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 6, 2020

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, 2020

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.)*
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)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

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 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 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 ☐

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 31, 2020.

Class	**Shares Outstanding**
Common stock No Par Value	123,354,982

GLOSSARY OF KEY TERMS

Adjusted diluted net income per share	Non-GAAP measure defined as diluted net income per share before the non-cash income tax benefit
Adjusted net income	Non-GAAP measure defined as net income before the non-cash income tax benefit
AEC	Atmos Energy Corporation
AOCI	Accumulated other comprehensive income
ARM	Annual Rate Mechanism
Bcf	Billion cubic feet
DARR	Dallas Annual Rate Review
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
LIBOR	London Interbank Offered Rate
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
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, 2020	September 30, 2019
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 15,443,224	$ 14,180,593
Less accumulated depreciation and amortization	2,562,374	2,392,924
Net property, plant and equipment	12,880,850	11,787,669
Current assets		
Cash and cash equivalents	208,064	24,550
Accounts receivable, net	236,466	230,571
Gas stored underground	84,886	130,138
Other current assets	72,743	72,772
Total current assets	602,159	458,031
Goodwill	730,706	730,706
Deferred charges and other assets	657,267	391,213
	$ 14,870,982	$ 13,367,619
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, 2020 — 123,351,267 shares; September 30, 2019 — 119,338,925 shares	$ 617	$ 597
Additional paid-in capital	4,100,130	3,712,194
Accumulated other comprehensive loss	(116,727)	(114,583)
Retained earnings	2,477,451	2,152,015
Shareholders' equity	6,461,471	5,750,223
Long-term debt	4,531,341	3,529,452
Total capitalization	10,992,812	9,279,675
Current liabilities		
Accounts payable and accrued liabilities	200,116	265,024
Other current liabilities	502,413	479,501
Short-term debt	—	464,915
Current maturities of long-term debt	157	—
Total current liabilities	702,686	1,209,440
Deferred income taxes	1,420,065	1,300,015
Regulatory excess deferred taxes	702,493	705,101
Regulatory cost of removal obligation	458,101	473,172
Deferred credits and other liabilities	594,825	400,216
	$ 14,870,982	$ 13,367,619

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30	
	2020	2019
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 435,308	$ 444,944
Pipeline and storage segment	158,008	149,198
Intersegment eliminations	(100,321)	(108,404)
Total operating revenues	492,995	485,738
Purchased gas cost		
Distribution segment	126,093	139,518
Pipeline and storage segment	(11)	(96)
Intersegment eliminations	(100,010)	(108,096)
Total purchased gas cost	26,072	31,326
Operation and maintenance expense	149,460	164,545
Depreciation and amortization expense	107,104	97,700
Taxes, other than income	71,324	69,965
Operating income	139,035	122,202
Other non-operating income	7,235	1,645
Interest charges	19,580	19,592
Income before income taxes	126,690	104,255
Income tax expense	8,899	23,789
Net income	$ 117,791	$ 80,466
Basic net income per share	$ 0.96	$ 0.68
Diluted net income per share	$ 0.96	$ 0.68
Cash dividends per share	$ 0.575	$ 0.525
Basic weighted average shares outstanding	123,026	118,075
Diluted weighted average shares outstanding	123,032	118,430
Net income	$ 117,791	$ 80,466
Other comprehensive income (loss), net of tax		
Net unrealized holding gains on available-for-sale securities, net of tax of $96 and $27	364	94
Cash flow hedges:		
Amortization and unrealized gain (loss) on interest rate agreements, net of tax of $(1,115) and $312	(4,450)	1,053
Total other comprehensive income (loss)	(4,086)	1,147
Total comprehensive income	$ 113,705	$ 81,613

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended June 30	
	2020	2019
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 2,196,817	$ 2,341,668
Pipeline and storage segment	452,421	419,318
Intersegment eliminations	(303,015)	(302,821)
Total operating revenues	2,346,223	2,458,165
Purchased gas cost		
Distribution segment	942,586	1,147,598
Pipeline and storage segment	290	(544)
Intersegment eliminations	(302,053)	(301,887)
Total purchased gas cost	640,823	845,167
Operation and maintenance expense	449,529	452,572
Depreciation and amortization expense	318,082	290,537
Taxes, other than income	214,535	213,546
Operating income	723,254	656,343
Other non-operating income (expense)	9,133	(1,846)
Interest charges	68,980	74,390
Income before income taxes	663,407	580,107
Income tax expense	127,297	127,107
Net income	$ 536,110	$ 453,000
Basic net income per share	$ 4.38	$ 3.89
Diluted net income per share	$ 4.37	$ 3.88
Cash dividends per share	$ 1.725	$ 1.575
Basic weighted average shares outstanding	122,352	116,485
Diluted weighted average shares outstanding	122,463	116,673
Net income	$ 536,110	$ 453,000
Other comprehensive income (loss), net of tax		
Net unrealized holding gains on available-for-sale securities, net of tax of $47 and $56	200	191
Cash flow hedges:		
Amortization and unrealized loss on interest rate agreements, net of tax of $(492) and $(7,093)	(2,344)	(23,997)
Total other comprehensive loss	(2,144)	(23,806)
Total comprehensive income	$ 533,966	$ 429,194

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended June 30	
	2020	2019
	(Unaudited) (In thousands)	
Cash Flows From Operating Activities		
Net income	$ 536,110	$ 453,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	318,082	290,537
Deferred income taxes	137,996	120,220
One-time income tax benefit	(20,962)	—
Other	5,935	9,649
Net assets / liabilities from risk management activities	1,295	(1,976)
Net change in operating assets and liabilities	(82,970)	(62,502)
Net cash provided by operating activities	895,486	808,928
Cash Flows From Investing Activities		
Capital expenditures	(1,405,673)	(1,199,199)
Proceeds from the sale of discontinued operations	—	4,000
Debt and equity securities activities, net	(692)	(4,041)
Other, net	6,098	3,839
Net cash used in investing activities	(1,400,267)	(1,195,401)
Cash Flows From Financing Activities		
Net decrease in short-term debt	(464,915)	(500,838)
Net proceeds from equity offering	358,047	593,731
Issuance of common stock through stock purchase and employee retirement plans	14,125	14,128
Proceeds from issuance of long-term debt	999,450	1,045,221
Settlement of interest rate swaps	—	(90,141)
Repayment of long-term debt	—	(450,000)
Cash dividends paid	(210,674)	(181,982)
Debt issuance costs	(7,738)	(11,254)
Net cash provided by financing activities	688,295	418,865
Net increase in cash and cash equivalents	183,514	32,392
Cash and cash equivalents at beginning of period	24,550	13,771
Cash and cash equivalents at end of period	$ 208,064	$ 46,163

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2020

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") and its subsidiaries are 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, 2020, 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, aside from accounting policy changes noted below, 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, 2019. 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, 2019. Because of seasonal and other factors, the results of operations for the nine-month period ended June 30, 2020 are not indicative of our results of operations for the full 2020 fiscal year, which ends September 30, 2020.

Except as noted below related to recent ratemaking activity and in Note 12 to the unaudited condensed consolidated financial statements regarding new cash flow hedges, no events have occurred subsequent to the balance sheet date that would require recognition or disclosure in the unaudited 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, 2019.

During the second quarter of fiscal 2020, we completed our annual goodwill impairment assessment. Based on the assessment performed, we determined that our goodwill was not impaired.

Accounting pronouncements adopted in fiscal 2020

In February 2016, the Financial Accounting Standards Board (FASB) issued a comprehensive new leasing standard that requires lessees to recognize a lease liability and a right-of-use (ROU) asset for all leases, including operating leases on its balance sheet. The new standard was effective for us beginning on October 1, 2019. See Note 6 to the unaudited condensed consolidated financial statements for further details regarding our adoption of the new lease standard and the related disclosures.

Accounting pronouncements that will be effective after fiscal 2020

In March 2020, the FASB issued optional guidance which will ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The amendments provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the cessation of the London Interbank Offered Rate (LIBOR). The amendments can be elected immediately, as of March 12, 2020, through December 31, 2022. We are currently evaluating if we will apply the optional guidance as we assess the impact of the cessation of LIBOR on our current contracts and hedging relationships and the potential impact on our financial position, results of operations and cash flows.

In December 2019, the FASB issued new guidance related to accounting for income taxes which removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocations and calculating income taxes in interim periods. The new standard also adds guidance to reduce complexity in certain areas, such as recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The new standard will be effective for us beginning on October 1, 2021; 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 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 debt securities that will require credit losses to be recorded through an allowance account. The new standard will be effective for us beginning on October 1, 2020. 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 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 are reported separately.

Significant regulatory assets and liabilities as of June 30, 2020 and September 30, 2019 included the following:

	June 30, 2020	September 30, 2019
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs	$ 79,108	$ 86,089
Infrastructure mechanisms[(1)]	180,390	131,894
Deferred gas costs	—	23,766
Recoverable loss on reacquired debt	5,259	6,551
Deferred pipeline record collection costs	28,700	26,418
Rate case costs	401	1,346
Other	6,173	8,483
	$ 300,031	$ 284,547
Regulatory liabilities:		
Regulatory excess deferred taxes[(2)]	$ 723,400	$ 726,307
Regulatory cost of service reserve	2,559	5,238
Regulatory cost of removal obligation	528,932	528,893
Deferred gas costs	48,917	14,112
Asset retirement obligation	17,054	17,054
APT annual adjustment mechanism	62,461	78,402
Other	21,923	16,120
	$ 1,405,246	$ 1,386,126

(1) Infrastructure mechanisms in Texas, Louisiana and Tennessee 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.

(2) Due to the passage of the Kansas House Bill 2585, on June 1, 2020, we remeasured our deferred tax liability and updated our state deferred tax rate resulting in a $12.1 million regulatory liability as of June 30, 2020. See further details in Note 11. The remaining amount reflects the remeasurement of the net deferred tax liability included in our rate base as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). Of this amount, $20.9 million as of June 30, 2020 and $21.2 million as of September 30, 2019 is recorded in other current liabilities. These liabilities are being returned to customers in most of our jurisdictions on a provisional basis over 15 to 46 years until formal orders establish the final refund periods.

During the nine months ended June 30, 2020, we received regulatory orders in Louisiana, Mississippi, Texas (including APT) and Virginia to defer into a regulatory asset all expenses, beyond the normal course of business, related to Coronavirus Disease 2019 (COVID-19 or virus), including bad debt expense. Subsequent to June 30, 2020, we also received a regulatory order in Kansas to defer into a regulatory asset these expenses. As of June 30, 2020, no amounts have been recorded as regulatory assets or liabilities for expenses related to COVID-19, including bad debt expense.

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 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, 2019.

Income statements and capital expenditures for the three and nine months ended June 30, 2020 and 2019 by segment are presented in the following tables:

	Three Months Ended June 30, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 434,650	$ 58,345	$ —	$ 492,995
Intersegment revenues	658	99,663	(100,321)	—
Total operating revenues	435,308	158,008	(100,321)	492,995
Purchased gas cost	126,093	(11)	(100,010)	26,072
Operation and maintenance expense	107,537	42,234	(311)	149,460
Depreciation and amortization expense	77,187	29,917	—	107,104
Taxes, other than income	61,980	9,344	—	71,324
Operating income	62,511	76,524	—	139,035
Other non-operating income	5,167	2,068	—	7,235
Interest charges	7,969	11,611	—	19,580
Income before income taxes	59,709	66,981	—	126,690
Income tax expense	810	8,089	—	8,899
Net income	$ 58,899	$ 58,892	$ —	$ 117,791
Capital expenditures	$ 342,385	$ 68,551	$ —	$ 410,936

	Three Months Ended June 30, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 444,287	$ 41,451	$ —	$ 485,738
Intersegment revenues	657	107,747	(108,404)	—
Total operating revenues	444,944	149,198	(108,404)	485,738
Purchased gas cost	139,518	(96)	(108,096)	31,326
Operation and maintenance expense	123,998	40,855	(308)	164,545
Depreciation and amortization expense	70,611	27,089	—	97,700
Taxes, other than income	62,134	7,831	—	69,965
Operating income	48,683	73,519	—	122,202
Other non-operating income (expense)	3,005	(1,360)	—	1,645
Interest charges	10,597	8,995	—	19,592
Income before income taxes	41,091	63,164	—	104,255
Income tax expense	8,693	15,096	—	23,789
Net income	$ 32,398	$ 48,068	$ —	$ 80,466
Capital expenditures	$ 316,825	$ 104,788	$ —	$ 421,613

	Nine Months Ended June 30, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 2,194,786	$ 151,437	$ —	$ 2,346,223
Intersegment revenues	2,031	300,984	(303,015)	—
Total operating revenues	2,196,817	452,421	(303,015)	2,346,223
Purchased gas cost	942,586	290	(302,053)	640,823
Operation and maintenance expense	337,740	112,751	(962)	449,529
Depreciation and amortization expense	229,526	88,556	—	318,082
Taxes, other than income	190,636	23,899	—	214,535
Operating income	496,329	226,925	—	723,254
Other non-operating income	1,930	7,203	—	9,133
Interest charges	35,128	33,852	—	68,980
Income before income taxes	463,131	200,276	—	663,407
Income tax expense	87,411	39,886	—	127,297
Net income	$ 375,720	$ 160,390	$ —	$ 536,110
Capital expenditures	$ 1,119,945	$ 285,728	$ —	$ 1,405,673

	Nine Months Ended June 30, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 2,339,660	$ 118,505	$ —	$ 2,458,165
Intersegment revenues	2,008	300,813	(302,821)	—
Total operating revenues	2,341,668	419,318	(302,821)	2,458,165
Purchased gas cost	1,147,598	(544)	(301,887)	845,167
Operation and maintenance expense	347,386	106,120	(934)	452,572
Depreciation and amortization expense	210,224	80,313	—	290,537
Taxes, other than income	189,377	24,169	—	213,546
Operating income	447,083	209,260	—	656,343
Other non-operating income (expense)	1,791	(3,637)	—	(1,846)
Interest charges	44,703	29,687	—	74,390
Income before income taxes	404,171	175,936	—	580,107
Income tax expense	85,195	41,912	—	127,107
Net income	$ 318,976	$ 134,024	$ —	$ 453,000
Capital expenditures	$ 912,640	$ 286,559	$ —	$ 1,199,199

Balance sheet information at June 30, 2020 and September 30, 2019 by segment is presented in the following tables:

	June 30, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 9,644,503	$ 3,236,347	$ —	$ 12,880,850
Total assets	$ 14,098,715	$ 3,471,282	$ (2,699,015)	$ 14,870,982

	September 30, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 8,737,590	$ 3,050,079	$ —	$ 11,787,669
Total assets	$ 12,579,741	$ 3,279,323	$ (2,491,445)	$ 13,367,619

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 weighted average shares outstanding is calculated based upon the weighted average number of common shares outstanding during the periods presented. Also, this calculation includes fully vested stock awards that have not yet been issued as common stock. Additionally, the weighted average shares outstanding for diluted EPS includes the incremental effects of the forward sale agreements, discussed in Note 8 to the unaudited condensed consolidated financial statements, when the impact is dilutive. Basic and diluted earnings per share for the three and nine months ended June 30, 2020 and 2019 are calculated as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In thousands, except per share amounts)			
Basic Earnings Per Share				
Net income	$ 117,791	$ 80,466	$ 536,110	$ 453,000
Less: Income allocated to participating securities	88	64	408	386
Income available to common shareholders	$ 117,703	$ 80,402	$ 535,702	$ 452,614
Basic weighted average shares outstanding	123,026	118,075	122,352	116,485
Net income per share — Basic	$ 0.96	$ 0.68	$ 4.38	$ 3.89
Diluted Earnings Per Share				
Income available to common shareholders	$ 117,703	$ 80,402	$ 535,702	$ 452,614
Effect of dilutive shares	—	—	—	—
Income available to common shareholders	$ 117,703	$ 80,402	$ 535,702	$ 452,614
Basic weighted average shares outstanding	123,026	118,075	122,352	116,485
Dilutive shares	6	355	111	188
Diluted weighted average shares outstanding	123,032	118,430	122,463	116,673
Net income per share - Diluted	$ 0.96	$ 0.68	$ 4.37	$ 3.88

5. Revenue

Our revenue recognition policy is fully described in Note 2 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. The following tables disaggregate our revenue from contracts with customers by customer type and segment and provide a reconciliation to total operating revenues, including intersegment revenues, for the three and nine months ended June 30, 2020 and 2019.

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
	Distribution	Pipeline and Storage	Distribution	Pipeline and Storage
	(In thousands)			
Gas sales revenues:				
Residential	$ 286,937	$ —	$ 269,484	$ —
Commercial	101,055	—	113,591	—
Industrial	17,019	—	25,277	—
Public authority and other	7,063	—	6,305	—
Total gas sales revenues	412,074	—	414,657	—
Transportation revenues	22,532	164,675	22,923	166,864
Miscellaneous revenues	2,793	2,277	6,125	2,407
Revenues from contracts with customers	437,399	166,952	443,705	169,271
Alternative revenue program revenues[(1)]	(2,567)	(8,944)	748	(20,073)
Other revenues	476	—	491	—
Total operating revenues	$ 435,308	$ 158,008	$ 444,944	$ 149,198

	Nine Months Ended June 30, 2020		Nine Months Ended June 30, 2019	
	Distribution	Pipeline and Storage	Distribution	Pipeline and Storage
	(In thousands)			
Gas sales revenues:				
Residential	$ 1,435,328	$ —	$ 1,513,239	$ —
Commercial	543,148	—	611,474	—
Industrial	67,572	—	95,701	—
Public authority and other	34,747	—	36,677	—
Total gas sales revenues	2,080,795	—	2,257,091	—
Transportation revenues	77,676	471,433	76,005	456,558
Miscellaneous revenues	16,565	8,767	20,439	6,862
Revenues from contracts with customers	2,175,036	480,200	2,353,535	463,420
Alternative revenue program revenues[(1)]	20,320	(27,779)	(13,388)	(44,102)
Other revenues	1,461	—	1,521	—
Total operating revenues	$ 2,196,817	$ 452,421	$ 2,341,668	$ 419,318

(1) In our distribution segment, we have weather-normalization adjustment mechanisms that serve to mitigate the effects of weather on our revenue. Additionally, APT has a regulatory mechanism that requires that we share with its tariffed customers 75% of the difference between the total non-tariffed revenues earned during a test period and a revenue benchmark.

6. Leases

We adopted the provisions of the new lease accounting standard beginning on October 1, 2019, using the optional transition method, which allowed us to apply the provisions of the new standard to all leases that existed as of the date of adoption. Therefore, results for reporting periods beginning on October 1, 2019 are presented under the new lease accounting standard and prior periods are presented under the former lease accounting standard.

The new guidance included several practical expedients to facilitate the implementation of the new standard. The following summarizes the practical expedients we used to implement the standard.

- We elected to bundle our lease and non-lease components as a single component for all asset classes.
- We elected not to perform the following:
  - Evaluate existing or expired land easements prior to October 1, 2019 to determine if they are leases.
  - Include short-term leases in the calculation of our lease liability.
  - Evaluate existing or expired contracts to determine if they are leases.
  - Assess lease classification for existing or expired leases.
  - Review initial direct costs for existing leases.
  - Use hindsight in order to determine the lease term or impairment of our ROU assets.

Upon adoption of this new guidance, we recorded ROU assets and lease liabilities of $231.3 million. Additionally, we reclassified a net $6.5 million of accrued and prepaid lease costs to the ROU asset and $2.5 million related to an existing finance lease from deferred credits and other liabilities to long-term debt.

Implementation of the new lease accounting guidance had no material impact on our condensed consolidated statements of comprehensive income or our condensed consolidated statements of cash flows. Additionally, we did not record a cumulative-effect adjustment to retained earnings on the opening balance sheet.

New Lease Accounting Policy

We determine if an arrangement is a lease at the inception of the agreement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and we have the right to control the asset. We are the lessee for substantially all of our leasing activity, which primarily includes operating leases for office and warehouse space, tower space, vehicles and heavy equipment used in our operations. We are also a lessee in finance leases for service centers.

We record a lease liability and a corresponding ROU asset for all of our leases with a term greater than 12 months. For lease contracts containing renewal and termination options, we include the option period in the lease term when it is reasonably certain the option will be exercised. We most frequently assume renewal options at the inception of the arrangement for our tower and fleet leases, based on our anticipated use of the assets. Real estate leases that contain a renewal option are evaluated on a lease-by-lease basis to determine if the option period should be included in the lease term. Currently, we have not included material renewal options for real estate leases in our ROU asset or lease liability. The following table presents our weighted average remaining lease term for our leases.

	June 30, 2020
Weighted average remaining lease term (years)	
Finance leases	19.36
Operating leases	10.69

The lease liability represents the present value of all lease payments over the lease term. The discount rate used to determine the present value of the lease liability is the rate implicit in the lease unless that rate cannot be readily determined. We use the implicit rate stated in the agreement to determine the lease liability for our fleet leases. We use our corporate collateralized incremental borrowing rate as the discount rate for all other lease agreements. This rate is appropriate because we believe it represents the rate we would have incurred to borrow funds to acquire the leased asset over a similar term. We calculated this rate using a combination of inputs, including our current credit rating, quoted market prices of interest rates for our publicly traded unsecured debt, observable market yield curve data for peer companies with a credit rating one notch higher than our current credit rating and the lease term.

The following table represents our weighted average discount rate:

	June 30, 2020
Weighted average discount rate	
Finance leases	8.02%
Operating leases	2.91%

The ROU asset represents the right to use the underlying asset for the lease term, and is equal to the lease liability, adjusted for prepaid or accrued lease payments and any lease incentives that have been paid to us or when we are reasonably certain to incur costs equal to or greater than the allowance defined in the contract.

Variable payments included in our leasing arrangements are expensed in the period in which the obligation for these payments is incurred. Variable payments are dependent on usage, output or may vary for other reasons. Most of our variable lease expense is related to tower leases that have escalating payments based on changes to a stated CPI index, and usage of certain office equipment.

We have not provided material residual value guarantees for our leases, nor do our leases contain material restrictions or covenants.

Lease costs for the three and nine months ended June 30, 2020 are presented in the table below. These costs include both amounts recognized in expense and amounts capitalized. For the three and nine months ended June 30, 2020, we did not have material short-term lease costs or variable lease costs.

	Three Months Ended June 30, 2020	Nine Months Ended June 30, 2020
	(In thousands)	
Finance lease cost	$ 197	$ 376
Operating lease cost	10,371	30,461
Total lease cost	$ 10,568	$ 30,837

Our ROU assets and lease liabilities are presented as follows on the condensed consolidated balance sheets (unaudited):

	Balance Sheet Classification	June 30, 2020
		(In thousands)
Assets		
Finance leases	Net Property, Plant and Equipment	$ 8,554
Operating leases	Deferred charges and other assets	225,311
Total right-of-use assets		$ 233,865
Liabilities		
Current		
Finance leases	Current maturities of long-term debt	$ 157
Operating leases	Other current liabilities	33,884
Noncurrent		
Finance leases	Long-term debt	8,479
Operating leases	Deferred credits and other liabilities	200,390
Total lease liabilities		$ 242,910

Other pertinent information related to leases was as follows. During the nine months ended June 30, 2020, amounts paid in cash for our finance leases were not material.

	Nine Months Ended June 30, 2020
	(In thousands)
Cash paid amounts included in the measurement of lease liabilities	
Operating cash flows used for operating leases	$ 28,011
Right-of-use assets obtained in exchange for lease obligations	
Finance leases	$ 6,143
Operating leases	$ 23,628

Maturities of our lease liabilities as of June 30, 2020, presented on a rolling 12-month basis, were as follows:

	Total	Finance Leases	Operating Leases
		(In thousands)	
Year 1	$ 39,017	$ 738	$ 38,279
Year 2	37,983	749	37,234
Year 3	33,112	759	32,353
Year 4	26,386	770	25,616
Year 5	17,607	781	16,826
Thereafter	139,172	12,862	126,310
Total lease payments	293,277	16,659	276,618
Less: Imputed interest	50,367	8,023	42,344
Total	$ 242,910	$ 8,636	$ 234,274
Reported as of June 30, 2020			
Short-term lease liabilities	$ 34,041	$ 157	$ 33,884
Long-term lease liabilities	208,869	8,479	200,390
Total lease liabilities	$ 242,910	$ 8,636	$ 234,274

Disclosures Related to Prior Periods

The future minimum lease payments as of September 30, 2019 were as follows:

	Operating Leases(1)	Capital Lease
	(In thousands)	
2020	$ 21,017	$ 243
2021	20,416	248
2022	19,370	253
2023	18,071	258
2024	15,718	263
Thereafter	105,544	4,343
Total minimum lease payments	$ 200,136	5,608
Less amount representing interest		3,018
Present value of net minimum lease payments		$ 2,590

(1) Future minimum lease payments do not include amounts for fleet leases and other de minimis items that can be renewed beyond the initial lease term. The Company anticipates renewing the leases beyond the initial term, but the anticipated payments associated with the renewals do not meet the definition of expected minimum lease payments and therefore are not included above. Expected payments are $17.6 million in 2020, $18.0 million in 2021, $11.8 million in 2022, $8.5 million in 2023, $5.4 million 2024 and $2.7 million thereafter.

Consolidated lease and rental expense for the three and nine months ended June 30, 2019 was $10.5 million and $30.7 million.

7. Debt

The nature and terms of our debt instruments and credit facilities are described in detail in Note 6 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. Other than as described below, there were no material changes in the terms of our debt instruments during the nine months ended June 30, 2020.

Long-term debt at June 30, 2020 and September 30, 2019 consisted of the following:

	June 30, 2020	September 30, 2019
	(In thousands)	
Unsecured 3.00% Senior Notes, due 2027	$ 500,000	$ 500,000
Unsecured 2.625% Senior Notes, due 2029	300,000	—
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
Unsecured 4.30% Senior Notes, due 2048	600,000	600,000
Unsecured 4.125% Senior Notes, due 2049	450,000	450,000
Unsecured 3.375% Senior Notes, due 2049	500,000	—
Floating-rate term loan, due 2022	200,000	—
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
Finance lease obligations (see Note 6)	8,636	—
Total long-term debt	4,568,636	3,560,000
Less:		
Original issue (premium) / discount on unsecured senior notes and debentures	623	193
Debt issuance cost	36,515	30,355
Current maturities	157	—
	$ 4,531,341	$ 3,529,452

On April 9, 2020, we entered into a two year, $200 million term loan agreement that bears interest at a rate of LIBOR plus 1.25 percent. The term loan was used to pay down borrowings pursuant to our commercial paper program.

On October 2, 2019, we completed a public offering of $300 million of 2.625% senior notes due 2029 and $500 million of 3.375% senior notes due 2049. We received net proceeds from the offering, after the underwriting discount and offering expenses, of $791.7 million, that were used for general corporate purposes, including the repayment of borrowings pursuant to our commercial paper program. The effective interest rate on these notes is 2.72% and 3.42%, after giving effect to the offering costs.

Short-term debt

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 driven primarily by construction work in progress and 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.

As of June 30, 2020, our short-term borrowing requirements were satisfied through a combination of a $1.5 billion commercial paper program and four committed revolving credit facilities with third-party lenders that provide approximately $2.2 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 on September 25, 2023. The facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin 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 June 30, 2020, there were no amounts outstanding under our commercial paper program. At September 30, 2019, a total of $464.9 million was outstanding.

Additionally, we had a $25 million 364-day unsecured facility that was renewed effective April 1, 2020 and increased to $50 million, which is used to provide working capital funding. There were no borrowings outstanding under this facility as of June 30, 2020.

Finally, we had a $10 million 364-day unsecured revolving credit facility, which was replaced on April 30, 2020, with a new $50 million 364-day unsecured revolving credit facility, which is used primarily to issue letters of credit. At June 30, 2020, there were no borrowings outstanding under the new facility; however, outstanding letters of credit reduced the total amount available to us under our $50 million facility to $44.4 million.

On April 23, 2020, we executed a new $600 million 364-day unsecured revolving credit facility to provide additional working capital funding. The facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin ranging from zero percent to 1.25 percent, based on the Company's credit ratings. At June 30, 2020, there were no borrowings outstanding under this facility.

Debt covenants

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, 2020, our total-debt-to-total-capitalization ratio, as defined in the agreements, was 43 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 if not paid at maturity. We were in compliance with all of our debt covenants as of June 30, 2020. 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.

8. Shareholders' Equity

The following tables present a reconciliation of changes in stockholders' equity for the three and nine months ended June 30, 2020 and 2019.

	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, 2019	119,338,925	$ 597	$ 3,712,194	$ (114,583)	$ 2,152,015	$ 5,750,223
Net income	—	—	—	—	178,673	178,673
Other comprehensive income	—	—	—	1,052	—	1,052
Cash dividends ($0.575 per share)	—	—	—	—	(69,557)	(69,557)
Common stock issued:						
Public and other stock offerings	2,758,929	13	263,259	—	—	263,272
Stock-based compensation plans	164,549	1	4,111	—	—	4,112
Balance, December 31, 2019	122,262,403	611	3,979,564	(113,531)	2,261,131	6,127,775
Net income	—	—	—	—	239,646	239,646
Other comprehensive income	—	—	—	890	—	890
Cash dividends ($0.575 per share)	—	—	—	—	(70,520)	(70,520)
Common stock issued:						
Public and other stock offerings	38,662	1	3,095	—	—	3,096
Stock-based compensation plans	7,660	—	3,528	—	—	3,528
Balance, March 31, 2020	122,308,725	612	3,986,187	(112,641)	2,430,257	6,304,415
Net income	—	—	—	—	117,791	117,791
Other comprehensive loss	—	—	—	(4,086)	—	(4,086)
Cash dividends ($0.575 per share)	—	—	—	—	(70,597)	(70,597)
Common stock issued:						
Public and other stock offerings	965,576	5	105,799	—	—	105,804
Stock-based compensation plans	76,966	—	8,144	—	—	8,144
Balance, June 30, 2020	123,351,267	$ 617	$ 4,100,130	$ (116,727)	$ 2,477,451	$ 6,461,471

	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, 2018	111,273,683	$ 556	$ 2,974,926	$ (83,647)	$ 1,878,116	$ 4,769,951
Net income	—	—	—	—	157,646	157,646
Other comprehensive loss	—	—	—	(22,258)	—	(22,258)
Cash dividends ($0.525 per share)	—	—	—	—	(58,722)	(58,722)
Cumulative effect of accounting change	—	—	—	(8,210)	8,210	—
Common stock issued:						
Public and other stock offerings	5,434,812	27	498,948	—	—	498,975
Stock-based compensation plans	184,464	1	2,602	—	—	2,603
Balance, December 31, 2018	116,892,959	584	3,476,476	(114,115)	1,985,250	5,348,195
Net income	—	—	—	—	214,888	214,888
Other comprehensive loss	—	—	—	(2,695)	—	(2,695)
Cash dividends ($0.525 per share)	—	—	—	—	(61,606)	(61,606)
Common stock issued:						
Public and other stock offerings	61,006	1	5,453	—	—	5,454
Stock-based compensation plans	28,938	—	3,865	—	—	3,865
Balance, March 31, 2019	116,982,903	585	3,485,794	(116,810)	2,138,532	5,508,101
Net income	—	—	—	—	80,466	80,466
Other comprehensive income	—	—	—	1,147	—	1,147
Cash dividends ($0.525 per share)	—	—	—	—	(61,654)	(61,654)
Common stock issued:						
Public and other stock offerings	1,127,244	5	103,425	—	—	103,430
Stock-based compensation plans	85,966	1	10,505	—	—	10,506
Balance, June 30, 2019	118,196,113	$ 591	$ 3,599,724	$ (115,663)	$ 2,157,344	$ 5,641,996

Shelf Registration, At-the-Market Equity Sales Program and Equity Issuances

On February 11, 2020, we filed a shelf registration statement with the Securities and Exchange Commission (SEC) that allows us to issue up to $4.0 billion in common stock and/or debt securities, which expires February 11, 2023. This shelf registration statement replaced our previous shelf registration statement which was filed on November 13, 2018 (2018 Registration Statement). At June 30, 2020, approximately $3.0 billion of securities remained available for issuance under the shelf registration statement.

On February 12, 2020, we filed a prospectus supplement under the shelf registration statement relating to an at-the-market (ATM) equity sales program (February 2020 ATM) under which we may issue and sell shares of our common stock up to an aggregate offering price of $1.0 billion (including shares of common stock that may be sold pursuant to forward sale agreements entered into concurrently with the ATM equity sales program). This ATM equity sales program replaced our previous ATM equity sales program, filed on November 19, 2018 (November 2018 ATM), which was exhausted during the second quarter of fiscal 2020 with the execution of forward sales.

During the nine months ended June 30, 2020, we executed forward sales under the February 2020 ATM and the November 2018 ATM equity sales programs with various forward sellers who borrowed and sold 4,148,057 shares of our common stock at an aggregate price of $453.9 million. Additionally, during the nine months ended June 30, 2020, we settled forward sale agreements with respect to 3,146,108 shares that had been borrowed and sold by various forward sellers during fiscal 2019 under the November 2018 ATM for net proceeds of $314.6 million. As of June 30, 2020, the February 2020 ATM program had approximately $621 million of equity available for issuance.

On November 30, 2018, we filed a prospectus supplement under the 2018 Registration Statement relating to an underwriting agreement to sell 5,390,836 shares of our common stock for $500 million. After expenses, net proceeds from the offering were $494.1 million. Concurrently, we entered into separate forward sales agreements with two forward sellers who borrowed and sold 2,668,464 shares of our common stock at an aggregate price of $247.5 million. During the nine months ended June 30, 2019, we settled forward sale agreements with respect to 1,089,700 of the shares that had been borrowed and sold for net proceeds of $99.6 million. During the nine months ended June 30, 2020, we settled the remaining 485,189 shares under these forward sale agreements for net proceeds of $44.4 million.

During the nine months ended June 30, 2019, we executed forward sales under the November 2018 ATM with various forward sellers who borrowed and sold 2,721,072 shares of our common stock at an aggregate price of $268.7 million.

If we had settled all shares that remain available under our outstanding forward sale agreements as of June 30, 2020, we would have received proceeds of $547.2 million, based on a net price of $106.33 per share. Additional details are presented below.

Maturity	Shares Available	Net Proceeds Available (In thousands)	Forward Price
September 30, 2020	1,662,270	$ 174,142	$ 104.76
March 31, 2021	2,089,927	229,650	$ 109.88
June 30, 2021	1,394,423	143,430	$ 102.86
Total	5,146,620	$ 547,222	

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in AOCI related to available-for-sale debt securities and interest rate agreement cash flow hedges. Deferred gains (losses) for our available-for-sale debt securities 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, 2019	$ 132	$ (114,715)	$ (114,583)
Other comprehensive income (loss) before reclassifications	202	(4,932)	(4,730)
Amounts reclassified from accumulated other comprehensive income	(2)	2,588	2,586
Net current-period other comprehensive income (loss)	200	(2,344)	(2,144)
June 30, 2020	$ 332	$ (117,059)	$ (116,727)

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Total
		(In thousands)	
September 30, 2018	$ 8,124	$ (91,771)	$ (83,647)
Other comprehensive income (loss) before reclassifications	192	(25,966)	(25,774)
Amounts reclassified from accumulated other comprehensive income	(1)	1,969	1,968
Net current-period other comprehensive income (loss)	191	(23,997)	(23,806)
Cumulative effect of accounting change	(8,210)	—	(8,210)
June 30, 2019	$ 105	$ (115,768)	$ (115,663)

9. 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, 2020 and 2019 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 or deferred as a regulatory asset or liability. The remaining costs are recorded as a component of operation and maintenance expense or other non-operating expense.

	Three Months Ended June 30			
	Pension Benefits		Other Benefits	
	2020	2019	2020	2019
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 4,652	$ 4,044	$ 3,366	$ 2,702
Interest cost[(1)]	5,843	6,799	2,653	2,960
Expected return on assets[(1)]	(7,079)	(7,113)	(2,625)	(2,664)
Amortization of prior service cost (credit)[(1)]	(58)	(57)	43	43
Amortization of actuarial (gain) loss[(1)]	3,242	1,606	(334)	(2,045)
Net periodic pension cost	$ 6,600	$ 5,279	$ 3,103	$ 996

	Nine Months Ended June 30			
	Pension Benefits		Other Benefits	
	2020	2019	2020	2019
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 13,957	$ 12,134	$ 10,099	$ 8,107
Interest cost[(1)]	17,529	20,399	7,959	8,879
Expected return on assets[(1)]	(21,237)	(21,339)	(7,874)	(7,994)
Amortization of prior service cost (credit)[(1)]	(174)	(173)	130	130
Amortization of actuarial (gain) loss[(1)]	9,725	4,821	(1,003)	(6,134)
Net periodic pension cost	$ 19,800	$ 15,842	$ 9,311	$ 2,988

(1) The components of net periodic cost other than the service cost component are included in the line item other non-operating expense in the condensed consolidated statements of comprehensive income or are capitalized on the condensed consolidated balance sheets as a regulatory asset or liability, as described in Note 2 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

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, 2020, we are not required to make a minimum contribution to our defined benefit plan during fiscal 2020. However, we may consider whether a voluntary contribution is prudent to maintain certain funding levels.

For the nine months ended June 30, 2020 we contributed $12.2 million to our postretirement medical plans. We anticipate contributing a total of between $10 million and $20 million to our postretirement plans during fiscal 2020.

10. 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 (RRC) 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.

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. These purchase commitment contracts are detailed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. At June 30, 2020, we were committed to purchase 59.3 Bcf within one year, 71.5 Bcf within two to three years and 0.2 Bcf beyond three years under indexed contracts.

Rate Regulatory Proceedings

As of June 30, 2020, routine rate regulatory proceedings were in progress in some of our service areas, which are discussed in further detail below in *Management's Discussion and Analysis — Recent Ratemaking Developments*. Except for these proceedings, there were no material changes to rate regulatory proceedings for the nine months ended June 30, 2020.

11. Income Taxes

On June 1, 2020, the Kansas legislature passed House Bill 2585 which eliminated the assessment of state income taxes on regulated utilities. This legislation will become effective for the Company on October 1, 2020. Due to the change in the Kansas state tax law, we completed a study of the calculations used to estimate the rate at which state deferred taxes will reverse in the future. As a result, we reduced our deferred tax liability by $32.5 million during the fiscal third quarter. We established a $12.1 million regulatory liability for excess deferred taxes that will be returned to Kansas customers. We are currently working with the Kansas Corporation Commission to determine the amortization period for this liability. We recognized $21.0 million as a one-time income tax benefit in our condensed consolidated statement of comprehensive income for the three and nine months ended June 30, 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act did not have an impact on our condensed consolidated financial statements for the three and nine months ended June 30, 2020.

12. Financial Instruments

We currently use financial instruments to mitigate commodity price risk and to mitigate 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 14 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. During the nine months ended June 30, 2020, 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 2019-2020 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 49 percent, or 19.9 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 manage interest rate risk by periodically entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

In July 2020, we entered into forward starting interest rate swaps to effectively fix the Treasury yield component associated with $300 million of a planned issuance of unsecured senior notes in fiscal 2023 at 1.36% and $300 million of a planned issuance of unsecured senior notes in fiscal 2025 at 1.35%, which we designated 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 charges over the life of the related financing arrangement. Hedge ineffectiveness to the extent incurred, will be reported as a component of interest charges.

As of June 30, 2020, we had forward starting interest rate swaps to effectively fix the Treasury yield component associated with $500 million of a planned issuance of unsecured senior notes in fiscal 2021 at 0.69% and $450 million of a planned issuance of unsecured senior notes in fiscal 2022 at 1.33%, which we designated as cash flow hedges at the time the agreements were executed.

As of June 30, 2020, we had $112.1 million of net realized losses in 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 charges over the life of the associated notes from the date of settlement. The remaining amortization periods for these settled amounts extend through fiscal 2049.

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 statements of comprehensive income.

As of June 30, 2020, 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, 2020, we had 10,050 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, 2020 and September 30, 2019. 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. However, for June 30, 2020 and September 30, 2019, no gross amounts and no cash collateral were netted within our consolidated balance sheet.

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
June 30, 2020			
Designated As Hedges:			
Interest rate swaps	Other current assets / Other current liabilities	$ 66	$ (5,305)
Interest rate swaps	Deferred charges and other assets / Deferred credits and other liabilities	4,181	(5,300)
Total		4,247	(10,605)
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	1,370	(461)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	247	(37)
Total		1,617	(498)
Gross / Net Financial Instruments		$ 5,864	$ (11,103)

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
September 30, 2019			
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	$ 1,586	$ (4,552)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	225	(1,249)
Total		1,811	(5,801)
Gross / Net Financial Instruments		$ 1,811	$ (5,801)

Impact of Financial Instruments on the Statement of Comprehensive Income

Cash Flow Hedges

As discussed above, our distribution segment has interest rate agreements, which we designated as cash flow hedges at the time the agreements were executed. The net loss on settled interest rate agreements reclassified from AOCI into interest charges on our condensed consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019 was $1.4 million and $1.4 million and for the nine months ended June 30, 2020 and 2019 was $4.1 million and $2.6 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, 2020 and 2019. The amounts included in the table below exclude gains and losses arising from ineffectiveness because those amounts are immediately recognized in the statement of comprehensive income as incurred.

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In thousands)			
Increase (decrease) in fair value:				
Interest rate agreements	$ (4,932)	$ —	$ (4,932)	$ (25,966)
Recognition of losses in earnings due to settlements:				
Interest rate agreements	482	1,053	2,588	1,969
Total other comprehensive income (loss) from hedging, net of tax	$ (4,450)	$ 1,053	$ (2,344)	$ (23,997)

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, 2020, 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 swaps as those instruments have not yet settled.

	Interest Rate Agreements
	(In thousands)
Next twelve months	$ (4,234)
Thereafter	(107,893)
Total	$ (112,127)

Financial Instruments Not Designated as Hedges

As discussed above, commodity contracts which are 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 comprehensive 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.

13. 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, 2019. During the nine months ended June 30, 2020, 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 8 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

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, 2020 and September 30, 2019. 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	June 30, 2020
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 5,864	$ —	$ —	$ 5,864
Debt and equity securities					
Registered investment companies	37,229	—	—	—	37,229
Bond mutual funds	28,954	—	—	—	28,954
Bonds[(2)]	—	34,408	—	—	34,408
Money market funds	—	5,126	—	—	5,126
Total debt and equity securities	66,183	39,534	—	—	105,717
Total assets	$ 66,183	$ 45,398	$ —	$ —	$ 111,581
Liabilities:					
Financial instruments	$ —	$ 11,103	$ —	$ —	$ 11,103

	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, 2019
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 1,811	$ —	$ —	$ 1,811
Debt and equity securities					
Registered investment companies	41,406	—	—	—	41,406
Bond mutual funds	25,966	—	—	—	25,966
Bonds[(2)]	—	31,915	—	—	31,915
Money market funds	—	2,596	—	—	2,596
Total debt and equity securities	67,372	34,511	—	—	101,883
Total assets	$ 67,372	$ 36,322	$ —	$ —	$ 103,694
Liabilities:					
Financial instruments	$ —	$ 5,801	$ —	$ —	$ 5,801

(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.
(2) Our investments in bonds are considered available-for-sale debt securities in accordance with current accounting guidance.

Debt and equity securities are comprised of our available-for-sale debt securities and our equity securities. We regularly evaluate the performance of our available-for-sale debt securities on an investment by investment basis for impairment, taking into consideration the investment'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 and the other-than-temporary impairment is recognized in the statement of comprehensive income. At June 30, 2020 and September 30, 2019, the amortized cost of our available-for-sale debt securities was $34.0 million and $31.7 million. At June 30, 2020, we maintained investments in bonds that have contractual maturity dates ranging from July 2020 through May 2023.

Other Fair Value Measures

Our long-term debt is recorded at carrying value. The fair value of our long-term debt, excluding finance leases, 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 carrying value of our finance leases materially approximates fair value. The following table presents the carrying value and fair value of our long-term debt, excluding finance leases, debt issuance costs and original issue premium or discount, as of June 30, 2020 and September 30, 2019:

	June 30, 2020	September 30, 2019
	(In thousands)	
Carrying Amount	$ 4,560,000	$ 3,560,000
Fair Value	$ 5,563,300	$ 4,216,249

14. Concentration of Credit Risk

Information regarding our concentration of credit risk is disclosed in Note 17 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. During the nine months ended June 30, 2020, 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

Results of Review of Interim Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of Atmos Energy Corporation (the Company) as of June 30, 2020, the related condensed consolidated statements of comprehensive income for the three and nine months ended June 30, 2020 and 2019, the condensed consolidated statements of cash flows for the nine months ended June 30, 2020 and 2019, and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements 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) (PCAOB), the consolidated balance sheet of the Company as of September 30, 2019, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for the year then ended, and the related notes and schedule (not presented herein); and in our report dated November 12, 2019, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2019, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements 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 PCAOB, 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.

/s/ ERNST & YOUNG LLP

Dallas, Texas
August 5, 2020

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, 2019.

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: the outbreak of COVID-19 and its impact on business and economic conditions; federal, state and local regulatory and political trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; 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; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; 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; the impact of climate change; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; increased dependence on technology that may hinder the Company's business if such technologies fail; 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, 2020 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.

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 the allowance for doubtful accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and the valuation of goodwill 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, 2019 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, 2020.

Non-GAAP Financial Measures

As described in Note 11 to the unaudited condensed consolidated financial statements, due to the passage of Kansas House Bill 2585, we remeasured our deferred tax liability and updated our state deferred tax rate. As a result, we recorded a non-cash income tax benefit of $21.0 million for the three and nine months ended June 30, 2020. Due to the non-recurring nature of this benefit, we believe that net income and diluted net income per share before the non-cash income tax benefit provide a more relevant measure to analyze our financial performance than net income and diluted net income per share in order to allow investors to better analyze our core results and allow the information to be presented on a comparative basis to the prior year. Accordingly, the following discussion and analysis of our financial performance will reference adjusted net income and adjusted diluted net income per share, non-GAAP measures, which are calculated as follows:

	Three Months Ended June 30		
	2020	2019	Change
	(In thousands, except per share data)		
Net income	$ 117,791	$ 80,466	$ 37,325
Non-cash income tax benefit	(20,962)	—	(20,962)
Adjusted net income	$ 96,829	$ 80,466	$ 16,363
Diluted net income per share	$ 0.96	$ 0.68	$ 0.28
Diluted EPS from non-cash income tax benefit	(0.17)	—	(0.17)
Adjusted diluted net income per share	$ 0.79	$ 0.68	$ 0.11

	Nine Months Ended June 30		
	2020	2019	Change
	(In thousands, except per share data)		
Net income	$ 536,110	$ 453,000	$ 83,110
Non-cash income tax benefit	(20,962)	—	(20,962)
Adjusted net income	$ 515,148	$ 453,000	$ 62,148
Diluted net income per share	$ 4.37	$ 3.88	$ 0.49
Diluted EPS from non-cash income tax benefit	(0.17)	—	(0.17)
Adjusted diluted net income per share	$ 4.20	$ 3.88	$ 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 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.

We continue to execute our strategy well while managing the ongoing impacts of the COVID-19 pandemic. Approximately 95 percent of our employees continue to work remotely as we provide essential services to ensure the safety and functionality of our critical infrastructure while taking precautions to provide a safe work environment for employees and customers.

During the nine months ended June 30, 2020, we recorded net income of $536.1 million, or $4.37 per diluted share, compared to net income of $453.0 million, or $3.88 per diluted share for the nine months ended June 30, 2019. After adjusting for a nonrecurring income tax benefit recognized during the third quarter, we recorded adjusted net income of $515.1 million, or $4.20 per diluted share for the nine months ended June 30, 2020.

The 14 percent period-over-period increase in adjusted net income largely reflects positive rate outcomes and customer growth in our distribution business. We did not experience a material change in period-over-period residential revenue in our distribution segment due to COVID-19; however, we did experience a 12 percent period-over-period decline in nonresidential revenue. This decline was offset by a reduction of O&M expenses. Approximately 85 percent of our distribution segment revenues are earned during the first three fiscal quarters. Historically during our fiscal fourth quarter, approximately 60 percent of our revenues are earned from our residential customers with the remaining 40 percent earned from our non-residential customers.

During the nine months ended June 30, 2020, we implemented ratemaking regulatory actions which resulted in an increase in annual operating income of $108.1 million. Additionally, we completed four regulatory filings in Texas for $22.6 million. Rates for these filings will go into effect September 1, 2020. As of June 30, 2020, we had six ratemaking efforts in progress seeking a total increase in annual operating income of $143.7 million. Additionally, as of the date of this report, we have received regulatory orders in five states (which cover approximately 86 percent of our distribution customers and all of our APT customers) to defer into a regulatory asset all expenses, beyond the normal course of business, related to COVID-19, including bad debt expense.

Capital expenditures for the nine months ended June 30, 2020 increased 17 percent period over period, to $1.4 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.

During the nine months ended June 30, 2020, we completed approximately $1.4 billion of long-term debt and equity financing. As of June 30, 2020, our equity capitalization was 58.8 percent and we had over $2.9 billion in total liquidity, including cash and cash equivalents and funds available through equity forward sales agreements.

As a result of our sustained financial performance, improved cash flows and capital structure, our Board of Directors increased the quarterly dividend by 9.5 percent for fiscal 2020.

The extent of COVID-19's effect on our future operational and financial performance will depend in large part on future developments, which are difficult to predict. Future developments include the duration, scope and severity of the pandemic, the actions taken to contain or mitigate its impact, actions that may be taken by our regulators, the development of treatments or vaccines, and the resumption of widespread economic activity. As of the date of this report, we continue to believe we remain positioned to continue modernizing our natural gas delivery network and business processes over the long-term.

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, 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 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. Under our current rate design, approximately 85 percent of our revenues are earned through the first nine months of the fiscal year. Additionally, we currently recover approximately 59 percent of our distribution segment revenue, excluding gas costs, through the base customer charge, which partially separates the recovery of our approved rate from customer usage patterns.

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 have been approved by state regulatory commissions for approximately 96 percent of our residential and commercial revenues 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. 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. Revenues in our Texas and Mississippi service areas include 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.

The cost of gas typically does not have a direct impact on our operating income because these costs are recovered through our purchased gas cost adjustment mechanisms. However, higher gas costs may adversely impact our accounts receivable collections, resulting in higher bad debt expense. This risk is currently mitigated by rate design that allows us to collect from our customers the gas cost portion of our bad debt expense on approximately 77 percent of our residential and commercial revenues. Additionally, higher gas costs may require us to increase borrowings under our credit facilities, resulting in higher interest expense. Finally, 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.

Three Months Ended June 30, 2020 compared with Three Months Ended June 30, 2019

Financial and operational highlights for our distribution segment for the three months ended June 30, 2020 and 2019 are presented below.

	Three Months Ended June 30		
	2020	2019	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 435,308	$ 444,944	$ (9,636)
Purchased gas cost	126,093	139,518	(13,425)
Operating expenses	246,704	256,743	(10,039)
Operating income	62,511	48,683	13,828
Other non-operating income	5,167	3,005	2,162
Interest charges	7,969	10,597	(2,628)
Income before income taxes	59,709	41,091	18,618
Non-cash income tax benefit	(13,467)	—	(13,467)
Income tax expense	14,277	8,693	5,584
Net income	$ 58,899	$ 32,398	$ 26,501
Consolidated distribution sales volumes — MMcf	38,971	41,683	(2,712)
Consolidated distribution transportation volumes — MMcf	30,191	34,509	(4,318)
Total consolidated distribution throughput — MMcf	69,162	76,192	(7,030)
Consolidated distribution average cost of gas per Mcf sold	$ 3.24	$ 3.35	$ (0.11)

Operating income for our distribution segment increased 28 percent, which primarily reflects:

- a $14.8 million net increase in rate adjustments, primarily in our Mid-Tex, Mississippi, Louisiana and West Texas Divisions.
- a $1.8 million increase from customer growth primarily in our Mid-Tex Division.
- a $12.5 million decrease in operating expense in response to COVID-19:
    - $6.6 million associated with lower overtime/standby costs, benefit costs and other employee related costs.
    - $3.5 million associated with travel and entertainment and training.
    - $2.4 million related to the deferral of pipeline maintenance and related activities.

Partially offset by:

- a $10.1 million decrease attributable to COVID-19:
    - $6.8 million decrease in net consumption and transportation, primarily due to an 18 percent period over period decrease in commercial volumes.
    - $3.3 million decrease in service order revenues primarily due to the cessation of collection activities during the third quarter.
- a $9.2 million increase in depreciation expense and property taxes associated with increased capital investments.

Additionally, the quarter-over-quarter decrease in other non-operating expense and interest charges of $4.8 million is primarily due to increased capitalized interest and allowance for funds used during construction (AFUDC) primarily due to increased capital spending partially offset by an increase in interest expense due to the issuance of long-term debt during fiscal 2020.

The following table shows our operating income by distribution division, in order of total rate base, for the three months ended June 30, 2020 and 2019. 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		
	2020	2019	Change
		(In thousands)	
Mid-Tex	$ 26,597	$ 23,757	$ 2,840
Kentucky/Mid-States	13,026	10,486	2,540
Louisiana	9,272	8,517	755
West Texas	6,082	5,053	1,029
Mississippi	4,340	1,694	2,646
Colorado-Kansas	2,607	2,399	208
Other	587	(3,223)	3,810
Total	$ 62,511	$ 48,683	$ 13,828

Nine Months Ended June 30, 2020 compared with Nine Months Ended June 30, 2019

Financial and operational highlights for our distribution segment for the nine months ended June 30, 2020 and 2019 are presented below.

	Nine Months Ended June 30		
	2020	2019	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 2,196,817	$ 2,341,668	$ (144,851)
Purchased gas cost	942,586	1,147,598	(205,012)
Operating expenses	757,902	746,987	10,915
Operating income	496,329	447,083	49,246
Other non-operating income	1,930	1,791	139
Interest charges	35,128	44,703	(9,575)
Income before income taxes	463,131	404,171	58,960
Non-cash income tax benefit	(13,467)	—	(13,467)
Income tax expense	100,878	85,195	15,683
Net income	$ 375,720	$ 318,976	$ 56,744
Consolidated distribution sales volumes — MMcf	257,390	282,623	(25,233)
Consolidated distribution transportation volumes — MMcf	115,200	121,747	(6,547)
Total consolidated distribution throughput — MMcf	372,590	404,370	(31,780)
Consolidated distribution average cost of gas per Mcf sold	$ 3.66	$ 4.06	$ (0.40)

Operating income for our distribution segment increased eleven percent, which primarily reflects:

- a $70.8 million net increase in rate adjustments, primarily in our Mid-Tex, Mississippi, Louisiana and West Texas Divisions.
- a $10.3 million increase from customer growth primarily in our Mid-Tex Division.
- a $12.5 million decrease in operating expense in response to COVID-19:
    - $6.6 million associated with lower overtime/standby costs, benefit costs and other employee related costs.
    - $3.5 million associated with travel and entertainment and training.
    - $2.4 million related to the deferral of pipeline maintenance and related activities.

Partially offset by:

- a $10.1 million decrease attributable to COVID-19:
    - $6.8 million decrease in net consumption and transportation, primarily due to a 10 percent period over period decrease in commercial volumes.
    - $3.3 million decrease in service order revenues primarily during the third quarter due to the cessation of collection activities during the third quarter.
- a $3.9 million increase in software maintenance expenses.
- a $24.8 million increase in depreciation expense and property taxes associated with increased capital investments.

The year-over-year decrease in other non-operating expense and interest charges of $9.7 million primarily reflects increased capitalized interest and AFUDC primarily due to increased capital spending, partially offset by an increase in interest expense due to the issuance of long-term debt during fiscal 2020.

The year-over-year increase in income tax expense is primarily a result of increases in income before income taxes.

The following table shows our operating income by distribution division, in order of total rate base, for the nine months ended June 30, 2020 and 2019. 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		
	2020	2019	Change
	(In thousands)		
Mid-Tex	$ 214,599	$ 189,294	$ 25,305
Kentucky/Mid-States	70,693	69,960	733
Louisiana	64,867	63,571	1,296
West Texas	47,692	41,797	5,895
Mississippi	58,997	48,392	10,605
Colorado-Kansas	35,139	35,892	(753)
Other	4,342	(1,823)	6,165
Total	$ 496,329	$ 447,083	$ 49,246

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 2020, we implemented fifteen regulatory proceedings, resulting in an $81.4 million increase in annual operating income as summarized below.

Rate Action	Annual Increase (Decrease) in Operating Income
	(In thousands)
Annual formula rate mechanisms	$ 82,079
Rate case filings	(1,057)
Other rate activity	353
	$ 81,375

The following ratemaking efforts seeking $143.7 million in increased annual operating income were in progress as of June 30, 2020:

Division	Rate Action	Jurisdiction	Operating Income Requested
			(In thousands)
Kentucky/Mid-States	Infrastructure Mechanism	Virginia	$ 410
Louisiana	Formula Rate Mechanism	Louisiana (1)	14,781
Mid-Tex	Formula Rate Mechanism	City of Dallas	17,137
Mid-Tex	Formula Rate Mechanism	Mid-Tex Cities	94,060
Mississippi	Infrastructure Mechanism	Mississippi (2)	10,242
West Texas	Formula Rate Mechanism	West Texas Cities	7,057
			$ 143,687

(1) Rates under this mechanism were implemented beginning July 1, 2020, subject to refund.
(2) On July 1, 2020, this filing was updated to request an operating income increase of $10.5 million.

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:

State	Annual Formula Rate Mechanisms — Infrastructure Programs	Annual Formula Rate Mechanisms — 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)
Tennessee	(1)	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, Louisiana and Tennessee 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, 2020:

Division	Jurisdiction	Test Year Ended	Increase in Annual Operating Income (In thousands)	Effective Date
2020 Filings:				
West Texas	Environs [1]	12/31/2019	$ 1,031	06/16/2020
Kentucky/Mid-States	Tennessee ARM	05/31/2019	714	06/15/2020
Mid-Tex	ATM Cities [1]	12/31/2019	11,148	06/12/2020
Mid-Tex	Environs [1]	12/31/2019	4,440	05/20/2020
West Texas	Amarillo, Lubbock, Dalhart and Channing [1]	12/31/2019	5,937	04/28/2020
Colorado-Kansas	Colorado SSIR	12/31/2020	2,082	01/01/2020
Mississippi	Mississippi - SIR	10/31/2020	7,586	11/01/2019
Mississippi	Mississippi - SRF	10/31/2020	6,886	11/01/2019
Kentucky/Mid-States	Virginia - SAVE	09/30/2020	84	10/01/2019
Kentucky/Mid-States	Kentucky PRP	09/30/2020	2,912	10/01/2019
Mid-Tex	Mid-Tex Cities RRM	12/31/2018	34,380	10/01/2019
West Texas	West Texas Cities RRM	12/31/2018	4,879	10/01/2019
Total 2020 Filings			$ 82,079	

(1) The rate increases for our Texas GRIP filings have been approved; however, new rates will not be implemented until September 1, 2020.

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, 2020.

Division	State	Increase (Decrease) in Annual Operating Income	Effective Date
		(In thousands)	
2020 Rate Case Filings:			
West Texas (Triangle)	Texas	$ (808)	04/21/2020
Colorado-Kansas	Kansas	(249)	04/01/2020
Total 2020 Rate Case Filings		$ (1,057)	

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the nine months ended June 30, 2020.

Division	Jurisdiction	Rate Activity	Increase in Annual Operating Income	Effective Date
			(In thousands)	
2020 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad Valorem [1]	$ 353	02/01/2020
Total 2020 Other Rate Activity			$ 353	

(1) The Ad Valorem filing relates to property taxes that are either over or undercollected compared to 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 and eastern Texas, extending into or near the major producing areas of the Barnett Shale, the Texas Gulf Coast and the Permian Basin of West Texas. APT 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. Over 80 percent of this segment's revenues are derived from these services. As part of its pipeline operations, APT owns and operates five underground storage facilities in Texas.

Our natural gas transmission operations in Louisiana are comprised of a 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 supply areas that we serve, which may influence the level of throughput we may be able to transport on our pipelines. 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 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. On February 14, 2020, APT made a GRIP filing that covered changes in net investments from January 1, 2019 through December 31, 2019 with a requested increase in operating income of $49.3 million. On May 20, 2020, the Texas Railroad Commission approved the Company's GRIP filing.

Three Months Ended June 30, 2020 compared with Three Months Ended June 30, 2019

Financial and operational highlights for our pipeline and storage segment for the three months ended June 30, 2020 and 2019 are presented below.

	Three Months Ended June 30		
	2020	2019	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 123,661	$ 112,302	$ 11,359
Third-party transportation revenue	32,749	34,462	(1,713)
Other revenue	1,598	2,434	(836)
Total operating revenues	158,008	149,198	8,810
Total purchased gas cost	(11)	(96)	85
Operating expenses	81,495	75,775	5,720
Operating income	76,524	73,519	3,005
Other non-operating income (expense)	2,068	(1,360)	3,428
Interest charges	11,611	8,995	2,616
Income before income taxes	66,981	63,164	3,817
Non-cash income tax benefit	(7,495)	—	(7,495)
Income tax expense	15,584	15,096	488
Net income	$ 58,892	$ 48,068	$ 10,824
Gross pipeline transportation volumes — MMcf	185,414	214,627	(29,213)
Consolidated pipeline transportation volumes — MMcf	153,652	181,292	(27,640)

Operating income for our pipeline and storage segment increased four percent. Operating revenue increased $8.8 million, primarily due to rate adjustments from the GRIP filing approved in May 2020, partially offset by a net decrease in transportation and other revenue primarily associated with the tightening of regional spreads driven by a reduction in associated Permian Basin gas production. The increase in rates was driven primarily by increased safety and reliability spending. This increase in operating income was partially offset by a $5.7 million increase in operating expenses, primarily due to higher depreciation expense of $2.8 million associated with increased capital investments and higher system maintenance expense of $2.6 million primarily due to spending on hydro testing and in-line inspections.

Nine Months Ended June 30, 2020 compared with Nine Months Ended June 30, 2019

Financial and operational highlights for our pipeline and storage segment for the nine months ended June 30, 2020 and 2019 are presented below.

	Nine Months Ended June 30		
	2020	2019	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 350,394	$ 316,841	$ 33,553
Third-party transportation revenue	94,356	95,539	(1,183)
Other revenue	7,671	6,938	733
Total operating revenues	452,421	419,318	33,103
Total purchased gas cost	290	(544)	834
Operating expenses	225,206	210,602	14,604
Operating income	226,925	209,260	17,665
Other non-operating income (expense)	7,203	(3,637)	10,840
Interest charges	33,852	29,687	4,165
Income before income taxes	200,276	175,936	24,340
Non-cash income tax benefit	(7,495)	—	(7,495)
Income tax expense	47,381	41,912	5,469
Net income	$ 160,390	$ 134,024	$ 26,366
Gross pipeline transportation volumes — MMcf	627,656	708,315	(80,659)
Consolidated pipeline transportation volumes — MMcf	453,646	517,188	(63,542)

Operating income for our pipeline and storage segment increased eight percent. Operating revenue increased $33.1 million, primarily due to rate adjustments from the GRIP filings approved in May 2019 and May 2020, partially offset by a net decrease in transportation and other revenue primarily associated with the tightening of regional spreads driven by a reduction in associated Permian Basin gas production. The increase in rates was driven primarily by increased safety and reliability spending. This increase in operating income was partially offset by a $14.6 million increase in operating expenses, primarily due to higher depreciation expense of $8.2 million associated with increased capital investments and higher system maintenance expense of $9.4 million primarily due to well integrity costs and spending on hydro testing and in-line inspections.

Additionally, the year-over-year change in other non-operating income and interest charges of $6.7 million primarily reflects increased AFUDC primarily due to increased capital spending.

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. As of June 30, 2020, external debt financing is provided primarily through the issuance of long-term debt, a $1.5 billion commercial paper program and four committed revolving credit facilities with a total availability from third-party lenders of approximately $2.2 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.

We have a shelf registration statement on file with the Securities and Exchange Commission (SEC) that allows us to issue up to $4.0 billion in common stock and/or debt securities. At June 30, 2020, approximately $3.0 billion of securities remained available for issuance under the shelf registration statement, which expires February 11, 2023.

We also have an at-the-market (ATM) equity sales program that allows us to issue and sell shares of our common stock up to an aggregate offering price of $1.0 billion (including shares of common stock that may be sold pursuant to forward sale agreements entered into in connection with the ATM equity sales program), which expires February 11, 2023. As of June 30, 2020, approximately $621 million of equity is available for issuance under this ATM equity sales program. Additionally, as of June 30, 2020, we have $547.2 million in proceeds available through June 30, 2021 from previously executed forward sale agreements. Additional details are summarized in Note 8.

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 2020 and beyond. Additionally we expect to continue to be able to obtain financing upon reasonable terms as necessary.

The following table presents our capitalization inclusive of short-term debt and the current portion of long-term debt as of June 30, 2020, September 30, 2019 and June 30, 2019:

	June 30, 2020		September 30, 2019		June 30, 2019	
			(In thousands, except percentages)			
Short-term debt	$ —	—%	$ 464,915	4.8%	$ 74,942	0.8%
Long-term debt[1]	4,531,498	41.2%	3,529,452	36.2%	3,654,135	39.0%
Shareholders' equity	6,461,471	58.8%	5,750,223	59.0%	5,641,996	60.2%
Total	$ 10,992,969	100.0%	$ 9,744,590	100.0%	$ 9,371,073	100.0%

(1) Inclusive of our finance leases as of June 30, 2020.

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, 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, 2020 and 2019 are presented below.

	Nine Months Ended June 30		
	2020	2019	Change
		(In thousands)	
Total cash provided by (used in)			
Operating activities	$ 895,486	$ 808,928	$ 86,558
Investing activities	(1,400,267)	(1,195,401)	(204,866)
Financing activities	688,295	418,865	269,430
Change in cash and cash equivalents	183,514	32,392	151,122
Cash and cash equivalents at beginning of period	24,550	13,771	10,779
Cash and cash equivalents at end of period	$ 208,064	$ 46,163	$ 161,901

Cash flows from operating activities

For the nine months ended June 30, 2020, we generated cash flow from operating activities of $895.5 million compared with $808.9 million for the nine months ended June 30, 2019. The $86.6 million increase in operating cash flows reflects positive cash effects of successful rate case outcomes achieved in fiscal 2019 and working capital changes, primarily as a result of the timing of gas cost recoveries under our purchase gas cost mechanisms.

Cash flows from investing activities

Our capital expenditures are primarily used to improve the safety and reliability of our distribution and transmission system through pipeline replacement and system modernization and to enhance and expand our system to meet customer needs. Over the last three fiscal years, approximately 84 percent of our capital spending has been committed to improving the safety and reliability of our system.

We allocate our capital spending among our service areas using risk management models and subject matter experts to identify, assess and develop a plan of action to address our highest risk facilities. We have regulatory mechanisms in most of our service areas that provide the opportunity to include approved capital costs in rate base on a periodic basis without being required to file a rate case. These mechanisms permit us a reasonable opportunity to earn a fair return on our investment without compromising safety or reliability.

For the nine months ended June 30, 2020, cash used for investing activities was $1.4 billion compared to $1.2 billion for the nine months ended June 30, 2019. Capital spending increased by $206.5 million, or 17 percent, as a result of planned increases in our distribution segment to repair and replace vintage pipe.

Cash flows from financing activities

For the nine months ended June 30, 2020, our financing activities provided $688.3 million of cash compared with $418.9 million of cash provided by financing activities in the prior-year period.

In the nine months ended June 30, 2020, we received $1.4 billion in net proceeds from the issuance of long-term debt and equity. We completed a public offering of $300 million of 2.625% senior notes due 2029 and $500 million of 3.375% senior notes due 2049 and entered into a two year $200 million term loan. We received net proceeds from the offering, after the underwriting discount and offering expenses, of $791.7 million. Additionally, during the nine months ended June 30, 2020, we settled 3,631,297 shares that had been sold on a forward basis for net proceeds of $358.0 million. The net proceeds were used primarily to support capital spending, reduce short term debt and for other general corporate purposes.

Cash dividends increased due to a 9.5 percent increase in our dividend rate and an increase in shares outstanding.

In the nine months ended June 30, 2019, we received $1.6 billion in net proceeds from the issuance of long-term debt and equity. A portion of the net proceeds was used to repay at maturity our $450 million 8.50% unsecured senior notes and the related settlement of our interest rate swaps for $90.1 million, to reduce short-term debt, to support our capital spending and for other general corporate purposes. Cash dividends increased due to an 8.2 percent increase in our dividend rate and an increase in shares outstanding.

The following table summarizes our share issuances for the nine months ended June 30, 2020 and 2019:

	Nine Months Ended June 30	
	2020	2019
Shares issued:		
Direct Stock Purchase Plan	72,403	78,697
1998 Long-Term Incentive Plan	249,175	299,368
Retirement Savings Plan and Trust	59,467	63,829
Equity Issuance	3,631,297	6,480,536
Total shares issued	4,012,342	6,922,430

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 but not limited to, debt to total capitalization, operating cash flow relative to outstanding debt, operating cash flow coverage of interest and pension liabilities. 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). On December 16, 2019, Moody's upgraded our senior unsecured long-term debt rating to A1 and changed their outlook to stable, citing our strong credit metrics as a result of continued improvement in rate design to minimize regulatory lag and our balanced fiscal policy. As of June 30, 2020, S&P 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	A1
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 June 30, 2020. Our debt covenants are described in greater detail in Note 7 to the unaudited condensed consolidated financial statements.

Contractual Obligations and Commercial Commitments

Except as noted in Note 10 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, 2020.

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 periodically entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

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, 2020 and 2019:

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
	(In thousands)			
Fair value of contracts at beginning of period	$ (832)	$ 1,573	$ (3,990)	$ (55,218)
Contracts realized/settled	193	6	(6,743)	96,380
Fair value of new contracts	842	(1,226)	937	(337)
Other changes in value	(5,442)	(1,667)	4,557	(42,139)
Fair value of contracts at end of period	(5,239)	(1,314)	(5,239)	(1,314)
Netting of cash collateral	—	—	—	—
Cash collateral and fair value of contracts at period end	$ (5,239)	$ (1,314)	$ (5,239)	$ (1,314)

The fair value of our financial instruments at June 30, 2020 is presented below by time period and fair value source:

	Fair Value of Contracts at June 30, 2020				
	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	$ (4,330)	$ (909)	$ —	$ —	$ (5,239)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$ (4,330)	$ (909)	$ —	$ —	$ (5,239)

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, 2020 and 2019.

Distribution Sales and Statistical Data

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
METERS IN SERVICE, end of period				
Residential	3,035,840	3,001,552	3,035,840	3,001,552
Commercial	276,349	272,942	276,349	272,942
Industrial	1,657	1,668	1,657	1,668
Public authority and other	8,486	8,560	8,486	8,560
Total meters	3,322,332	3,284,722	3,322,332	3,284,722
INVENTORY STORAGE BALANCE — Bcf	47.9	49.1	47.9	49.1
SALES VOLUMES — MMcf[(1)]				
Gas sales volumes				
Residential	18,653	17,469	148,557	162,090
Commercial	12,946	15,838	81,784	90,395
Industrial	6,181	7,389	20,949	24,290
Public authority and other	1,191	987	6,100	5,848
Total gas sales volumes	38,971	41,683	257,390	282,623
Transportation volumes	32,016	36,367	120,832	127,453
Total throughput	70,987	78,050	378,222	410,076

Pipeline and Storage Operations Sales and Statistical Data

	Three Months Ended June 30		Nine Months Ended June 30	
	2020	2019	2020	2019
CUSTOMERS, end of period				
Industrial	92	93	92	93
Other	239	234	239	234
Total	331	327	331	327
INVENTORY STORAGE BALANCE — Bcf	1.3	1.3	1.3	1.3
PIPELINE TRANSPORTATION VOLUMES — MMcf[(1)]	185,414	214,627	627,656	708,315

Note to preceding tables:

(1) Sales and transportation volumes 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, 2019. During the nine months ended June 30, 2020, 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, 2020 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, 2020 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, 2020, except as noted in Note 10 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 12 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2019. 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 1A. ***Risk Factors***

Except as updated below, there were no material changes from the risk factors disclosed under the heading “Risk Factors” in Item 1A in the Annual Report on Form 10-K for the year ended September 30, 2019.

The outbreak of COVID-19 and its impact on business and economic conditions could negatively affect our business, results of operations and financial condition.

The scale and scope of the recent COVID-19 outbreak, the resulting pandemic, and the impact on the economy and financial markets could adversely affect the Company’s business, results of operations and financial condition. As an essential business, the Company continues to provide natural gas services and has implemented business continuity and emergency response plans to continue to provide natural gas services to customers and support the Company’s operations, while taking health and safety measures such as implementing worker distancing measures and using a remote workforce where possible. However, there is no assurance that the continued spread of COVID-19 and efforts to contain the virus (including, but not limited to, voluntary and mandatory quarantines, restrictions on travel, limiting gatherings of people, and reduced operations and extended closures of many businesses and institutions) will not materially impact our business, results of operations and financial condition. In particular, the continued spread of COVID-19 and efforts to contain the virus could:

- impact customer demand for natural gas, particularly from commercial and industrial customers;
- reduce the availability and productivity of our employees and contractors;
- cause us to experience an increase in costs as a result of our emergency measures, delayed payments from our customers and uncollectable accounts;
- cause the Company’s contractors, suppliers and other business partners to be unable to fulfill their contractual obligations;
- result in our inability to meet the requirements of the covenants in our existing credit facilities, including covenants regarding the ratio of indebtedness to total capitalization;
- cause a deterioration in our financial metrics or the business environment that impacts our credit ratings;
- impact our liquidity position and cost of and ability to access funds from financial institutions and capital markets; and
- cause other unpredictable events.

The situation surrounding COVID-19 remains fluid and the likelihood of an impact on the Company that could be material increases the longer the virus impacts activity levels in the United States. Therefore, it is difficult to predict with certainty the potential impact of the virus on the Company’s business, results of operations and financial condition.

To the extent the COVID-19 pandemic has an adverse impact on the Company’s business, results of operations and financial condition, it may also have the effect of heightening many of the other risk factors disclosed under the heading “Risk Factors” in Item 1A in the Annual Report on Form 10-K for the year ended September 30, 2019, such as those relating to our ability to continue to access the credit and capital markets to execute our business strategy; market risks beyond our control affecting our risk management activities, including commodity price volatility, counterparty performance or creditworthiness and interest rate risk; and the impact of adverse economic conditions on our customers.

Item 6. ***Exhibits***

The following exhibits are filed as part of this Quarterly Report.

Exhibit Number	Description	Page Number or Incorporation by Reference to
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 February 5, 2019)	Exhibit 3.1 to Form 8-K dated February 5, 2019 (File No. 1-10042)
10.1	Term Loan Agreement, dated as of April 9, 2020, among Atmos Energy Corporation, Credit Agricole Corporate and Investment Bank, as the Administrative Agent, Canadian Imperial Bank of Commerce, New York Branch, as Syndication Agent, Credit Agricole Corporation and Investment Bank and Canadian Imperial Bank of Commerce, New York Branch, as Joint Lead Arrangers and Joint-Bookrunners, and the lenders named therein	Exhibit 10.1 to Form 8-K dated April 9, 2020 (File No. 1-10042)
10.2	364-Day Revolving Credit Agreement, dated as of April 23, 2020, among Atmos Energy Corporation, Mizuho Bank, Ltd., as the Administrative Agent, the agents, arrangers and bookrunners named therein, and the lenders named therein	Exhibit 10.1 to Form 8-K dated April 23, 2020 (File No. 1-10042)
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 - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	
101.SCH	Inline XBRL Taxonomy Extension Schema	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document	

* 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 5, 2020

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, 2020

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.)*
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)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

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 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 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 ☐

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 January 29, 2021.

Class	**Shares Outstanding**
Common stock No Par Value	128,160,695

GLOSSARY OF KEY TERMS

AEC	Atmos Energy Corporation
AOCI	Accumulated other comprehensive income
ARM	Annual Rate Mechanism
ASC	Accounting Standards Codification
Bcf	Billion cubic feet
DARR	Dallas Annual Rate Review
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
LIBOR	London Interbank Offered Rate
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
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, 2020	September 30, 2020
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 16,412,507	$ 15,957,221
Less accumulated depreciation and amortization	2,650,364	2,601,874
Net property, plant and equipment	13,762,143	13,355,347
Current assets		
Cash and cash equivalents	457,599	20,808
Accounts receivable, net (See Note 5)	492,526	230,595
Gas stored underground	99,569	111,950
Other current assets	142,594	107,905
Total current assets	1,192,288	471,258
Goodwill	731,257	731,257
Deferred charges and other assets	790,191	801,170
	$ 16,475,879	$ 15,359,032
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, 2020 — 128,152,961 shares; September 30, 2020 — 125,882,477 shares	$ 641	$ 629
Additional paid-in capital	4,600,314	4,377,149
Accumulated other comprehensive income (loss)	2,532	(57,589)
Retained earnings	2,609,669	2,471,014
Shareholders' equity	7,213,156	6,791,203
Long-term debt	5,124,862	4,531,779
Total capitalization	12,338,018	11,322,982
Current liabilities		
Accounts payable and accrued liabilities	284,995	235,775
Other current liabilities	512,673	546,461
Current maturities of long-term debt	171	165
Total current liabilities	797,839	782,401
Deferred income taxes	1,542,394	1,456,569
Regulatory excess deferred taxes	695,191	697,764
Regulatory cost of removal obligation	456,264	457,188
Deferred credits and other liabilities	646,173	642,128
	$ 16,475,879	$ 15,359,032

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended December 31	
	2020	2019
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 876,650	$ 828,504
Pipeline and storage segment	159,713	148,176
Intersegment eliminations	(121,883)	(101,117)
Total operating revenues	914,480	875,563
Purchased gas cost		
Distribution segment	411,072	397,558
Pipeline and storage segment	(1,244)	99
Intersegment eliminations	(121,568)	(100,789)
Total purchased gas cost	288,260	296,868
Operation and maintenance expense	138,643	152,245
Depreciation and amortization expense	115,285	105,062
Taxes, other than income	73,452	68,607
Operating income	298,840	252,781
Other non-operating income	6,072	4,887
Interest charges	22,010	27,229
Income before income taxes	282,902	230,439
Income tax expense	65,224	51,766
Net income	$ 217,678	$ 178,673
Basic net income per share	$ 1.71	$ 1.47
Diluted net income per share	$ 1.71	$ 1.47
Cash dividends per share	$ 0.625	$ 0.575
Basic weighted average shares outstanding	127,034	121,113
Diluted weighted average shares outstanding	127,034	121,359
Net income	$ 217,678	$ 178,673
Other comprehensive income (loss), net of tax		
Net unrealized holding losses on available-for-sale securities, net of tax of $(18) and $0	(63)	(1)
Cash flow hedges:		
Amortization and unrealized gain on interest rate agreements, net of tax of $17,395 and $311	60,184	1,053
Total other comprehensive income (loss)	60,121	1,052
Total comprehensive income	$ 277,799	$ 179,725

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31	
	2020	**2019**
	(Unaudited) (In thousands)	
Cash Flows From Operating Activities		
Net income	$ 217,678	$ 178,673
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	115,285	105,062
Deferred income taxes	64,587	46,726
Other	(2,976)	(616)
Net assets / liabilities from risk management activities	(816)	4,143
Net change in operating assets and liabilities	(236,689)	(161,543)
Net cash provided by operating activities	157,069	172,445
Cash Flows From Investing Activities		
Capital expenditures	(456,809)	(529,186)
Debt and equity securities activities, net	511	(1,602)
Other, net	2,706	2,553
Net cash used in investing activities	(453,592)	(528,235)
Cash Flows From Financing Activities		
Net decrease in short-term debt	—	(464,915)
Net proceeds from equity offering	216,002	259,005
Issuance of common stock through stock purchase and employee retirement plans	4,007	4,267
Proceeds from issuance of long-term debt	597,390	799,450
Cash dividends paid	(79,023)	(69,557)
Debt issuance costs	(5,062)	(7,738)
Net cash provided by financing activities	733,314	520,512
Net increase in cash and cash equivalents	436,791	164,722
Cash and cash equivalents at beginning of period	20,808	24,550
Cash and cash equivalents at end of period	$ 457,599	$ 189,272

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 31, 2020

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") and its subsidiaries are 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, 2020, 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, aside from accounting policy changes noted below, 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, 2020. 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, 2020. Because of seasonal and other factors, the results of operations for the three-month period ended December 31, 2020 are not indicative of our results of operations for the full 2021 fiscal year, which ends September 30, 2021.

No events have occurred subsequent to the balance sheet date that would require recognition or disclosure in the unaudited condensed consolidated financial statements.

Significant accounting policies

Except as noted below, related to the change in policies as a result of our adoption of new accounting standards, 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, 2020.

Accounting pronouncements adopted in fiscal 2021

Effective October 1, 2020, we adopted new accounting guidance that requires 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, we estimate credit losses over the entire contractual term of the instrument from the date of initial recognition of that instrument. The new guidance also introduces a new impairment recognition model for available-for-sale debt securities that will require credit losses to be recorded through an allowance account. We adopted the new guidance using a modified retrospective method. The adoption of this standard did not have a material impact on our financial position, results of operations and cash flows and no adjustments were made to October 1, 2020 opening balances as a result of this adoption. As required under the modified retrospective method of adoption, results for the reporting period beginning after October 1, 2020 are presented under Accounting Standards Codification (ASC) 326, while prior period amounts are not adjusted. See Notes 5 and 11 to the unaudited condensed consolidated financial statements for further discussion of implementation of the standard.

Accounting pronouncements that will be effective after fiscal 2021

In March 2020, the Financial Accounting Standards Board (FASB) issued optional guidance which will ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The amendments provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the cessation of the London Interbank Offered Rate (LIBOR). The amendments can be elected immediately, as of March 12, 2020, through December 31, 2022. We are currently evaluating if we will apply the optional guidance as we assess the impact of the cessation of LIBOR on our current contracts and hedging relationships and the potential impact 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 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 are reported separately.

Significant regulatory assets and liabilities as of December 31, 2020 and September 30, 2020 included the following:

	December 31, 2020	September 30, 2020
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs	$ 146,734	$ 149,089
Infrastructure mechanisms(1)	155,526	183,943
Deferred gas costs	11,322	40,593
Recoverable loss on reacquired debt	4,529	4,894
Deferred pipeline record collection costs	30,166	29,839
Other	4,969	6,283
	$ 353,246	$ 414,641
Regulatory liabilities:		
Regulatory excess deferred taxes(2)	$ 713,993	$ 718,651
Regulatory cost of removal obligation	527,087	531,096
Deferred gas costs	15,196	19,985
Asset retirement obligation	20,348	20,348
APT annual adjustment mechanism	55,313	57,379
Other	19,433	19,554
	$ 1,351,370	$ 1,367,013

(1) Infrastructure mechanisms in Texas, Louisiana and Tennessee 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.

(2) Includes amount from the remeasurement of the net deferred tax liability included in our rate base as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA") and a Kansas legislative change enacted in fiscal 2020. Of this amount, $18.8 million as of December 31, 2020 and $20.9 million as of September 30, 2020 is recorded in other current liabilities. These liabilities are currently being returned to customers in most of our jurisdictions on a provisional basis over 15 to 69 years until formal orders establish the final refund periods.

As of December 31, 2020, we received regulatory orders in most states to defer into a regulatory asset all expenses, beyond the normal course of business, related to Coronavirus Disease 2019 (COVID-19 or virus), including bad debt expense. As of December 31, 2020, no amounts have been recorded as regulatory assets or liabilities for expenses related to COVID-19.

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 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, 2020.

Income statements and capital expenditures for the three months ended December 31, 2020 and 2019 by segment are presented in the following tables:

	Three Months Ended December 31, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 875,887	$ 38,593	$ —	$ 914,480
Intersegment revenues	763	121,120	(121,883)	—
Total operating revenues	876,650	159,713	(121,883)	914,480
Purchased gas cost	411,072	(1,244)	(121,568)	288,260
Operation and maintenance expense	108,802	30,156	(315)	138,643
Depreciation and amortization expense	82,870	32,415	—	115,285
Taxes, other than income	64,352	9,100	—	73,452
Operating income	209,554	89,286	—	298,840
Other non-operating income	835	5,237	—	6,072
Interest charges	10,712	11,298	—	22,010
Income before income taxes	199,677	83,225	—	282,902
Income tax expense	45,985	19,239	—	65,224
Net income	$ 153,692	$ 63,986	$ —	$ 217,678
Capital expenditures	$ 306,016	$ 150,793	$ —	$ 456,809

	Three Months Ended December 31, 2019			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 827,840	$ 47,723	$ —	$ 875,563
Intersegment revenues	664	100,453	(101,117)	—
Total operating revenues	828,504	148,176	(101,117)	875,563
Purchased gas cost	397,558	99	(100,789)	296,868
Operation and maintenance expense	114,352	38,221	(328)	152,245
Depreciation and amortization expense	76,074	28,988	—	105,062
Taxes, other than income	60,243	8,364	—	68,607
Operating income	180,277	72,504	—	252,781
Other non-operating income	1,954	2,933	—	4,887
Interest charges	16,362	10,867	—	27,229
Income before income taxes	165,869	64,570	—	230,439
Income tax expense	36,112	15,654	—	51,766
Net income	$ 129,757	$ 48,916	$ —	$ 178,673
Capital expenditures	$ 404,247	$ 124,939	$ —	$ 529,186

Balance sheet information at December 31, 2020 and September 30, 2020 by segment is presented in the following tables:

	December 31, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 10,235,658	$ 3,526,485	$ —	$ 13,762,143
Total assets	$ 15,694,179	$ 3,757,875	$ (2,976,175)	$ 16,475,879

	September 30, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 9,944,978	$ 3,410,369	$ —	$ 13,355,347
Total assets	$ 14,578,176	$ 3,647,907	$ (2,867,051)	$ 15,359,032

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 weighted average shares outstanding is calculated based upon the weighted average number of common shares outstanding during the periods presented. Also, this calculation includes fully vested stock awards that have not yet been issued as common stock. Additionally, the weighted average shares outstanding for diluted EPS includes the incremental effects of the forward sale agreements, discussed in Note 7 to the unaudited condensed consolidated financial statements, when the impact is dilutive. Basic and diluted earnings per share for the three months ended December 31, 2020 and 2019 are calculated as follows:

	Three Months Ended December 31	
	2020	2019
	(In thousands, except per share amounts)	
Basic Earnings Per Share		
Net income	$ 217,678	$ 178,673
Less: Income allocated to participating securities	151	136
Income available to common shareholders	$ 217,527	$ 178,537
Basic weighted average shares outstanding	127,034	121,113
Net income per share — Basic	$ 1.71	$ 1.47
Diluted Earnings Per Share		
Income available to common shareholders	$ 217,527	$ 178,537
Effect of dilutive shares	—	—
Income available to common shareholders	$ 217,527	$ 178,537
Basic weighted average shares outstanding	127,034	121,113
Dilutive shares	—	246
Diluted weighted average shares outstanding	127,034	121,359
Net income per share - Diluted	$ 1.71	$ 1.47

5. Revenue and Accounts Receivable

Revenue

Our revenue recognition policy is fully described in Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. The following tables disaggregate our revenue from contracts with customers by customer type and segment and provide a reconciliation to total operating revenues, including intersegment revenues, for the three months ended December 31, 2020 and 2019.

	Three Months Ended December 31, 2020		Three Months Ended December 31, 2019	
	Distribution	Pipeline and Storage	Distribution	Pipeline and Storage
	(In thousands)			
Gas sales revenues:				
Residential	$ 591,834	$ —	$ 552,076	$ —
Commercial	208,947	—	211,314	—
Industrial	24,708	—	24,925	—
Public authority and other	13,062	—	13,022	—
Total gas sales revenues	838,551	—	801,337	—
Transportation revenues	27,767	164,761	26,640	152,010
Miscellaneous revenues	2,396	5,148	6,786	5,155
Revenues from contracts with customers	868,714	169,909	834,763	157,165
Alternative revenue program revenues[(1)]	7,441	(10,196)	(6,751)	(8,989)
Other revenues	495	—	492	—
Total operating revenues	$ 876,650	$ 159,713	$ 828,504	$ 148,176

(1) In our distribution segment, we have weather-normalization adjustment mechanisms that serve to mitigate the effects of weather on our revenue. Additionally, APT has a regulatory mechanism that requires that we share with its tariffed customers 75% of the difference between the total non-tariffed revenues earned during a test period and a revenue benchmark.

Accounts receivable and allowance for uncollectible accounts

Accounts receivable arise from natural gas sales to residential, commercial, industrial, public authority and other customers. Our accounts receivable balance includes unbilled amounts which represent a customer's consumption of gas from the date of the last cycle billing through the last day of the month. The receivable balances are short term and generally do not extend beyond one month. To minimize credit risk, we assess the credit worthiness of new customers, require deposits where necessary, assess late fees, pursue collection activities and disconnect service for nonpayment. After disconnection, accounts are written off when deemed uncollectible.

As described in Note 2, on October 1, 2020, we adopted new accounting guidance which requires credit losses on our accounts receivable to be measured using an expected credit loss model over the entire contractual term from the date of initial recognition. At each reporting period, we assess the allowance for uncollectible accounts based on historical experience, current conditions and consideration of expected future conditions. 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.

Due to the COVID-19 pandemic, in March 2020 we temporarily suspended disconnecting customers for nonpayment and stopped charging late fees. We are actively working with our customers experiencing financial hardship through flexible payment options and directing them to aid agencies for financial assistance. Our allowance for uncollectible accounts reflects the expected impact on our customers' ability to pay when we resume disconnection activity.

A rollforward of our allowance for uncollectible accounts for the three months ended December 31, 2020 is presented in the table below. The allowance excludes the gas cost portion of customers' bills for approximately 78 percent of our customers as we have the ability to collect these gas costs through our gas cost recovery mechanisms in most of our jurisdictions.

	Three Months Ended December 31, 2020
Beginning balance, September 30, 2020	$ 29,949
Current period provisions	6,937
Write-offs charged against allowance	(2,288)
Recoveries of amounts previously written off	491
Ending balance, December 31, 2020	$ 35,089

6. Debt

The nature and terms of our debt instruments and credit facilities are described in detail in Note 7 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. Other than as described below, there were no material changes in the terms of our debt instruments during the three months ended December 31, 2020.

Long-term debt at December 31, 2020 and September 30, 2020 consisted of the following:

	December 31, 2020	September 30, 2020
	(In thousands)	
Unsecured 3.00% Senior Notes, due 2027	$ 500,000	$ 500,000
Unsecured 2.625% Senior Notes, due 2029	300,000	300,000
Unsecured 1.50% Senior Notes, due 2031	600,000	—
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
Unsecured 4.30% Senior Notes, due 2048	600,000	600,000
Unsecured 4.125% Senior Notes, due 2049	450,000	450,000
Unsecured 3.375% Senior Notes, due 2049	500,000	500,000
Floating-rate term loan, due 2022	200,000	200,000
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
Finance lease obligations	8,608	8,631
Total long-term debt	5,168,608	4,568,631
Less:		
Original issue discount on unsecured senior notes and debentures	3,090	583
Debt issuance cost	40,485	36,104
Current maturities	171	165
	$ 5,124,862	$ 4,531,779

On October 1, 2020, we completed a public offering of $600 million of 1.50% senior notes due 2031. The net proceeds from the offering, after the underwriting discount and offering expenses, of $592.3 million, were used for general corporate purposes, including the repayment of working capital borrowings pursuant to our commercial paper program and the related settlement of our interest rate swaps. The effective interest rate on these notes is 1.71%, after giving effect to the offering costs and settlement of our interest rate swaps.

Short-term debt

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 driven primarily by construction work in progress and 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 borrowing requirements are satisfied through a combination of a $1.5 billion commercial paper program and four committed revolving credit facilities with third-party lenders that provide approximately $2.2 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 on September 25, 2023. The facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin 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, 2020 and September 30, 2020, there were no amounts outstanding under our commercial paper program.

We have a $600 million 364-day unsecured revolving credit facility, which expires April 22, 2021 and is used to provide additional working capital funding. The facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin ranging from zero percent to 1.25 percent, based on the Company's credit ratings. At December 31, 2020, there were no borrowings outstanding under this facility.

Additionally, we have a $50 million 364-day unsecured facility, which expires on March 31, 2021 and is used to provide working capital funding. There were no borrowings outstanding under this facility as of December 31, 2020.

Finally, we have a $50 million 364-day unsecured revolving credit facility, which expires April 29, 2021 and is used to issue letters of credit and to provide working capital funding. At December 31, 2020, there were no borrowings outstanding under this facility; however, outstanding letters of credit reduced the total amount available to us to $44.4 million.

Debt covenants

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, 2020, our total-debt-to-total-capitalization ratio, as defined in the agreements, was 43 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 if not paid at maturity. We were in compliance with all of our debt covenants as of December 31, 2020. 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.

7. Shareholders' Equity

The following tables present a reconciliation of changes in stockholders' equity for the three months ended December 31, 2020 and 2019.

	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, 2020	125,882,477	$ 629	$ 4,377,149	$ (57,589)	$ 2,471,014	$ 6,791,203
Net income	—	—	—	—	217,678	217,678
Other comprehensive income	—	—	—	60,121	—	60,121
Cash dividends ($0.625 per share)	—	—	—	—	(79,023)	(79,023)
Common stock issued:						
Public and other stock offerings	2,126,118	11	219,998	—	—	220,009
Stock-based compensation plans	144,366	1	3,167	—	—	3,168
Balance, December 31, 2020	128,152,961	$ 641	$ 4,600,314	$ 2,532	$ 2,609,669	$ 7,213,156

	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, 2019	119,338,925	$ 597	$ 3,712,194	$ (114,583)	$ 2,152,015	$ 5,750,223
Net income	—	—	—	—	178,673	178,673
Other comprehensive income	—	—	—	1,052	—	1,052
Cash dividends ($0.575 per share)	—	—	—	—	(69,557)	(69,557)
Common stock issued:						
Public and other stock offerings	2,758,929	13	263,259	—	—	263,272
Stock-based compensation plans	164,549	1	4,111	—	—	4,112
Balance, December 31, 2019	122,262,403	$ 611	$ 3,979,564	$ (113,531)	$ 2,261,131	$ 6,127,775

Shelf Registration, At-the-Market Equity Sales Program and Equity Issuances

On February 11, 2020, we filed a shelf registration statement with the Securities and Exchange Commission (SEC) that allows us to issue up to $4.0 billion in common stock and/or debt securities, which expires February 11, 2023. At December 31, 2020, approximately $2.4 billion of securities remained available for issuance under the shelf registration statement.

During the three months ended December 31, 2020, we executed forward sales under our ATM equity sales program with various forward sellers who borrowed and sold 1,201,674 shares of our common stock at an aggregate price of $121.8 million. During the three months ended December 31, 2020, we also settled forward sale agreements with respect to 2,085,492 shares that had been borrowed and sold by various forward sellers during fiscal 2019 under the ATM program for net proceeds of $216.0 million. As of December 31, 2020, approximately $430 million of equity remains available for issuance under the ATM program. Additionally, we had $246.8 million in available proceeds from outstanding forward sale agreements, as detailed below.

Maturity	Shares Available	Net Proceeds Available (In thousands)	Forward Price
June 30, 2021	1,060,660	$ 107,255	$ 101.12
September 30, 2021	1,391,517	139,579	$ 100.31
Total	2,452,177	$ 246,834	$ 100.66

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in AOCI related to available-for-sale debt securities and interest rate agreement cash flow hedges. Deferred gains (losses) for our available-for-sale debt securities 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, 2020	$ 238	$ (57,827)	$ (57,589)
Other comprehensive income (loss) before reclassifications	(63)	59,042	58,979
Amounts reclassified from accumulated other comprehensive income	—	1,142	1,142
Net current-period other comprehensive income (loss)	(63)	60,184	60,121
December 31, 2020	$ 175	$ 2,357	$ 2,532

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Total
		(In thousands)	
September 30, 2019	$ 132	$ (114,715)	$ (114,583)
Other comprehensive loss before reclassifications	(1)	—	(1)
Amounts reclassified from accumulated other comprehensive income	—	1,053	1,053
Net current-period other comprehensive income (loss)	(1)	1,053	1,052
December 31, 2019	$ 131	$ (113,662)	$ (113,531)

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, 2020 and 2019 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 or deferred as a regulatory asset or liability. The remaining costs are recorded as a component of operation and maintenance expense or other non-operating expense.

	Three Months Ended December 31			
	Pension Benefits		Other Benefits	
	2020	2019	2020	2019
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 4,612	$ 4,653	$ 4,306	$ 3,366
Interest cost(1)	5,028	5,843	2,660	2,653
Expected return on assets(1)	(6,978)	(7,079)	(2,614)	(2,625)
Amortization of prior service cost (credit)(1)	(58)	(58)	43	43
Amortization of actuarial (gain) loss(1)	3,172	(1,271)	—	(334)
Net periodic pension cost	$ 5,776	$ 2,088	$ 4,395	$ 3,103

(1) The components of net periodic cost other than the service cost component are included in the line item other non-operating expense in the condensed consolidated statements of comprehensive income or are capitalized on the condensed consolidated balance sheets as a regulatory asset or liability, as described in Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

For the three months ended December 31, 2020 we contributed $4.1 million to our postretirement medical plans. We anticipate contributing a total of between $15 million and $25 million to our postretirement plans during fiscal 2021.

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) held a public meeting on January 12, 2021 to determine the probable cause of the incident that occurred at a Dallas, Texas residence on February 23, 2018 that resulted in one fatality and injuries to four other residents. At the meeting, the Board deliberated and voted on proposed findings of fact, a probable cause statement, and safety recommendations. At the conclusion of the Board meeting, the NTSB issued an abstract to its website (www.ntsb.gov) that included an Executive Summary, Findings, Probable Cause, and Recommendations. The NTSB noted in the Abstract that the NTSB staff is currently making final revisions to the report and that the final report and safety recommendations letters would be later distributed to recommendation recipients, including Atmos Energy.

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. These purchase commitment contracts are detailed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. There were no material changes to the purchase commitments for the three months ended December 31, 2020.

Rate Regulatory Proceedings

As of December 31, 2020, routine rate regulatory proceedings were in progress in Colorado, Kansas and West Texas, which are discussed in further detail below in *Management's Discussion and Analysis — Recent Ratemaking Developments*. Except for these proceedings, there were no material changes to rate regulatory proceedings for the three months ended December 31, 2020.

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 14 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. During the three months ended December 31, 2020, 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 2020-2021 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we anticipate hedging approximately 39 percent, or 15.8 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 manage interest rate risk by periodically entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

As of December 31, 2020, we had the following forward starting interest rate swaps to effectively fix the Treasury yield component which we designated as cash flow hedges at the time the agreements were executed:

Planned Debt Issuance Date	Amount Hedged	Interest Rate
Fiscal 2022	$ 450,000	1.33 %
Fiscal 2023	300,000	1.36 %
Fiscal 2025	300,000	1.35 %
	$ 1,050,000	

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 statements of comprehensive income.

As of December 31, 2020, 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, 2020, we had 11,641 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 December 31, 2020 and September 30, 2020. 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. However, for December 31, 2020 and September 30, 2020, no gross amounts and no cash collateral were netted within our consolidated balance sheet.

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
December 31, 2020			
Designated As Hedges:			
Interest rate contracts	Other current assets / Other current liabilities	$ 56,484	$ —
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	92,678	—
Total		149,162	—
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	993	(1,843)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	243	—
Total		1,236	(1,843)
Gross / Net Financial Instruments		$ 150,398	$ (1,843)

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
September 30, 2020			
Designated As Hedges:			
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	$ 73,055	$ —
Total		73,055	—
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	5,687	(2,015)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	1,936	—
Total		7,623	(2,015)
Gross / Net Financial Instruments		$ 80,678	$ (2,015)

Impact of Financial Instruments on the Statement of Comprehensive Income

Cash Flow Hedges

As discussed above, our distribution segment has interest rate agreements, which we designated as cash flow hedges at the time the agreements were executed. The net loss on settled interest rate agreements reclassified from AOCI into interest charges on our condensed consolidated statements of comprehensive income for the three months ended December 31, 2020 and 2019 was $1.5 million and $1.4 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, 2020 and 2019. The amounts included in the table below exclude gains and losses arising from ineffectiveness because those amounts are immediately recognized in the statement of comprehensive income as incurred.

	Three Months Ended December 31	
	2020	2019
	(In thousands)	
Increase in fair value:		
Interest rate agreements	$ 59,042	$ —
Recognition of losses in earnings due to settlements:		
Interest rate agreements	1,142	1,053
Total other comprehensive income (loss) from hedging, net of tax	$ 60,184	$ 1,053

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. As of December 31, 2020, we had $113.4 million of net realized losses in AOCI associated with our interest rate agreements. The following amounts, net of deferred taxes, represent the expected recognition in earnings of the deferred net losses recorded in AOCI associated with our interest rate agreements, based upon the fair values of these agreements at the date of settlement. The remaining amortization periods for these settled amounts extend through fiscal 2049. However, the table below does not include the expected recognition in earnings of our outstanding interest rate swaps as those instruments have not yet settled.

	Interest Rate Agreements
	(In thousands)
Next twelve months	$ (4,566)
Thereafter	(108,794)
Total	$ (113,360)

<u>Financial Instruments Not Designated as Hedges</u>

As discussed above, commodity contracts which are 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 comprehensive 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 consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. During the three months ended December 31, 2020, 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 9 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

Quantitative Disclosures

<u>Financial Instruments</u>

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, 2020 and September 30, 2020. 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	December 31, 2020
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 150,398	$ —	$ —	$ 150,398
Debt and equity securities					
Registered investment companies	35,518	—	—	—	35,518
Bond mutual funds	30,204	—	—	—	30,204
Bonds(2)	—	34,142	—	—	34,142
Money market funds	—	6,162	—	—	6,162
Total debt and equity securities	65,722	40,304	—	—	106,026
Total assets	$ 65,722	$ 190,702	$ —	$ —	$ 256,424
Liabilities:					
Financial instruments	$ —	$ 1,843	$ —	$ —	$ 1,843

	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, 2020
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 80,678	$ —	$ —	$ 80,678
Debt and equity securities					
Registered investment companies	37,831	—	—	—	37,831
Bond mutual funds	29,166	—	—	—	29,166
Bonds(2)	—	32,900	—	—	32,900
Money market funds	—	4,055	—	—	4,055
Total debt and equity securities	66,997	36,955	—	—	103,952
Total assets	$ 66,997	$ 117,633	$ —	$ —	$ 184,630
Liabilities:					
Financial instruments	$ —	$ 2,015	$ —	$ —	$ 2,015

(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.

(2) Our investments in bonds are considered available-for-sale debt securities in accordance with current accounting guidance.

Debt and equity securities are comprised of our available-for-sale debt securities and our equity securities. As described further in Note 2 to the unaudited condensed consolidated financial statements, we adopted ASC 326 effective October 1, 2020. In accordance with the new guidance, we evaluate the performance of our available-for-sale debt securities on an investment by investment basis for impairment, taking into consideration the investment's purpose, volatility, current returns and any intent to sell the security. As of December 31, 2020, no allowance for credit losses was recorded for our available-for-sale debt securities. At December 31, 2020 and September 30, 2020, the amortized cost of our available-for-sale debt securities was $33.9 million and $32.6 million. At December 31, 2020, we maintained investments in bonds that have contractual maturity dates ranging from January 2021 through December 2023.

Other Fair Value Measures

Our long-term debt is recorded at carrying value. The fair value of our long-term debt, excluding finance leases, 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 carrying value of our finance leases materially approximates fair value. The following table presents the carrying value and fair value of our long-term debt, excluding finance leases, debt issuance costs and original issue premium or discount, as of December 31, 2020 and September 30, 2020:

	December 31, 2020	September 30, 2020
	(In thousands)	
Carrying Amount	$ 5,160,000	$ 4,560,000
Fair Value	$ 6,294,671	$ 5,597,183

12. Concentration of Credit Risk

Information regarding our concentration of credit risk is disclosed in Note 16 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. During the three months ended December 31, 2020, 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

Results of Review of Interim Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of Atmos Energy Corporation (the Company) as of December 31, 2020, the related condensed consolidated statements of comprehensive income and cash flows for the three months ended December 31, 2020 and 2019, and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements 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) (PCAOB), the consolidated balance sheet of the Company as of September 30, 2020, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for the year then ended, and the related notes and schedule (not presented herein); and in our report dated November 13, 2020, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements 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 PCAOB, 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.

/s/ ERNST & YOUNG LLP

Dallas, Texas
February 2, 2021

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, 2020.

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: federal, state and local regulatory and political trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; the impact of climate change; the inability to continue to hire, train and retain operational, technical and managerial personnel; increased dependence on technology that may hinder the Company's business if such technologies fail; 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; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; 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; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; increased costs of providing health care benefits, along with pension and postretirement health care benefits and increased funding requirements; and the outbreak of COVID-19 and its impact on business and economic conditions. 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, 2020 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.

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 the allowance for doubtful accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and the valuation of goodwill 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, 2020 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, 2020.

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.

We continue to execute our strategy well while managing the ongoing impacts of the COVID-19 pandemic. Approximately 95 percent of our employees continue to work remotely as we provide essential services to ensure the safety and functionality of our critical infrastructure while taking precautions to provide a safe work environment for employees and customers.

During the three months ended December 31, 2020, we recorded net income of $217.7 million, or $1.71 per diluted share, compared to net income of $178.7 million, or $1.47 per diluted share for the three months ended December 31, 2019. The 22 percent period-over-period increase in net income largely reflects positive rate outcomes driven by safety and reliability spending and customer growth in our distribution segment combined with a reduction in certain operating and maintenance expenses in both our segments due to the timing of certain activities.

During the three months ended December 31, 2020, we implemented ratemaking regulatory actions which resulted in an increase in annual operating income of $106.6 million. As of December 31, 2020, we had ratemaking efforts in progress seeking a total increase in annual operating income of $11.6 million.

Capital expenditures for the three months ended December 31, 2020 were $456.8 million. Over 85 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.

During the three months ended December 31, 2020, we completed approximately $722 million of long-term debt and equity financing. As of December 31, 2020, our equity capitalization was 58.5 percent and we had over $2.9 billion in total liquidity, including cash and cash equivalents and funds available through equity forward sales agreements.

As a result of our sustained financial performance, our Board of Directors increased the quarterly dividend by 8.7 percent for fiscal 2021.

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, 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 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. Under our current rate design, approximately 70 percent of our distribution segment revenues are earned through the first six months of the fiscal year. Additionally, we currently recover approximately 60 percent of our distribution segment revenue, excluding gas costs, through the base customer charge, which partially separates the recovery of our approved rate from customer usage patterns.

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 have been approved by state regulatory commissions for approximately 97 percent of our residential and commercial revenues 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. 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. Revenues in our Texas and Mississippi service areas include 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.

The cost of gas typically does not have a direct impact on our operating income because these costs are recovered through our purchased gas cost adjustment mechanisms. However, higher gas costs may adversely impact our accounts receivable collections, resulting in higher bad debt expense. This risk is currently mitigated by rate design that allows us to collect from our customers the gas cost portion of our bad debt expense on approximately 78 percent of our residential and commercial revenues. Additionally, higher gas costs may require us to increase borrowings under our credit facilities, resulting in higher interest expense. Finally, 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.

Three Months Ended December 31, 2020 compared with Three Months Ended December 31, 2019

Financial and operational highlights for our distribution segment for the three months ended December 31, 2020 and 2019 are presented below.

	Three Months Ended December 31		
	2020	2019	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 876,650	$ 828,504	$ 48,146
Purchased gas cost	411,072	397,558	13,514
Operating expenses	256,024	250,669	5,355
Operating income	209,554	180,277	29,277
Other non-operating income	835	1,954	(1,119)
Interest charges	10,712	16,362	(5,650)
Income before income taxes	199,677	165,869	33,808
Income tax expense	45,985	36,112	9,873
Net income	$ 153,692	$ 129,757	$ 23,935
Consolidated distribution sales volumes — MMcf	88,861	99,061	(10,200)
Consolidated distribution transportation volumes — MMcf	39,609	40,497	(888)
Total consolidated distribution throughput — MMcf	128,470	139,558	(11,088)
Consolidated distribution average cost of gas per Mcf sold	$ 4.63	$ 4.01	$ 0.62

Operating income for our distribution segment increased 16 percent, which primarily reflects:

- a $37.0 million net increase in rate adjustments, primarily in our Mid-Tex, Mississippi, Louisiana and West Texas Divisions.
- a $5.7 million increase from customer growth primarily in our Mid-Tex Division.
- a $2.9 million decrease in travel and entertainment expense.

Partially offset by:

- a $5.3 million decrease in net weather and consumption, primarily due to weather that was 14 percent warmer than the prior year and a 15 percent period over period decrease in commercial sales volumes. The decrease in commercial sales volumes is attributable to warmer weather as well as the economic impact of the pandemic.
- a $4.5 million decrease in service order revenues primarily due to the temporary suspension of collection activities.
- a $2.3 million increase in bad debt expense primarily due to the temporary suspension of collection activities.
- a $9.8 million increase in depreciation expense and property taxes associated with increased capital investments.

The following table shows our operating income by distribution division, in order of total rate base, for the three months ended December 31, 2020 and 2019. 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		
	2020	2019	Change
		(In thousands)	
Mid-Tex	$ 102,320	$ 78,295	$ 24,025
Kentucky/Mid-States	24,106	23,281	825
Louisiana	23,119	24,293	(1,174)
West Texas	20,047	17,766	2,281
Mississippi	24,634	22,414	2,220
Colorado-Kansas	13,230	13,736	(506)
Other	2,098	492	1,606
Total	$ 209,554	$ 180,277	$ 29,277

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 2021, we implemented regulatory proceedings, resulting in a $106.6 million increase in annual operating income as summarized below.

Rate Action	Annual Increase in Operating Income
	(In thousands)
Annual formula rate mechanisms	$ 106,569
Rate case filings	—
Other rate activity	—
	$ 106,569

The following ratemaking efforts seeking $11.6 million in increased annual operating income were in progress as of December 31, 2020:

Division	Rate Action	Jurisdiction	Operating Income (Loss) Requested
			(In thousands)
Colorado-Kansas	Infrastructure Mechanism	Colorado [1]	$ 2,366
Colorado-Kansas	Infrastructure Mechanism	Kansas [2]	1,703
Colorado-Kansas	Ad Valorem	Kansas [3]	(877)
West Texas	Rate Case	Amarillo, Lubbock, Dalhart and Channing	8,406
			$ 11,598

(1) The Colorado Public Utilities Commission approved the SSIR implementation at their December 16, 2020 meeting with rates effective January 1, 2021.
(2) The Kansas Corporation Commission approved the GSRS filing on January 26, 2021.
(3) The Kansas Corporation Commission approved the Ad Valorem filing on January 14, 2021.

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)
Tennessee	(1)	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, Louisiana and Tennessee 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, 2020:

Division	Jurisdiction	Test Year Ended	Increase in Annual Operating Income (In thousands)	Effective Date
2021 Filings:				
Mid-Tex	Mid-Tex Cities RRM	12/31/2019	$ 82,645	12/01/2020
West Texas	West Texas Cities RRM	12/31/2019	5,645	12/01/2020
Mississippi	Mississippi - SIR	10/31/2021	10,556	11/01/2020
Mississippi	Mississippi - SRF	10/31/2021	5,856	11/01/2020
Kentucky/Mid-States	Virginia - SAVE	09/30/2021	305	10/01/2020
Kentucky/Mid-States	Kentucky PRP	09/30/2021	1,562	10/01/2020
Total 2021 Filings			$ 106,569	

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, 2020.

Other Ratemaking Activity

The Company had no other ratemaking activity during the three months ended December 31, 2020.

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 and eastern Texas, extending into or near the major producing areas of the Barnett Shale, the Texas Gulf Coast and the Permian Basin of West Texas. APT 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. Over 80 percent of this segment’s revenues are derived from these services. As part of its pipeline operations, APT owns and operates five underground storage facilities in Texas.

Our natural gas transmission operations in Louisiana are comprised of a 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 supply areas that we serve, which may influence the level of throughput we may be able to transport on our pipelines. 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 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.

Three Months Ended December 31, 2020 compared with Three Months Ended December 31, 2019

Financial and operational highlights for our pipeline and storage segment for the three months ended December 31, 2020 and 2019 are presented below.

	Three Months Ended December 31		
	2020	**2019**	**Change**
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 125,261	$ 113,163	$ 12,098
Third-party transportation revenue	30,821	30,300	521
Other revenue	3,631	4,713	(1,082)
Total operating revenues	159,713	148,176	11,537
Total purchased gas cost	(1,244)	99	(1,343)
Operating expenses	71,671	75,573	(3,902)
Operating income	89,286	72,504	16,782
Other non-operating income	5,237	2,933	2,304
Interest charges	11,298	10,867	431
Income before income taxes	83,225	64,570	18,655
Income tax expense	19,239	15,654	3,585
Net income	$ 63,986	$ 48,916	$ 15,070
Gross pipeline transportation volumes — MMcf	204,865	223,712	(18,847)
Consolidated pipeline transportation volumes — MMcf	144,587	156,529	(11,942)

Operating income for our pipeline and storage segment increased 23 percent, which primarily reflects:

- a $13.3 million net increase due to rate adjustments from the GRIP filing approved in May 2020. The increase in rates was driven by increased safety and reliability spending.
- an $8.2 million decrease in system maintenance expense primarily due to well integrity costs that were non-recurring from the prior year.

Partially offset by:

- a $1.2 million net decrease primarily associated with the tightening of regional spreads driven by increased competing takeaway capacity in the Permian Basin.
- a $4.6 million increase in depreciation expense and property taxes associated with increased capital investments.

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. As of December 31, 2020, external debt financing is provided primarily through the issuance of long-term debt, a $1.5 billion commercial paper program and four committed revolving credit facilities with a total availability from third-party lenders of approximately $2.2 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.

We have a shelf registration statement on file with the Securities and Exchange Commission (SEC) that allows us to issue up to $4.0 billion in common stock and/or debt securities. At December 31, 2020, approximately $2.4 billion of securities remained available for issuance under the shelf registration statement, which expires February 11, 2023.

We also have an at-the-market (ATM) equity sales program that allows us to issue and sell shares of our common stock up to an aggregate offering price of $1.0 billion (including shares of common stock that may be sold pursuant to forward sale agreements entered into in connection with the ATM equity sales program), which expires February 11, 2023. As of December 31, 2020, approximately $430 million of equity is available for issuance under this ATM equity sales program. Additionally, as of December 31, 2020, we have $246.8 million in proceeds available through September 30, 2021 from previously executed forward sale agreements. Additional details are summarized in Note 7 to the unaudited condensed consolidated financial statements.

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 2021. Additionally, we expect to continue to be able to obtain financing upon reasonable terms as necessary.

The following table presents our capitalization inclusive of short-term debt and the current portion of long-term debt as of December 31, 2020, September 30, 2020 and December 31, 2019:

	December 31, 2020		September 30, 2020		December 31, 2019	
	(In thousands, except percentages)					
Short-term debt	$ —	— %	$ —	— %	$ —	— %
Long-term debt[1]	5,125,033	41.5 %	4,531,944	40.0 %	4,324,335	41.4 %
Shareholders' equity	7,213,156	58.5 %	6,791,203	60.0 %	6,127,775	58.6 %
Total	$ 12,338,189	100.0 %	$ 11,323,147	100.0 %	$ 10,452,110	100.0 %

(1) Inclusive of our finance leases.

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, 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, 2020 and 2019 are presented below.

	Three Months Ended December 31		
	2020	2019	Change
	(In thousands)		
Total cash provided by (used in)			
Operating activities	$ 157,069	$ 172,445	$ (15,376)
Investing activities	(453,592)	(528,235)	74,643
Financing activities	733,314	520,512	212,802
Change in cash and cash equivalents	436,791	164,722	272,069
Cash and cash equivalents at beginning of period	20,808	24,550	(3,742)
Cash and cash equivalents at end of period	$ 457,599	$ 189,272	$ 268,327

Cash flows from operating activities

For the three months ended December 31, 2020, we generated cash flow from operating activities of $157.1 million compared with $172.4 million for the three months ended December 31, 2019. The $15.4 million decrease in operating cash flows reflects working capital changes, primarily as a result of the increase in the price of natural gas, the timing of gas cost recoveries under our purchase gas cost mechanisms and the timing of customer collections partially offset by the positive effects of successful rate case outcomes achieved in fiscal 2020.

Cash flows from investing activities

Our capital expenditures are primarily used to improve the safety and reliability of our distribution and transmission system through pipeline replacement and system modernization and to enhance and expand our system to meet customer needs. Over the last three fiscal years, approximately 87 percent of our capital spending has been committed to improving the safety and reliability of our system.

For the three months ended December 31, 2020, cash used for investing activities was $453.6 million compared to $528.2 million for the three months ended December 31, 2019. Capital spending decreased by $72.4 million, or 14 percent, primarily as a result of timing of spending in our distribution segment.

Cash flows from financing activities

For the three months ended December 31, 2020, our financing activities provided $733.3 million of cash compared with $520.5 million of cash provided by financing activities in the prior-year period.

In the three months ended December 31, 2020, we received $808.3 million in net proceeds from the issuance of long-term debt and equity. We completed a public offering of $600 million of 1.50% senior notes due 2031 and received net proceeds from the offering, after the underwriting discount and offering expenses, of $592.3 million. Additionally, during the three months ended December 31, 2020, we settled 2,085,492 shares that had been sold on a forward basis for net proceeds of $216.0 million. The net proceeds were used primarily to support capital spending and for other general corporate purposes.

Cash dividends increased due to a 8.7 percent increase in our dividend rate and an increase in shares outstanding.

In the three months ended December 31, 2019, we received $1.1 billion in net proceeds from the issuance of long-term debt and equity. The net proceeds were used primarily to support capital spending, reduce short term debt and for other general corporate purposes. Cash dividends increased due to a 9.5 percent increase in our dividend rate and an increase in shares outstanding.

The following table summarizes our share issuances for the three months ended December 31, 2020 and 2019:

	Three Months Ended December 31	
	2020	2019
Shares issued:		
Direct Stock Purchase Plan	19,918	17,772
1998 Long-Term Incentive Plan	144,366	164,549
Retirement Savings Plan and Trust	20,708	21,097
Equity Issuance	2,085,492	2,720,060
Total shares issued	2,270,484	2,923,478

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 but not limited to, debt to total capitalization, operating cash flow relative to outstanding debt, operating cash flow coverage of interest and pension liabilities. 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, 2020, our outlook and current debt ratings, which are all considered investment grade are as follows:

	S&P	Moody's
Senior unsecured long-term debt	A	A1
Short-term debt	A-1	P-1
Outlook	Stable	Stable

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 December 31, 2020. Our debt covenants are described in greater detail in Note 6 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, 2020.

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 periodically entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

The following table shows the components of the change in fair value of our financial instruments for the three months ended December 31, 2020 and 2019:

	Three Months Ended December 31	
	2020	2019
	(In thousands)	
Fair value of contracts at beginning of period	$ 78,663	$ (3,990)
Contracts realized/settled	1,332	(2,863)
Fair value of new contracts	87	105
Other changes in value	68,473	(711)
Fair value of contracts at end of period	148,555	(7,459)
Netting of cash collateral	—	—
Cash collateral and fair value of contracts at period end	$ 148,555	$ (7,459)

The fair value of our financial instruments at December 31, 2020 is presented below by time period and fair value source:

	Fair Value of Contracts at December 31, 2020				
	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	$ 55,634	$ 45,324	$ 47,597	$ —	$ 148,555
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$ 55,634	$ 45,324	$ 47,597	$ —	$ 148,555

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, 2020 and 2019.

Distribution Sales and Statistical Data

	Three Months Ended December 31	
	2020	**2019**
METERS IN SERVICE, end of period		
Residential	3,077,786	3,020,990
Commercial	281,840	276,455
Industrial	1,673	1,664
Public authority and other	8,323	8,554
Total meters	3,369,622	3,307,663
INVENTORY STORAGE BALANCE — Bcf	58.1	58.1
SALES VOLUMES — MMcf[(1)]		
Gas sales volumes		
Residential	53,530	58,780
Commercial	26,687	31,253
Industrial	6,651	6,855
Public authority and other	1,993	2,173
Total gas sales volumes	88,861	99,061
Transportation volumes	41,285	42,274
Total throughput	130,146	141,335

Pipeline and Storage Operations Sales and Statistical Data

	Three Months Ended December 31	
	2020	**2019**
CUSTOMERS, end of period		
Industrial	92	94
Other	217	242
Total	309	336
INVENTORY STORAGE BALANCE — Bcf	1.3	1.4
PIPELINE TRANSPORTATION VOLUMES — MMcf[(1)]	204,865	223,712

Note to preceding tables:

(1) Sales and transportation volumes 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, 2020. During the three months ended December 31, 2020, 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, 2020 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, 2021 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, 2020, 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 12 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. 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 1A. *Risk Factors*

There were no material changes from the risk factors disclosed under the heading "Risk Factors" in Item 1A in the Annual Report on Form 10-K for the year ended September 30, 2020.

Item 6. *Exhibits*

The following exhibits are filed as part of this Quarterly Report.

Exhibit Number	Description	Page Number or Incorporation by Reference to
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 February 5, 2019)	Exhibit 3.1 to Form 8-K dated February 5, 2019 (File No. 1-10042)
4.1(a)	Global Security for the 1.500% Senior Notes due 2031	Exhibit 4.2 to Form 8-K dated October 1, 2020 (File No. 1-10042)
4.1(b)	Global Security for the 1.500% Senior Notes due 2031	Exhibit 4.3 to Form 8-K dated October 1, 2020 (File No. 1-10042)
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 - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	
101.SCH	Inline XBRL Taxonomy Extension Schema	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document	

* 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: February 2, 2021

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, 2021

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.)*
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)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock No Par Value	ATO	New York Stock Exchange

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 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 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 ☐

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 30, 2021.

Class	**Shares Outstanding**
Common stock No Par Value	130,671,944

GLOSSARY OF KEY TERMS

AEC	Atmos Energy Corporation
AOCI	Accumulated other comprehensive income
ARM	Annual Rate Mechanism
ASC	Accounting Standards Codification
Bcf	Billion cubic feet
DARR	Dallas Annual Rate Review
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
LIBOR	London Interbank Offered Rate
Mcf	Thousand cubic feet
MMcf	Million cubic feet
Moody’s	Moody’s Investors Services, Inc.
NTSB	National Transportation Safety Board
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
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, 2021	September 30, 2020
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 16,752,585	$ 15,957,221
Less accumulated depreciation and amortization	2,712,997	2,601,874
Net property, plant and equipment	14,039,588	13,355,347
Current assets		
Cash and cash equivalents	865,311	20,808
Accounts receivable, net (See Note 5)	469,595	230,595
Gas stored underground	50,043	111,950
Other current assets	235,485	107,905
Total current assets	1,620,434	471,258
Goodwill	731,257	731,257
Deferred charges and other assets (See Note 8)	3,017,531	801,170
	$ 19,408,810	$ 15,359,032
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, 2021 — 130,667,109 shares; September 30, 2020 — 125,882,477 shares	$ 653	$ 629
Additional paid-in capital	4,853,703	4,377,149
Accumulated other comprehensive income (loss)	140,471	(57,589)
Retained earnings	2,826,098	2,471,014
Shareholders’ equity	7,820,925	6,791,203
Long-term debt	7,316,404	4,531,779
Total capitalization	15,137,329	11,322,982
Current liabilities		
Accounts payable and accrued liabilities	263,597	235,775
Other current liabilities	607,525	546,461
Current maturities of long-term debt	177	165
Total current liabilities	871,299	782,401
Deferred income taxes	1,658,000	1,456,569
Regulatory excess deferred taxes	639,496	697,764
Regulatory cost of removal obligation	465,104	457,188
Deferred credits and other liabilities	637,582	642,128
	$ 19,408,810	$ 15,359,032

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31 2021	Three Months Ended March 31 2020
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 1,282,674	$ 933,005
Pipeline and storage segment	154,168	146,237
Intersegment eliminations	(117,769)	(101,577)
Total operating revenues	1,319,073	977,665
Purchased gas cost		
Distribution segment	691,147	418,935
Pipeline and storage segment	113	202
Intersegment eliminations	(117,451)	(101,254)
Total purchased gas cost	573,809	317,883
Operation and maintenance expense	156,375	147,824
Depreciation and amortization expense	118,636	105,916
Taxes, other than income	88,449	74,604
Operating income	381,804	331,438
Other non-operating income (expense)	2,834	(2,989)
Interest charges	26,096	22,171
Income before income taxes	358,542	306,278
Income tax expense	61,788	66,632
Net income	$ 296,754	$ 239,646
Basic net income per share	$ 2.30	$ 1.95
Diluted net income per share	$ 2.30	$ 1.95
Cash dividends per share	$ 0.625	$ 0.575
Basic weighted average shares outstanding	129,161	122,916
Diluted weighted average shares outstanding	129,164	122,997
Net income	$ 296,754	$ 239,646
Other comprehensive income (loss), net of tax		
Net unrealized holding losses on available-for-sale securities, net of tax of $19 and $49	(66)	(163)
Cash flow hedges:		
Amortization and unrealized gain on interest rate agreements, net of tax of $39,887 and $312	138,005	1,053
Total other comprehensive income	137,939	890
Total comprehensive income	$ 434,693	$ 240,536

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended March 31	
	2021	2020
	(Unaudited) (In thousands, except per share data)	
Operating revenues		
Distribution segment	$ 2,159,324	$ 1,761,509
Pipeline and storage segment	313,881	294,413
Intersegment eliminations	(239,652)	(202,694)
Total operating revenues	2,233,553	1,853,228
Purchased gas cost		
Distribution segment	1,102,219	816,493
Pipeline and storage segment	(1,131)	301
Intersegment eliminations	(239,019)	(202,043)
Total purchased gas cost	862,069	614,751
Operation and maintenance expense	295,018	300,069
Depreciation and amortization expense	233,921	210,978
Taxes, other than income	161,901	143,211
Operating income	680,644	584,219
Other non-operating income	8,906	1,898
Interest charges	48,106	49,400
Income before income taxes	641,444	536,717
Income tax expense	127,012	118,398
Net income	$ 514,432	$ 418,319
Basic net income per share	$ 4.01	$ 3.43
Diluted net income per share	$ 4.01	$ 3.42
Cash dividends per share	$ 1.25	$ 1.15
Basic weighted average shares outstanding	128,098	122,015
Diluted weighted average shares outstanding	128,100	122,179
Net income	$ 514,432	$ 418,319
Other comprehensive income (loss), net of tax		
Net unrealized holding losses on available-for-sale securities, net of tax of $37 and $49	(129)	(164)
Cash flow hedges:		
Amortization and unrealized gain on interest rate agreements, net of tax of $57,282 and $623	198,189	2,106
Total other comprehensive income	198,060	1,942
Total comprehensive income	$ 712,492	$ 420,261

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended March 31	
	2021	2020
	(Unaudited) (In thousands)	
Cash Flows From Operating Activities		
Net income	$ 514,432	$ 418,319
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	233,921	210,978
Deferred income taxes	128,725	110,664
Other	(938)	7,144
Net assets / liabilities from risk management activities	(1,954)	1,310
Net change in Winter Storm Uri regulatory asset (See Note 8)	(2,093,534)	—
Net change in other operating assets and liabilities	(182,898)	(114,640)
Net cash provided by (used in) operating activities	(1,402,246)	633,775
Cash Flows From Investing Activities		
Capital expenditures	(845,728)	(994,737)
Debt and equity securities activities, net	(5,506)	(1,131)
Other, net	5,171	4,631
Net cash used in investing activities	(846,063)	(991,237)
Cash Flows From Financing Activities		
Net decrease in short-term debt	—	(264,992)
Net proceeds from equity offering	460,678	258,047
Issuance of common stock through stock purchase and employee retirement plans	8,291	8,321
Proceeds from issuance of long-term debt	2,797,346	799,450
Cash dividends paid	(159,348)	(140,077)
Debt issuance costs	(14,155)	(7,738)
Net cash provided by financing activities	3,092,812	653,011
Net increase in cash and cash equivalents	844,503	295,549
Cash and cash equivalents at beginning of period	20,808	24,550
Cash and cash equivalents at end of period	$ 865,311	$ 320,099

See accompanying notes to condensed consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2021

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") and its subsidiaries are 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, 2021, 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, aside from accounting policy changes noted below, 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, 2020. 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, 2020. Because of seasonal and other factors, the results of operations for the six-month period ended March 31, 2021 are not indicative of our results of operations for the full 2021 fiscal year, which ends September 30, 2021.

Except as described in Note 6 and Note 8 to the unaudited condensed consolidated financial statements regarding recent activity related to our revolving credit facilities and securitization legislation, no events have occurred subsequent to the balance sheet date that would require recognition or disclosure in the unaudited condensed consolidated financial statements.

Significant accounting policies

Except as noted below, related to the change in policies as a result of our adoption of new accounting standards, 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, 2020.

During the second quarter of fiscal 2021, we completed our goodwill impairment assessment. We test for goodwill 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.

Accounting pronouncements adopted in fiscal 2021

Effective October 1, 2020, we adopted new accounting guidance that requires 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, we estimate credit losses over the entire contractual term of the instrument from the date of initial recognition of that instrument. The new guidance also introduces a new impairment recognition model for available-for-sale debt securities that will require credit losses to be recorded through an allowance account. We adopted the new guidance using a modified retrospective method. The adoption of this standard did not have a material impact on our financial position, results of operations and cash flows and no adjustments were made to October 1, 2020 opening balances as a result of this adoption. As required under the modified retrospective method of adoption, results for the reporting period beginning after October 1, 2020 are presented under Accounting Standards Codification (ASC) 326, while prior period amounts are not adjusted. See Notes 5 and 12 to the unaudited condensed consolidated financial statements for further discussion of implementation of the standard.

Accounting pronouncements that will be effective after fiscal 2021

In March 2020, the Financial Accounting Standards Board (FASB) issued optional guidance which will ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The amendments provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the cessation of the London Interbank Offered Rate (LIBOR). The amendments can be elected immediately, as of March 12, 2020, through December 31, 2022. We are currently evaluating if we will apply the optional guidance as we assess the impact of the cessation of LIBOR on our current contracts and hedging relationships and the potential impact 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 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.

Significant regulatory assets and liabilities as of March 31, 2021 and September 30, 2020 included the following:

	March 31, 2021	September 30, 2020
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs	$ 143,685	$ 149,089
Infrastructure mechanisms(1)	189,154	183,943
Winter Storm Uri incremental costs(2)	2,093,534	—
Deferred gas costs	19,636	40,593
Recoverable loss on reacquired debt	4,165	4,894
Deferred pipeline record collection costs	30,415	29,839
Other	6,093	6,283
	$ 2,486,682	$ 414,641
Regulatory liabilities:		
Regulatory excess deferred taxes(3)	$ 702,393	$ 718,651
Regulatory cost of removal obligation	531,625	531,096
Deferred gas costs	122,864	19,985
Asset retirement obligation	20,348	20,348
APT annual adjustment mechanism	44,291	57,379
Other	25,828	19,554
	$ 1,447,349	$ 1,367,013

(1) Infrastructure mechanisms in Texas, Louisiana and Tennessee 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.

(2) Includes extraordinary gas costs incurred during Winter Storm Uri and related carrying costs. See Note 8 to the unaudited condensed consolidated financial statements for further information. This amount is recorded within deferred charges and other assets on the condensed consolidated balance sheet as of March 31, 2021.

(3) Includes amount from the remeasurement of the net deferred tax liability included in our rate base as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA") and a Kansas legislative change enacted in fiscal 2020. Of this amount, $62.9 million as of March 31, 2021 and $20.9 million as of September 30, 2020 is recorded in other current liabilities. These liabilities are currently being returned to customers in most of our jurisdictions on a provisional basis over 15 to 69 years until formal orders establish the final refund periods. During the six months ended March 31, 2021, our effective income tax rate decreased from 22.1% to 19.8%, primarily due to the approval of the amortization of excess deferred income taxes to APT customers.

As of March 31, 2021, we received regulatory orders in most states to defer into a regulatory asset all expenses, beyond the normal course of business, related to Coronavirus Disease 2019 (COVID-19 or virus), including bad debt expense. As of March 31, 2021, no amounts have been recorded as regulatory assets or liabilities for expenses related to COVID-19.

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 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, 2020.

Income statements and capital expenditures for the three and six months ended March 31, 2021 and 2020 by segment are presented in the following tables:

	Three Months Ended March 31, 2021			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 1,281,826	$ 37,247	$ —	$ 1,319,073
Intersegment revenues	848	116,921	(117,769)	—
Total operating revenues	1,282,674	154,168	(117,769)	1,319,073
Purchased gas cost	691,147	113	(117,451)	573,809
Operation and maintenance expense	123,990	32,703	(318)	156,375
Depreciation and amortization expense	85,667	32,969	—	118,636
Taxes, other than income	78,615	9,834	—	88,449
Operating income	303,255	78,549	—	381,804
Other non-operating income (expense)	(760)	3,594	—	2,834
Interest charges	14,017	12,079	—	26,096
Income before income taxes	288,478	70,064	—	358,542
Income tax expense	56,142	5,646	—	61,788
Net income	$ 232,336	$ 64,418	$ —	$ 296,754
Capital expenditures	$ 296,184	$ 92,735	$ —	$ 388,919

	Three Months Ended March 31, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 932,296	$ 45,369	$ —	$ 977,665
Intersegment revenues	709	100,868	(101,577)	—
Total operating revenues	933,005	146,237	(101,577)	977,665
Purchased gas cost	418,935	202	(101,254)	317,883
Operation and maintenance expense	115,851	32,296	(323)	147,824
Depreciation and amortization expense	76,265	29,651	—	105,916
Taxes, other than income	68,413	6,191	—	74,604
Operating income	253,541	77,897	—	331,438
Other non-operating income (expense)	(5,191)	2,202	—	(2,989)
Interest charges	10,797	11,374	—	22,171
Income before income taxes	237,553	68,725	—	306,278
Income tax expense	50,489	16,143	—	66,632
Net income	$ 187,064	$ 52,582	$ —	$ 239,646
Capital expenditures	$ 373,313	$ 92,238	$ —	$ 465,551

	Six Months Ended March 31, 2021			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 2,157,713	$ 75,840	$ —	$ 2,233,553
Intersegment revenues	1,611	238,041	(239,652)	—
Total operating revenues	2,159,324	313,881	(239,652)	2,233,553
Purchased gas cost	1,102,219	(1,131)	(239,019)	862,069
Operation and maintenance expense	232,792	62,859	(633)	295,018
Depreciation and amortization expense	168,537	65,384	—	233,921
Taxes, other than income	142,967	18,934	—	161,901
Operating income	512,809	167,835	—	680,644
Other non-operating income	75	8,831	—	8,906
Interest charges	24,729	23,377	—	48,106
Income before income taxes	488,155	153,289	—	641,444
Income tax expense	102,127	24,885	—	127,012
Net income	$ 386,028	$ 128,404	$ —	$ 514,432
Capital expenditures	$ 602,200	$ 243,528	$ —	$ 845,728

	Six Months Ended March 31, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Operating revenues from external parties	$ 1,760,136	$ 93,092	$ —	$ 1,853,228
Intersegment revenues	1,373	201,321	(202,694)	—
Total operating revenues	1,761,509	294,413	(202,694)	1,853,228
Purchased gas cost	816,493	301	(202,043)	614,751
Operation and maintenance expense	230,203	70,517	(651)	300,069
Depreciation and amortization expense	152,339	58,639	—	210,978
Taxes, other than income	128,656	14,555	—	143,211
Operating income	433,818	150,401	—	584,219
Other non-operating income (expense)	(3,237)	5,135	—	1,898
Interest charges	27,159	22,241	—	49,400
Income before income taxes	403,422	133,295	—	536,717
Income tax expense	86,601	31,797	—	118,398
Net income	$ 316,821	$ 101,498	$ —	$ 418,319
Capital expenditures	$ 777,560	$ 217,177	$ —	$ 994,737

Balance sheet information at March 31, 2021 and September 30, 2020 by segment is presented in the following tables:

	March 31, 2021			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 10,465,072	$ 3,574,516	$ —	$ 14,039,588
Total assets	$ 18,661,545	$ 3,799,037	$ (3,051,772)	$ 19,408,810

	September 30, 2020			
	Distribution	Pipeline and Storage	Eliminations	Consolidated
	(In thousands)			
Property, plant and equipment, net	$ 9,944,978	$ 3,410,369	$ —	$ 13,355,347
Total assets	$ 14,578,176	$ 3,647,907	$ (2,867,051)	$ 15,359,032

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 weighted average shares outstanding is calculated based upon the weighted average number of common shares outstanding during the periods presented. Also, this calculation includes fully vested stock awards that have not yet been issued as common stock. Additionally, the weighted average shares outstanding for diluted EPS includes the incremental effects of the forward sale agreements, discussed in Note 7 to the unaudited condensed consolidated financial statements, when the impact is dilutive. Basic and diluted earnings per share for the three and six months ended March 31, 2021 and 2020 are calculated as follows:

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In thousands, except per share amounts)			
Basic Earnings Per Share				
Net income	$ 296,754	$ 239,646	$ 514,432	$ 418,319
Less: Income allocated to participating securities	199	178	350	314
Income available to common shareholders	$ 296,555	$ 239,468	$ 514,082	$ 418,005
Basic weighted average shares outstanding	129,161	122,916	128,098	122,015
Net income per share — Basic	$ 2.30	$ 1.95	$ 4.01	$ 3.43
Diluted Earnings Per Share				
Income available to common shareholders	$ 296,555	$ 239,468	$ 514,082	$ 418,005
Effect of dilutive shares	—	—	—	—
Income available to common shareholders	$ 296,555	$ 239,468	$ 514,082	$ 418,005
Basic weighted average shares outstanding	129,161	122,916	128,098	122,015
Dilutive shares	3	81	2	164
Diluted weighted average shares outstanding	129,164	122,997	128,100	122,179
Net income per share - Diluted	$ 2.30	$ 1.95	$ 4.01	$ 3.42

5. Revenue and Accounts Receivable

Revenue

Our revenue recognition policy is fully described in Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. The following tables disaggregate our revenue from contracts with customers by customer type and segment and provide a reconciliation to total operating revenues, including intersegment revenues, for the three and six months ended March 31, 2021 and 2020.

	Three Months Ended March 31, 2021		Three Months Ended March 31, 2020	
	Distribution	Pipeline and Storage	Distribution	Pipeline and Storage
	(In thousands)			
Gas sales revenues:				
Residential	$ 893,720	$ —	$ 596,315	$ —
Commercial	326,182	—	230,779	—
Industrial	31,066	—	25,628	—
Public authority and other	20,227	—	14,662	—
Total gas sales revenues	1,271,195	—	867,384	—
Transportation revenues	30,973	151,565	28,504	154,748
Miscellaneous revenues	3,325	3,878	6,986	1,335
Revenues from contracts with customers	1,305,493	155,443	902,874	156,083
Alternative revenue program revenues[(1)]	(23,313)	(1,275)	29,638	(9,846)
Other revenues	494	—	493	—
Total operating revenues	$ 1,282,674	$ 154,168	$ 933,005	$ 146,237

	Six Months Ended March 31, 2021		Six Months Ended March 31, 2020	
	Distribution	Pipeline and Storage	Distribution	Pipeline and Storage
	(In thousands)			
Gas sales revenues:				
Residential	$ 1,485,554	$ —	$ 1,148,391	$ —
Commercial	535,129	—	442,093	—
Industrial	55,774	—	50,553	—
Public authority and other	33,289	—	27,684	—
Total gas sales revenues	2,109,746	—	1,668,721	—
Transportation revenues	58,740	316,326	55,144	306,758
Miscellaneous revenues	5,721	9,026	13,772	6,490
Revenues from contracts with customers	2,174,207	325,352	1,737,637	313,248
Alternative revenue program revenues[(1)]	(15,872)	(11,471)	22,887	(18,835)
Other revenues	989	—	985	—
Total operating revenues	$ 2,159,324	$ 313,881	$ 1,761,509	$ 294,413

(1) In our distribution segment, we have weather-normalization adjustment mechanisms that serve to mitigate the effects of weather on our revenue. Additionally, APT has a regulatory mechanism that requires that we share with its tariffed customers 75% of the difference between the total non-tariffed revenues earned during a test period and a regulatorily determined revenue benchmark.

Accounts receivable and allowance for uncollectible accounts

Accounts receivable arise from natural gas sales to residential, commercial, industrial, public authority and other customers. Our accounts receivable balance includes unbilled amounts which represent a customer's consumption of gas from the date of the last cycle billing through the last day of the month. The receivable balances are short term and generally do not extend beyond one month. To minimize credit risk, we assess the credit worthiness of new customers, require deposits where necessary, assess late fees, pursue collection activities and disconnect service for nonpayment. After disconnection, accounts are written off when deemed uncollectible.

As described in Note 2 to the unaudited condensed consolidated financial statements, on October 1, 2020, we adopted new accounting guidance which requires credit losses on our accounts receivable to be measured using an expected credit loss model over the entire contractual term from the date of initial recognition. At each reporting period, we assess the allowance for uncollectible accounts based on historical experience, current conditions and consideration of expected future conditions. 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.

Due to the COVID-19 pandemic, in March 2020 we temporarily suspended disconnecting customers for nonpayment and stopped charging late fees. We are actively working with our customers experiencing financial hardship to offer flexible payment options and directing them to aid agencies for financial assistance. Our allowance for uncollectible accounts reflects the expected impact on our customers' ability to pay when we resume disconnection activity.

Rollforwards of our allowance for uncollectible accounts for the three and six months ended March 31, 2021 are presented in the table below. The allowance excludes the gas cost portion of customers' bills for approximately 78 percent of our customers as we have the ability to collect these gas costs through our gas cost recovery mechanisms in most of our jurisdictions.

	Three Months Ended March 31, 2021
	(In thousands)
Beginning balance, December 31, 2020	$ 35,089
Current period provisions	11,532
Write-offs charged against allowance	(2,381)
Recoveries of amounts previously written off	440
Ending balance, March 31, 2021	$ 44,680

	Six Months Ended March 31, 2021
	(In thousands)
Beginning balance, September 30, 2020	$ 29,949
Current period provisions	18,469
Write-offs charged against allowance	(4,669)
Recoveries of amounts previously written off	931
Ending balance, March 31, 2021	$ 44,680

6. Debt

The nature and terms of our debt instruments and credit facilities are described in detail in Note 7 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. Other than as described below, there were no material changes in the terms of our debt instruments during the six months ended March 31, 2021.

Long-term debt at March 31, 2021 and September 30, 2020 consisted of the following:

	March 31, 2021	September 30, 2020
	(In thousands)	
Unsecured 0.625% Senior Notes, due 2023	$ 1,100,000	$ —
Unsecured 3.00% Senior Notes, due 2027	500,000	500,000
Unsecured 2.625% Senior Notes, due 2029	300,000	300,000
Unsecured 1.50% Senior Notes, due 2031	600,000	—
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
Unsecured 4.30% Senior Notes, due 2048	600,000	600,000
Unsecured 4.125% Senior Notes, due 2049	450,000	450,000
Unsecured 3.375% Senior Notes, due 2049	500,000	500,000
Floating-rate term loan, due April 2022	200,000	200,000
Floating-rate Senior Notes, due 2023	1,100,000	—
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
Finance lease obligations	8,612	8,631
Total long-term debt	7,368,612	4,568,631
Less:		
Original issue discount on unsecured senior notes and debentures	3,030	583
Debt issuance cost	49,001	36,104
Current maturities	177	165
	$ 7,316,404	$ 4,531,779

On March 9, 2021, we completed a public offering of $1.1 billion of 0.625% senior notes due 2023, with an effective interest rate of 0.834%, after giving effect to the offering costs, and $1.1 billion floating rate senior notes due 2023 that bear interest at a rate equal to the the Three-Month LIBOR rate plus 0.38%. The net proceeds from the offering, after the underwriting discount and offering expenses of $2.2 billion, were used for the payment of unplanned natural gas costs incurred during Winter Storm Uri. See Note 8 to the unaudited condensed consolidated financial statements for further information. The notes are subject to optional redemption at any time on or after September 9, 2021 at a price equal to 100 percent of the principal amount of the notes being redeemed, plus any accrued and unpaid interest thereon, if any, to, but excluding, the redemption date.

On October 1, 2020, we completed a public offering of $600 million of 1.50% senior notes due 2031, with an effective interest rate of 1.71%, after giving effect to the offering costs and settlement of our interest rate swaps. The net proceeds from the offering, after the underwriting discount and offering expenses, of $592.3 million, were used for general corporate purposes, including the repayment of working capital borrowings pursuant to our commercial paper program and the related settlement of our interest rate swaps.

Short-term debt

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 driven primarily by construction work in progress and the seasonal nature of the natural gas business.

Our short-term borrowing requirements are satisfied through a combination of a $1.5 billion commercial paper program and four committed revolving credit facilities with third-party lenders that provide $2.5 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 was replaced on March 31, 2021, with a new five-year unsecured $1.5 billion credit facility that expires on March 31, 2026. The new facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin ranging from zero percent to 0.25 percent for base rate advances or a margin ranging from 0.75 percent to 1.25 percent for LIBOR-based advances, 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, 2021 and September 30, 2020, there were no amounts outstanding under our commercial paper program.

We had a $600 million 364-day unsecured revolving credit facility, which was replaced on March 31, 2021, with a new $900 million three-year unsecured revolving credit facility. This new facility will be used primarily to provide additional working capital funding. The new facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a margin ranging from zero percent to 0.25 percent for base rate advances or a margin ranging from 0.75 percent to 1.25 percent for LIBOR-based advances, based on the Company's credit ratings. Additionally, the facility contains a $100 million accordion feature, which provides the opportunity to increase the total committed loan to $1.0 billion. At March 31, 2021, there were no borrowings outstanding under this facility.

Additionally, we have a $50 million 364-day unsecured facility, which was renewed April 1, 2021 and is used to provide working capital funding. There were no borrowings outstanding under this facility as of March 31, 2021.

Finally, we have a $50 million 364-day unsecured revolving credit facility, which was renewed April 29, 2021 and is used to issue letters of credit and to provide working capital funding. At March 31, 2021, there were no borrowings outstanding under this facility; however, outstanding letters of credit reduced the total amount available to us to $44.4 million.

Debt covenants

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, 2021, our total-debt-to-total-capitalization ratio, as defined in the agreements, was 49 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 if not paid at maturity. We were in compliance with all of our debt covenants as of March 31, 2021. 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.

7. Shareholders' Equity

The following tables present a reconciliation of changes in stockholders' equity for the three and six months ended March 31, 2021 and 2020.

	Common stock: Number of Shares	Common stock: 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, 2020	125,882,477	$ 629	$ 4,377,149	$ (57,589)	$ 2,471,014	$ 6,791,203
Net income	—	—	—	—	217,678	217,678
Other comprehensive income	—	—	—	60,121	—	60,121
Cash dividends ($0.625 per share)	—	—	—	—	(79,023)	(79,023)
Common stock issued:						
Public and other stock offerings	2,126,118	11	219,998	—	—	220,009
Stock-based compensation plans	144,366	1	3,167	—	—	3,168
Balance, December 31, 2020	128,152,961	641	4,600,314	2,532	2,609,669	7,213,156
Net income	—	—	—	—	296,754	296,754
Other comprehensive income	—	—	—	137,939	—	137,939
Cash dividends ($0.625 per share)	—	—	—	—	(80,325)	(80,325)
Common stock issued:						
Public and other stock offerings	2,498,026	12	248,948	—	—	248,960
Stock-based compensation plans	16,122	—	4,441	—	—	4,441
Balance, March 31, 2021	130,667,109	$ 653	$ 4,853,703	$ 140,471	$ 2,826,098	$ 7,820,925

	Common stock: Number of Shares	Common stock: 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, 2019	119,338,925	$ 597	$ 3,712,194	$ (114,583)	$ 2,152,015	$ 5,750,223
Net income	—	—	—	—	178,673	178,673
Other comprehensive income	—	—	—	1,052	—	1,052
Cash dividends ($0.575 per share)	—	—	—	—	(69,557)	(69,557)
Common stock issued:						
Public and other stock offerings	2,758,929	13	263,259	—	—	263,272
Stock-based compensation plans	164,549	1	4,111	—	—	4,112
Balance, December 31, 2019	122,262,403	611	3,979,564	(113,531)	2,261,131	6,127,775
Net income	—	—	—	—	239,646	239,646
Other comprehensive income	—	—	—	890	—	890
Cash dividends ($0.575 per share)	—	—	—	—	(70,520)	(70,520)
Common stock issued:						
Public and other stock offerings	38,662	1	3,095	—	—	3,096
Stock-based compensation plans	7,660	—	3,528	—	—	3,528
Balance, March 31, 2020	122,308,725	$ 612	$ 3,986,187	$ (112,641)	$ 2,430,257	$ 6,304,415

Shelf Registration, At-the-Market Equity Sales Program and Equity Issuances

On February 11, 2020, we filed a shelf registration statement with the Securities and Exchange Commission (SEC) that allows us to issue up to $4.0 billion in common stock and/or debt securities, which expires February 11, 2023. At March 31, 2021, approximately $200 million of securities were available for issuance under the shelf registration statement.

During the six months ended March 31, 2021, we executed forward sales under our ATM equity sales program with various forward sellers who borrowed and sold 2,472,912 shares of our common stock at an aggregate price of $238.6 million. During the six months ended March 31, 2021, we also settled forward sale agreements with respect to 4,537,669 shares that had been borrowed and sold by various forward sellers under the ATM program for net proceeds of $460.7 million. As of March 31, 2021, approximately $313 million of equity was available for issuance under the ATM program. Additionally, we had $115.6 million in available proceeds, based on a net price of $90.96 per share, from outstanding forward sale agreements, available through June 30, 2022.

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in AOCI related to available-for-sale debt securities and interest rate agreement cash flow hedges. Deferred gains (losses) for our available-for-sale debt securities 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, 2020	$ 238	$ (57,827)	$ (57,589)
Other comprehensive income (loss) before reclassifications	(129)	195,906	195,777
Amounts reclassified from accumulated other comprehensive income	—	2,283	2,283
Net current-period other comprehensive income (loss)	(129)	198,189	198,060
March 31, 2021	$ 109	$ 140,362	$ 140,471

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Total
		(In thousands)	
September 30, 2019	$ 132	$ (114,715)	$ (114,583)
Other comprehensive loss before reclassifications	(163)	—	(163)
Amounts reclassified from accumulated other comprehensive income	(1)	2,106	2,105
Net current-period other comprehensive income (loss)	(164)	2,106	1,942
March 31, 2020	$ (32)	$ (112,609)	$ (112,641)

8. Winter Storm Uri

Overview

A historic winter storm impacted supply, market pricing and demand for natural gas in our service territories in mid-February. During this time, the governors of Kansas and Texas each declared a state of emergency, and certain regulatory agencies issued emergency orders that impacted the utility and natural gas industries, including statewide utilities curtailment programs and orders encouraging or requiring jurisdictional natural gas utilities to work to ensure customers were provided with safe and reliable natural gas service.

Due to the historic nature of this winter storm, we experienced unforeseeable and unprecedented market pricing for gas costs, which resulted in aggregated natural gas purchases during the month of February of approximately $2.3 billion. These gas costs were paid by the end of March 2021.

Incremental Financing

As discussed in Note 6 to the unaudited condensed consolidated financial statements, on March 9, 2021, we completed a public offering of $2.2 billion in debt securities and the net proceeds from the offering, after the underwriting discount and offering expenses, were used to substantially fund these purchased gas costs. As a result of this unplanned debt issuance, S&P lowered its long-term/short-term credit ratings from A/A-1 to A-/A-2 and placed our ratings under negative outlook. Moody's reaffirmed its long-term and short-term credit ratings and placed our ratings under negative outlook. These credit rating adjustments and the issuance of unplanned debt did not impact our ability to satisfy our debt covenants.

Regulatory Asset Accounting

Our purchased gas costs are recoverable through purchased gas cost adjustment mechanisms in each state where we operate. Due to the unprecedented level of purchased gas costs incurred during Winter Storm Uri, the Kansas Corporation Commission (KCC) and the Railroad Commission of Texas (RRC) issued orders authorizing natural gas utilities to record a regulatory asset to account for the extraordinary costs associated with the winter storm. Pursuant to these orders, as of March 31, 2021, we have recorded a $2.1 billion regulatory asset for incremental costs, including carrying costs, incurred in Kansas ($76.7 million) and Texas ($2,016.8 million) within deferred charges and other assets on our condensed consolidated balance sheet. These costs are subject to review for prudency by each commission and may be adjusted.

Income Taxes

We deduct our purchased gas costs for federal income tax purposes in the period they are paid. Based on our current projection of taxable income for fiscal 2021 and the expected magnitude of the purchased gas cost deduction, we recorded a $469.4 million (tax effected) increase in our net operating loss carryforwards and a corresponding increase to our deferred tax liability as of March 31, 2021.

At March 31, 2021, we had $813.1 million (tax effected) of federal net operating loss carryforwards. The federal net operating loss carryforwards are available to offset future taxable income. Net operating loss carryforwards incurred prior to December 22, 2017 begin to expire in 2029. The Company also has $57.5 million (tax effected) of state net operating loss carryforwards (net of $15.3 million of federal effects) and $1.8 million of state tax credits carryforwards (net of $0.5 million of federal effects). Depending on the jurisdiction in which the state net operating loss was generated, the carryforwards are subject to expiration through the remainder of fiscal 2021.

Securitization Legislation

To minimize the impact on the customer bill by extending the recovery periods for these unprecedented purchased gas costs, the Kansas and Texas State Legislatures each introduced securitization legislation during our fiscal second quarter. The following summarizes the status of the legislation as of the date of this filing.

Kansas

The Kansas securitization legislation permits a natural gas public utility, in its sole discretion, to apply to the KCC for a financing order for the recovery of qualified extraordinary costs through the issuance of bonds. Within 25 days after a complete application is filed, the KCC shall establish a procedural schedule that requires it to issue a decision on the application within 180 days from the date a complete application was filed. Utilities may apply for a recovery period of up to 32 years. The legislation became effective April 9, 2021.

Texas

The proposed Texas securitization legislation authorizes the RRC to issue a statewide securitization financing order to recover the extraordinary gas costs incurred by natural gas utilities from current and future customers through uniform monthly volumetric charges for a period of up to 30 years.

The proposed legislation provides that natural gas utilities have 60 days from the passage of the bill to submit extraordinary gas costs incurred during Winter Storm Uri for a prudency review. The RRC has 90 days to approve each filing. Following the approval of all applications, the RRC will issue a financing order to the Texas Public Financing Authority authorizing the issuance of customer rate relief bonds to securitize the aggregated extraordinary costs for all participating utilities. The participating utilities, as servicers acting on behalf of the state of the securitization financing, will bill and collect customer rate relief charges from their current and future customers and remit the collections to the state issuer of the securitization financing. The proposed legislation is still being considered by the Texas Legislature.

9. 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, 2021 and 2020 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 or deferred as a regulatory asset or liability. The remaining costs are recorded as a component of operation and maintenance expense or other non-operating expense.

	Three Months Ended March 31			
	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 4,613	$ 4,652	$ 4,306	$ 3,366
Interest cost[(1)]	5,028	5,843	2,660	2,653
Expected return on assets[(1)]	(6,978)	(7,079)	(2,614)	(2,625)
Amortization of prior service cost (credit)[(1)]	(58)	(58)	43	43
Amortization of actuarial (gain) loss[(1)]	3,171	3,242	—	(334)
Net periodic pension cost	$ 5,776	$ 6,600	$ 4,395	$ 3,103

	Six Months Ended March 31			
	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 9,225	$ 9,305	$ 8,612	$ 6,733
Interest cost[(1)]	10,056	11,686	5,320	5,306
Expected return on assets[(1)]	(13,956)	(14,158)	(5,228)	(5,249)
Amortization of prior service cost (credit)[(1)]	(116)	(116)	86	87
Amortization of actuarial (gain) loss[(1)]	6,343	6,483	—	(669)
Net periodic pension cost	$ 11,552	$ 13,200	$ 8,790	$ 6,208

(1) The components of net periodic cost other than the service cost component are included in the line item other non-operating expense in the condensed consolidated statements of comprehensive income or are capitalized on the condensed consolidated balance sheets as a regulatory asset or liability, as described in Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

For the six months ended March 31, 2021 we contributed $8.7 million to our postretirement medical plans. We anticipate contributing a total of between $15 million and $25 million to our postretirement plans during fiscal 2021.

10. 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) held a public meeting on January 12, 2021 to determine the probable cause of the incident that occurred at a Dallas, Texas residence on February 23, 2018 that resulted in one fatality and injuries to four other residents. At the meeting, the Board deliberated and voted on proposed findings of fact, a probable cause statement, and safety recommendations. On February 8, 2021, the NTSB issued its final report that included an Executive Summary, Findings, Probable Cause, and Recommendations. Also on February 8, 2021, safety recommendations letters were distributed to recommendation recipients, including Atmos Energy. Following the release of the NTSB's final report, the Railroad Commission of Texas (RRC) completed its safety evaluation related to the same incident finding four alleged violations and initiated an enforcement proceeding to pursue administrative penalties totaling $1.6 million. We are working with the RRC to resolve the alleged violations and satisfy the administrative penalties.

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. These purchase commitment contracts are detailed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. There were no material changes to the purchase commitments for the six months ended March 31, 2021.

Rate Regulatory Proceedings

As of March 31, 2021, routine rate regulatory proceedings were in progress in several of our service areas, which are discussed in further detail below in *Management's Discussion and Analysis — Recent Ratemaking Developments*. Except for these proceedings, there were no material changes to rate regulatory proceedings for the six months ended March 31, 2021.

11. 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 14 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. During the six months ended March 31, 2021, 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 2020-2021 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 39 percent, or 15.8 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 manage interest rate risk by periodically entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

As of March 31, 2021, we had the following forward starting interest rate swaps to effectively fix the Treasury yield component which we designated as cash flow hedges at the time the agreements were executed:

Planned Debt Issuance Date	Amount Hedged	Effective Interest Rate
	(In thousands)	
Fiscal 2022	$ 450,000	1.33 %
Fiscal 2023	300,000	1.36 %
Fiscal 2025	300,000	1.35 %
	$ 1,050,000	

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 statements of comprehensive income.

As of March 31, 2021, 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, 2021, we had 8,584 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 March 31, 2021 and September 30, 2020. 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. However, for March 31, 2021 and September 30, 2020, no gross amounts and no cash collateral were netted within our consolidated balance sheet.

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
March 31, 2021			
Designated As Hedges:			
Interest rate contracts	Other current assets / Other current liabilities	$ 131,798	$ —
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	193,786	—
Total		325,584	—
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	1,574	(62)
Total		1,574	(62)
Gross / Net Financial Instruments		$ 327,158	$ (62)

	Balance Sheet Location	Assets	Liabilities
		(In thousands)	
September 30, 2020			
Designated As Hedges:			
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	$ 73,055	$ —
Total		73,055	—
Not Designated As Hedges:			
Commodity contracts	Other current assets / Other current liabilities	5,687	(2,015)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	1,936	—
Total		7,623	(2,015)
Gross / Net Financial Instruments		$ 80,678	$ (2,015)

Impact of Financial Instruments on the Statement of Comprehensive Income

Cash Flow Hedges

As discussed above, our distribution segment has interest rate agreements, which we designated as cash flow hedges at the time the agreements were executed. The net loss on settled interest rate agreements reclassified from AOCI into interest charges on our condensed consolidated statements of comprehensive income for the three months ended March 31, 2021 and

2020 was $1.5 million and $1.4 million and for the six months ended March 31, 2021 and 2020 was $2.9 million and $2.7 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, 2021 and 2020. The amounts included in the table below exclude gains and losses arising from ineffectiveness because those amounts are immediately recognized in the statement of comprehensive income as incurred.

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In thousands)			
Increase in fair value:				
Interest rate agreements	$ 136,864	$ —	$ 195,906	$ —
Recognition of losses in earnings due to settlements:				
Interest rate agreements	1,141	1,053	2,283	2,106
Total other comprehensive income (loss) from hedging, net of tax	$ 138,005	$ 1,053	$ 198,189	$ 2,106

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. As of March 31, 2021, we had $112.2 million of net realized losses in AOCI associated with our interest rate agreements. The following amounts, net of deferred taxes, represent the expected recognition in earnings of the deferred net losses recorded in AOCI associated with our interest rate agreements, based upon the fair values of these agreements at the date of settlement. The remaining amortization periods for these settled amounts extend through fiscal 2049. However, the table below does not include the expected recognition in earnings of our outstanding interest rate swaps as those instruments have not yet settled.

	Interest Rate Agreements
	(In thousands)
Next twelve months	$ (4,566)
Thereafter	(107,653)
Total	$ (112,219)

Financial Instruments Not Designated as Hedges

As discussed above, commodity contracts which are 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 comprehensive 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.

12. 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 consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. During the six months ended March 31, 2021, 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 9 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

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, 2021 and September 30, 2020. 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, 2021
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 327,158	$ —	$ —	$ 327,158
Debt and equity securities					
Registered investment companies	34,501	—	—	—	34,501
Bond mutual funds	34,131	—	—	—	34,131
Bonds(2)	—	35,755	—	—	35,755
Money market funds	—	5,105	—	—	5,105
Total debt and equity securities	68,632	40,860	—	—	109,492
Total assets	$ 68,632	$ 368,018	$ —	$ —	$ 436,650
Liabilities:					
Financial instruments	$ —	$ 62	$ —	$ —	$ 62

	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, 2020
			(In thousands)		
Assets:					
Financial instruments	$ —	$ 80,678	$ —	$ —	$ 80,678
Debt and equity securities					
Registered investment companies	37,831	—	—	—	37,831
Bond mutual funds	29,166	—	—	—	29,166
Bonds(2)	—	32,900	—	—	32,900
Money market funds	—	4,055	—	—	4,055
Total debt and equity securities	66,997	36,955	—	—	103,952
Total assets	$ 66,997	$ 117,633	$ —	$ —	$ 184,630
Liabilities:					
Financial instruments	$ —	$ 2,015	$ —	$ —	$ 2,015

(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.

(2) Our investments in bonds are considered available-for-sale debt securities in accordance with current accounting guidance.

Debt and equity securities are comprised of our available-for-sale debt securities and our equity securities. As described further in Note 2 to the unaudited condensed consolidated financial statements, we adopted ASC 326 effective October 1, 2020. In accordance with the new guidance, we evaluate the performance of our available-for-sale debt securities on an investment by investment basis for impairment, taking into consideration the investment's purpose, volatility, current returns and any intent to sell the security. As of March 31, 2021, no allowance for credit losses was recorded for our available-for-sale debt securities. At March 31, 2021 and September 30, 2020, the amortized cost of our available-for-sale debt securities was $35.6 million and $32.6 million. At March 31, 2021, we maintained investments in bonds that have contractual maturity dates ranging from April 2021 through March 2024.

Other Fair Value Measures

Our long-term debt is recorded at carrying value. The fair value of our long-term debt, excluding finance leases, 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 carrying value of our finance leases materially approximates fair value. The following table presents the carrying value and fair value of our long-term debt, excluding finance leases, debt issuance costs and original issue premium or discount, as of March 31, 2021 and September 30, 2020:

	March 31, 2021	September 30, 2020
	(In thousands)	
Carrying Amount	$ 7,360,000	$ 4,560,000
Fair Value	$ 7,828,415	$ 5,597,183

13. Concentration of Credit Risk

Information regarding our concentration of credit risk is disclosed in Note 16 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. During the six months ended March 31, 2021, 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

Results of Review of Interim Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of Atmos Energy Corporation (the Company) as of March 31, 2021, the related condensed consolidated statements of comprehensive income for the three and six months ended March 31, 2021 and 2020, the condensed consolidated statements of cash flows for the six months ended March 31, 2021 and 2020, and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements 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) (PCAOB), the consolidated balance sheet of the Company as of September 30, 2020, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for the year then ended, and the related notes and schedule (not presented herein); and in our report dated November 13, 2020, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements 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 PCAOB, 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.

/s/ ERNST & YOUNG LLP

Dallas, Texas
May 5, 2021

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, 2020.

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: federal, state and local regulatory and political trends and decisions, including the impact of rate proceedings before various state regulatory commissions; increased federal regulatory oversight and potential penalties; possible increased federal, state and local regulation of the safety of our operations; the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change; possible significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs; the inherent hazards and risks involved in distributing, transporting and storing natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; the impact of climate change; the inability to continue to hire, train and retain operational, technical and managerial personnel; increased dependence on technology that may hinder the Company's business if such technologies fail; 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; the capital-intensive nature of our business; our ability to continue to access the credit and capital markets to execute our business strategy; 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; the impact of adverse economic conditions on our customers; changes in the availability and price of natural gas; increased costs of providing health care benefits, along with pension and postretirement health care benefits and increased funding requirements; and the outbreak of COVID-19 and its impact on business and economic conditions. 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, 2021 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.

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 the allowance for doubtful accounts, legal and environmental accruals, insurance accruals, pension and postretirement obligations, deferred income taxes and the valuation of goodwill 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, 2020 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, 2021.

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 six months ended March 31, 2021, we recorded net income of $514.4 million, or $4.01 per diluted share, compared to net income of $418.3 million, or $3.42 per diluted share for the six months ended March 31, 2020. The 23 percent period-over-period increase in net income largely reflects positive rate outcomes driven by safety and reliability spending and customer growth in our distribution segment combined with a reduction in certain operating and maintenance expenses. Additionally, in our distribution segment, we have experienced lower service order revenues and higher bad debt expense due to the temporary suspension of collection activities during the pandemic. Finally, our year-to-date results reflect a reduction in our annual effective tax rate related to the refund of excess deferred taxes, primarily to APT customers, which has been or will be offset by a corresponding decrease in revenues over the remainder of the fiscal year.

During the six months ended March 31, 2021, we implemented ratemaking regulatory actions which resulted in an increase in annual operating income of $109.8 million. As of March 31, 2021, we had ratemaking efforts in progress seeking a total increase in annual operating income of $113.8 million.

Capital expenditures for the six months ended March 31, 2021 were $845.7 million. Over 85 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.

During the six months ended March 31, 2021, we completed approximately $3.1 billion of long-term debt and equity financing, including the $2.2 billion of incremental financing issued to pay for the purchased gas costs incurred during Winter Storm Uri. As of March 31, 2021, our equity capitalization was 60.4 percent, excluding the $2.2 billion of incremental financing, and we had approximately $3.5 billion in total liquidity, including cash and cash equivalents and funds available through equity forward sales agreements.

As a result of our sustained financial performance, our Board of Directors increased the quarterly dividend by 8.7 percent for fiscal 2021.

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, 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 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. Under our current rate design, approximately 70 percent of our distribution segment revenues are earned through the first six months of the fiscal year. Additionally, we currently recover approximately 60 percent of our distribution segment revenue, excluding gas costs, through the base customer charge, which partially separates the recovery of our approved rate from customer usage patterns.

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 have been approved by state regulatory commissions for approximately 97 percent of our residential and commercial revenues 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. 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. Revenues in our Texas and Mississippi service areas include 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.

The cost of gas typically does not have a direct impact on our operating income because these costs are recovered through our purchased gas cost adjustment mechanisms. However, higher gas costs may adversely impact our accounts receivable collections, resulting in higher bad debt expense. This risk is currently mitigated by rate design that allows us to collect from our customers the gas cost portion of our bad debt expense on approximately 78 percent of our residential and commercial revenues. Additionally, higher gas costs may require us to increase borrowings under our credit facilities, resulting in higher interest expense. Finally, 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.

Three Months Ended March 31, 2021 compared with Three Months Ended March 31, 2020

Financial and operational highlights for our distribution segment for the three months ended March 31, 2021 and 2020 are presented below.

	Three Months Ended March 31		
	2021	2020	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 1,282,674	$ 933,005	$ 349,669
Purchased gas cost	691,147	418,935	272,212
Operating expenses	288,272	260,529	27,743
Operating income	303,255	253,541	49,714
Other non-operating expense	(760)	(5,191)	4,431
Interest charges	14,017	10,797	3,220
Income before income taxes	288,478	237,553	50,925
Income tax expense	56,142	50,489	5,653
Net income	$ 232,336	$ 187,064	$ 45,272
Consolidated distribution sales volumes — MMcf	145,478	119,358	26,120
Consolidated distribution transportation volumes — MMcf	45,765	44,512	1,253
Total consolidated distribution throughput — MMcf	191,243	163,870	27,373
Consolidated distribution average cost of gas per Mcf sold	$ 4.75	$ 3.51	$ 1.24

Operating income for our distribution segment increased 20 percent, which primarily reflects:

- a $65.8 million net increase in rate adjustments, primarily in our Mid-Tex, Mississippi and West Texas Divisions.
- a $4.9 million increase from customer growth primarily in our Mid-Tex Division.

Partially offset by:

- a $3.9 million decrease in service order revenues primarily due to the temporary suspension of collection activities.
- a $6.5 million increase in bad debt expense primarily due to the temporary suspension of collection activities.
- a $12.3 million increase in depreciation expense and property taxes associated with increased capital investments.

The quarter-over-quarter decrease in our effective income tax rate reflects the anticipated impact on our annual effective income tax rate for the refund of excess deferred income taxes to customers that began during the second quarter of fiscal 2021. This reduction in income tax expense has been or will be offset with a corresponding reduction in revenues over the remainder of the fiscal year.

The following table shows our operating income by distribution division, in order of total rate base, for the three months ended March 31, 2021 and 2020. 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		
	2021	2020	Change
		(In thousands)	
Mid-Tex	$ 148,649	$ 109,707	$ 38,942
Kentucky/Mid-States	33,248	34,386	(1,138)
Louisiana	32,572	31,302	1,270
West Texas	26,199	23,844	2,355
Mississippi	38,143	32,243	5,900
Colorado-Kansas	20,863	18,796	2,067
Other	3,581	3,263	318
Total	$ 303,255	$ 253,541	$ 49,714

Six Months Ended March 31, 2021 compared with Six Months Ended March 31, 2020

Financial and operational highlights for our distribution segment for the six months ended March 31, 2021 and 2020 are presented below.

	Six Months Ended March 31		
	2021	2020	Change
	(In thousands, unless otherwise noted)		
Operating revenues	$ 2,159,324	$ 1,761,509	$ 397,815
Purchased gas cost	1,102,219	816,493	285,726
Operating expenses	544,296	511,198	33,098
Operating income	512,809	433,818	78,991
Other non-operating income (expense)	75	(3,237)	3,312
Interest charges	24,729	27,159	(2,430)
Income before income taxes	488,155	403,422	84,733
Income tax expense	102,127	86,601	15,526
Net income	$ 386,028	$ 316,821	$ 69,207
Consolidated distribution sales volumes — MMcf	234,339	218,419	15,920
Consolidated distribution transportation volumes — MMcf	85,374	85,009	365
Total consolidated distribution throughput — MMcf	319,713	303,428	16,285
Consolidated distribution average cost of gas per Mcf sold	$ 4.70	$ 3.74	$ 0.96

Operating income for our distribution segment increased 18 percent, which primarily reflects:

- a $102.7 million net increase in rate adjustments, primarily in our Mid-Tex, Mississippi, Louisiana and West Texas Divisions.
- a $10.7 million increase from customer growth primarily in our Mid-Tex Division.

- a $6.2 million decrease in operating and maintenance expenses, excluding bad debt expense, primarily due to a decrease in travel and entertainment expense.
- a $14.2 million increase in revenue-related taxes primarily in our Mid-Tex Division, partially offset by a corresponding $9.2 million increase in the related tax expense.

Partially offset by:

- an $8.1 million decrease in net weather and consumption, primarily during the first quarter of fiscal 2021 attributed to warmer weather and a decrease in commercial sales volumes.
- an $8.4 million decrease in service order revenues primarily due to the temporary suspension of collection activities.
- an $8.8 million increase in bad debt expense primarily due to the temporary suspension of collection activities.
- a $22.1 million increase in depreciation expense and property taxes associated with increased capital investments.

The year-over-year decrease in our effective income tax rate reflects the anticipated impact on our annual effective income tax rate for the refund of excess deferred income taxes to customers that began during the second quarter of fiscal 2021. This reduction in income tax expense has been or will be offset with a corresponding reduction in revenues over the remainder of the fiscal year.

The following table shows our operating income by distribution division, in order of total rate base, for the six months ended March 31, 2021 and 2020. 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		
	2021	**2020**	**Change**
		(In thousands)	
Mid-Tex	$ 250,969	$ 188,002	$ 62,967
Kentucky/Mid-States	57,354	57,667	(313)
Louisiana	55,691	55,595	96
West Texas	46,246	41,610	4,636
Mississippi	62,777	54,657	8,120
Colorado-Kansas	34,093	32,532	1,561
Other	5,679	3,755	1,924
Total	$ 512,809	$ 433,818	$ 78,991

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 2021, we implemented regulatory proceedings, resulting in a $109.8 million increase in annual operating income as summarized below.

Rate Action	**Annual Increase (Decrease) in Operating Income**
	(In thousands)
Annual formula rate mechanisms	$ 110,630
Rate case filings	—
Other rate activity	(877)
	$ 109,753

The following ratemaking efforts seeking $69.8 million in increased annual operating income were in progress as of March 31, 2021:

Division	Rate Action	Jurisdiction	Operating Income Requested
			(In thousands)
Kentucky/Mid-States	Formula Rate Mechanism	Tennessee	$ 7,689
Louisiana	Formula Rate Mechanism	Louisiana	11,829
Mid-Tex	Formula Rate Mechanism	City of Dallas	15,871
Mid-Tex	Infrastructure Mechanism	ATM Cities	11,110
Mid-Tex	Infrastructure Mechanism	Environs	4,643
Mississippi	Infrastructure Mechanism	Mississippi	8,572
West Texas	Infrastructure Mechanism	Environs	1,271
West Texas	Infrastructure Mechanism	WTX Triangle	418
West Texas	Rate Case	Amarillo, Lubbock, Dalhart and Channing (1)	8,406
			$ 69,809

(1) On March 5, 2021, we reached a settlement agreement of $5.1 million pending final approval by the ALDC cities in May 2021; we anticipate new rates will be implemented on June 1, 2021.

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)
Tennessee	(1)	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, Louisiana and Tennessee 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, 2021:

Division	Jurisdiction	Test Year Ended	Increase in Annual Operating Income	Effective Date
			(In thousands)	
2021 Filings:				
Colorado-Kansas	Kansas GSRS	09/30/2020	$ 1,695	02/01/2021
Colorado-Kansas	Colorado SSIR	12/31/2021	2,366	01/01/2021
Mid-Tex	Mid-Tex Cities RRM	12/31/2019	82,645	12/01/2020
West Texas	West Texas Cities RRM	12/31/2019	5,645	12/01/2020
Mississippi	Mississippi - SIR	10/31/2021	10,556	11/01/2020
Mississippi	Mississippi - SRF	10/31/2021	5,856	11/01/2020
Kentucky/Mid-States	Virginia - SAVE	09/30/2021	305	10/01/2020
Kentucky/Mid-States	Kentucky PRP	09/30/2021	1,562	10/01/2020
Total 2021 Filings			$ 110,630	

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 six months ended March 31, 2021.

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the six months ended March 31, 2021.

Division	Jurisdiction	Rate Activity	Decrease in Annual Operating Income	Effective Date
			(In thousands)	
2021 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad Valorem (1)	$ (877)	02/01/2021
Total 2021 Other Rate Activity			$ (877)	

(1) The Ad Valorem filing relates to property taxes that are either over or undercollected compared to the amount included in our Kansas service area's base rate.

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 and eastern Texas, extending into or near the major producing areas of the Barnett Shale, the Texas Gulf Coast and the Permian Basin of West Texas. APT 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. Over 80 percent of this segment's revenues are derived from these services. As part of its pipeline operations, APT owns and operates five underground storage facilities in Texas.

Our natural gas transmission operations in Louisiana are comprised of a 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 supply areas that we serve, which may influence the level of throughput we may be able to transport on our pipelines. 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 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. On February 12, 2021, APT made a GRIP filing that covered changes in net property, plant and equipment investment from January 1, 2020 through December 31, 2020 with a requested increase in operating income of $44.0 million.

Three Months Ended March 31, 2021 compared with Three Months Ended March 31, 2020

Financial and operational highlights for our pipeline and storage segment for the three months ended March 31, 2021 and 2020 are presented below.

	Three Months Ended March 31		
	2021	2020	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 120,588	$ 113,570	$ 7,018
Third-party transportation revenue	29,508	31,307	(1,799)
Other revenue	4,072	1,360	2,712
Total operating revenues	154,168	146,237	7,931
Total purchased gas cost	113	202	(89)
Operating expenses	75,506	68,138	7,368
Operating income	78,549	77,897	652
Other non-operating income	3,594	2,202	1,392
Interest charges	12,079	11,374	705
Income before income taxes	70,064	68,725	1,339
Income tax expense	5,646	16,143	(10,497)
Net income	$ 64,418	$ 52,582	$ 11,836
Gross pipeline transportation volumes — MMcf	222,321	218,530	3,791
Consolidated pipeline transportation volumes — MMcf	130,578	143,465	(12,887)

Operating income for our pipeline and storage segment increased slightly, which primarily reflects:

- a $14.0 million increase due to rate adjustments from the GRIP filing approved in May 2020. The increase in rates was driven by increased safety and reliability spending.

Partially offset by:

- a $6.4 million decrease as we began to refund excess deferred income taxes to APT customers during the second quarter of fiscal 2021.
- a $3.4 million net decrease in APT's thru-system activities. Thru-system volumes decreased ten percent due to lower production related to the impact of Winter Storm Uri. Prices were 31 percent lower primarily associated with the tightening of regional spreads driven by increased competing takeaway capacity in the Permian Basin.
- a $6.8 million increase in depreciation expense and property taxes associated with increased capital investments.

The quarter-over-quarter decrease in our effective income tax rate reflects the anticipated impact on our annual effective income tax rate for the refund of excess deferred income taxes to APT customers that began during the second quarter of fiscal 2021. This reduction in income tax expense has been or will be offset with a corresponding reduction in revenues over the remainder of the fiscal year.

Six Months Ended March 31, 2021 compared with Six Months Ended March 31, 2020

Financial and operational highlights for our pipeline and storage segment for the six months ended March 31, 2021 and 2020 are presented below.

	Six Months Ended March 31		
	2021	2020	Change
	(In thousands, unless otherwise noted)		
Mid-Tex / Affiliate transportation revenue	$ 245,849	$ 226,733	$ 19,116
Third-party transportation revenue	60,329	61,607	(1,278)
Other revenue	7,703	6,073	1,630
Total operating revenues	313,881	294,413	19,468
Total purchased gas cost	(1,131)	301	(1,432)
Operating expenses	147,177	143,711	3,466
Operating income	167,835	150,401	17,434
Other non-operating income	8,831	5,135	3,696
Interest charges	23,377	22,241	1,136
Income before income taxes	153,289	133,295	19,994
Income tax expense	24,885	31,797	(6,912)
Net income	$ 128,404	$ 101,498	$ 26,906
Gross pipeline transportation volumes — MMcf	427,186	442,242	(15,056)
Consolidated pipeline transportation volumes — MMcf	275,165	299,994	(24,829)

Operating income for our pipeline and storage segment increased 12 percent, which primarily reflects:

- a $27.3 million increase due to rate adjustments from the GRIP filing approved in May 2020. The increase in rates was driven by increased safety and reliability spending.
- a $7.8 million decrease in system maintenance expense primarily due to well integrity costs that were non-recurring from the prior year.

Partially offset by:

- a $6.4 million decrease as we began to refund excess deferred income taxes to APT customers during the second quarter of 2021.
- a $4.9 million net decrease in APT's thru-system activities. Thru-system volumes decreased ten percent due to lower production related to the impact of Winter Storm Uri as well as competing takeaway capacity. Additionally, prices were 16 percent lower primarily associated with the tightening of regional spreads driven by increased competing takeaway capacity in the Permian Basin.
- an $11.4 million increase in depreciation expense and property taxes associated with increased capital investments.

The year-over-year decrease in our effective income tax rate reflects the anticipated impact on our annual effective income tax rate for the refund of excess deferred income taxes to APT customers that began during the second quarter of fiscal 2021. This reduction in income tax expense has been or will be offset with a corresponding reduction in revenues over the remainder of the fiscal year.

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. Additionally, we have a $1.5 billion commercial paper program and four committed revolving credit facilities with $2.5 billion in total availability from third-party lenders. 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.

We have a shelf registration statement on file with the Securities and Exchange Commission (SEC) that allows us to issue up to $4.0 billion in common stock and/or debt securities. At March 31, 2021, approximately $200 million of securities were available for issuance under the shelf registration statement, which expires February 11, 2023.

We also have an at-the-market (ATM) equity sales program that allows us to issue and sell shares of our common stock up to an aggregate offering price of $1.0 billion (including shares of common stock that may be sold pursuant to forward sale agreements entered into in connection with the ATM equity sales program), which expires February 11, 2023. As of March 31, 2021, approximately $313 million of equity was available for issuance under this ATM equity sales program. Additionally, as of March 31, 2021, we have $115.6 million in proceeds from executed forward sale agreements available through June 30, 2022. Additional details are summarized in Note 7 to the unaudited condensed consolidated financial statements.

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 2021. Additionally, we expect to continue to be able to obtain financing upon reasonable terms as necessary.

The following table presents our capitalization inclusive of short-term debt and the current portion of long-term debt as of March 31, 2021, September 30, 2020 and March 31, 2020:

	March 31, 2021		September 30, 2020		March 31, 2020	
			(In thousands, except percentages)			
Short-term debt	$ —	— %	$ —	— %	$ 199,923	1.8 %
Long-term debt[1]	7,316,581	48.3 %	4,531,944	40.0 %	4,328,997	40.0 %
Shareholders' equity[2]	7,820,925	51.7 %	6,791,203	60.0 %	6,304,415	58.2 %
Total	$ 15,137,506	100.0 %	$ 11,323,147	100.0 %	$ 10,833,335	100.0 %

(1) Inclusive of our finance leases.
(2) Excluding the $2.2 billion of incremental financing issued to pay for the purchased gas costs incurred during Winter Storm Uri, our equity capitalization ratio would have been 60.4%.

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, 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, 2021 and 2020 are presented below.

	Six Months Ended March 31		
	2021	2020	Change
		(In thousands)	
Total cash provided by (used in)			
Operating activities	$ (1,402,246)	$ 633,775	$ (2,036,021)
Investing activities	(846,063)	(991,237)	145,174
Financing activities	3,092,812	653,011	2,439,801
Change in cash and cash equivalents	844,503	295,549	548,954
Cash and cash equivalents at beginning of period	20,808	24,550	(3,742)
Cash and cash equivalents at end of period	$ 865,311	$ 320,099	$ 545,212

Cash flows from operating activities

For the six months ended March 31, 2021, cash flow used from operating activities was $1.4 billion compared with cash flow generated from operating activities of $633.8 million for the six months ended March 31, 2020. The $2.0 billion decrease in operating cash flows reflects gas costs incurred during Winter Storm Uri, the timing of other gas cost recoveries under our purchase gas cost mechanisms and the timing of customer collections partially offset by the positive effects of successful rate case outcomes achieved in fiscal 2020.

Cash flows from investing activities

Our capital expenditures are primarily used to improve the safety and reliability of our distribution and transmission system through pipeline replacement and system modernization and to enhance and expand our system to meet customer needs. Over the last three fiscal years, approximately 87 percent of our capital spending has been committed to improving the safety and reliability of our system.

For the six months ended March 31, 2021, cash used for investing activities was $846.1 million compared to $991.2 million for the six months ended March 31, 2020. Capital spending decreased by $149.0 million, or 15 percent, primarily as a result of timing of spending in our distribution segment.

Cash flows from financing activities

For the six months ended March 31, 2021, our financing activities provided $3.1 billion of cash compared with $653.0 million of cash provided by financing activities in the prior-year period.

In the six months ended March 31, 2021, we received $3.3 billion in net proceeds from the issuance of long-term debt and equity. We completed a public offering of $600 million of 1.50% senior notes due 2031, $1.1 billion of 0.625% senior notes due 2023 and $1.1 billion floating rate senior notes due 2023. Additionally, during the six months ended March 31, 2021, we settled 4,537,669 shares that had been sold on a forward basis for net proceeds of $460.7 million. The net proceeds were used primarily for the payment of natural gas costs incurred during Winter Storm Uri, to support capital spending and for other general corporate purposes.

Cash dividends increased due to a 8.7 percent increase in our dividend rate and an increase in shares outstanding.

In the six months ended March 31, 2020, we received $1.1 billion in net proceeds from the issuance of long-term debt and equity. The net proceeds were used primarily to support capital spending, reduce short term debt and for other general corporate purposes. Cash dividends increased due to a 9.5 percent increase in our dividend rate and an increase in shares outstanding.

The following table summarizes our share issuances for the six months ended March 31, 2021 and 2020:

	Six Months Ended March 31	
	2021	2020
Shares issued:		
Direct Stock Purchase Plan	42,249	36,752
1998 Long-Term Incentive Plan	160,488	172,209
Retirement Savings Plan and Trust	44,226	40,779
Equity Issuance	4,537,669	2,720,060
Total shares issued	4,784,632	2,969,800

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 but not limited to, debt to total capitalization, operating cash flow relative to outstanding debt, operating cash flow coverage of interest and pension liabilities. 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 a result of the impacts of Winter Storm Uri, during the second quarter, S&P lowered our long-term and short-term credit ratings by one notch and placed our ratings under negative outlook and Moody's reaffirmed its long-term and short-term credit ratings and placed our ratings under negative outlook. As of March 31, 2021, our outlook and current debt ratings, which are all considered investment grade are as follows:

March 31, 2021:	S&P	Moody's
Senior unsecured long-term debt	A-	A1
Short-term debt	A-2	P-1
Outlook	Negative	Negative

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 March 31, 2021. Our debt covenants are described in greater detail in Note 6 to the unaudited condensed consolidated financial statements.

Contractual Obligations and Commercial Commitments

Except as noted in Note 10 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, 2021.

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 periodically entering into financial instruments to effectively fix the Treasury yield component of the interest cost associated with anticipated financings.

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, 2021 and 2020:

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
	(In thousands)			
Fair value of contracts at beginning of period	$ 148,555	$ (7,459)	$ 78,663	$ (3,990)
Contracts realized/settled	(365)	(4,073)	967	(6,936)
Fair value of new contracts	239	(10)	326	95
Other changes in value	178,667	10,710	247,140	9,999
Fair value of contracts at end of period	327,096	(832)	327,096	(832)
Netting of cash collateral	—	—	—	—
Cash collateral and fair value of contracts at period end	$ 327,096	$ (832)	$ 327,096	$ (832)

The fair value of our financial instruments at March 31, 2021 is presented below by time period and fair value source:

	Fair Value of Contracts at March 31, 2021				
	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	$ 133,310	$ 96,677	$ 97,109	$ —	$ 327,096
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$ 133,310	$ 96,677	$ 97,109	$ —	$ 327,096

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 months ended March 31, 2021 and 2020.

Distribution Sales and Statistical Data

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
METERS IN SERVICE, end of period				
Residential	3,087,890	3,025,771	3,087,890	3,025,771
Commercial	282,313	276,668	282,313	276,668
Industrial	1,668	1,659	1,668	1,659
Public authority and other	8,282	8,518	8,282	8,518
Total meters	3,380,153	3,312,616	3,380,153	3,312,616
INVENTORY STORAGE BALANCE — Bcf	28.4	34.5	28.4	34.5
SALES VOLUMES — MMcf[(1)]				
Gas sales volumes				
Residential	91,034	71,124	144,564	129,904
Commercial	43,639	37,585	70,326	68,838
Industrial	7,739	7,913	14,390	14,768
Public authority and other	3,066	2,736	5,059	4,909
Total gas sales volumes	145,478	119,358	234,339	218,419
Transportation volumes	47,740	46,542	89,025	88,816
Total throughput	193,218	165,900	323,364	307,235

Pipeline and Storage Operations Sales and Statistical Data

	Three Months Ended March 31		Six Months Ended March 31	
	2021	2020	2021	2020
CUSTOMERS, end of period				
Industrial	92	93	92	93
Other	215	235	215	235
Total	307	328	307	328
INVENTORY STORAGE BALANCE — Bcf	0.1	1.0	0.1	1.0
PIPELINE TRANSPORTATION VOLUMES — MMcf[(1)]	222,321	218,530	427,186	442,242

Note to preceding tables:

(1) Sales and transportation volumes 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, 2020. During the six months ended March 31, 2021, 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, 2021 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, 2021 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, 2021, except as noted in Note 10 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 12 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020. 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 1A. ***Risk Factors***

There were no material changes from the risk factors disclosed under the heading “Risk Factors” in Item 1A in the Annual Report on Form 10-K for the year ended September 30, 2020.

Item 6. ***Exhibits***

The following exhibits are filed as part of this Quarterly Report.

Exhibit Number	Description	Page Number or Incorporation by Reference to
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 February 5, 2019)	Exhibit 3.1 to Form 8-K dated February 5, 2019 (File No. 1-10042)
4.1(a)	Global Security for the 1.500% Senior Notes due 2031	Exhibit 4.2 to Form 8-K dated October 1, 2020 (File No. 1-10042)
4.1(b)	Global Security for the 1.500% Senior Notes due 2031	Exhibit 4.3 to Form 8-K dated October 1, 2020 (File No. 1-10042)
4.1(c)	Global Security for the 0.625% Senior Notes due 2023	Exhibit 4.3 to Form 8-K dated March 9, 2021 (File No. 1-10042)
4.1(d)	Global Security for the 0.625% Senior Notes due 2023	Exhibit 4.4 to Form 8-K dated March 9, 2021 (File No. 1-10042)
4.1(e)	Global Security for the 0.625% Senior Notes due 2023	Exhibit 4.5 to Form 8-K dated March 9, 2021 (File No. 1-10042)
4.1(f)	Global Security for the Floating Rate Senior Notes due 2023	Exhibit 4.6 to Form 8-K dated March 9, 2021 (File No. 1-10042)
4.1(g)	Global Security for the Floating Rate Senior Notes due 2023	Exhibit 4.7 to Form 8-K dated March 9, 2021 (File No. 1-10042)
4.1(h)	Global Security for the Floating Rate Senior Notes due 2023	Exhibit 4.8 to Form 8-K dated March 9, 2021 (File No. 1-10042)
10.1	Revolving Credit Agreement, dated as of March 31, 2021, among Atmos Energy Corporation, Credit Agricole Corporate and Investment Bank, as the Administrative Agent, the agents, arrangers and bookrunners named therein, and the lenders named therein	Exhibit 10.1 to Form 8-K dated March 31, 2021 (File No. 1-10042)
10.2	Revolving Credit Agreement, dated as of March 31, 2021, among Atmos Energy Corporation, Credit Agricole Corporate and Investment Bank, as the Administrative Agent, the agents, arrangers and bookrunners named therein, and the lenders named therein	Exhibit 10.2 to Form 8-K dated March 31, 2021 (File No. 1-10042)
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 - the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	
101.SCH	Inline XBRL Taxonomy Extension Schema	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document	

* 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 5, 2021

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 2020 independent auditor's report.

ATTACHMENT:

ATTACHMENT 1 - FR_16(7)(q)_Att1 - 2020 Independent Auditor Report.pdf, 3 Pages.

Respondent: Michelle Faulk

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Atmos Energy Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Atmos Energy Corporation (the "Company") as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended September 30, 2020, and the related notes and financial statement schedule listed in the Index at Item 8 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2020, in conformity with US generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2020, 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, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Determination of Capital Costs

Description of the Matter	As more fully described in Note 2 to the financial statements, the Company capitalizes the direct and indirect costs of construction. Once a project is completed, it is placed into service and included in the Company's rate base. Costs of maintenance and repairs that are not included in the Company's rate base are charged to expense. For the year ended September 30, 2020, the Company capitalized approximately $1.9 billion of construction-related costs for regulated property, plant and equipment. Auditing management's identification of capital additions and maintenance and repairs expense involved significant effort and auditor judgment. These amounts have both a higher magnitude and a higher likelihood of potential misstatement. As a cost-based, rate-regulated entity, the rates charged to customers are designed to recover the entity's costs and provide a rate of return on rate base. Net property, plant and equipment is the most significant component of the Company's rate base. As a result, inappropriate capitalization of costs could affect the amount, timing and classification of revenues and expenses in the consolidated financial statements.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over the initial determination and approval of expenditures for either capital additions or maintenance and repair. For example, we selected a sample of projects initiated during the year to evaluate the effectiveness of management's review controls to determine the proper categorization of project expenditures as either capitalizable costs or current-period expense. Our audit procedures included, among others, testing a sample of projects initiated during the year, including the evaluation of the nature of the project, with Company personnel outside of accounting and financial reporting. For example, we evaluated project setup through inspection of each project's description for compliance with the Company's capitalization policy as described in Note 2 and a series of inquiries of the project approver to understand how they assessed whether projects should be treated as capital or expense. Other audit procedures included evaluating whether the descriptions and amounts included on third-party invoices either support or contradict the project classification as capital, evaluating the appropriateness of individuals capitalizing direct labor charges to projects by assessing the relevance of their job function to the capital project, and recalculating other overhead costs capitalized to projects.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1983.

Dallas, Texas
November 13, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Atmos Energy Corporation

Opinion on Internal Control over Financial Reporting

We have audited Atmos Energy Corporation's internal control over financial reporting as of September 30, 2020, 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). In our opinion, Atmos Energy Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2020 consolidated financial statements of the Company and our report dated November 13, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ Ernst & Young LLP

Dallas, Texas
November 13, 2020

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: Michelle Faulk

<u>REQUEST:</u>

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;

<u>RESPONSE:</u>

The Company is proposing changes to its Kentucky Direct and Shared Services Unit 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, 2020;

Exhibit DAW-3 - Atmos Energy Corporation - Shared Services Unit Depreciation Rate Study at September 30, 2019.

The Company is not proposing any changes to its Kentucky Mid-States General Office depreciation rates. Therefore, please see Attachment 1 for the Kentucky Mid-States General Office Depreciation Rate Study at September 30, 2017. This study was presented in Case No. 2018-00281; however, differing depreciation rates were approved.

<u>ATTACHMENT:</u>

ATTACHMENT 1 - FR_16(7)(s)_Att1 - 2017 KMD General Office Depreciation Study.pdf, 49 Pages.

Respondent: Dane Watson

ATMOS ENERGY CORPORATION

KENTUCKY MID-STATES GENERAL OFFICE PROPERTY

DEPRECIATION RATE STUDY

As of September 30, 2017

ALLIANCE CONSULTING GROUP

http://www.utilityalliance.com

ATMOS ENERGY CORPORATION
KENTUCKY MID-STATES GENERAL OFFICE PROPERTY
DEPRECIATION RATE STUDY
EXECUTIVE SUMMARY

Atmos Energy Corporation ("Atmos" or "Company") engaged Alliance Consulting Group to conduct a depreciation study of the Company's Kentucky Mid-States General Office ("KMD") depreciable assets as of fiscal year end September 30, 2017. KMD provides support to Atmos Energy Corporation's regulated utility divisions which at year end September 30, 2017 were:

- Kentucky;
- Tennessee; and
- Virginia

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 approximately $51 thousand when applied to depreciable plant balances as of September 30, 2017.

The depreciation study 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
KENTUCKY MID-STATES GENERAL OFFICE PROPERTY
DEPRECIATION RATE STUDY
As of September 30, 2017
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PURPOSE

The purpose of this study is to develop depreciation rates for the depreciable property as recorded on KMD's books at September 30, 2017. The account based depreciation rates were designed to recover the total remaining undepreciated investment, adjusted for net salvage, over the remaining life of KMD' property on a straight-line basis. Non-depreciable property and property which is amortized, such as intangibles were excluded from this study.

KMD is a division of Atmos Corporation dedicated to providing various support services to its operating companies in the Mid States Region. As of the study date, KMD supported regulated gas utility divisions operating in three different states, Kentucky, Tennessee, and Virginia. KMD serves over 300,000 customers across these states, with approximately 180,000 in the Kentucky jurisdiction.

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 KMD depreciable property are shown in Appendix A. These rates translate into an annual depreciation accrual of $51 thousand based on KMD' depreciable investment at September 30, 2017.

Appendix A presents the development of the depreciation rates and annual accruals. Appendix B presents the recommended study annual accrual rates and amounts. 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.

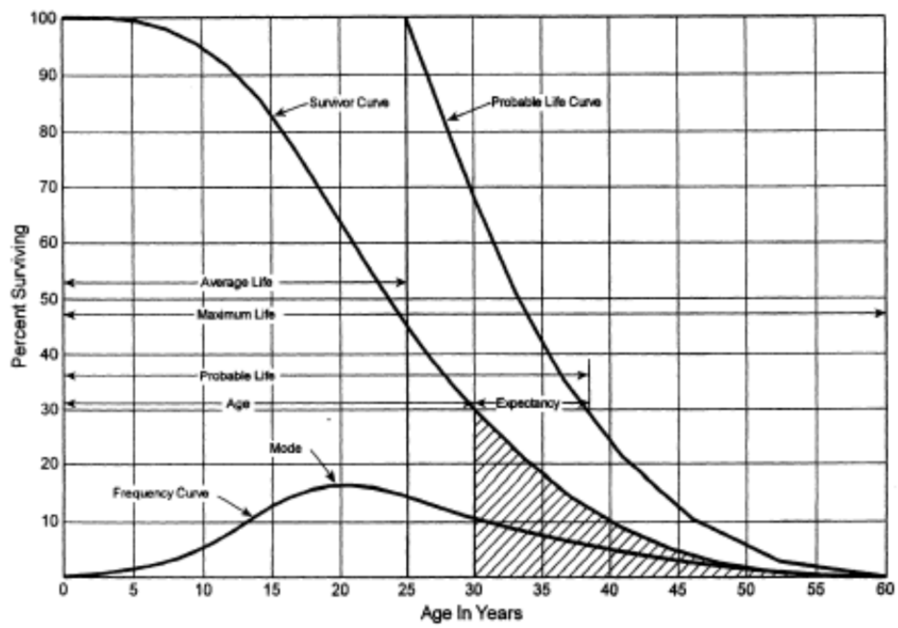
Basis of Depreciation Estimates

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 A and remaining life calculations are provided in the workpapers.

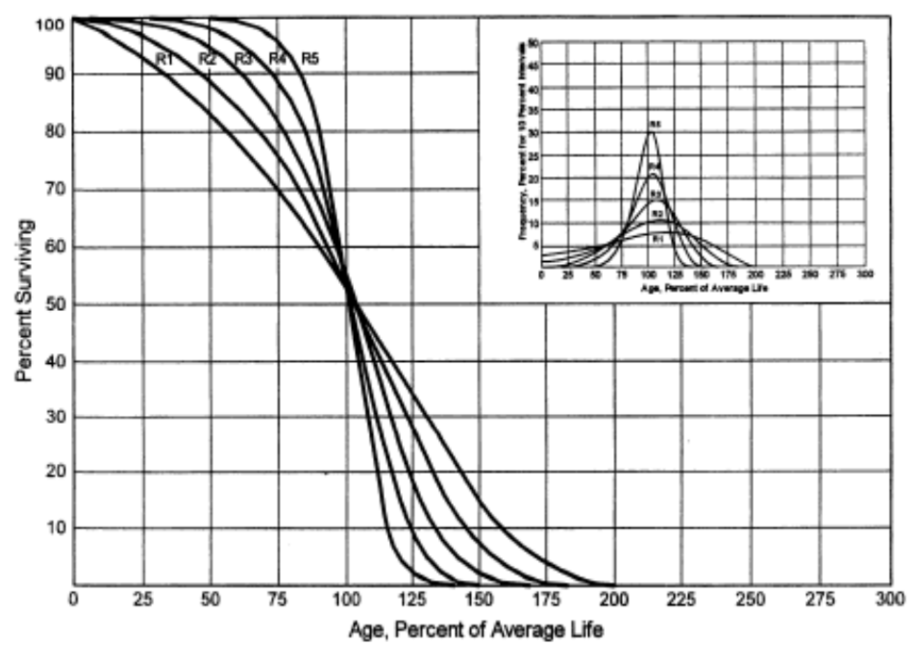
Actuarial analysis was used with each account within a function where sufficient data was available, and judgment was used to some degree on all accounts.

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 KMD' 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 used 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. <u>Depreciation Systems,</u> 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

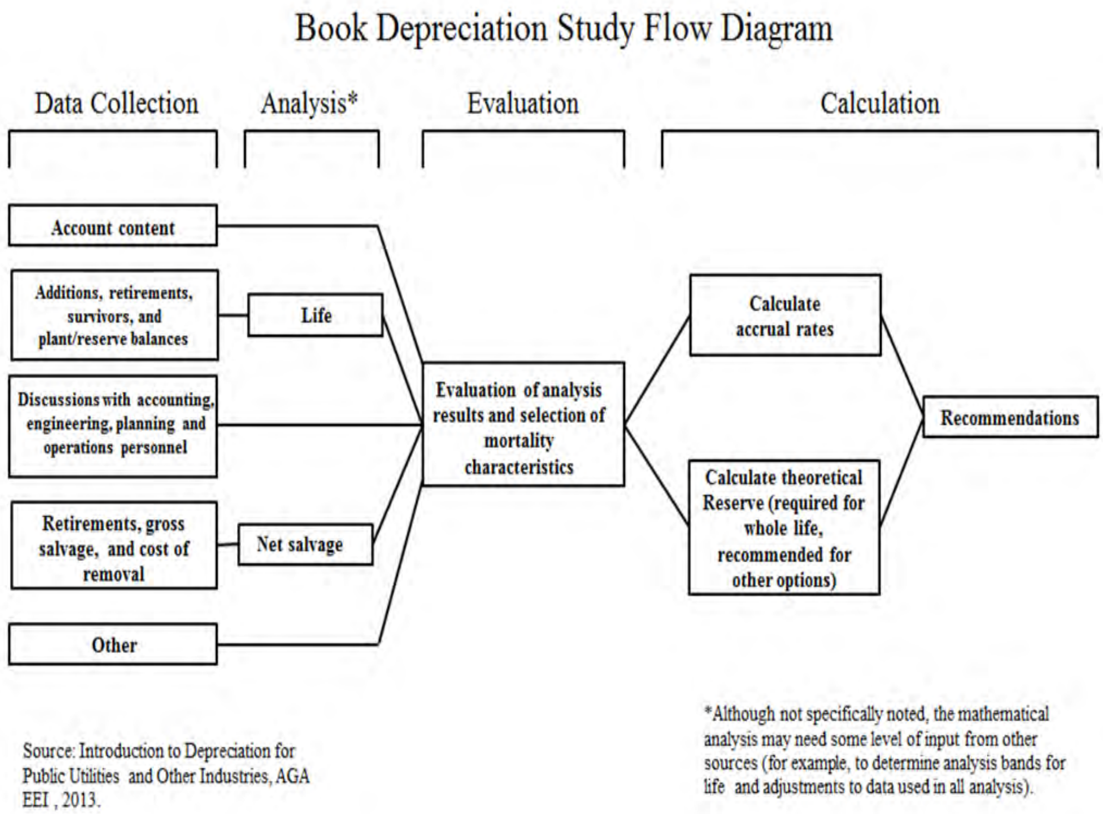


Figure 1

ATMOS KENTUCKY MID-STATES GENERAL OFFICE

DEPRECIATION STUDY PROCESS

Depreciation Rate Calculation

Annual depreciation expense amounts for the depreciable property accounts of KMD 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 A.

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 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 A. The calculations of the theoretical depreciation reserve values and the corresponding remaining life calculations are shown in workpapers. Book depreciation reserves of individual accounts and the theoretical reserve computation was used to compute a composite remaining life for each account.

LIFE AND NET SALVAGE

The retirement rate actuarial analysis method was applied to all accounts for KMD. 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 2017) 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 1998-2017, 2003-2017, 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).

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 KMD generally do not incur cost of removal and salvage has declined in over the years. In this study a zero percent net salvage is recommended for each account, with the exception of Accounts 390, 392, and 396.

Account Life and Net Salvage Analysis

Account 390.01 – Structures - Frame

This account includes the cost of buildings and improvements. The account balance is $179 thousand. The existing life is 40 years with a R2 curve. The average age of the investment is approximately 15 years. Discussions with Company personnel indicated some building will be owned going forward. There have been no retirements, which did not allow for any meaningful life analysis to be performed. Based on discussions with Company personnel, judgment and type of assets this study recommends retaining the 40 year life with the R2 dispersion pattern. No graph is provided.

There has been no salvage or cost of removal recorded. However, when retirements do occur, cost of removal is expected to exceed any salvage based on the type of assets. The approved negative 10 percent net salvage is retained at this time.

Account 390.04 – Air Conditioning Equipment

This account includes the cost of air conditioning equipment. The account balance is $15 thousand. The existing life is 15 years with an R2 curve. The current average age of investment is 8 years.

There have been no retirements, so no meaningful life analysis could be performed. Based on the type of assets, current age, discussions with Company personnel and judgment, this study recommends retention of the 15 R2. No graph is provided.

The existing net salvage is negative 10 percent. Cost of removal is expected to exceed any salvage at time of retirement. This study recommends retention of negative 10 percent.

Account 390.09 – Improvements to Leased Premises

This account includes the cost of improvements to leased premises. The balance is $39 thousand. The current life and curve is 20 R3. The current average age of investment is nearing 19 years.

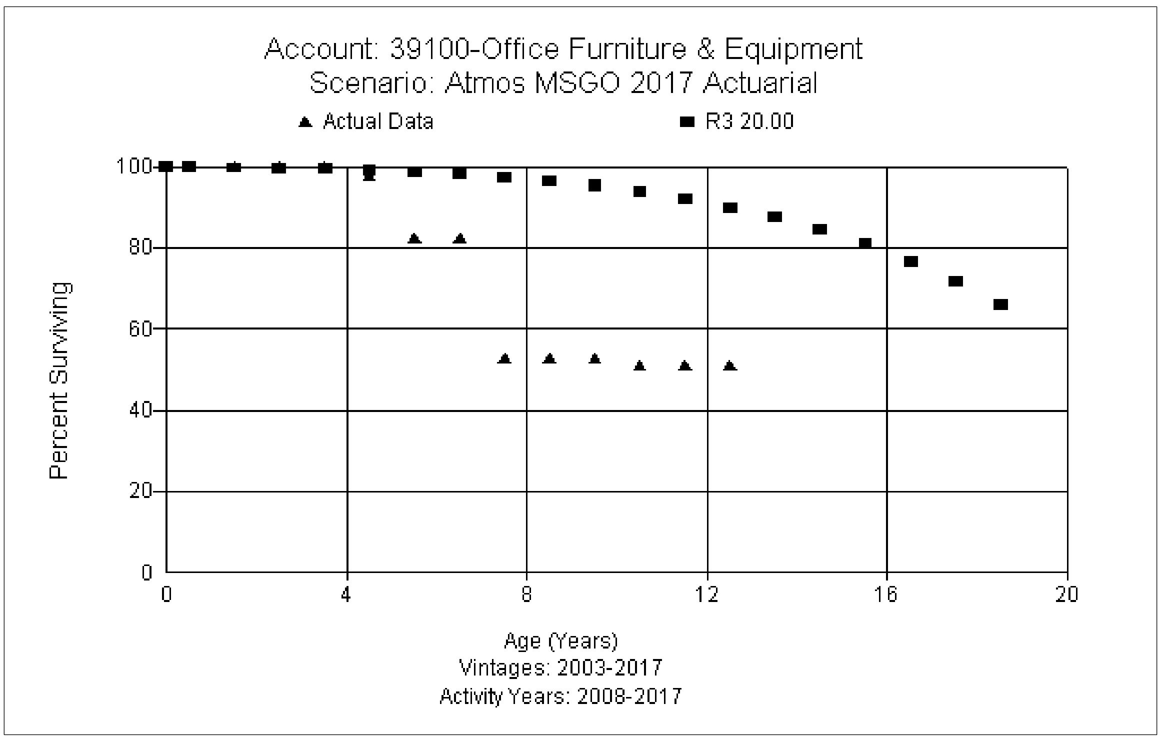
Discussions with Company personnel indicated the assets in this account are tied to the lease term, which is 20 years, but has 2-5 year renewal options. There have been no retirements, which did not allow for any meaningful life analysis to be performed. Based on discussion with Company personnel, the type of assets, and lease term, this study recommends retention of the existing 20 R3. No graph is provided.

The existing net salvage is zero percent. No salvage or removal cost is currently expected at retirement. This study recommends retention of the existing zero percent net salvage.

This account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

Account 391.00 – 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 $42 thousand. The current life and curve is 20 R3. An expected life range for the assets in this account is 20 to 25 years. The life analysis indicates a shorter life than would be expected for this account. This study recommends retention of the 20 R3 dispersion pattern. A graph of the observed life table and the recommended life and curve are shown below.



The existing net salvage is zero percent. 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.

This account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

Account 392.00 – Transportation Equipment

This account consists of trailers. The balance is $27 thousand. The current life and curve is 15 L3. The average age of the surviving investment is around 5 years.

Discussions with Company personnel indicated the life of some trailers could reach 20 years. There have been no retirements, which did not allow for any meaningful life analysis to be performed. Based on input from Company personnel, the young age of the assets and type of assets, this study recommends retention of the 15 L3. No graph is provided.

The current net salvage in this account is positive five percent. No cost of removal is anticipated but salvage is expected at time of retirement. This study recommends moving to a positive 10 percent net salvage for this account.

Account 393.00 – Stores Equipment

This account typically consists of shelving, bins, forklift, and other miscellaneous equipment. There is currently no account balance in this account. The current life and curve is 9 S2. We recommend retention of the 9 S2 for this account. No graph of the observed life table is provided.

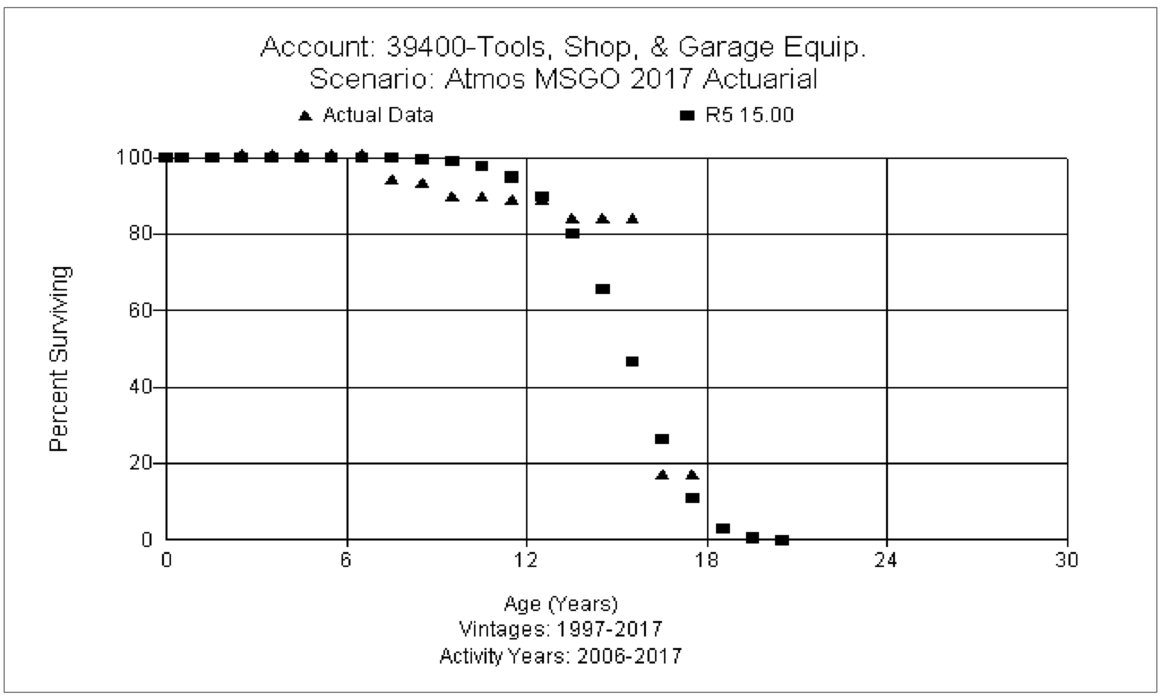
This existing net salvage is zero percent. No salvage or cost of removal is expected at retirement. This study recommends retention of the existing zero percent net salvage for this account.

This account has no investment balance at this time and only when a depreciable balance exists would the existing rate be applied until a new study can be conducted.

Account 394.00 – Tools, Shop & Garage Equipment

This account consists of various small tools and equipment used in an office. The balance is $176 thousand in this account. The existing dispersion is 15 R3. The average age of investment is nearly 11 years.

Discussion with Company personnel indicated the existing 15 years might be a little long for these assets. However, the life analysis indicates the existing life to be a pretty good fit based on historical experience. This study recommends retention of the 15 year life while moving to a slightly higher dispersion pattern of R5. 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 at retirement. This study recommends retention of zero percent net salvage for this account.

Account 396.00 – Power Operated Equipment

This account consists of various power operated equipment, such as forklifts. The balance is $20 thousand in this account. The current life and curve is 15 L3. The average age of investment is 5 years.

Discussions with Company personnel indicated the life of the assets could be up to 20 years depending on how heavy the use of the assets. There has been only one retirement, so no meaningful life analysis was possible. Giving consideration to the current average age, type of assets, and judgment, this study recommends retention of the 15 L3 at this time. No graph is provided.

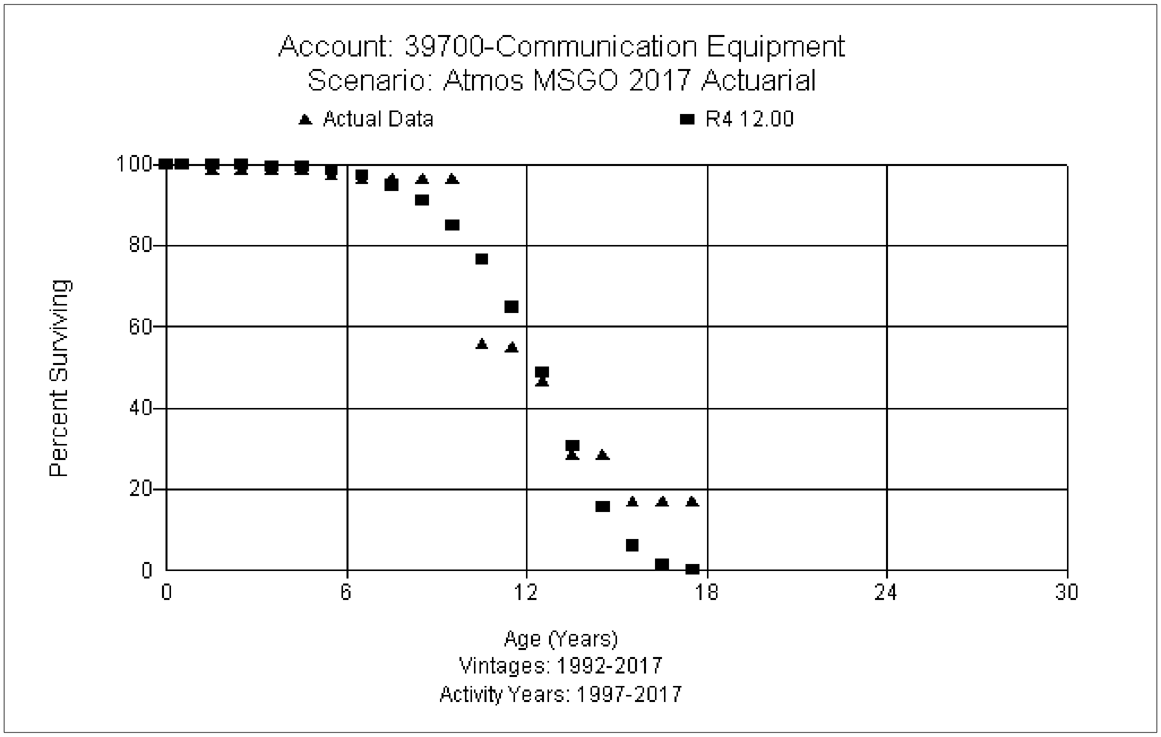
The current net salvage is positive 5 percent. This study recommends increasing the net salvage from positive 5 percent to a positive 16 percent at this time.

Account 397.00 – Communications Equipment

The communications equipment account includes telephone, satellite dish, and radio equipment. The balance is $37 thousand in this account. The existing parameters are 15 R4. The current average age of investment is 0.5 year.

Discussions with Company personnel indicated new systems have been installed over the last several years and are IP digital phone systems. Some of the earlier systems installed in the last 10 years are still in service and it may be possible to get up to 15 years of life from them. Newer digital IP systems are expected to have a shorter life.

The actuarial best fits were all below the existing 15 years. Based on the analysis, discussions with Company personnel, the new digital equipment being installed, this study recommends decreasing the life slightly to 12 years while retaining the R4 dispersion. A graph of the observed life table and the recommended life and curve are shown below.

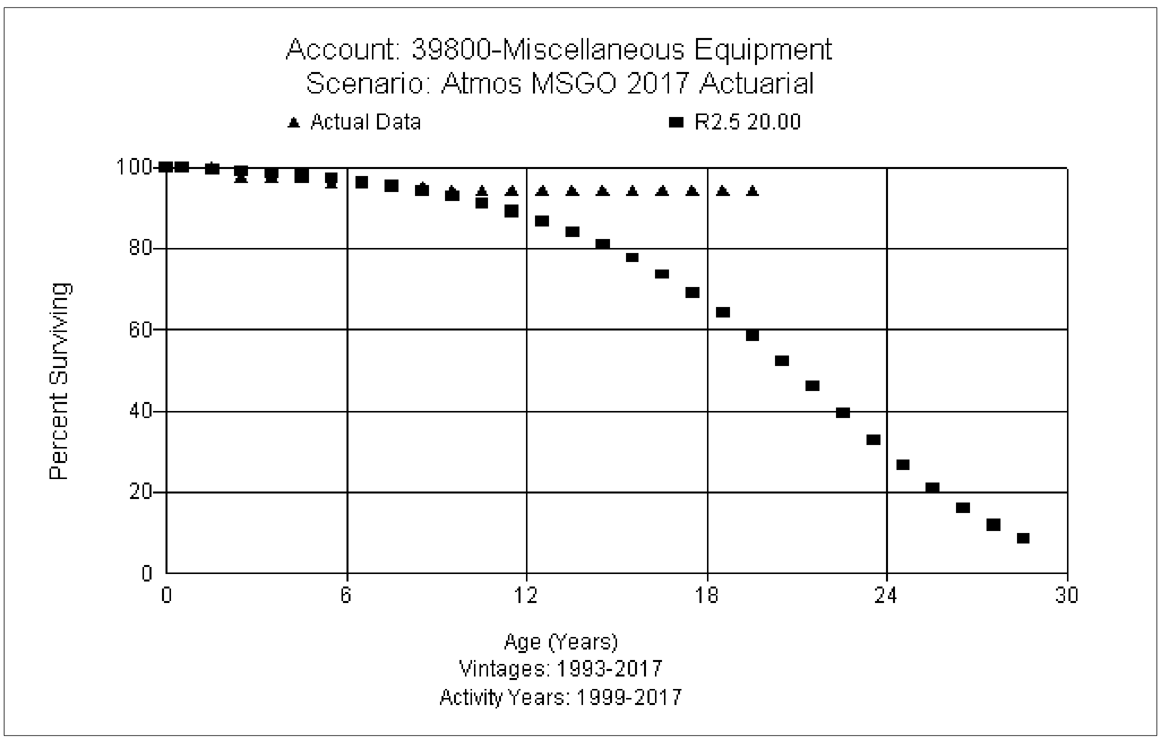


The existing net salvage is zero percent. There has been no recent salvage and removal cost experience and none is expected at the end of life. This study recommends retention of zero percent net salvage for this account.

Account 398.00 - 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 $814 thousand. Currently the life is 20 years with the R2.5 dispersion. The current average age of investment is 15 years.

There is a mix of assets with various life expectations. The small level of retirements makes the analysis less useful for determining life expectations. The average age of retirements for this account is around 5 years. Based upon the type and mix of assets, along with judgment, this study proposes to retain the 20 R2.5. A graph of the observed life table and the recommended life and curve are shown below.



The existing net salvage is zero percent. Little or no salvage is expected at retirement with no cost of removal. The existing zero percent net salvage is retained.

Account 399.00 – Other Tangible Property

This account normally holds some computer hardware and communication equipment. There is currently no account balance in this account. The current life and curve is 10 SQ. Since there is no retirement activity, we are recommending retention of the 10 SQ for this account. No graph is provided.

This existing net salvage is zero percent. No salvage or cost of removal is expected at retirement. This study recommends retention of the existing zero percent net salvage for this account.

This account has no investment balance at this time and only when a depreciable balance exists will the calculated rate be applied.

Account 399.01 – Servers Hardware

This account normally consists of assets various server hardware and equipment. There is currently no balance in this account. The current life and curve is 10 SQ. Based on discussions with Company personnel, the current 10 year life would be a maximum life but the normal life expectation would be less. In Kentucky direct property, a server was replaced recently at 7 years. This study recommends moving to the 7 SQ consistent with lives in Kentucky direct and Company plans and expectations. No graph is provided.

This existing net salvage is zero percent. No salvage or cost of removal is expected at the time of retirement for these assets. A zero net salvage is retained.

This account has no investment balance at this time and only when a depreciable balance exists will the calculated rate be applied.

Account 399.02 – Servers Software

This account normally consists of server software and licenses. There is currently no balance in this account. There have been no retirements. The current life and curve is 7 SQ.

Discussions with Company personnel indicated the software for servers would be installed on a server for the life of the software but not beyond 7 years. Upgrades would replace software faster than the underlying server.

There is no life analysis. Based on information from Company personnel, type of assets, and judgment, this study recommends retention of the 7 SQ for this account. No graph is provided.

This existing net salvage is zero percent. No salvage or cost of removal is expected at the time of retirement for these assets. A zero net salvage is retained.

This account has no investment balance at this time and only when a depreciable balance exists will the calculated rate be applied.

Account 399.03 – Network Hardware

This account normally consists of routers, switches, mostly Cisco equipment related to networking activities. There is no balance in this account. The existing life is 10 SQ.

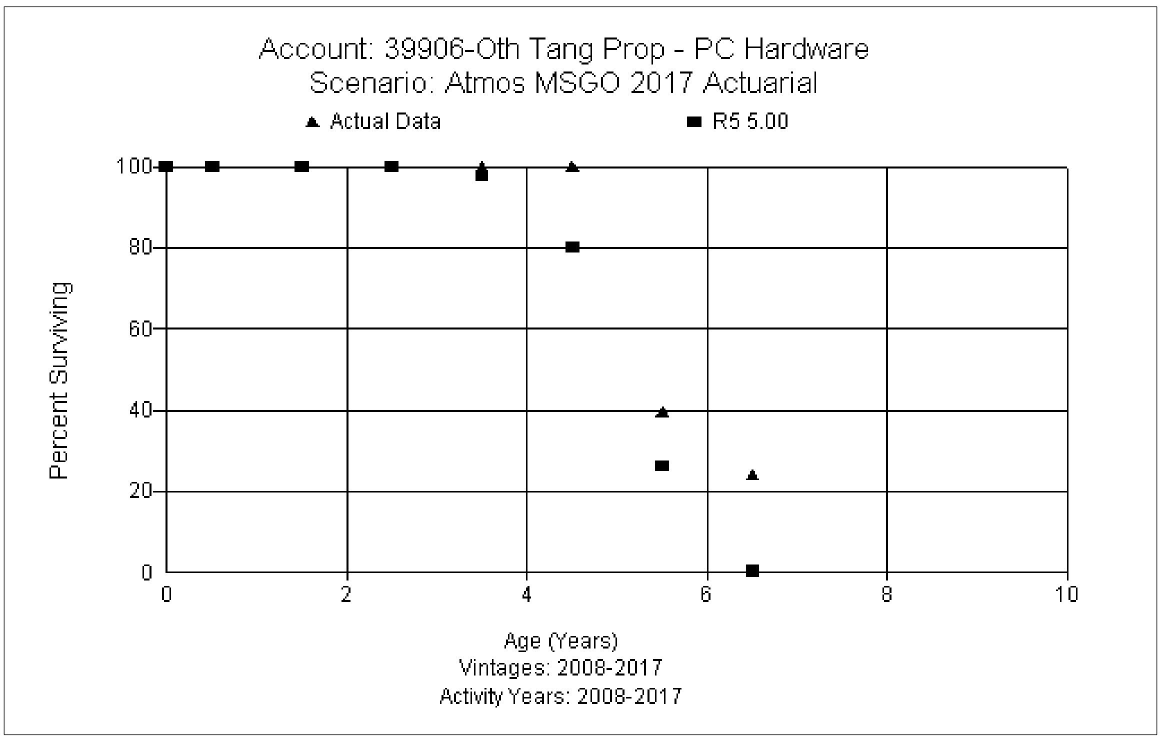
Discussions with Company personnel indicated a 10 year life for network hardware is reasonable in most cases. Based on input from Company personnel, type of equipment and judgment, this study recommends retention of the 10 SQ. No graph is provided.

This existing net salvage is zero percent. No salvage or cost of removal is expected at the time of retirement for these assets. A zero net salvage is retained.

This account has no investment balance at this time and only when a depreciable balance exists will the calculated rate be applied.

Account 399.06 – PC Hardware

This account consists of laptops, CPU, monitors, and various other PC related equipment. The balance is $74 thousand in this account. The existing life is 7 R2. Discussions with Company personnel indicated they are on 4 year rotation for PCs and have tried to consistently follow this rotation. However, in some instances it could be delayed to five years, which is considered to be the life of the PCs. The proposed life in this study is 5 R5. A graph of the observed life table and the proposed life and curve is provided below.



This existing net salvage is zero percent. No salvage or cost of removal is expected at the time of retirement for these assets. A zero net salvage is retained.

This account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

Account 399.07 – PC Software

This account holds software assets including operating system software such as Windows, Microsoft Office, and other related application software. The balance is $35 thousand. The existing life is 9 years with the R1.5 dispersion.

Discussions with Company personnel indicated the assets are 2013 MS Office licenses and a 7 year life is more representative of expectations. There has only been one retirement, which is not sufficient for a meaningful life analysis. Based on the type of assets, discussions with Company personnel and judgment, this study recommends moving to 7 year average service life while retaining the R1.5 dispersion. No graph is provided.

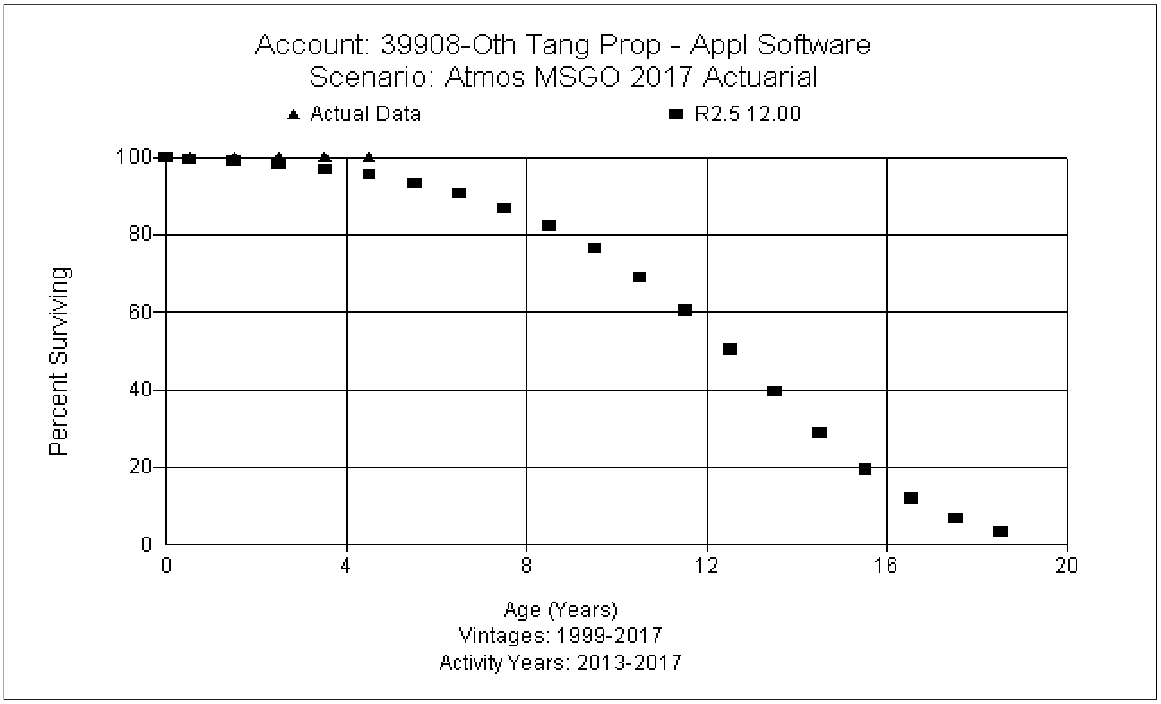
This existing net salvage is zero percent. No salvage or cost of removal is expected at the time of retirement for these assets. A zero net salvage is retained.

Account 399.08 – Application Software

The account contains software assets including small application software, electronic mapping (GIS) and training software applications. The balance is $828 thousand. The existing life is 12 years with the R2.5 dispersion.

Discussions with Company personnel indicated most of the surviving invest is in Ubisense (GIS) license ($570K) and also $181K for Core Logic Flood (GIS). The Company believes a 12 year life is reasonable for GIS software. Anything beyond a 12 year life would not be reasonable for smaller software assets from a technology and obsolescence standpoint. Past history had larger application software assets with longer life expectations, those are all retired. Generally, smaller application software used in a more local environment will be recorded here.

There is limited retirement activity to perform visual fits. Based on the type of assets, input from Company personnel, and judgment, this study retains the existing 12 R2.5 at this time. A graph of the observed life table and the proposed life and curve is provided below.



This existing net salvage is zero percent. No salvage or cost of removal is expected at the time of retirement for these assets. A zero net salvage is retained.

This account is fully accrued at this time and only when a depreciable balance exists will the calculated rate be applied.

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APPENDIX A - Annual Accrual Rate Calculations

Appendix A

ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE
COMPUTATION OF DEPRECIATION ACCRUAL RATE
AT SEPTEMBER 30, 2017

Using Equal Life Group

Account	Description	Plant in Service	Allocated Reserve	Net Salvage %	Net Salvage Amount	Unaccrued Balance	Remaining Life	Annual Accrual Amount	Annual Accrual Accrual Rate
(a)	(b)	(c)	(d)	(e)	[f]	[g]	[h]	[i]	[j]
GENERAL PLANT DEPRECIATED									
39001	Structures & Improvements	$ 179,338.52	$ 83,715.83	-10%	$ (17,933.85)	$ 113,556.54	22.59	$ 5,027.84	2.80%
39004	Air Conditioning	15,383.91	7,358.07	-10%	(1,538.39)	9,564.23	8.48	1,127.51	7.33%
39200	Transportation Equipment	27,284.69	9,399.43	10%	2,728.47	15,156.79	8.61	1,759.80	6.45%
39400	Tools Shop And Garage	175,867.44	129,488.56	0%	0.00	46,378.88	5.20	8,918.94	5.07%
39600	Power Operated Equipment	20,515.69	6,765.15	16%	3,282.51	10,468.03	8.58	1,220.21	5.95%
39700	Communication Equipment	37,541.00	1,748.68	0%	0.00	35,792.32	10.78	3,320.30	8.84%
39800	Miscellaneous Equipment	814,166.88	640,324.65	0%	0.00	173,842.23	7.07	24,573.95	3.02%
39907	Pc Software	35,063.77	18,116.49	0%	0.00	16,947.28	3.62	4,683.50	13.36%
	Total Depreciated Plant	$ 1,305,161.90	$ 896,916.86		$ (13,461.26)	$ 421,706.30		$ 50,632.05	3.88%

*Fully accrued accounts we recommend the following whole life (1-NS%/ASL) rates until a new study is performed.

Account	Description		Plant in Service	Allocated Reserve	Annual Accrual Accrual Rate
ACCOUNTS FULLY ACCRUED					
39009	Improvements - Leased	*	$ 38,834.00	$ 38,834.00	5.00%
39100	Office Furniture And Equipment	*	41,397.21	41,397.21	5.00%
39906	Pc Hardware	*	74,189.62	74,189.62	20.00%
39908	Application Software	*	828,509.36	828,509.36	8.33%
	Total Plant Fully Depreciated		$ 982,930.19	$ 982,930.19	
	Total Study Balances		$ 2,288,092.09	$ 1,879,847.05	

APPENDIX B - Comparison of Annual Rate and Accrual

Appendix B

Atmos Energy Corporation
Kentucky Mid-States General Office Property
Comparison of Depreciation Expense
Existing vs Proposed Depreciation Accrual Rates
As of September 30, 2017

				Existing		Proposed		Change in
Account	Description		Plant Balance	Annual Accrual Rate	Annual Accrual	Annual Accrual Rate	Annual Accrual	Depreciation Expense
(a)	(b)		(c)	(d)	(e)	[f]	[g]	[h]
GENERAL PLANT DEPRECIABLE								
39001	Structures & Improvements		$ 179,338.52	2.68%	$ 4,806.27	2.80%	$ 5,021.48	$ 215.21
39004	Air Conditioning		15,383.91	7.33%	1,127.64	7.33%	1,127.64	-
39200	Transportation Equipment		27,284.69	6.67%	1,819.89	6.45%	1,759.86	(60.03)
39400	Tools Shop And Garage		175,867.44	3.40%	5,979.49	5.07%	8,916.48	2,936.99
39600	Power Operated Equipment		20,515.69	4.36%	894.48	5.95%	1,220.68	326.20
39700	Communication Equipment		37,541.00	3.13%	1,175.03	8.84%	3,318.62	2,143.59
39800	Miscellaneous Equipment		814,166.88	3.47%	28,251.59	3.02%	24,587.84	(3,663.75)
39907	Pc Software		35,063.77	11.11%	3,895.58	13.36%	4,684.52	788.93
	Total Depreciable Plant		$ 1,305,161.90	3.67%	$ 47,949.99	3.88%	$ 50,637.13	$ 2,687.14

*Fully accrued accounts we recommend the following whole life (1-NS%/ASL) rates until a new study is performed.

ACCOUNTS FULLY ACCRUED								
39009	Improvements - Leased	*	38,834.00			5.00%		
39100	Office Furniture And Equipment	*	41,397.21			5.00%		
39906	PC Hardware	*	74,189.62			20.00%		
39908	Application Software	*	828,509.36			8.33%		
	Total Fully Accrued		982,930.19					
	Total Depreciable Plant In Service		$ 2,288,092.09					

APPENDIX C - Comparison of Mortality Characteristics

Appendix C

Atmos Energy Corporation
Kentucky Mid-States General Office
Depreciation Study as of September 30, 2017
Existing and Proposed Parameters

		EXISTING					PROPOSED				
Account	Description	ASL	Iowa Curve	Gross Salvage	Cost of Removal	Net Salvage	ASL	Iowa Curve	Gross Salvage	Cost of Removal	Net Salvage
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
39001	Structures - Frame	40	R2	0%	10%	-10%	40	R2	0%	10%	-10%
39004	Air Conditioning Equipment	15	R2	0%	10%	-10%	15	R2	0%	10%	-10%
39009	Improvements - Leased	20	R3	0%	0%	0%	20	R3	0%	0%	0%
39100	Office Furniture & Equipment	20	R3	0%	0%	0%	20	R3	0%	0%	0%
39200	Transportation Equipment	15	L3	5%	0%	5%	15	L3	10%	0%	10%
39300	Stores Equipment	9	S2	0%	0%	0%	9	S2	0%	0%	0%
39400	Tools Shop & Garage Equipment	15	R3	0%	0%	0%	15	R5	0%	0%	0%
39600	Power Operated Equipment	15	L3	5%	0%	5%	15	L3	16%	0%	16%
39700	Communication Equipment	15	R4	0%	0%	0%	12	R4	0%	0%	0%
39800	Miscellaneous Equipment	20	R2.5	0%	0%	0%	20	R2.5	0%	0%	0%
39900	Other Tangible Equipment	10	SQ	0%	0%	0%	10	SQ	0%	0%	0%
39901	Servers Hardware	10	SQ	0%	0%	0%	7	SQ	0%	0%	0%
39902	Servers Software	7	SQ	0%	0%	0%	7	SQ	0%	0%	0%
39903	Network Hardware	10	SQ	0%	0%	0%	10	SQ	0%	0%	0%
39906	Pc Hardware	7	R2.	0%	0%	0%	5	R5	0%	0%	0%
39907	Pc Software	9	R1.5	0%	0%	0%	7	R1.5	0%	0%	0%
39908	Application Software	12	R2.5	0%	0%	0%	12	R2.5	0%	0%	0%

APPENDIX D - Net Salvage Analysis

ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE DIVISION
Depreciation Study as of September 30, 2017
NET SALVAGE ANALYSIS

Account	TY	Retirements	Salvage	COR	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. %
39001	1998	0.00	0.00	0.00	0.00	NA									
39001	1999	0.00	0.00	0.00	0.00	NA	NA								
39001	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39001	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39001	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39001	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39001	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39001	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39001	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39001	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39001	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39001	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39001	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39001	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39001	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39001	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39001	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39001	2015	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39001	2016	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39001	2017	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	1998	0.00	0.00	0.00	0.00	NA									
39004	1999	0.00	0.00	0.00	0.00	NA	NA								
39004	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39004	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39004	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39004	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39004	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39004	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39004	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39004	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2015	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2016	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39004	2017	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE DIVISION
Depreciation Study as of September 30, 2017
NET SALVAGE ANALYSIS

Account	TY	Retirements	Salvage	COR	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. %
39009	1998	0.00	0.00	0.00	0.00	NA									
39009	1999	0.00	0.00	0.00	0.00	NA	NA								
39009	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39009	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39009	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39009	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39009	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39009	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39009	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39009	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39009	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39009	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39009	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39009	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39009	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39009	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39009	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39009	2015	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39009	2016	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39009	2017	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39100	1998	0.00	0.00	0.00	0.00	NA									
39100	1999	0.00	0.00	0.00	0.00	NA	NA								
39100	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39100	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39100	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39100	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39100	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39100	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39100	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39100	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39100	2008	1,287,606.41	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2009	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2010	7,888.88	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2011	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2012	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2013	0.00	0.00	0.00	0.00	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2014	22,133.16	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2015	2,230.02	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2016	1,106.25	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39100	2017	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%

Appendix D

ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE DIVISION
Depreciation Study as of September 30, 2017
NET SALVAGE ANALYSIS

Account	TY	Retirements	Salvage	COR	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. %
39200	1998	0.00	0.00	0.00	0.00	NA									
39200	1999	0.00	0.00	0.00	0.00	NA	NA								
39200	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39200	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39200	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39200	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39200	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39200	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39200	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39200	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39200	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39200	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39200	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39200	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39200	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39200	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39200	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39200	2015	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39200	2016	0.00	5,024.00	0.00	5,024.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39200	2017	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39300	1998	29,077.00	0.00	0.00	0.00	0.0%									
39300	1999	0.00	0.00	0.00	0.00	NA	0.0%								
39300	2000	0.00	0.00	0.00	0.00	NA	NA	0.0%							
39300	2001	0.00	0.00	0.00	0.00	NA	NA	NA	0.0%						
39300	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	0.0%					
39300	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	0.00%				
39300	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	0.00%			
39300	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	0.00%		
39300	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	
39300	2007	6,537.00	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2008	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2009	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2010	0.00	0.00	0.00	0.00	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2013	4,161.06	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2014	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2015	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2016	0.00	0.00	0.00	0.00	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39300	2017	0.00	0.00	0.00	0.00	NA	NA	NA	NA	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%

ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE DIVISION
Depreciation Study as of September 30, 2017
NET SALVAGE ANALYSIS

Account	TY	Retirements	Salvage	COR	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. %
39400	1998	0.00	0.00	0.00	0.00	NA									
39400	1999	0.00	0.00	0.00	0.00	NA	NA								
39400	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39400	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39400	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39400	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39400	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39400	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39400	2006	15,243.00	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39400	2007	1,249.00	48.41	0.00	48.41	3.9%	0.3%	0.3%	0.3%	0.3%	0.29%	0.29%	0.29%	0.29%	0.29%
39400	2008	0.00	0.00	0.00	0.00	NA	3.9%	0.3%	0.3%	0.3%	0.29%	0.29%	0.29%	0.29%	0.29%
39400	2009	1,641.15	0.00	0.00	0.00	0.0%	0.0%	1.7%	0.3%	0.3%	0.27%	0.27%	0.27%	0.27%	0.27%
39400	2010	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	1.7%	0.3%	0.27%	0.27%	0.27%	0.27%	0.27%
39400	2011	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	1.7%	0.27%	0.27%	0.27%	0.27%	0.27%
39400	2012	0.00	0.00	0.00	0.00	NA	NA	NA	0.0%	0.0%	1.67%	0.27%	0.27%	0.27%	0.27%
39400	2013	(419.03)	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	1.96%	0.27%	0.27%	0.27%
39400	2014	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	1.96%	0.27%	0.27%
39400	2015	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	1.96%	0.27%
39400	2016	16,246.08	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.26%
39400	2017	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39500	1998	0.00	0.00	0.00	0.00	NA									
39500	1999	0.00	0.00	0.00	0.00	NA	NA								
39500	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39500	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39500	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39500	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39500	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39500	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39500	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39500	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2015	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2016	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39500	2017	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

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Account	TY	Retirements	Salvage	COR	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. %
39600	1998	0.00	0.00	0.00	0.00	NA									
39600	1999	0.00	0.00	0.00	0.00	NA	NA								
39600	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39600	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39600	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39600	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39600	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39600	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39600	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39600	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39600	2015	8,497.07	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39600	2016	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39600	2017	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	1998	0.00	0.00	0.00	0.00	NA									
39700	1999	0.00	0.00	0.00	0.00	NA	NA								
39700	2000	3,194.00	0.00	0.00	0.00	0.0%	0.0%	0.0%							
39700	2001	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%						
39700	2002	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	0.0%					
39700	2003	0.00	0.00	0.00	0.00	NA	NA	NA	0.0%	0.0%	0.00%				
39700	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	0.0%	0.00%	0.00%			
39700	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%		
39700	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	
39700	2007	3,184.00	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2008	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2009	2,751.76	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2010	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2011	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2012	3,241.01	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2013	91,931.23	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2014	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2015	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2016	225,613.58	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39700	2017	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%

Appendix D

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Account	TY	Retirements	Salvage	COR	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. %
39701	1998	0.00	0.00	0.00	0.00	NA									
39701	1999	0.00	0.00	0.00	0.00	NA	NA								
39701	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39701	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39701	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39701	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39701	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39701	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39701	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39701	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39701	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39701	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39701	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39701	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39701	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39701	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39701	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39701	2015	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39701	2016	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39701	2017	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	1998	0.00	0.00	0.00	0.00	NA									
39702	1999	0.00	0.00	0.00	0.00	NA	NA								
39702	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39702	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39702	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39702	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39702	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39702	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39702	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39702	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2015	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2016	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39702	2017	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

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Account	TY	Retirements	Salvage	COR	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. %
39800	1998	0.00	0.00	0.00	0.00	NA									
39800	1999	13,889.00	0.00	0.00	0.00	0.0%	0.0%								
39800	2000	0.00	0.00	0.00	0.00	NA	0.0%	0.0%							
39800	2001	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%						
39800	2002	0.00	0.00	0.00	0.00	NA	NA	NA	0.0%	0.0%					
39800	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	0.0%	0.00%				
39800	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	0.00%	0.00%			
39800	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	0.00%	0.00%		
39800	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	
39800	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
39800	2008	10,559.64	0.00	(1,405.61)	1,405.61	13.3%	13.3%	13.3%	13.3%	13.3%	13.31%	13.31%	13.31%	13.31%	5.75%
39800	2009	0.00	0.00	0.00	0.00	NA	13.3%	13.3%	13.3%	13.3%	13.31%	13.31%	13.31%	13.31%	13.31%
39800	2010	0.00	0.00	0.00	0.00	NA	NA	13.3%	13.3%	13.3%	13.31%	13.31%	13.31%	13.31%	13.31%
39800	2011	10,791.35	0.00	0.00	0.00	0.0%	0.0%	0.0%	6.6%	6.6%	6.58%	6.58%	6.58%	6.58%	6.58%
39800	2012	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	6.6%	6.58%	6.58%	6.58%	6.58%	6.58%
39800	2013	7,898.84	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	4.81%	4.81%	4.81%	4.81%	4.81%
39800	2014	0.00	0.00	2,080.58	(2,080.58)	NA	-26.3%	-26.3%	-11.1%	-11.1%	-11.13%	-2.31%	-2.31%	-2.31%	-2.31%
39800	2015	6,587.92	0.00	0.00	0.00	0.0%	-31.6%	-14.4%	-14.4%	-8.2%	-8.23%	-8.23%	-1.88%	-1.88%	-1.88%
39800	2016	0.00	0.00	0.00	0.00	NA	0.0%	-31.6%	-14.4%	-14.4%	-8.23%	-8.23%	-8.23%	-1.88%	-1.88%
39800	2017	0.00	0.00	0.00	0.00	NA	NA	0.0%	-31.6%	-14.4%	-14.36%	-8.23%	-8.23%	-8.23%	-1.88%
39900	1998	0.00	0.00	0.00	0.00	NA									
39900	1999	0.00	0.00	0.00	0.00	NA	NA								
39900	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39900	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39900	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39900	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39900	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39900	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39900	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39900	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39900	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39900	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39900	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39900	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39900	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39900	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39900	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39900	2015	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39900	2016	76,993.22	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39900	2017	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%

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39901	1998	0.00	0.00	0.00	0.00	NA									
39901	1999	0.00	0.00	0.00	0.00	NA	NA								
39901	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39901	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39901	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39901	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39901	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39901	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39901	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39901	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2015	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39901	2016	338,069.37	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39901	2017	6,124.17	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39902	1998	0.00	0.00	0.00	0.00	NA									
39902	1999	0.00	0.00	0.00	0.00	NA	NA								
39902	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39902	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39902	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39902	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39902	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39902	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39902	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39902	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2013	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2014	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2015	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39902	2016	8,273.14	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39902	2017	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%

Appendix D

ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE DIVISION
Depreciation Study as of September 30, 2017
NET SALVAGE ANALYSIS

Account	TY	Retirements	Salvage	COR	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. %
39903	1998	0.00	0.00	0.00	0.00	NA									
39903	1999	0.00	0.00	0.00	0.00	NA	NA								
39903	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39903	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39903	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39903	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39903	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39903	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39903	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39903	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39903	2013	42,340.49	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39903	2014	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39903	2015	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39903	2016	209,357.66	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39903	2017	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39906	1998	0.00	0.00	0.00	0.00	NA									
39906	1999	0.00	0.00	0.00	0.00	NA	NA								
39906	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39906	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39906	2002	1,693,996.00	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%					
39906	2003	3,923.00	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%				
39906	2004	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%			
39906	2005	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%		
39906	2006	0.00	0.00	0.00	0.00	NA	NA	NA	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	
39906	2007	41,174.00	0.00	147.66	(147.66)	-0.4%	-0.4%	-0.4%	-0.4%	-0.3%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%
39906	2008		0.00	0.00	0.00	NA	-0.4%	-0.4%	-0.4%	-0.4%	-0.33%	-0.01%	-0.01%	-0.01%	-0.01%
39906	2009	24,631.70	0.00	0.00	0.00	0.0%	0.0%	-0.2%	-0.2%	-0.2%	-0.22%	-0.21%	-0.01%	-0.01%	-0.01%
39906	2010	48,092.94	0.00	0.00	0.00	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.13%	-0.13%	-0.13%	-0.01%	-0.01%
39906	2011	1,431.13	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.13%	-0.13%	-0.13%	-0.12%	-0.01%
39906	2012	3,062.70	0.00	90.89	(90.89)	-3.0%	-2.0%	-0.2%	-0.1%	-0.1%	-0.20%	-0.20%	-0.20%	-0.20%	-0.20%
39906	2013	643,291.29	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	-0.01%	-0.03%	-0.03%	-0.03%	-0.03%
39906	2014	1,326.41	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	-0.01%	-0.01%	-0.03%	-0.03%	-0.03%
39906	2015	397,422.65	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	-0.01%	-0.01%	-0.01%	-0.02%	-0.02%
39906	2016	542.57	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	-0.01%	-0.01%	-0.01%	-0.01%	-0.02%
39906	2017	261,491.54	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%

Appendix D

ATMOS ENERGY - KENTUCKY MID-STATES GENERAL OFFICE DIVISION
Depreciation Study as of September 30, 2017
NET SALVAGE ANALYSIS

Account	TY	Retirements	Salvage	COR	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	1998	0.00	0.00	0.00	0.00	NA									
39907	1999	0.00	0.00	0.00	0.00	NA	NA								
39907	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39907	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39907	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39907	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39907	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39907	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39907	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39907	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39907	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39907	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39907	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39907	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39907	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39907	2013	88,815.18	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2014	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2015	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2016	39,816.30	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39907	2017	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	1998	0.00	0.00	0.00	0.00	NA									
39908	1999	0.00	0.00	0.00	0.00	NA	NA								
39908	2000	0.00	0.00	0.00	0.00	NA	NA	NA							
39908	2001	0.00	0.00	0.00	0.00	NA	NA	NA	NA						
39908	2002	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA					
39908	2003	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA				
39908	2004	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA			
39908	2005	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA		
39908	2006	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	
39908	2007	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2008	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2009	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2010	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2011	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2012	0.00	0.00	0.00	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
39908	2013	707,722.30	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2014	0.00	0.00	0.00	0.00	NA	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2015	0.00	0.00	0.00	0.00	NA	NA	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2016	31,388.38	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
39908	2017	38,575.39	0.00	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%

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 365 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 365.

Respondent: Joe Christian

<u>REQUEST:</u>

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;

<u>RESPONSE:</u>

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 MHF-1 to the Direct Testimony of Michelle Faulk. Please see Exhibit JTC-1 to the Direct Testimony of Joe Christian, 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: Michelle Faulk and Joe Christian

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.

<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:

(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;

<u>RESPONSE:</u>

Please see attachment FR_16(8)(a)_Att1, Schedule A.

<u>ATTACHMENT:</u>

ATTACHMENT 1 - FR_16(8)(a)_Att1 - Schedule A.xlsx, 4 Pages.

Respondent: Joe Christian

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

Schedule	Description	Filing Requirement
A	Summary	FR 16(8)(a)
B	Rate Base	FR 16(8)(b)
C	Operating Income (Revenues & Expenses)	FR 16(8)(c)
D	Adjustments to Operating Income by Account	FR 16(8)(d)
E	Income Tax Calculation	FR 16(8)(e)
F	Rule F Compliance Adjustments	FR 16(8)(f)
G	Payroll Analysis	FR 16(8)(g)
H	Gross Revenue Conversion Factor	FR 16(8)(h)
I	Comparative Income Statements	FR 16(8)(i)
J	Cost of Capital	FR 16(8)(j)
K	Comparative Financial Data	FR 16(8)(k)

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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)	9.86%	50.42%	4.97%	9.86%	50.42%	4.97%
3	Customer Support (Div 012)	11.02%	50.43%	5.56%	11.02%	50.43%	5.56%
4	**Kentucky/Mid-States**						
5	Mid-States General Office (Div 091)	100%	50.42%	50.42%	100%	50.42%	50.42%
6							
7							
8	**Greenville Avenue Data Center**			1.56%			1.56%
9	**Charles K. Vaughan Center**			2.48%			2.48%
10	**AEAM**			6.11%			6.11%
11	**ALGN**			4.64%			
12							
13	**Kentucky Composite Tax**			24.95%			
14							
15	**Rate of Return on Equity**			10.35%			
16							
17	**STDRATE**			25.17%			
18							
19	**LTDRATE**			4.00%			

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

Schedule	Pages	Description
A	1	Overall Financial Summary

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Overall Financial Summary
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:__X____Base Period___X____Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(a)
Schedule A
Witness: Christian

Line No.	Description	Supporting Schedule Reference	Base Jurisdictional Revenue Requirement	Forecasted Jurisdictional Revenue Requirement
	(a)	(b)	(c)	(d)
1	Rate Base	B-1	$ 547,733,498	$ 596,130,007
2	Adjusted Operating Income	C-1	$ 29,211,511	$ 29,418,392
3	Earned Rate of Return (line 2 divided by line 1)	J-1.1	5.33%	4.93%
4	Required Rate of Return	J-1	7.84%	7.66%
5	Required Operating Income (line 1 times line 4)	C-1	$ 42,942,306	$ 45,663,559
6	Operating Income Deficiency (line 5 minus line 2)	C-1	$ 13,730,795	$ 16,245,167
7	Gross Revenue Conversion Factor	H	1.34184	1.34184
8	**Revenue Deficiency (line 6 times line 7)**	C-1	**$ 18,424,517**	**$ 21,798,399**
9	Rate Strike Difference			(1,855)
10	Amortization of Excess ADIT	WP B.5 B1, WP B.5 F1	(1,463,766)	(5,406,740)
11	**Subtotal (line 8 plus line 9 plus line 10)**		**$ 16,960,751**	**$ 16,389,804**
12	Amortization of COS and Depreciation Reserves	F-12		(9,862,441)
13	**Revenue Increase Requested**	C-1		**$ 6,527,363**
14	Adjusted Operating Revenues	C-1		$ 173,466,923
15	**Revenue Requirements (line 12 plus line 13)**	C-1		**$ 179,994,286**

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 - FR_16(8)(b)_Att1 - Schedule B.xlsx, 59 Pages.

Respondents: Joe Christian

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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. 2021-00214
Jurisdictional Rate Base Summary
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Rate Base Component	Supporting Schedule Reference		Base Period Ending Balance		Base Period 13 Month Average
1	Plant in Service	B-2 B	$	833,156,702	$	811,748,785
2	Construction Work in Progress	B-2 B		-		0
3	Accumulated Depreciation and Amortization	B-3 B		(185,508,667)		(183,424,493)
4	Property Plant and Equipment, Net (Sum line 1 Thru 3)		$	647,648,035	$	628,324,292
5	Cash Working Capital Allowance	B-4.2 B	$	(3,207,973)	$	(3,207,973)
6	Other Working Capital Allowances (Inventory & Prepaids)	B-4.1 B		11,208,560		7,069,959
7	Customer Advances For Construction	B-6 B		(683,775)		(681,896)
8	Regulatory Assets / Liabilities*	WP B-5 B1; F-6		(30,716,497)		(31,392,163)
9	Deferred Income Taxes and Investment Tax Credits	B-5 B		(45,438,894)		(52,378,722)
10	Rate Base (Sum line 4 Thru 8)		$	578,809,455	$	547,733,498

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Jurisdictional Rate Base Summary
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

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	$	888,768,712		$	869,694,856
2	Construction Work in Progress	B-2 F		0			0
3	Accumulated Depreciation and Amortization	B-3 F		(191,212,833)			(186,968,707)
4	Property Plant and Equipment, Net (Sum Line 1 Thru 3)		$	697,555,879		$	682,726,149
5	Cash Working Capital Allowance	B-4.2 F	$	(3,062,527)		$	(3,062,527)
6	Other Working Capital Allowances (Inventory & Prepaids)	B-4.1 F		17,069,502			8,617,141
7	Customer Advances For Construction	B-6 F		(683,775)			(683,775)
8	Regulatory Assets / Liabilities	WP B-5 F1; F-6		(24,733,969)			(27,397,198)
9	Deferred Income Taxes and Investment Tax Credits	B-5 F		(52,198,578)	*		(64,069,784)
10	Rate Base (Sum Line 4 Thru 8)		$	633,946,532		$	596,130,007

*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. 2021-00214
Plant in Service by Accounts and SubAccounts
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	9/30/2021 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	9,083,126	-	9,083,126	100%	100%	9,083,126	9,083,126	100%	100%	9,083,126
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	829,030	-	829,030	100%	100%	829,030	829,030	100%	100%	829,030
32												
33		Total Storage Plant	$ 16,168,207	$ -	$ 16,168,207			$ 16,168,207	$ 16,168,207			$ 16,168,207

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
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Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)2
Schedule B-2 B
Witness: Christian

Line No.	Acct. No.	Account / SubAccount Titles	**9/30/2021** 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	47,233	-	47,233	100%	100%	47,233	47,233	100%	100%	47,233
41	36701	Mains - Steel	27,828,361	-	27,828,361	100%	100%	27,828,361	27,828,361	100%	100%	27,828,361
42	36703	Mains - Anodes	51,177	-	51,177	100%	100%	51,177	51,177	100%	100%	51,177
43	36900	Meas. & Reg. Equipment	1,999,587	-	1,999,587	100%	100%	1,999,587	1,999,587	100%	100%	1,999,587
44	36901	Meas. & Reg. Equipment	2,269,499	-	2,269,499	100%	100%	2,269,499	2,269,499	100%	100%	2,269,499
45												
46		Total Transmission Plant	$ 33,200,428	$ -	$ 33,200,428			$ 33,200,428	$ 33,200,428			$ 33,200,428
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	428,640	-	428,640	100%	100%	428,640	428,640	100%	100%	428,640
51	37402	Land Rights	3,561,926	-	3,561,926	100%	100%	3,561,926	3,561,926	100%	100%	3,561,926
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	3,207,248	-	3,207,248	100%	100%	3,207,248	3,038,233	100%	100%	3,038,233
58	37601	Mains - Steel	207,358,890	-	207,358,890	100%	100%	207,358,890	207,619,414	100%	100%	207,619,414
59	37602	Mains - Plastic	190,174,255	-	190,174,255	100%	100%	190,174,255	179,103,057	100%	100%	179,103,057
60	37603	Mains - Anodes	3,699,724	-	3,699,724	100%	100%	3,699,724	3,779,341	100%	100%	3,779,341
61	37604	Mains - Leak Clamps	10,571,512	-	10,571,512	100%	100%	10,571,512	10,705,339	100%	100%	10,705,339
62	37800	Meas & Reg. Sta. Equip - General	22,815,490	-	22,815,490	100%	100%	22,815,490	22,692,461	100%	100%	22,692,461
63	37900	Meas & Reg. Sta. Equip - City Gate	4,790,858	-	4,790,858	100%	100%	4,790,858	4,927,691	100%	100%	4,927,691
64	37905	Meas & Reg. Sta. Equipment T.b.	1,723,568	-	1,723,568	100%	100%	1,723,568	1,724,873	100%	100%	1,724,873
65	38000	Services	173,203,521	-	173,203,521	100%	100%	173,203,521	165,660,241	100%	100%	165,660,241
66	38100	Meters	48,089,445	-	48,089,445	100%	100%	48,089,445	46,845,920	100%	100%	46,845,920
67	38200	Meter Installaitons	57,371,214	-	57,371,214	100%	100%	57,371,214	57,018,116	100%	100%	57,018,116
68	38300	House Regulators	3,309,601	-	3,309,601	100%	100%	3,309,601	3,740,577	100%	100%	3,740,577
69	38400	House Reg. Installations	298,681	-	298,681	100%	100%	298,681	277,461	100%	100%	277,461
70	38500	Ind. Meas. & Reg. Sta. Equipment	5,318,879	-	5,318,879	100%	100%	5,318,879	5,292,272	100%	100%	5,292,272
71												
72		Total Distribution Plant	$ 736,943,657	$ -	$ 736,943,657			$ 736,943,657	$ 717,435,767			$ 717,435,767

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Plant in Service by Accounts and SubAccounts
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	**9/30/2021** 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	100%	100%	$ 1,211,697	$ 1,211,697	100%	100%	$ 1,211,697
76	39000	Structures & Improvements	8,820,208	-	8,820,208	100%	100%	8,820,208	8,627,519	100%	100%	8,627,519
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	1,753,373	-	1,753,373	100%	100%	1,753,373	1,753,373	100%	100%	1,753,373
82	39103	Office Machines	-	-	-	100%	100%	-	-	100%	100%	-
83	39200	Transportation Equipment	191,969	-	191,969	100%	100%	191,969	191,969	100%	100%	191,969
84	39202	Trailers	27,064	-	27,064	100%	100%	27,064	30,699	100%	100%	30,699
85	39400	Tools, Shop & Garage Equipment	6,736,612	-	6,736,612	100%	100%	6,736,612	5,733,659	100%	100%	5,733,659
86	39603	Ditchers	-	-	-	100%	100%	-	-	100%	100%	-
87	39604	Backhoes	-	-	-	100%	100%	-	-	100%	100%	-
88	39605	Welders	-	-	-	100%	100%	-	2,714	100%	100%	2,714
89	39700	Communication Equipment	425,326	-	425,326	100%	100%	425,326	425,326	100%	100%	425,326
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	3,889,123	-	3,889,123	100%	100%	3,889,123	3,889,123	100%	100%	3,889,123
94	39901	Servers Hardware	35,815	-	35,815	100%	100%	35,815	35,815	100%	100%	35,815
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	491,338	-	491,338	100%	100%	491,338	805,396	100%	100%	805,396
98	39907	Other Tang. Property - PC Software	-	-	-	100%	100%	-	-	100%	100%	-
99	39908	Other Tang. Property - Mainframe S/W	65,606	-	65,606	100%	100%	65,606	65,606	100%	100%	65,606
100												
101		Total General Plant	$ 25,924,193	$ -	$ 25,924,193			$ 25,924,193	$ 25,048,958			$ 25,048,958
102												
103		Total Plant (Div 9)	$ 812,364,667	$ -	$ 812,364,667			$ 812,364,667	$ 791,981,542			$ 791,981,542
104												
105		CWIP Without AFUDC	$ 8,127,183	$ (8,127,183)	$ -	100%	100%	$ -	$ -	100%	100%	$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
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Data:__X___Base Period______Forecasted Period
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Workpaper Reference No(s).

FR 16(8)(b)2
Schedule B-2 B
Witness: Christian

Line No.	Acct. No.	Account / SubAccount Titles	**9/30/2021** 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%	50.42%	$ 93,433	$ 185,309	100%	50.42%	93,433
111	30300	Misc Intangible Plant	1,109,552	-	1,109,552	100%	50.42%	559,436	1,109,552	100%	50.42%	559,436
112												
113		Total Intangible Plant	$ 1,294,861	$ -	$ 1,294,861			$ 652,869	$ 1,294,861			$ 652,869
114												
115		Distribution Plant										
116	37400	Land & Land Rights	$ -	$ -	$ -	100%	50.42%	$ -	$ -	100%	50.42%	$ -
117	35010	Land	-	-	-	100%	50.42%	-	-	100%	50.42%	-
118	37402	Land Rights	-	-	-	100%	50.42%	-	-	100%	50.42%	-
119	37403	Land Other	-	-	-	100%	50.42%	-	-	100%	50.42%	-
120	36602	Structures & Improvements	-	-	-	100%	50.42%	-	-	100%	50.42%	-
121	37402	Land Rights	-	-	-	100%	50.42%	-	-	100%	50.42%	-
122	37501	Structures & Improvements T.B.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
123	37503	Improvements	-	-	-	100%	50.42%	-	-	100%	50.42%	-
124	36700	Mains Cathodic Protection	-	-	-	100%	50.42%	-	-	100%	50.42%	-
125	36701	Mains - Steel	-	-	-	100%	50.42%	-	-	100%	50.42%	-
126	37602	Mains - Plastic	-	-	-	100%	50.42%	-	-	100%	50.42%	-
127	37800	Meas & Reg. Sta. Equip - General	-	-	-	100%	50.42%	-	-	100%	50.42%	-
128	37900	Meas & Reg. Sta. Equip - City Gate	-	-	-	100%	50.42%	-	-	100%	50.42%	-
129	37905	Meas & Reg. Sta. Equipment T.b.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
130	38000	Services	-	-	-	100%	50.42%	-	-	100%	50.42%	-
131	38100	Meters	-	-	-	100%	50.42%	-	-	100%	50.42%	-
132	38200	Meter Installaitons	-	-	-	100%	50.42%	-	-	100%	50.42%	-
133	38300	House Regulators	-	-	-	100%	50.42%	-	-	100%	50.42%	-
134	38400	House Reg. Installations	-	-	-	100%	50.42%	-	-	100%	50.42%	-
135	38500	Ind. Meas. & Reg. Sta. Equipment	-	-	-	100%	50.42%	-	-	100%	50.42%	-
136	38600	Other Prop. On Cust. Prem	-	-	-	100%	50.42%	-	-	100%	50.42%	-
137												
138		Total Distribution Plant	$ -	$ -	$ -			$ -	$ -			$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
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FR 16(8)(b)2
Schedule B-2 B
Witness: Christian

Line No.	Acct. No.	Account / SubAccount Titles	9/30/2021 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%	50.42%	90,422	$ 179,339	100%	50.42%	90,422
142	39004	Air Conditioning Equipment	15,384	-	15,384	100%	50.42%	7,757	15,384	100%	50.42%	7,757
143	39009	Improvement to leased Premises	38,834	-	38,834	100%	50.42%	19,580	38,834	100%	50.42%	19,580
144	39100	Office Furniture & Equipment	26,928	-	26,928	100%	50.42%	13,577	27,866	100%	50.42%	14,050
145	39101	Office Furniture And	-	-	-	100%	50.42%	-	-	100%	50.42%	-
146	39103	Office Machines	-	-	-	100%	50.42%	-	-	100%	50.42%	-
147	39200	Transportation Equipment	27,285	-	27,285	100%	50.42%	13,757	27,285	100%	50.42%	13,757
148	39300	Stores Equipment	-	-	-	100%	50.42%	-	-	100%	50.42%	-
149	39400	Tools, Shop & Garage Equipment	125,287	-	125,287	100%	50.42%	63,170	121,910	100%	50.42%	61,467
150	39600	Power Operated Equipment	20,516	-	20,516	100%	50.42%	10,344	20,516	100%	50.42%	10,344
151	39700	Communication Equipment	-	-	-	100%	50.42%	-	8,663	100%	50.42%	4,368
152	39701	Communication Equip.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
153	39702	Communication Equip.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
154	39800	Miscellaneous Equipment	-	-	-	100%	50.42%	-	1,047	100%	50.42%	528
155	39900	Other Tangible Property	-	-	-	100%	50.42%	-	-	100%	50.42%	-
156	39901	Other Tangible Property - Servers - H/W	-	-	-	100%	50.42%	-	-	100%	50.42%	-
157	39902	Other Tangible Property - Servers - S/W	-	-	-	100%	50.42%	-	-	100%	50.42%	-
158	39903	Other Tangible Property - Network - H/W	28,266	-	28,266	100%	50.42%	14,252	28,266	100%	50.42%	14,252
159	39906	Other Tang. Property - PC Hardware	-	-	-	100%	50.42%	-	6,678	100%	50.42%	3,367
160	39907	Other Tang. Property - PC Software	78,586	-	78,586	100%	50.42%	39,623	78,586	100%	50.42%	39,623
161	39908	Other Tang. Property - Mainframe S/W	237,875	-	237,875	100%	50.42%	119,936	374,175	100%	50.42%	188,659
162												
163		Total General Plant	$ 778,299	$ -	$ 778,299			$ 392,418	$ 928,548			$ 468,174
164												
165		Total Plant (Div 91)	$ 2,073,160	$ -	$ 2,073,160			$ 1,045,287	$ 2,223,409			$ 1,121,043
166												
167		CWIP Without AFUDC	$ (36,799)	$ 36,799	$ -	100%	50.42%	$ -	$ -	100%	50.42%	$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Plant in Service by Accounts and SubAccounts
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	**9/30/2021** 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	$ 7,841,340	$ -	$ 7,841,340	9.86%	50.42%	$ 389,825	$ 6,312,288	9.86%	50.42%	$ 313,810
173	39005	G-Structures & Improvements	9,187,142	-	9,187,142	100.00%	1.56%	143,280	9,187,142	100.00%	1.56%	143,280
174	39009	Improvement to leased Premises	9,873,727	-	9,873,727	9.86%	50.42%	490,864	9,868,213	9.86%	50.42%	490,590
175	39020	Struct & Improv AEAM	2,116	-	2,116	100.00%	6.11%	129	2,116	100.00%	6.11%	129
176	39029	Improv-Leased AEAM	31,824	-	31,824	9.86%	6.11%	192	31,824	9.86%	6.11%	192
177	39100	Office Furniture & Equipment	6,477,290	-	6,477,290	9.86%	50.42%	322,013	6,115,922	9.86%	50.42%	304,048
178	39102	Remittance Processing Equip	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
179	39103	Office Machines	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
180	39104	G-Office Furniture & Equip.	71,036	-	71,036	100.00%	1.56%	1,108	71,036	100.00%	1.56%	1,108
181	39120	Off Furn & Equip-AEAM	263,338	-	263,338	100.00%	6.11%	16,080	263,338	100.00%	6.11%	16,080
182	39200	Transportation Equipment	319,639	-	319,639	9.86%	50.42%	15,891	315,693	9.86%	50.42%	15,694
183	39300	Stores Equipment	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
184	39400	Tools, Shop & Garage Equipment	76,071	-	76,071	9.86%	50.42%	3,782	76,071	9.86%	50.42%	3,782
185	39420	Tools And Garage-AEAM	-	-	-	100.00%	6.11%	-	-	100.00%	6.11%	-
186	39500	Laboratory Equipment	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
187	39700	Communication Equipment	391,906	-	391,906	9.86%	50.42%	19,483	386,231	9.86%	50.42%	19,201
188	39720	Commun Equip AEAM	8,824	-	8,824	100.00%	6.11%	539	8,824	100.00%	6.11%	539
189	39800	Miscellaneous Equipment	136,510	-	136,510	9.86%	50.42%	6,786	136,510	9.86%	50.42%	6,786
190	39820	Misc Equip - AEAM	7,388	-	7,388	100.00%	6.11%	451	7,388	100.00%	6.11%	451
191	39900	Other Tangible Property	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
192	39901	Other Tangible Property - Servers - H/W	34,545,851	-	34,545,851	9.86%	50.42%	1,717,417	27,914,292	9.86%	50.42%	1,387,734
193	39902	Other Tangible Property - Servers - S/W	7,837,680	-	7,837,680	9.86%	50.42%	389,643	7,739,525	9.86%	50.42%	384,764
194	39903	Other Tangible Property - Network - H/W	3,834,803	-	3,834,803	9.86%	50.42%	190,644	3,812,947	9.86%	50.42%	189,557
195	39904	Other Tang. Property - CPU	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
196	39905	Other Tangible Property - MF - Hardware	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
197	39906	Other Tang. Property - PC Hardware	3,814,702	-	3,814,702	9.86%	50.42%	189,645	3,039,547	9.86%	50.42%	151,108
198	39907	Other Tang. Property - PC Software	1,182,201	-	1,182,201	9.86%	50.42%	58,772	1,182,201	9.86%	50.42%	58,772
199	39908	Other Tang. Property - Mainframe S/W	91,725,061	-	91,725,061	9.86%	50.42%	4,560,031	85,673,035	9.86%	50.42%	4,259,160
200	39909	Other Tang. Property - Application Software	-	-	-	9.86%	50.42%	-	5,514	9.86%	50.42%	274
201	39921	Servers-Hardware-AEAM	1,633,844	-	1,633,844	100.00%	6.11%	99,769	1,370,172	100.00%	6.11%	83,668
202	39922	Servers-Software-AEAM	7,280,786	-	7,280,786	100.00%	6.11%	444,592	5,698,667	100.00%	6.11%	347,982
203	39923	Network Hardware-AEAM	376,001	-	376,001	100.00%	6.11%	22,960	199,987	100.00%	6.11%	12,212
204	39924	39924-Oth Tang Prop - Gen.	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
205	39926	Pc Hardware-AEAM	333,279	-	333,279	100.00%	6.11%	20,351	331,825	100.00%	6.11%	20,262
206	39928	Application SW-AEAM	27,590,579	-	27,590,579	100.00%	6.11%	1,684,782	25,221,034	100.00%	6.11%	1,540,089
207	39931	ALGN-Servers-Hardware	297,267	-	297,267	100.00%	4.64%	13,784	297,267	100.00%	4.64%	13,784
208	39932	ALGN-Servers-Software	783,917	-	783,917	100.00%	4.64%	36,351	783,917	100.00%	4.64%	36,351
209	39938	ALGN-Application SW	20,720,277	-	20,720,277	100.00%	4.64%	960,814	20,268,361	100.00%	4.64%	939,858
210												
211		Total General Plant (Div 2)	$ 236,644,399	$ -	$ 236,644,399			$ 11,799,977	$ 216,320,888			$ 10,741,266
212												
213		CWIP Without AFUDC	$ 9,646,514	$ (9,646,514)	$ -	9.86%	50.42%	$ -	$ -	9.86%	50.42%	$ -
214												

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Plant in Service by Accounts and SubAccounts
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	9/30/2021 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	11.02%	50.43%	$ 159,733	$ 2,874,240	11.02%	50.43%	$ 159,733
219	38910	CKV-Land & Land Rights	1,886,443	-	1,886,442.92	100.00%	2.48%	46,763	1,886,443	100.00%	2.48%	46,763
220	39000	Structures & Improvements	13,238,062	-	13,238,061.85	11.02%	50.43%	735,690	13,223,023	11.02%	50.43%	734,854
221	39009	Improvement to leased Premises	2,820,614	-	2,820,613.55	11.02%	50.43%	156,752	2,820,614	11.02%	50.43%	156,752
222	39010	CKV-Structures & Improvements	12,562,619	-	12,562,619.01	100.00%	2.48%	311,412	12,562,619	100.00%	2.48%	311,412
223	39100	Office Furniture & Equipment	2,640,950	-	2,640,949.96	11.02%	50.43%	146,768	2,640,950	11.02%	50.43%	146,768
224	39101	Office Furniture And	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
225	39102	Remittance Processing	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
226	39103	39103-Office Furn. - Copiers & Type	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
227	39110	CKV-Office Furn & Eq	534,049	-	534,049.43	100.00%	2.48%	13,238	534,049	100.00%	2.48%	13,238
228	39210	CKV-Transportation Eq	96,290	-	96,290.22	100.00%	2.48%	2,387	96,290	100.00%	2.48%	2,387
229	39410	CKV-Tools Shop Garage	595,549	-	595,549.02	100.00%	2.48%	14,763	595,549	100.00%	2.48%	14,763
230	39510	CKV-Laboratory Equip	23,632	-	23,632.07	100.00%	2.48%	586	23,632	100.00%	2.48%	586
231	39700	Communication Equipment	1,913,117	-	1,913,117.11	11.02%	50.43%	106,319	1,913,117	11.02%	50.43%	106,319
232	39710	CKV-Communication Equipment	327,905	-	327,905.48	100.00%	2.48%	8,128	327,905	100.00%	2.48%	8,128
233	39800	Miscellaneous Equipment	71,377	-	71,376.73	11.02%	50.43%	3,967	71,377	11.02%	50.43%	3,967
234	39810	CKV-Misc Equipment	545,396	-	545,395.62	100.00%	2.48%	13,520	545,396	100.00%	2.48%	13,520
235	39900	Other Tangible Property	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
236	39901	Other Tangible Property - Servers - H/W	10,026,915	-	10,026,915.40	11.02%	50.43%	557,234	9,947,993	11.02%	50.43%	552,848
237	39902	Other Tangible Property - Servers - S/W	2,208,691	-	2,208,691.44	11.02%	50.43%	122,746	2,208,691	11.02%	50.43%	122,746
238	39903	Other Tangible Property - Network - H/W	338,088	-	338,087.79	11.02%	50.43%	18,789	338,088	11.02%	50.43%	18,789
239	39906	Other Tang. Property - PC Hardware	922,187	-	922,187.19	11.02%	50.43%	51,250	742,504	11.02%	50.43%	41,264
240	39907	Other Tang. Property - PC Software	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
241	39908	Other Tang. Property - Mainframe S/W	98,380,551	-	98,380,551.42	11.02%	50.43%	5,467,387	97,901,400	11.02%	50.43%	5,440,759
242	39910	CKV-Other Tangible Property	301,111	-	301,110.64	100.00%	2.48%	7,464	301,111	100.00%	2.48%	7,464
243	39916	CKV-Oth Tang Prop-PC Hardware	72,357	-	72,356.72	100.00%	2.48%	1,794	72,357	100.00%	2.48%	1,794
244	39917	CKV-Oth Tang Prop-PC Software	3,299	-	3,299.04	100.00%	2.48%	82	3,299	100.00%	2.48%	82
245	39918	CKV-Oth Tang Prop-App	-	-	-	100.00%	2.48%	-	-	100.00%	2.48%	-
246	39924	Oth Tang Prop - Gen.	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
247												
248		Total General Plant (Div 12)	$ 152,383,442	$ -	$ 152,383,442			$ 7,946,771	$ 151,630,647			$ 7,904,935
249												
250		CWIP Without AFUDC	$ 463,344	$ (463,344)	$ -	11.02%	50.43%	$ -	$ -	11.02%	50.43%	$ -
251												
252		Total Plant (Div 009, 091, 002, 012)	$ 1,203,465,669	$ -	$ 1,203,465,669			$ 833,156,702	$ 1,162,156,485			$ 811,748,785
253												
254		Total CWIP Without AFUDC (Div 009, 091, 002, 012)	$ 18,200,242	$(18,200,242)	$ -			$ -	$ -			$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Plant in Service by Accounts and SubAccounts
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2022 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	9,083,126	-	9,083,126	100%	100%	9,083,126	9,083,126	100%	100%	9,083,126
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	829,030	-	829,030	100%	100%	829,030	829,030	100%	100%	829,030
32												
33		Total Storage Plant	$ 16,168,207	$ -	$ 16,168,207			$ 16,168,207	$ 16,168,207			$ 16,168,207

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Plant in Service by Accounts and SubAccounts
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2022 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	47,233	-	47,233	100%	100%	47,233	47,233	100%	100%	47,233
41	36701	Mains - Steel	27,828,361	-	27,828,361	100%	100%	27,828,361	27,828,361	100%	100%	27,828,361
42	36703	Mains - Anodes	51,177	-	51,177	100%	100%	51,177	51,177	100%	100%	51,177
43	36900	Meas. & Reg. Equipment	1,999,587	-	1,999,587	100%	100%	1,999,587	1,999,587	100%	100%	1,999,587
44	36901	Meas. & Reg. Equipment	2,269,499	-	2,269,499	100%	100%	2,269,499	2,269,499	100%	100%	2,269,499
45												
46		Total Transmission Plant	$ 33,200,428	$ -	$ 33,200,428			$ 33,200,428	$ 33,200,428			$ 33,200,428
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	428,640	-	428,640	100%	100%	428,640	428,640	100%	100%	428,640
51	37402	Land Rights	3,561,926	-	3,561,926	100%	100%	3,561,926	3,561,926	100%	100%	3,561,926
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	3,650,460	-	3,650,460	100%	100%	3,650,460	3,501,545	100%	100%	3,501,545
58	37601	Mains - Steel	206,592,279	-	206,592,279	100%	100%	206,592,279	206,849,854	100%	100%	206,849,854
59	37602	Mains - Plastic	217,359,436	-	217,359,436	100%	100%	217,359,436	208,225,451	100%	100%	208,225,451
60	37603	Mains - Anodes	3,501,230	-	3,501,230	100%	100%	3,501,230	3,567,922	100%	100%	3,567,922
61	37604	Mains - Leak Clamps	10,571,512	-	10,571,512	100%	100%	10,571,512	10,571,512	100%	100%	10,571,512
62	37800	Meas & Reg. Sta. Equip - General	23,122,787	-	23,122,787	100%	100%	23,122,787	23,019,538	100%	100%	23,019,538
63	37900	Meas & Reg. Sta. Equip - City Gate	4,425,949	-	4,425,949	100%	100%	4,425,949	4,548,555	100%	100%	4,548,555
64	37905	Meas & Reg. Sta. Equipment T.b.	1,720,564	-	1,720,564	100%	100%	1,720,564	1,721,573	100%	100%	1,721,573
65	38000	Services	192,617,694	-	192,617,694	100%	100%	192,617,694	186,094,701	100%	100%	186,094,701
66	38100	Meters	51,359,555	-	51,359,555	100%	100%	51,359,555	50,260,826	100%	100%	50,260,826
67	38200	Meter Installaitons	58,468,509	-	58,468,509	100%	100%	58,468,509	58,099,827	100%	100%	58,099,827
68	38300	House Regulators	2,279,247	-	2,279,247	100%	100%	2,279,247	2,625,437	100%	100%	2,625,437
69	38400	House Reg. Installations	354,635	-	354,635	100%	100%	354,635	335,835	100%	100%	335,835
70	38500	Ind. Meas. & Reg. Sta. Equipment	5,391,372	-	5,391,372	100%	100%	5,391,372	5,367,015	100%	100%	5,367,015
71												
72		Total Distribution Plant	$ 786,426,000	$ -	$ 786,426,000			$ 786,426,000	$ 769,800,363			$ 769,800,363

Atmos Energy Corporation, Kentucky/Mid-States Division
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Plant in Service by Accounts and SubAccounts
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Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)2
Schedule B-2 F
Witness: Christian

Line No.	Acct. No.	Account / SubAccount Titles	**12/31/2022** 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	9,364,825	-	9,364,825	100%	100%	9,364,825	9,181,838	100%	100%	9,181,838
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	1,753,373	-	1,753,373	100%	100%	1,753,373	1,753,373	100%	100%	1,753,373
82	39103	Office Machines	-	-	-	100%	100%	-	-	100%	100%	-
83	39200	Transportation Equipment	191,969	-	191,969	100%	100%	191,969	191,969	100%	100%	191,969
84	39202	Trailers	27,064	-	27,064	100%	100%	27,064	27,064	100%	100%	27,064
85	39400	Tools, Shop & Garage Equipment	9,532,937	-	9,532,937	100%	100%	9,532,937	8,593,396	100%	100%	8,593,396
86	39603	Ditchers	-	-	-	100%	100%	-	-	100%	100%	-
87	39604	Backhoes	-	-	-	100%	100%	-	-	100%	100%	-
88	39605	Welders	-	-	-	100%	100%	-	-	100%	100%	-
89	39700	Communication Equipment	425,326	-	425,326	100%	100%	425,326	425,326	100%	100%	425,326
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	3,889,123	-	3,889,123	100%	100%	3,889,123	3,889,123	100%	100%	3,889,123
94	39901	Servers Hardware	35,815	-	35,815	100%	100%	35,815	35,815	100%	100%	35,815
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	(191,017)	-	(191,017)	100%	100%	(191,017)	38,249	100%	100%	38,249
98	39907	Other Tang. Property - PC Software	-	-	-	100%	100%	-	-	100%	100%	-
99	39908	Other Tang. Property - Mainframe S/W	65,606	-	65,606	100%	100%	65,606	65,606	100%	100%	65,606
100												
101		Total General Plant	$ 28,582,780	$ -	$ 28,582,780			$ 28,582,780	$ 27,689,518			$ 27,689,518
102												
103		Total Plant (Div 9)	$ 864,505,598	$ -	$ 864,505,598			$ 864,505,598	$ 846,986,698			$ 846,986,698
104												
105		CWIP Without AFUDC	$ 8,127,183	$ (8,127,183)	$ -	100%	100%	$ -	$ -	100%	100%	$ -

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Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)2
Schedule B-2 F
Witness: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2022 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%	50.42%	$ 93,433	$ 185,309	100%	50.42%	$ 93,433
111	30300	Misc Intangible Plant	1,109,552	-	1,109,552	100%	50.42%	559,436	1,109,552	100%	50.42%	559,436
112												
113		Total Intangible Plant	$ 1,294,861	$ -	$ 1,294,861			$ 652,869	$ 1,294,861			$ 652,869
114												
115		Distribution Plant										
116	37400	Land & Land Rights	$ -	$ -	$ -	100%	50.42%	$ -	$ -	100%	50.42%	$ -
117	35010	Land	-	-	-	100%	50.42%	-	-	100%	50.42%	-
118	37402	Land Rights	-	-	-	100%	50.42%	-	-	100%	50.42%	-
119	37403	Land Other	-	-	-	100%	50.42%	-	-	100%	50.42%	-
120	36602	Structures & Improvements	-	-	-	100%	50.42%	-	-	100%	50.42%	-
121	37402	Land Rights	-	-	-	100%	50.42%	-	-	100%	50.42%	-
122	37501	Structures & Improvements T.B.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
123	37503	Improvements	-	-	-	100%	50.42%	-	-	100%	50.42%	-
124	36700	Mains Cathodic Protection	-	-	-	100%	50.42%	-	-	100%	50.42%	-
125	36701	Mains - Steel	-	-	-	100%	50.42%	-	-	100%	50.42%	-
126	37602	Mains - Plastic	-	-	-	100%	50.42%	-	-	100%	50.42%	-
127	37800	Meas & Reg. Sta. Equip - General	-	-	-	100%	50.42%	-	-	100%	50.42%	-
128	37900	Meas & Reg. Sta. Equip - City Gate	-	-	-	100%	50.42%	-	-	100%	50.42%	-
129	37905	Meas & Reg. Sta. Equipment T.b.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
130	38000	Services	-	-	-	100%	50.42%	-	-	100%	50.42%	-
131	38100	Meters	-	-	-	100%	50.42%	-	-	100%	50.42%	-
132	38200	Meter Installaitons	-	-	-	100%	50.42%	-	-	100%	50.42%	-
133	38300	House Regulators	-	-	-	100%	50.42%	-	-	100%	50.42%	-
134	38400	House Reg. Installations	-	-	-	100%	50.42%	-	-	100%	50.42%	-
135	38500	Ind. Meas. & Reg. Sta. Equipment	-	-	-	100%	50.42%	-	-	100%	50.42%	-
136	38600	Other Prop. On Cust. Prem	-	-	-	100%	50.42%	-	-	100%	50.42%	-
137												
138		Total Distribution Plant	$ -	$ -	$ -			$ -	$ -			$ -

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Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)2
Schedule B-2 F
Witness: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2022 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%	50.42%	$ 90,422	$ 179,339	100%	50.42%	$ 90,422
142	39004	Air Conditioning Equipment	15,384	-	15,384	100%	50.42%	7,757	15,384	100%	50.42%	7,757
143	39009	Improvement to leased Premises	38,834	-	38,834	100%	50.42%	19,580	38,834	100%	50.42%	19,580
144	39100	Office Furniture & Equipment	26,928	-	26,928	100%	50.42%	13,577	26,928	100%	50.42%	13,577
145	39101	Office Furniture And	-	-	-	100%	50.42%	-	-	100%	50.42%	-
146	39103	Office Machines	-	-	-	100%	50.42%	-	-	100%	50.42%	-
147	39200	Transportation Equipment	27,285	-	27,285	100%	50.42%	13,757	27,285	100%	50.42%	13,757
148	39300	Stores Equipment	-	-	-	100%	50.42%	-	-	100%	50.42%	-
149	39400	Tools, Shop & Garage Equipment	170,907	-	170,907	100%	50.42%	86,171	151,739	100%	50.42%	76,507
150	39600	Power Operated Equipment	20,516	-	20,516	100%	50.42%	10,344	20,516	100%	50.42%	10,344
151	39700	Communication Equipment	-	-	-	100%	50.42%	-	-	100%	50.42%	-
152	39701	Communication Equip.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
153	39702	Communication Equip.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
154	39800	Miscellaneous Equipment	-	-	-	100%	50.42%	-	-	100%	50.42%	-
155	39900	Other Tangible Property	-	-	-	100%	50.42%	-	-	100%	50.42%	-
156	39901	Other Tangible Property - Servers - H/W	-	-	-	100%	50.42%	-	-	100%	50.42%	-
157	39902	Other Tangible Property - Servers - S/W	-	-	-	100%	50.42%	-	-	100%	50.42%	-
158	39903	Other Tangible Property - Network - H/W	28,266	-	28,266	100%	50.42%	14,252	28,266	100%	50.42%	14,252
159	39906	Other Tang. Property - PC Hardware	-	-	-	100%	50.42%	-	-	100%	50.42%	-
160	39907	Other Tang. Property - PC Software	78,586	-	78,586	100%	50.42%	39,623	78,586	100%	50.42%	39,623
161	39908	Other Tang. Property - Mainframe S/W	237,875	-	237,875	100%	50.42%	119,936	237,875	100%	50.42%	119,936
162												
163		Total General Plant	$ 823,919	$ -	$ 823,919			$ 415,420	$ 804,751			$ 405,755
164												
165		Total Plant (Div 91)	$ 2,118,780	$ -	$ 2,118,780			$ 1,068,289	$ 2,099,612			$ 1,058,624
166												
167		CWIP Without AFUDC	$ (36,799)	$ 36,799	$ -	100%	50.42%	$ -	$ -	100%	50.42%	$ -

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Workpaper Reference No(s).

FR 16(8)(b)2
Schedule B-2 F
Witness: Christian

Line No.	Acct. No.	Account / SubAccount Titles	**12/31/2022** 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	$ 13,031,590	$ -	$ 13,031,590	9.86%	50.42%	$ 647,854	$ 10,693,275	9.86%	50.42%	$ 531,607
173	39005	G-Structures & Improvements	9,187,142	-	9,187,142	100.00%	1.56%	143,280	9,187,142	100.00%	1.56%	143,280
174	39009	Improvement to leased Premises	9,873,727	-	9,873,727	9.86%	50.42%	490,864	9,873,727	9.86%	50.42%	490,864
175	39020	Struct & Improv AEAM	2,116	-	2,116	100.00%	6.11%	129	2,116	100.00%	6.11%	129
176	39029	Improv-Leased AEAM	31,824	-	31,824	100.00%	6.11%	1,943	31,824	100.00%	6.11%	1,943
177	39100	Office Furniture & Equipment	7,612,314	-	7,612,314	9.86%	50.42%	378,440	7,100,962	9.86%	50.42%	353,018
178	39102	Remittance Processing Equip	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
179	39103	Office Machines	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
180	39104	G-Office Furniture & Equip.	71,036	-	71,036	100.00%	1.56%	1,108	71,036	100.00%	1.56%	1,108
181	39120	Off Furn & Equip-AEAM	263,338	-	263,338	100.00%	6.11%	16,080	263,338	100.00%	6.11%	16,080
182	39200	Transportation Equipment	331,175	-	331,175	9.86%	50.42%	16,464	325,978	9.86%	50.42%	16,206
183	39300	Stores Equipment	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
184	39400	Tools, Shop & Garage Equipment	76,071	-	76,071	9.86%	50.42%	3,782	76,071	9.86%	50.42%	3,782
185	39420	Tools And Garage-AEAM	-	-	-	100.00%	6.11%	-	-	100.00%	6.11%	-
186	39500	Laboratory Equipment	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
187	39700	Communication Equipment	406,987	-	406,987	9.86%	50.42%	20,233	400,193	9.86%	50.42%	19,895
188	39720	Commun Equip AEAM	8,824	-	8,824	100.00%	6.11%	539	8,824	100.00%	6.11%	539
189	39800	Miscellaneous Equipment	136,510	-	136,510	9.86%	50.42%	6,786	136,510	9.86%	50.42%	6,786
190	39820	Misc Equip - AEAM	7,388	-	7,388	100.00%	6.11%	451	7,388	100.00%	6.11%	451
191	39900	Other Tangible Property	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
192	39901	Other Tangible Property - Servers - H/W	54,846,086	-	54,846,086	9.86%	50.42%	2,726,625	45,700,409	9.86%	50.42%	2,271,956
193	39902	Other Tangible Property - Servers - S/W	8,475,868	-	8,475,868	9.86%	50.42%	421,370	8,188,351	9.86%	50.42%	407,077
194	39903	Other Tangible Property - Network - H/W	3,898,695	-	3,898,695	9.86%	50.42%	193,820	3,869,910	9.86%	50.42%	192,389
195	39904	Other Tang. Property - CPU	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
196	39905	Other Tangible Property - MF - Hardware	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
197	39906	Other Tang. Property - PC Hardware	6,255,971	-	6,255,971	9.86%	50.42%	311,010	5,156,129	9.86%	50.42%	256,332
198	39907	Other Tang. Property - PC Software	1,182,201	-	1,182,201	9.86%	50.42%	58,772	1,182,201	9.86%	50.42%	58,772
199	39908	Other Tang. Property - Mainframe S/W	110,313,667	-	110,313,667	9.86%	50.42%	5,484,147	101,939,114	9.86%	50.42%	5,067,813
200	39909	Other Tang. Property - Application Software	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
201	39921	Servers-Hardware-AEAM	2,462,868	-	2,462,868	100.00%	6.11%	150,392	2,089,376	100.00%	6.11%	127,585
202	39922	Servers-Software-AEAM	12,255,379	-	12,255,379	100.00%	6.11%	748,358	10,014,222	100.00%	6.11%	611,505
203	39923	Network Hardware-AEAM	890,236	-	890,236	100.00%	6.11%	54,361	658,562	100.00%	6.11%	40,214
204	39924	39924-Oth Tang Prop - Gen.	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
205	39926	Pc Hardware-AEAM	333,279	-	333,279	100.00%	6.11%	20,351	333,279	100.00%	6.11%	20,351
206	39928	Application SW-AEAM	34,736,007	-	34,736,007	100.00%	6.11%	2,121,108	31,516,844	100.00%	6.11%	1,924,534
207	39931	ALGN-Servers-Hardware	297,267	-	297,267	100.00%	4.64%	13,784	297,267	100.00%	4.64%	13,784
208	39932	ALGN-Servers-Software	783,917	-	783,917	100.00%	4.64%	36,351	783,917	100.00%	4.64%	36,351
209	39938	ALGN-Application SW	22,141,974	-	22,141,974	100.00%	4.64%	1,026,739	21,501,470	100.00%	4.64%	997,038
210												
211		Total General Plant (Div 2)	$ 299,913,460	$ -	$ 299,913,460			$ 15,095,143	$ 271,409,435			$ 13,611,391
212												
213		CWIP Without AFUDC	$ 9,646,514	$ (9,646,514)	$ -	9.86%	50.42%	$ -	$ -	9.86%	50.42%	$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Plant in Service by Accounts and SubAccounts
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:______Base Period__X___Forecasted Period — FR 16(8)(b)2
Type of Filing:___X____Original________Updated ________Revised — Schedule B-2 F
Workpaper Reference No(s). — Witness: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2022 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	11.02%	50.43%	$ 159,733	$ 2,874,240	11.02%	50.43%	$ 159,733
219	38910	CKV-Land & Land Rights	1,886,443	-	1,886,442.92	100.00%	2.48%	46,763	1,886,443	100.00%	2.48%	46,763
220	39000	Structures & Improvements	13,325,625	-	13,325,625.31	11.02%	50.43%	740,556	13,290,385	11.02%	50.43%	738,598
221	39009	Improvement to leased Premises	2,820,614	-	2,820,613.55	11.02%	50.43%	156,752	2,820,614	11.02%	50.43%	156,752
222	39010	CKV-Structures & Improvements	12,562,619	-	12,562,619.01	100.00%	2.48%	311,412	12,562,619	100.00%	2.48%	311,412
223	39100	Office Furniture & Equipment	2,640,950	-	2,640,949.96	11.02%	50.43%	146,768	2,640,950	11.02%	50.43%	146,768
224	39101	Office Furniture And	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
225	39102	Remittance Processing	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
226	39103	39103-Office Furn. - Copiers & Type	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
227	39110	CKV-Office Furn & Eq	534,049	-	534,049.43	100.00%	2.48%	13,238	534,049	100.00%	2.48%	13,238
228	39210	CKV-Transportation Eq	96,290	-	96,290.22	100.00%	2.48%	2,387	96,290	100.00%	2.48%	2,387
229	39410	CKV-Tools Shop Garage	595,549	-	595,549.02	100.00%	2.48%	14,763	595,549	100.00%	2.48%	14,763
230	39510	CKV-Laboratory Equip	23,632	-	23,632.07	100.00%	2.48%	586	23,632	100.00%	2.48%	586
231	39700	Communication Equipment	1,913,117	-	1,913,117.11	11.02%	50.43%	106,319	1,913,117	11.02%	50.43%	106,319
232	39710	CKV-Communication Equipment	327,905	-	327,905.48	100.00%	2.48%	8,128	327,905	100.00%	2.48%	8,128
233	39800	Miscellaneous Equipment	71,377	-	71,376.73	11.02%	50.43%	3,967	71,377	11.02%	50.43%	3,967
234	39810	CKV-Misc Equipment	545,396	-	545,395.62	100.00%	2.48%	13,520	545,396	100.00%	2.48%	13,520
235	39900	Other Tangible Property	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
236	39901	Other Tangible Property - Servers - H/W	10,267,916	-	10,267,916.01	11.02%	50.43%	570,628	10,170,924	11.02%	50.43%	565,238
237	39902	Other Tangible Property - Servers - S/W	2,208,691	-	2,208,691.44	11.02%	50.43%	122,746	2,208,691	11.02%	50.43%	122,746
238	39903	Other Tangible Property - Network - H/W	338,088	-	338,087.79	11.02%	50.43%	18,789	338,088	11.02%	50.43%	18,789
239	39906	Other Tang. Property - PC Hardware	1,642,709	-	1,642,709.10	11.02%	50.43%	91,292	1,352,731	11.02%	50.43%	75,176
240	39907	Other Tang. Property - PC Software	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
241	39908	Other Tang. Property - Mainframe S/W	100,082,968	-	100,082,967.54	11.02%	50.43%	5,561,997	99,397,820	11.02%	50.43%	5,523,921
242	39910	CKV-Other Tangible Property	301,111	-	301,110.64	100.00%	2.48%	7,464	301,111	100.00%	2.48%	7,464
243	39916	CKV-Oth Tang Prop-PC Hardware	72,357	-	72,356.72	100.00%	2.48%	1,794	72,357	100.00%	2.48%	1,794
244	39917	CKV-Oth Tang Prop-PC Software	3,299	-	3,299.04	100.00%	2.48%	82	3,299	100.00%	2.48%	82
245	39918	CKV-Oth Tang Prop-App	-	-	-	100.00%	2.48%	-	-	100.00%	2.48%	-
246	39924	Oth Tang Prop - Gen.	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
247												
248		Total General Plant (Div 12)	$ 155,134,945	$ -	$ 155,134,945			$ 8,099,682	$ 154,027,587			$ 8,038,142
249												
250		CWIP Without AFUDC	$ 463,344	$ (463,344)	$ -	11.02%	50.43%	$ -	$ -	11.02%	50.43%	$ -
251												
252		Total Plant (Div 009, 091, 002, 012)	$ 1,321,672,782	$ -	$ 1,321,672,782			$ 888,768,712	$ 1,274,523,332			$ 869,694,856
253												
254		Total CWIP Without AFUDC (Div 009, 091, 002, 012)	$ 18,200,242	$(18,200,242)	$ -			$ -	$ -			$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Jurisdictional Accumulated Depreciation & Amortization
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	9/30/2021 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	4,105	-	4,105	100%	100%	4,105	4,097	100%	100%	4,097
17	35100	Structures and Improvements	6,737	-	6,737	100%	100%	6,737	6,594	100%	100%	6,594
18	35102	Compression Station Equipment	112,663	-	112,663	100%	100%	112,663	111,759	100%	100%	111,759
19	35103	Meas. & Reg. Sta. Structues	20,066	-	20,066	100%	100%	20,066	19,975	100%	100%	19,975
20	35104	Other Structures	99,663	-	99,663	100%	100%	99,663	98,839	100%	100%	98,839
21	35200	Wells \ Rights of Way	1,725,915	-	1,725,915	100%	100%	1,725,915	1,639,626	100%	100%	1,639,626
22	35201	Well Construction	1,416,827	-	1,416,827	100%	100%	1,416,827	1,404,757	100%	100%	1,404,757
23	35202	Well Equipment	449,391	-	449,391	100%	100%	449,391	446,942	100%	100%	446,942
24	35203	Cushion Gas	614,160	-	614,160	100%	100%	614,160	602,635	100%	100%	602,635
25	35210	Leaseholds	163,674	-	163,674	100%	100%	163,674	163,540	100%	100%	163,540
26	35211	Storage Rights	43,145	-	43,145	100%	100%	43,145	42,932	100%	100%	42,932
27	35301	Field Lines	100,077	-	100,077	100%	100%	100,077	99,095	100%	100%	99,095
28	35302	Tributary Lines	149,434	-	149,434	100%	100%	149,434	148,262	100%	100%	148,262
29	35400	Compressor Station Equipment	493,952	-	493,952	100%	100%	493,952	486,380	100%	100%	486,380
30	35500	Meas & Reg. Equipment	154,224	-	154,224	100%	100%	154,224	151,889	100%	100%	151,889
31	35600	Purification Equipment	215,694	-	215,694	100%	100%	215,694	207,611	100%	100%	207,611
32												
33		Total Storage Plant Reserves	$ 5,769,729	$ -	$ 5,769,729			$ 5,769,729	$ 5,634,933			$ 5,634,933

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Jurisdictional Accumulated Depreciation & Amortization
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	**9/30/2021 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	582,868	-	582,868	100%	100%	582,868	579,658	100%	100%	579,658
38	36602	Structures & Improvements	23,498	-	23,498	100%	100%	23,498	23,324	100%	100%	23,324
39	36603	Other Structues	65,485	-	65,485	100%	100%	65,485	65,485	100%	100%	65,485
40	36700	Mains Cathodic Protection	24,787	-	24,787	100%	100%	24,787	24,012	100%	100%	24,012
41	36701	Mains - Steel	16,468,840	-	16,468,840	100%	100%	16,468,840	16,307,435	100%	100%	16,307,435
42	36703	Mains - Anodes	47,285	-	47,285	100%	100%	47,285	46,006	100%	100%	46,006
43	36900	Meas. & Reg. Equipment	421,556	-	421,556	100%	100%	421,556	409,059	100%	100%	409,059
44	36901	Meas. & Reg. Equipment	1,988,493	-	1,988,493	100%	100%	1,988,493	1,974,309	100%	100%	1,974,309
45												
46		Total Production Plant - LPG Reserves	$ 19,622,813	$ -	$ 19,622,813			$ 19,622,813	$ 19,429,288			$ 19,429,288
47												
48		Distribution Plant										
49	37400	Land & Land Rights	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
50	37401	Land	-	-	-	100%	100%	-	-	100%	100%	-
51	37402	Land Rights	432,487	-	432,487	100%	100%	432,487	409,513	100%	100%	409,513
52	37403	Land Other	-	-	-	100%	100%	-	-	100%	100%	-
53	37500	Structures & Improvements	136,729	-	136,729	100%	100%	136,729	134,628	100%	100%	134,628
54	37501	Structures & Improvements T.B.	90,527	-	90,527	100%	100%	90,527	89,904	100%	100%	89,904
55	37502	Land Rights	45,584	-	45,584	100%	100%	45,584	45,295	100%	100%	45,295
56	37503	Improvements	3,387	-	3,387	100%	100%	3,387	3,362	100%	100%	3,362
57	37600	Mains Cathodic Protection	1,123,392	-	1,123,392	100%	100%	1,123,392	1,070,548	100%	100%	1,070,548
58	37601	Mains - Steel	24,762,236	-	24,762,236	100%	100%	24,762,236	24,680,054	100%	100%	24,680,054
59	37602	Mains - Plastic	18,189,113	-	18,189,113	100%	100%	18,189,113	16,994,938	100%	100%	16,994,938
60	37603	Mains - Anodes	2,536,610	-	2,536,610	100%	100%	2,536,610	2,528,270	100%	100%	2,528,270
61	37604	Mains - Leak Clamps	7,971,956	-	7,971,956	100%	100%	7,971,956	7,839,709	100%	100%	7,839,709
62	37800	Meas & Reg. Sta. Equip - General	3,098,732	-	3,098,732	100%	100%	3,098,732	2,860,167	100%	100%	2,860,167
63	37900	Meas & Reg. Sta. Equip - City Gate	884,899	-	884,899	100%	100%	884,899	1,007,388	100%	100%	1,007,388
64	37905	Meas & Reg. Sta. Equipment T.b.	1,081,198	-	1,081,198	100%	100%	1,081,198	1,068,826	100%	100%	1,068,826
65	38000	Services	41,982,227	-	41,982,227	100%	100%	41,982,227	43,704,429	100%	100%	43,704,429
66	38100	Meters	18,498,575	-	18,498,575	100%	100%	18,498,575	17,665,566	100%	100%	17,665,566
67	38200	Meter Installaitons	26,810,398	-	26,810,398	100%	100%	26,810,398	26,266,344	100%	100%	26,266,344
68	38300	House Regulators	(8,522,212)	-	(8,522,212)	100%	100%	(8,522,212)	(7,457,932)	100%	100%	(7,457,932)
69	38400	House Reg. Installations	136,649	-	136,649	100%	100%	136,649	133,186	100%	100%	133,186
70	38500	Ind. Meas. & Reg. Sta. Equipment	3,411,257	-	3,411,257	100%	100%	3,411,257	3,374,688	100%	100%	3,374,688
71												
72		Total Distribution Plant Reserves	$ 142,673,745	$ -	$ 142,673,745			$ 142,673,745	$ 142,418,881			$ 142,418,881

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Jurisdictional Accumulated Depreciation & Amortization
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	9/30/2021 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	1,578,713	-	1,578,713	100%	100%	1,578,713	1,470,665	100%	100%	1,470,665
77	39002	39002-Structures - Brick	149,542	-	149,542	100%	100%	149,542	147,387	100%	100%	147,387
78	39003	39003-Improvements	370,088	-	370,088	100%	100%	370,088	361,258	100%	100%	361,258
79	39004	39004-Air Conditioning Equipment	10,365	-	10,365	100%	100%	10,365	10,041	100%	100%	10,041
80	39009	39009-Improv. to Leased Premises	1,246,194	-	1,246,194	100%	100%	1,246,194	1,246,194	100%	100%	1,246,194
81	39100	39100-Office Furniture & Equipment	1,122,254	-	1,122,254	100%	100%	1,122,254	1,078,420	100%	100%	1,078,420
82	39103	Office Machines	-	-	-	100%	100%	-	-	100%	100%	-
83	39200	39200-Transportation Equipment	95,649	-	95,649	100%	100%	95,649	91,138	100%	100%	91,138
84	39202	39202-WKG Trailers	3,307	-	3,307	100%	100%	3,307	3,267	100%	100%	3,267
85	39400	39400-Tools, Shop, & Garage Equip.	1,846,774	-	1,846,774	100%	100%	1,846,774	1,678,849	100%	100%	1,678,849
86	39603	39603-Ditchers	(6,490)	-	(6,490)	100%	100%	(6,490)	(6,490)	100%	100%	(6,490)
87	39604	39604-Backhoes	3,201	-	3,201	100%	100%	3,201	3,201	100%	100%	3,201
88	39605	39605-Welders	-	-	-	100%	100%	-	1,568	100%	100%	1,568
89	39700	39700-Communication Equipment	254,245	-	254,245	100%	100%	254,245	240,060	100%	100%	240,060
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	2,719,604	-	2,719,604	100%	100%	2,719,604	2,622,375	100%	100%	2,622,375
94	39901	Servers Hardware	21,874	-	21,874	100%	100%	21,874	19,315	100%	100%	19,315
95	39902	Servers Software	-	-	-	100%	100%	-	-	100%	100%	-
96	39903	39903-Oth Tang Prop - Network - H/W	98,563	-	98,563	100%	100%	98,563	91,833	100%	100%	91,833
97	39906	39906-Oth Tang Prop - PC Hardware	2,202	-	2,202	100%	100%	2,202	359,771	100%	100%	359,771
98	39907	39907-Oth Tang Prop - PC Software	-	-	-	100%	100%	-	-	100%	100%	-
99	39908	39908-Oth Tang Prop - Appl Software	59,276	-	59,276	100%	100%	59,276	56,543	100%	100%	56,543
100		Retirement Work in Progress	(2,179,656)	-	(2,179,656)	100%	100%	(2,179,656)	(2,144,750)	100%	100%	(2,144,750)
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	$ 7,395,705	$ -	$ 7,395,705			$ 7,395,705	$ 7,330,647			$ 7,330,647
105												
106		Total Depr Reserves (Div 9)	$ 175,590,174	$ -	$ 175,590,174			$ 175,590,174	$ 174,941,930			$ 174,941,930

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Jurisdictional Accumulated Depreciation & Amortization
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	**9/30/2021 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%	50.42%	$ -	$ -	100%	50.42%	$ -
112	30300	Misc Intangible Plant	-	-	-	100%	50.42%	-	-	100%	50.42%	-
113												
114		Total Intangible Plant	$ -	$ -	$ -			$ -	$ -			$ -
115												
116		Distribution Plant										
117	37400	Land & Land Rights	$ -	$ -	$ -	100%	50.42%	$ -	$ -	100%	50.42%	$ -
118	35010	Land	-	-	-	100%	50.42%	-	-	100%	50.42%	-
119	37402	Land Rights	-	-	-	100%	50.42%	-	-	100%	50.42%	-
120	37403	Land Other	-	-	-	100%	50.42%	-	-	100%	50.42%	-
121	36602	Structures & Improvements	-	-	-	100%	50.42%	-	-	100%	50.42%	-
122	37501	Structures & Improvements T.B.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
123	37402	Land Rights	-	-	-	100%	50.42%	-	-	100%	50.42%	-
124	37503	Improvements	-	-	-	100%	50.42%	-	-	100%	50.42%	-
125	36700	Mains Cathodic Protection	-	-	-	100%	50.42%	-	-	100%	50.42%	-
126	36701	Mains - Steel	-	-	-	100%	50.42%	-	-	100%	50.42%	-
127	37602	Mains - Plastic	-	-	-	100%	50.42%	-	-	100%	50.42%	-
128	37800	Meas & Reg. Sta. Equip - General	-	-	-	100%	50.42%	-	-	100%	50.42%	-
129	37900	Meas & Reg. Sta. Equip - City Gate	-	-	-	100%	50.42%	-	-	100%	50.42%	-
130	37905	Meas & Reg. Sta. Equipment T.b.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
131	38000	Services	-	-	-	100%	50.42%	-	-	100%	50.42%	-
132	38100	Meters	-	-	-	100%	50.42%	-	-	100%	50.42%	-
133	38200	Meter Installaitons	-	-	-	100%	50.42%	-	-	100%	50.42%	-
134	38300	House Regulators	-	-	-	100%	50.42%	-	-	100%	50.42%	-
135	38400	House Reg. Installations	-	-	-	100%	50.42%	-	-	100%	50.42%	-
136	38500	Ind. Meas. & Reg. Sta. Equipment	-	-	-	100%	50.42%	-	-	100%	50.42%	-
137	38600	Other Prop. On Cust. Prem	-	-	-	100%	50.42%	-	-	100%	50.42%	-
138												
139		Total Distribution Plant	$ -	$ -	$ -			$ -	$ -			$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Jurisdictional Accumulated Depreciation & Amortization
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	9/30/2021 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		<u>General Plant</u>										
142	39001	39001-Structures - Frame	$ 98,668	-	$ 98,668	100.00%	50.42%	49,748	$ 96,453	100.00%	50.42%	$ 48,631
143	39004	39004-Air Conditioning Equipment	11,863	-	11,863	100%	50.42%	5,982	11,369	100%	50.42%	5,732
144	39009	39009-Improv. to Leased Premises	38,834	-	38,834	100%	50.42%	19,580	38,834	100%	50.42%	19,580
145	39100	39100-Office Furniture & Equipment	2,716	-	2,716	100%	50.42%	1,370	2,971	100%	50.42%	1,498
146	39101	Office Furniture And	-	-	-	100%	50.42%	-	-	100%	50.42%	-
147	39103	Office Machines	-	-	-	100%	50.42%	-	-	100%	50.42%	-
148	39200	39200-Trans Equip- Group	16,796	-	16,796	100%	50.42%	8,469	16,058	100%	50.42%	8,097
149	39300	Stores Equipment	-	-	-	100%	50.42%	-	-	100%	50.42%	-
150	39400	39400-Tools, Shop, & Garage Equip.	46,764	-	46,764	100%	50.42%	23,579	43,818	100%	50.42%	22,093
151	39600	39600-Power Operated Equipment	11,853	-	11,853	100%	50.42%	5,976	11,338	100%	50.42%	5,717
152	39700	39700-Communication Equipment	(22,687)	-	(22,687)	100%	50.42%	(11,439)	(14,226)	100%	50.42%	(7,173)
153	39701	Communication Equip.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
154	39702	Communication Equip.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
155	39800	39800-Miscellaneous Equipment	(127,018)	-	(127,018)	100%	50.42%	(64,043)	(125,980)	100%	50.42%	(63,519)
156	39900	39900-Other Tangible Property	-	-	-	100%	50.42%	-	-	100%	50.42%	-
157	39901	39901-Oth Tang Prop - Servers - H/W	-	-	-	100%	50.42%	-	-	100%	50.42%	-
158	39902	39902-Oth Tang Prop - Servers - S/W	-	-	-	100%	50.42%	-	-	100%	50.42%	-
159	39903	39903-Oth Tang Prop - Network - H/W	7,922	-	7,922	100%	50.42%	3,994	6,509	100%	50.42%	3,282
160	39906	39906-Oth Tang Prop - PC Hardware	0	-	0	100%	50.42%	0	6,425	100%	50.42%	3,240
161	39907	39907-Oth Tang Prop - PC Software	56,992	-	56,992	100%	50.42%	28,736	52,100	100%	50.42%	26,269
162	39908	39908-Oth Tang Prop - Appl Software	237,875	-	237,875	100%	50.42%	119,936	374,175	100%	50.42%	188,659
163		Retirement Work in Progress	52,517			100%	50.42%	-	52,517	100%	50.42%	26,479
164												
165		Total General Plant	$ 433,097	$ -	$ 380,579			$ 191,888	$ 572,362			$ 288,585
166												
167		Total Depr Reserves (Div 91)	$ 433,097	$ -	$ 380,579			$ 191,888	$ 572,362			$ 288,585

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Jurisdictional Accumulated Depreciation & Amortization
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	**9/30/2021 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
168												
169	**Shared Services General Office (Division 002)**											
170												
171		General Plant										
172	39000	39000-Structures & Improvements	$ 828,285	-	$ 828,285	9.86%	50.42%	41,177	$ 727,669	9.86%	50.42%	$ 36,175
173	39005	39005-G-Structures & Improvements	4,522,302	-	4,522,302	100.00%	1.56%	70,529	4,383,354	100.00%	1.56%	68,362
174	39009	39009-Improv. to Leased Premises	9,607,572	-	9,607,572	9.86%	50.42%	477,632	9,438,805	9.86%	50.42%	469,242
175	39020	Struct & Improv AEAM	221	-	221	100.00%	6.11%	13	188	100.00%	6.11%	12
176	39029	Improv-Leased AEAM	3,008	-	3,008	100.00%	6.11%	184	2,465	100.00%	6.11%	151
177	39100	39100-Office Furniture & Equipment	2,597,047	-	2,597,047	9.86%	50.42%	129,110	2,473,686	9.86%	50.42%	122,977
178	39102	39102-Remittance Processing Equipment	1	-	1	9.86%	50.42%	0	1	9.86%	50.42%	0
179	39103	39103-Office Furn. - Copiers & Type	0	-	0	9.86%	50.42%	0	0	9.86%	50.42%	0
180	39104	39104-G-Office Furniture & Equip.	40,706	-	40,706	100.00%	1.56%	635	39,298	100.00%	1.56%	613
181	39120	Off Furn & Equip-AEAM	136,394	-	136,394	100.00%	6.11%	8,329	131,157	100.00%	6.11%	8,009
182	39200	39200-Transportation Equipment	73,054	-	73,054	9.86%	50.42%	3,632	56,099	9.86%	50.42%	2,789
183	39300	39300-Stores Equipment	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
184	39400	39400-Tools, Shop, & Garage Equip.	51,981	-	51,981	9.86%	50.42%	2,584	48,820	9.86%	50.42%	2,427
185	39420	Tools And Garage-AEAM	388	-	388	100.00%	6.11%	24	388	100.00%	6.11%	24
186	39500	39500-Laboratory Equipment	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
187	39700	39700-Communication Equipment	7,426	-	7,426	9.86%	50.42%	369	(3,842)	9.86%	50.42%	(191)
188	39720	Commun Equip AEAM	5,396	-	5,396	100.00%	6.11%	329	5,140	100.00%	6.11%	314
189	39800	39800-Miscellaneous Equipment	60,678	-	60,678	9.86%	50.42%	3,017	57,464	9.86%	50.42%	2,857
190	39820	Misc Equip - AEAM	1,591	-	1,591	100.00%	6.11%	97	1,420	100.00%	6.11%	87
191	39900	39900-Other Tangible Equipm	(0)	-	(0)	9.86%	50.42%	(0)	(0)	9.86%	50.42%	(0)
192	39901	39901-Oth Tang Prop - Servers - H/W	2,399,976	-	2,399,976	100.00%	50.42%	1,210,068	1,079,760	100.00%	50.42%	544,415
193	39902	39902-Oth Tang Prop - Servers - S/W	7,793,994	-	7,793,994	9.86%	50.42%	387,472	7,461,595	9.86%	50.42%	370,947
194	39903	39903-Oth Tang Prop - Network - H/W	1,038,275	-	1,038,275	9.86%	50.42%	51,617	899,517	9.86%	50.42%	44,719
195	39904	39904-Oth Tang Prop - CPU	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
196	39905	39905-Oth Tang Prop - MF Hardware	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
197	39906	39906-Oth Tang Prop - PC Hardware	9,889	-	9,889	9.86%	50.42%	492	(156,906)	9.86%	50.42%	(7,800)
198	39907	39907-Oth Tang Prop - PC Software	214,677	-	214,677	9.86%	50.42%	10,672	175,385	9.86%	50.42%	8,719
199	39908	39908-Oth Tang Prop - Appl Software	42,967,424	-	42,967,424	9.86%	50.42%	2,136,088	40,121,619	9.86%	50.42%	1,994,611
200	39909	39909-Oth Tang Prop - Mainframe S/W	-	-	-	9.86%	50.42%	-	1,894	9.86%	50.42%	94
201	39921	Servers-Hardware-AEAM	665,338	-	665,338	100.00%	6.11%	40,628	598,154	100.00%	6.11%	36,525
202	39922	Servers-Software-AEAM	1,299,510	-	1,299,510	100.00%	6.11%	79,353	1,027,744	100.00%	6.11%	62,758
203	39923	Network Hardware-AEAM	26,303	-	26,303	100.00%	6.11%	1,606	17,235	100.00%	6.11%	1,052
204	39924	39924-Oth Tang Prop - Gen.	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
205	39926	Pc Hardware-AEAM	154,259	-	154,259	100.00%	6.11%	9,420	137,305	100.00%	6.11%	8,384
206	39928	Application SW-AEAM	15,787,888	-	15,787,888	100.00%	6.11%	964,066	14,944,128	100.00%	6.11%	912,543
207	39931	ALGN-Servers-Hardware	145,163	-	145,163	100.00%	4.64%	6,731	131,056	100.00%	4.64%	6,077
208	39932	ALGN-Servers-Software	207,892	-	207,892	100.00%	4.64%	9,640	172,782	100.00%	4.64%	8,012
209	39938	ALGN-Application SW	7,622,317	-	7,622,317	100.00%	4.64%	353,452	6,956,771	100.00%	4.64%	
210		Retirement Work in Progress	-	-	-	9.86%	50.42%	-	-	100.00%	50.42%	-
211												
212		Total Depr Reserves (Div 2)	$ 98,268,953	$ -	$ 98,268,953			$ 5,998,965	$ 90,930,152			$ 4,704,903
213												

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Jurisdictional Accumulated Depreciation & Amortization
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	**9/30/2021 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	$ -	$ -	$ -	11.02%	50.43%	$ -	$ -	11.02%	50.43%	$ -
218	38910	38910-CKV-Land & Land Rights	-	-	-	100.00%	2.48%	-	-	100.00%	2.48%	-
219	39000	39000-Structures & Improvements	3,165,476	-	3,165,476	11.02%	50.43%	175,918	2,962,991	11.02%	50.43%	164,665
220	39009	39009-Improv. to Leased Premises	1,994,629	-	1,994,629	11.02%	50.43%	110,849	1,946,614	11.02%	50.43%	108,181
221	39010	39010-CKV-Structures & Improvements	4,078,546	-	4,078,546	100.00%	2.48%	101,102	3,884,959	100.00%	2.48%	96,303
222	39100	39100-Office Furniture & Equipment	1,158,556	-	1,158,556	11.02%	50.43%	64,385	1,106,063	11.02%	50.43%	61,468
223	39101	Office Furniture And	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
224	39102	Remittance Processing	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
225	39103	39103-Office Furn. - Copiers & Type	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
226	39110	CKV-Office Furn & Eq	107,023	-	107,023	100.00%	2.48%	2,653	96,404	100.00%	2.48%	2,390
227	39210	CKV-Transportation Eq	96,687	-	96,687	100.00%	2.48%	2,397	96,244	100.00%	2.48%	2,386
228	39410	CKV-Tools Shop Garage	241,880	-	241,880	100.00%	2.48%	5,996	216,594	100.00%	2.48%	5,369
229	39510	CKV-Laboratory Equip	22,978	-	22,978	100.00%	2.48%	570	21,819	100.00%	2.48%	541
230	39700	39700-Communication Equipment	1,385,392	-	1,385,392	11.02%	50.43%	76,992	1,329,993	11.02%	50.43%	73,913
231	39710	39710-CKV-Communication Equipment	208,281	-	208,281	100.00%	2.48%	5,163	198,808	100.00%	2.48%	4,928
232	39800	39800-Miscellaneous Equipment	19,249	-	19,249	11.02%	50.43%	1,070	17,599	11.02%	50.43%	978
233	39810	CKV-Misc Equipment	182,954	-	182,954	100.00%	2.48%	4,535	170,775	100.00%	2.48%	4,233
234	39900	39900-Other Tangible Property	(154,265)	-	(154,265)	11.02%	50.43%	(8,573)	(154,265)	11.02%	50.43%	(8,573)
235	39901	39901-Oth Tang Prop - Servers - H/W	6,627,886	-	6,627,886	11.02%	50.43%	368,337	6,163,506	11.02%	50.43%	342,530
236	39902	39902-Oth Tang Prop - Servers - S/W	1,761,229	-	1,761,229	11.02%	50.43%	97,878	1,663,107	11.02%	50.43%	92,425
237	39903	39903-Oth Tang Prop - Network - H/W	190,862	-	190,862	11.02%	50.43%	10,607	178,484	11.02%	50.43%	9,919
238	39906	39906-Oth Tang Prop - PC Hardware	(147,067)	-	(147,067)	11.02%	50.43%	(8,173)	(187,460)	11.02%	50.43%	(10,418)
239	39907	39907-Oth Tang Prop - PC Software	(57,199)	-	(57,199)	11.02%	50.43%	(3,179)	(57,199)	11.02%	50.43%	(3,179)
240	39908	39908-Oth Tang Prop - Appl Software	48,829,188	-	48,829,188	11.02%	50.43%	2,713,626	45,635,047	11.02%	50.43%	2,536,116
241	39910	39910-CKV-Other Tangible Property	206,003	-	206,003	100.00%	2.48%	5,107	186,069	100.00%	2.48%	4,612
242	39916	39916-CKV-Oth Tang Prop-PC Hardware	52,975	-	52,975	100.00%	2.48%	1,313	49,348	100.00%	2.48%	1,223
243	39917	39917-CKV-Oth Tang Prop-PC Software	(27,685)	-	(27,685)	100.00%	2.48%	(686)	(27,794)	100.00%	2.48%	(689)
244	39918	CKV-Oth Tang Prop-App	(9,966)	-	(9,966)	100.00%	2.48%	(247)	(9,966)	100.00%	2.48%	(247)
245	39924	Oth Tang Prop - Gen.	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
246		RWIP	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
247												
248		Total Depr Reserves (Div 12)	$ 69,933,611	$ -	$ 69,933,611			$ 3,727,640	$ 65,487,740			$ 3,489,075
249												
250		Total Accumulated Depreciation & Amortization (Div 009, 091, 002, 012)	$ 344,225,835	$ -	$ 344,173,318			$ 185,508,667	$ 331,932,184			$ 183,424,493

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Jurisdictional Accumulated Depreciation & Amortization
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2022 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	4,141	-	4,141	100%	100%	4,141	4,125	100%	100%	4,125
17	35100	Structures and Improvements	7,103	-	7,103	100%	100%	7,103	6,956	100%	100%	6,956
18	35102	Compression Station Equipment	115,215	-	115,215	100%	100%	115,215	114,165	100%	100%	114,165
19	35103	Meas. & Reg. Sta. Structues	20,367	-	20,367	100%	100%	20,367	20,239	100%	100%	20,239
20	35104	Other Structures	101,972	-	101,972	100%	100%	101,972	101,024	100%	100%	101,024
21	35200	Wells \ Rights of Way	1,942,548	-	1,942,548	100%	100%	1,942,548	1,855,804	100%	100%	1,855,804
22	35201	Well Construction	1,450,062	-	1,450,062	100%	100%	1,450,062	1,436,462	100%	100%	1,436,462
23	35202	Well Equipment	449,391	-	449,391	100%	100%	449,391	449,391	100%	100%	449,391
24	35203	Cushion Gas	643,650	-	643,650	100%	100%	643,650	631,786	100%	100%	631,786
25	35210	Leaseholds	164,741	-	164,741	100%	100%	164,741	164,241	100%	100%	164,241
26	35211	Storage Rights	43,809	-	43,809	100%	100%	43,809	43,530	100%	100%	43,530
27	35301	Field Lines	102,777	-	102,777	100%	100%	102,777	101,673	100%	100%	101,673
28	35302	Tributary Lines	152,657	-	152,657	100%	100%	152,657	151,339	100%	100%	151,339
29	35400	Compressor Station Equipment	513,529	-	513,529	100%	100%	513,529	505,634	100%	100%	505,634
30	35500	Meas & Reg. Equipment	160,498	-	160,498	100%	100%	160,498	157,945	100%	100%	157,945
31	35600	Purification Equipment	240,461	-	240,461	100%	100%	240,461	230,099	100%	100%	230,099
32												
33		Total Storage Plant Reserves	$ 6,112,922	$ -	$ 6,112,922			$ 6,112,922	$ 5,974,413			$ 5,974,413

Atmos Energy Corporation, Kentucky/Mid-States Division
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Jurisdictional Accumulated Depreciation & Amortization
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	**12/31/2022 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	591,850	-	591,850	100%	100%	591,850	588,162	100%	100%	588,162
38	36602	Structures & Improvements	24,139	-	24,139	100%	100%	24,139	23,862	100%	100%	23,862
39	36603	Other Structues	65,485	-	65,485	100%	100%	65,485	65,485	100%	100%	65,485
40	36700	Mains Cathodic Protection	26,653	-	26,653	100%	100%	26,653	25,914	100%	100%	25,914
41	36701	Mains - Steel	16,933,574	-	16,933,574	100%	100%	16,933,574	16,741,558	100%	100%	16,741,558
42	36703	Mains - Anodes	50,484	-	50,484	100%	100%	50,484	49,204	100%	100%	49,204
43	36900	Meas. & Reg. Equipment	463,597	-	463,597	100%	100%	463,597	445,701	100%	100%	445,701
44	36901	Meas. & Reg. Equipment	2,036,209	-	2,036,209	100%	100%	2,036,209	2,015,897	100%	100%	2,015,897
45												
46		Total Production Plant - LPG Reserves	$ 20,191,990	$ -	$ 20,191,990			$ 20,191,990	$ 19,955,783			$ 19,955,783
47												
48		Distribution Plant										
49	37400	Land & Land Rights	$ -	$ -	$ -	100%	100%	$ -	$ -	100%	100%	$ -
50	37401	Land	-	-	-	100%	100%	-	-	100%	100%	-
51	37402	Land Rights	490,635	-	490,635	100%	100%	490,635	467,305	100%	100%	467,305
52	37403	Land Other	-	-	-	100%	100%	-	-	100%	100%	-
53	37500	Structures & Improvements	142,620	-	142,620	100%	100%	142,620	140,200	100%	100%	140,200
54	37501	Structures & Improvements T.B.	92,277	-	92,277	100%	100%	92,277	91,558	100%	100%	91,558
55	37502	Land Rights	46,283	-	46,283	100%	100%	46,283	46,049	100%	100%	46,049
56	37503	Improvements	3,457	-	3,457	100%	100%	3,457	3,428	100%	100%	3,428
57	37600	Mains Cathodic Protection	1,315,310	-	1,315,310	100%	100%	1,315,310	1,232,143	100%	100%	1,232,143
58	37601	Mains - Steel	25,277,576	-	25,277,576	100%	100%	25,277,576	24,831,671	100%	100%	24,831,671
59	37602	Mains - Plastic	21,837,909	-	21,837,909	100%	100%	21,837,909	20,292,485	100%	100%	20,292,485
60	37603	Mains - Anodes	2,568,474	-	2,568,474	100%	100%	2,568,474	2,541,355	100%	100%	2,541,355
61	37604	Mains - Leak Clamps	8,632,676	-	8,632,676	100%	100%	8,632,676	8,368,388	100%	100%	8,368,388
62	37800	Meas & Reg. Sta. Equip - General	3,734,648	-	3,734,648	100%	100%	3,734,648	3,476,302	100%	100%	3,476,302
63	37900	Meas & Reg. Sta. Equip - City Gate	550,386	-	550,386	100%	100%	550,386	655,016	100%	100%	655,016
64	37905	Meas & Reg. Sta. Equipment T.b.	1,116,106	-	1,116,106	100%	100%	1,116,106	1,101,135	100%	100%	1,101,135
65	38000	Services	38,254,847	-	38,254,847	100%	100%	38,254,847	39,052,235	100%	100%	39,052,235
66	38100	Meters	20,868,695	-	20,868,695	100%	100%	20,868,695	19,847,641	100%	100%	19,847,641
67	38200	Meter Installaitons	28,526,829	-	28,526,829	100%	100%	28,526,829	27,765,269	100%	100%	27,765,269
68	38300	House Regulators	(11,117,959)	-	(11,117,959)	100%	100%	(11,117,959)	(10,249,940)	100%	100%	(10,249,940)
69	38400	House Reg. Installations	149,605	-	149,605	100%	100%	149,605	143,956	100%	100%	143,956
70	38500	Ind. Meas. & Reg. Sta. Equipment	3,520,930	-	3,520,930	100%	100%	3,520,930	3,475,216	100%	100%	3,475,216
71												
72		Total Distribution Plant Reserves	$ 146,011,306	$ -	$ 146,011,306			$ 146,011,306	$ 143,281,412			$ 143,281,412

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Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2022 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	1,857,737	-	1,857,737	100%	100%	1,857,737	1,745,164	100%	100%	1,745,164
77	39002	39002-Structures - Brick	154,826	-	154,826	100%	100%	154,826	152,723	100%	100%	152,723
78	39003	39003-Improvements	391,736	-	391,736	100%	100%	391,736	383,119	100%	100%	383,119
79	39004	39004-Air Conditioning Equipment	11,081	-	11,081	100%	100%	11,081	10,804	100%	100%	10,804
80	39009	39009-Improv. to Leased Premises	1,246,194	-	1,246,194	100%	100%	1,246,194	1,246,194	100%	100%	1,246,194
81	39100	39100-Office Furniture & Equipment	1,231,840	-	1,231,840	100%	100%	1,231,840	1,188,006	100%	100%	1,188,006
82	39103	Office Machines	-	-	-	100%	100%	-	-	100%	100%	-
83	39200	39200-Transportation Equipment	106,447	-	106,447	100%	100%	106,447	102,176	100%	100%	102,176
84	39202	39202-WKG Trailers	4,829	-	4,829	100%	100%	4,829	4,227	100%	100%	4,227
85	39400	39400-Tools, Shop, & Garage Equip.	2,448,054	-	2,448,054	100%	100%	2,448,054	2,184,300	100%	100%	2,184,300
86	39603	39603-Ditchers	(6,490)	-	(6,490)	100%	100%	(6,490)	(6,490)	100%	100%	(6,490)
87	39604	39604-Backhoes	3,201	-	3,201	100%	100%	3,201	3,201	100%	100%	3,201
88	39605	39605-Welders	-	-	-	100%	100%	-	-	100%	100%	-
89	39700	39700-Communication Equipment	289,706	-	289,706	100%	100%	289,706	275,522	100%	100%	275,522
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	3,027,622	-	3,027,622	100%	100%	3,027,622	2,897,920	100%	100%	2,897,920
94	39901	Servers Hardware	28,272	-	28,272	100%	100%	28,272	25,713	100%	100%	25,713
95	39902	Servers Software	-	-	-	100%	100%	-	-	100%	100%	-
96	39903	39903-Oth Tang Prop - Network - H/W	121,162	-	121,162	100%	100%	121,162	111,545	100%	100%	111,545
97	39906	39906-Oth Tang Prop - PC Hardware	(956,445)	-	(956,445)	100%	100%	(956,445)	(618,423)	100%	100%	(618,423)
98	39907	39907-Oth Tang Prop - PC Software	-	-	-	100%	100%	-	-	100%	100%	-
99	39908	39908-Oth Tang Prop - Appl Software	65,652	-	65,652	100%	100%	65,652	63,339	100%	100%	63,339
100		Retirement Work in Progress	(2,179,656)	-	(2,179,656)	100%	100%	(2,179,656)	(2,179,656)	100%	100%	(2,179,656)
		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	$ 7,845,769	$ -	$ 7,845,769			$ 7,845,769	$ 7,589,384			$ 7,589,384
104												
105		Total Depr Reserves (Div 9)	$ 180,290,169	$ -	$ 180,290,169			$ 180,290,169	$ 176,929,174			$ 176,929,174
106												
107												

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Workpaper Reference No(s).

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Line No.	Acct. No.	Account / SubAccount Titles	12/31/2022 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
108												
109		**Kentucky-Mid-States General Office (Division 091)**										
110												
111		Intangible Plant										
112	30100	Organization	$ -	$ -	$ -	100%	50.42%	$ -	$ -	100%	50.42%	$ -
113	30300	Misc Intangible Plant	-	-	-	100%	50.42%	-	-	100%	50.42%	-
114												
115		Total Intangible Plant	$ -	$ -	$ -			$ -	$ -			$ -
116												
117		Distribution Plant										
118	37400	Land & Land Rights	$ -	$ -	$ -	100%	50.42%	$ -	$ -	100%	50.42%	$ -
119	35010	Land	-	-	-	100%	50.42%	-	-	100%	50.42%	-
120	37402	Land Rights	-	-	-	100%	50.42%	-	-	100%	50.42%	-
121	37403	Land Other	-	-	-	100%	50.42%	-	-	100%	50.42%	-
122	36602	Structures & Improvements	-	-	-	100%	50.42%	-	-	100%	50.42%	-
123	37501	Structures & Improvements T.B.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
124	37402	Land Rights	-	-	-	100%	50.42%	-	-	100%	50.42%	-
125	37503	Improvements	-	-	-	100%	50.42%	-	-	100%	50.42%	-
126	36700	Mains Cathodic Protection	-	-	-	100%	50.42%	-	-	100%	50.42%	-
127	36701	Mains - Steel	-	-	-	100%	50.42%	-	-	100%	50.42%	-
128	37602	Mains - Plastic	-	-	-	100%	50.42%	-	-	100%	50.42%	-
129	37800	Meas & Reg. Sta. Equip - General	-	-	-	100%	50.42%	-	-	100%	50.42%	-
130	37900	Meas & Reg. Sta. Equip - City Gate	-	-	-	100%	50.42%	-	-	100%	50.42%	-
131	37905	Meas & Reg. Sta. Equipment T.b.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
132	38000	Services	-	-	-	100%	50.42%	-	-	100%	50.42%	-
133	38100	Meters	-	-	-	100%	50.42%	-	-	100%	50.42%	-
134	38200	Meter Installaitons	-	-	-	100%	50.42%	-	-	100%	50.42%	-
135	38300	House Regulators	-	-	-	100%	50.42%	-	-	100%	50.42%	-
136	38400	House Reg. Installations	-	-	-	100%	50.42%	-	-	100%	50.42%	-
137	38500	Ind. Meas. & Reg. Sta. Equipment	-	-	-	100%	50.42%	-	-	100%	50.42%	-
138	38600	Other Prop. On Cust. Prem	-	-	-	100%	50.42%	-	-	100%	50.42%	-
139												
140		Total Distribution Plant	$ -	$ -	$ -			$ -	$ -			$ -

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Line No.	Acct. No.	Account / SubAccount Titles	12/31/2022 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
141												
142		General Plant										
143	39001	39001-Structures - Frame	$ 104,205	$ -	$ 104,205	100.00%	50.42%	$ 52,540	$ 101,990	100.00%	50.42%	$ 51,423
144	39004	39004-Air Conditioning Equipment	13,100	-	13,100	100%	50.42%	6,605	12,605	100%	50.42%	6,356
145	39009	39009-Improv. to Leased Premises	38,834	-	38,834	100%	50.42%	19,580	38,834	100%	50.42%	19,580
146	39100	39100-Office Furniture & Equipment	4,399	-	4,399	100%	50.42%	2,218	3,726	100%	50.42%	1,879
147	39101	Office Furniture And	-	-	-	100%	50.42%	-	-	100%	50.42%	-
148	39103	Office Machines	-	-	-	100%	50.42%	-	-	100%	50.42%	-
149	39200	39200-Trans Equip- Group	18,641	-	18,641	100%	50.42%	9,399	17,903	100%	50.42%	9,027
150	39300	Stores Equipment	-	-	-	100%	50.42%	-	-	100%	50.42%	-
151	39400	39400-Tools, Shop, & Garage Equip.	55,701	-	55,701	100%	50.42%	28,085	51,968	100%	50.42%	26,202
152	39600	39600-Power Operated Equipment	13,141	-	13,141	100%	50.42%	6,625	12,626	100%	50.42%	6,366
153	39700	39700-Communication Equipment	(22,687)	-	(22,687)	100%	50.42%	(11,439)	(22,687)	100%	50.42%	(11,439)
154	39701	Communication Equip.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
155	39702	Communication Equip.	-	-	-	100%	50.42%	-	-	100%	50.42%	-
156	39800	39800-Miscellaneous Equipment	(127,018)	-	(127,018)	100%	50.42%	(64,043)	(127,018)	100%	50.42%	(64,043)
157	39900	39900-Other Tangible Property	-	-	-	100%	50.42%	-	-	100%	50.42%	-
158	39901	39901-Oth Tang Prop - Servers - H/W	-	-	-	100%	50.42%	-	-	100%	50.42%	-
159	39902	39902-Oth Tang Prop - Servers - S/W	-	-	-	100%	50.42%	-	-	100%	50.42%	-
160	39903	39903-Oth Tang Prop - Network - H/W	11,456	-	11,456	100%	50.42%	5,776	10,042	100%	50.42%	5,063
161	39906	39906-Oth Tang Prop - PC Hardware	0	-	0	100%	50.42%	0	0	100%	50.42%	0
162	39907	39907-Oth Tang Prop - PC Software	69,222	-	69,222	100%	50.42%	34,902	64,330	100%	50.42%	32,435
163	39908	39908-Oth Tang Prop - Appl Software	237,875	-	237,875	100%	50.42%	119,936	237,875	100%	50.42%	119,936
164		Retirement Work in Progress	52,517		52,517	100%	50.42%	26,479	52,517	100%	50.42%	26,479
165												
166		Total General Plant	$ 469,386	$ -	$ 469,386			$ 236,664	$ 454,712			$ 229,266
167												
168		Total Depr Reserves (Div 91)	$ 469,386	$ -	$ 469,386			$ 236,664	$ 454,712			$ 229,266

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Line No.	Acct. No.	Account / SubAccount Titles	12/31/2022 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
169												
170		**Shared Services General Office (Division 002)**										
171												
172		General Plant										
173	39000	39000-Structures & Improvements	$ 1,219,885	$ -	$ 1,219,885	9.86%	50.42%	60,646	$ 1,048,465	9.86%	50.42%	$ 52,124
174	39005	39005-G-Structures & Improvements	4,867,968	-	4,867,968	100.00%	1.56%	75,920	4,729,701	100.00%	1.56%	73,763
175	39009	39009-Improv. to Leased Premises	9,874,986	-	9,874,986	9.86%	50.42%	490,926	9,817,389	9.86%	50.42%	488,063
176	39020	Struct & Improv AEAM	301	-	301	100.00%	6.11%	18	269	100.00%	6.11%	16
177	39029	Improv-Leased AEAM	4,300	-	4,300	100.00%	6.11%	263	3,783	100.00%	6.11%	231
178	39100	39100-Office Furniture & Equipment	2,945,456	-	2,945,456	9.86%	50.42%	146,431	2,801,840	9.86%	50.42%	139,291
179	39102	39102-Remittance Processing Equipment	1	-	1	9.86%	50.42%	0	1	9.86%	50.42%	0
180	39103	39103-Office Furn. - Copiers & Type	0	-	0	9.86%	50.42%	0	0	9.86%	50.42%	0
181	39104	39104-G-Office Furniture & Equip.	44,222	-	44,222	100.00%	1.56%	690	42,815	100.00%	1.56%	668
182	39120	Off Furn & Equip-AEAM	149,429	-	149,429	100.00%	6.11%	9,125	144,215	100.00%	6.11%	8,806
183	39200	39200-Transportation Equipment	106,971	-	106,971	9.86%	50.42%	5,318	93,313	9.86%	50.42%	4,639
184	39300	39300-Stores Equipment	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
185	39400	39400-Tools, Shop, & Garage Equip.	59,940	-	59,940	9.86%	50.42%	2,980	56,756	9.86%	50.42%	2,822
186	39420	Tools And Garage-AEAM	388	-	388	100.00%	6.11%	24	388	100.00%	6.11%	24
187	39500	39500-Laboratory Equipment	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
188	39700	39700-Communication Equipment	40,113	-	40,113	9.86%	50.42%	1,994	26,599	9.86%	50.42%	1,322
189	39720	Commun Equip AEAM	6,118	-	6,118	100.00%	6.11%	374	5,821	100.00%	6.11%	355
190	39800	39800-Miscellaneous Equipment	72,367	-	72,367	9.86%	50.42%	3,598	67,425	9.86%	50.42%	3,352
191	39820	Misc Equip - AEAM	2,224	-	2,224	100.00%	6.11%	136	1,956	100.00%	6.11%	119
192	39900	39900-Other Tangible Equipm	(0)	-	(0)	9.86%	50.42%	(0)	(0)	9.86%	50.42%	(0)
193	39901	39901-Oth Tang Prop - Servers - H/W	9,230,682	-	9,230,682	9.86%	50.42%	458,895	6,106,646	9.86%	50.42%	303,587
194	39902	39902-Oth Tang Prop - Servers - S/W	8,408,447	-	8,408,447	9.86%	50.42%	418,019	8,177,291	9.86%	50.42%	406,527
195	39903	39903-Oth Tang Prop - Network - H/W	1,505,786	-	1,505,786	9.86%	50.42%	74,859	1,305,268	9.86%	50.42%	64,890
196	39904	39904-Oth Tang Prop - CPU	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
197	39905	39905-Oth Tang Prop - MF Hardware	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
198	39906	39906-Oth Tang Prop - PC Hardware	1,055,081	-	1,055,081	9.86%	50.42%	52,452	563,728	9.86%	50.42%	28,025
199	39907	39907-Oth Tang Prop - PC Software	361,359	-	361,359	9.86%	50.42%	17,965	297,815	9.86%	50.42%	14,806
200	39908	39908-Oth Tang Prop - Appl Software	52,245,948	-	52,245,948	9.86%	50.42%	2,597,361	48,303,548	9.86%	50.42%	2,401,368
201	39909	39909-Oth Tang Prop - Mainframe S/W	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
202	39921	Servers-Hardware-AEAM	987,970	-	987,970	100.00%	6.11%	60,329	841,626	100.00%	6.11%	51,393
203	39922	Servers-Software-AEAM	2,558,740	-	2,558,740	100.00%	6.11%	156,246	1,990,991	100.00%	6.11%	121,577
204	39923	Network Hardware-AEAM	103,778	-	103,778	100.00%	6.11%	6,337	66,161	100.00%	6.11%	4,040
205	39924	39924-Oth Tang Prop - Gen.	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
206	39926	Pc Hardware-AEAM	222,723	-	222,723	100.00%	6.11%	13,600	192,861	100.00%	6.11%	11,777
207	39928	Application SW-AEAM	18,650,579	-	18,650,579	100.00%	6.11%	1,138,873	17,424,609	100.00%	6.11%	1,064,011
208	39931	ALGN-Servers-Hardware	191,745	-	191,745	100.00%	4.64%	8,891	171,977	100.00%	4.64%	7,975
209	39932	ALGN-Servers-Software	308,723	-	308,723	100.00%	4.64%	14,316	267,058	100.00%	4.64%	12,384
210	39938	ALGN-Application SW	9,590,072	-	9,590,072	100.00%	4.64%	444,698	8,771,187	100.00%	4.64%	406,726
211		Retirement Work in Progress	-	-	-	9.86%	50.42%	-	-	9.86%	50.42%	-
212												
213		Total Depr Reserves (Div 2)	$ 124,816,300	$ -	$ 124,816,300			$ 6,261,282	$ 113,321,504			$ 5,674,680

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Jurisdictional Accumulated Depreciation & Amortization
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12/31/2022 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	$ -	$ -	$ -	11.02%	50.43%	$ -	$ -	11.02%	50.43%	$ -
219	38910	38910-CKV-Land & Land Rights	-	-	-	100.00%	2.48%	-	-	100.00%	2.48%	-
220	39000	39000-Structures & Improvements	3,581,470	-	3,581,470	11.02%	50.43%	199,036	3,423,208	11.02%	50.43%	190,241
221	39009	39009-Improv. to Leased Premises	2,162,244	-	2,162,244	11.02%	50.43%	120,164	2,089,896	11.02%	50.43%	116,144
222	39010	39010-CKV-Structures & Improvements	4,472,070	-	4,472,070	100.00%	2.48%	110,857	4,322,575	100.00%	2.48%	107,151
223	39100	39100-Office Furniture & Equipment	1,359,004	-	1,359,004	11.02%	50.43%	75,525	1,271,853	11.02%	50.43%	70,682
224	39101	Office Furniture And	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
225	39102	Remittance Processing	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
226	39103	39103-Office Furn. - Copiers & Type	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
227	39110	CKV-Office Furn & Eq	147,558	-	147,558	100.00%	2.48%	3,658	129,934	100.00%	2.48%	3,221
228	39210	CKV-Transportation Eq	96,687	-	96,687	100.00%	2.48%	2,397	96,687	100.00%	2.48%	2,397
229	39410	CKV-Tools Shop Garage	332,001	-	332,001	100.00%	2.48%	8,230	293,171	100.00%	2.48%	7,267
230	39510	CKV-Laboratory Equip	23,762	-	23,762	100.00%	2.48%	589	23,748	100.00%	2.48%	589
231	39700	39700-Communication Equipment	1,541,933	-	1,541,933	11.02%	50.43%	85,691	1,477,652	11.02%	50.43%	82,119
232	39710	39710-CKV-Communication Equipment	235,112	-	235,112	100.00%	2.48%	5,828	224,094	100.00%	2.48%	5,555
233	39800	39800-Miscellaneous Equipment	25,360	-	25,360	11.02%	50.43%	1,409	22,776	11.02%	50.43%	1,266
234	39810	CKV-Misc Equipment	229,654	-	229,654	100.00%	2.48%	5,693	209,910	100.00%	2.48%	5,203
235	39900	39900-Other Tangible Property	(154,265)	-	(154,265)	11.02%	50.43%	(8,573)	(154,265)	11.02%	50.43%	(8,573)
236	39901	39901-Oth Tang Prop - Servers - H/W	8,219,168	-	8,219,168	11.02%	50.43%	456,771	7,541,175	11.02%	50.43%	419,092
237	39902	39902-Oth Tang Prop - Servers - S/W	2,045,322	-	2,045,322	11.02%	50.43%	113,666	1,927,930	11.02%	50.43%	107,143
238	39903	39903-Oth Tang Prop - Network - H/W	231,728	-	231,728	11.02%	50.43%	12,878	214,249	11.02%	50.43%	11,907
239	39906	39906-Oth Tang Prop - PC Hardware	123,090	-	123,090	11.02%	50.43%	6,841	(4,668)	11.02%	50.43%	(259)
240	39907	39907-Oth Tang Prop - PC Software	(57,199)	-	(57,199)	11.02%	50.43%	(3,179)	(57,199)	11.02%	50.43%	(3,179)
241	39908	39908-Oth Tang Prop - Appl Software	57,941,104	-	57,941,104	11.02%	50.43%	3,220,011	54,182,313	11.02%	50.43%	3,011,120
242	39910	39910-CKV-Other Tangible Property	260,880	-	260,880	100.00%	2.48%	6,467	238,357	100.00%	2.48%	5,909
243	39916	39916-CKV-Oth Tang Prop-PC Hardware	67,839	-	67,839	100.00%	2.48%	1,682	61,356	100.00%	2.48%	1,521
244	39917	39917-CKV-Oth Tang Prop-PC Software	(27,276)	-	(27,276)	100.00%	2.48%	(676)	(27,453)	100.00%	2.48%	(681)
245	39918	CKV-Oth Tang Prop-App	(9,966)	-	(9,966)	100.00%	2.48%	(247)	(9,966)	100.00%	2.48%	(247)
246	39924	Oth Tang Prop - Gen.	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
247		Retirement Work in Progress	-	-	-	11.02%	50.43%	-	-	11.02%	50.43%	-
248												
249		Total Depr Reserves (Div 12)	$ 82,847,280	$ -	$ 82,847,280			$ 4,424,718	$ 77,497,334			$ 4,135,587
250												
251		Total Accumulated Depreciation & Amortization (Div 009, 091, 002, 012)	$ 388,423,136	$ -	$ 388,423,136			$ 191,212,833	$ 368,202,724			$ 186,968,707

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Depreciation Expense
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12 Months Ending 12/31/2022	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	32	100.00%	100%	100%	32
17	35100	Structures and Improvements	294	100.00%	100%	100%	294
18	35102	Compression Station Equipment	2,100	100.00%	100%	100%	2,100
19	35103	Meas. & Reg. Sta. Structues	255	100.00%	100%	100%	255
20	35104	Other Structures	1,897	100.00%	100%	100%	1,897
21	35200	Wells \ Rights of Way	173,488	100.00%	100%	100%	173,488
22	35201	Well Construction	27,200	100.00%	100%	100%	27,200
23	35202	Well Equipment	-	100.00%	100%	100%	-
24	35203	Cushion Gas	23,728	100.00%	100%	100%	23,728
25	35210	Leaseholds	1,000	100.00%	100%	100%	1,000
26	35211	Storage Rights	557	100.00%	100%	100%	557
27	35301	Field Lines	2,209	100.00%	100%	100%	2,209
28	35302	Tributary Lines	2,637	100.00%	100%	100%	2,637
29	35400	Compressor Station Equipment	15,791	100.00%	100%	100%	15,791
30	35500	Meas & Reg. Equipment	5,107	100.00%	100%	100%	5,107
31	35600	Purification Equipment	20,726	100.00%	100%	100%	20,726
32							
33		Total Storage Plant Depr	$ 277,019				$ 277,019
34							
35		Transmission Plant					
36	36510	Land	$ -	100.00%	100%	100%	$ -
37	36520	Rights of Way	7,376	100.00%	100%	100%	7,376
38	36602	Structures & Improvements	554	100.00%	100%	100%	554
39	36603	Other Structues	-	100.00%	100%	100%	-
40	36700	Mains Cathodic Protection	1,478	100.00%	100%	100%	1,478
41	36701	Mains - Steel	384,031	100.00%	100%	100%	384,031
42	36703	Mains - Anodes	2,559	200.00%	100%	100%	5,118
43	36900	Meas. & Reg. Equipment	35,793	100.00%	100%	100%	35,793
44	36901	Meas. & Reg. Equipment	40,624	100.00%	100%	100%	40,624
45							
46		Total Production Plant - (LPG) Depr	$ 472,415				$ 474,974
47							

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Depreciation Expense
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12 Months Ending 12/31/2022	O&M Expense Factor	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
48		Distribution Plant					
49	37400	Land & Land Rights	$ -	100.00%	100%	100%	$ -
50	37401	Land	-	100.00%	100%	100%	-
51	37402	Land Rights	46,661	100.00%	100%	100%	46,661
52	37403	Land Other	-	100.00%	100%	100%	-
53	37500	Structures & Improvements	4,841	100.00%	100%	100%	4,841
54	37501	Structures & Improvements T.B.	1,437	100.00%	100%	100%	1,437
55	37502	Land Rights	555	100.00%	100%	100%	555
56	37503	Improvements	58	100.00%	100%	100%	58
57	37600	Mains Cathodic Protection	163,907	100.00%	100%	100%	163,907
58	37601	Mains - Steel	3,185,068	100.00%	100%	100%	3,185,068
59	37602	Mains - Plastic	3,221,563	100.00%	100%	100%	3,221,563
60	37603	Mains - Anodes	197,984	100.00%	100%	100%	197,984
61	37604	Mains - Leak Clamps	528,576	100.00%	100%	100%	528,576
62	37800	Meas & Reg. Sta. Equip - General	515,882	100.00%	100%	100%	515,882
63	37900	Meas & Reg. Sta. Equip - City Gate	98,422	100.00%	100%	100%	98,422
64	37905	Meas & Reg. Sta. Equipment T.b.	37,356	100.00%	100%	100%	37,356
65	38000	Services	4,632,274	100.00%	100%	100%	4,632,274
66	38100	Meters	2,443,291	100.00%	100%	100%	2,443,291
67	38200	Meter Installaitons	1,906,954	100.00%	100%	100%	1,906,954
68	38300	House Regulators	81,288	100.00%	100%	100%	81,288
69	38400	House Reg. Installations	11,081	100.00%	100%	100%	11,081
70	38500	Ind. Meas. & Reg. Sta. Equipment	91,283	100.00%	100%	100%	91,283
71							
72		Total Distribution Plant Depr	$ 17,168,480				$ 17,168,480
73							
74		General Plant					
75	38900	38900-Land & Land Rights	$ -	100.00%	100%	100%	$ -
76	39000	39000-Structures & Improvements	223,589	100.00%	100%	100%	223,589
77	39002	39002-Structures - Brick	4,207	100.00%	100%	100%	4,207
78	39003	39003-Improvements	17,234	100.00%	100%	100%	17,234
79	39004	39004-Air Conditioning Equipment	553	100.00%	100%	100%	553
80	39009	39009-Improv. to Leased Premises	-	100.00%	100%	100%	-
81	39100	39100-Office Furniture & Equipment	87,669	100.00%	100%	100%	87,669
82	39103	Office Machines	-	100.00%	100%	100%	-
83	39200	39200-Transportation Equipment	8,543	43.89%	100%	100%	3,750
84	39202	39202-WKG Trailers	1,204	43.89%	100%	100%	529
85	39400	39400-Tools, Shop, & Garage Equip.	543,304	43.89%	100%	100%	238,458
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	28,369	100.00%	100%	100%	28,369
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	259,405	100.00%	100%	100%	259,405
94	39901	Servers Hardware	5,118	100.00%	100%	100%	5,118
95	39902	Servers Software	-	100.00%	100%	100%	-
96	39903	39903-Oth Tang Prop - Network - H/W	19,234	100.00%	100%	100%	19,234
97	39906	39906-Oth Tang Prop - PC Hardware	3,495	100.00%	100%	100%	3,495
98	39907	39907-Oth Tang Prop - PC Software	-	100.00%	100%	100%	-
99	39908	39908-Oth Tang Prop - Appl Software	5,010	100.00%	100%	100%	5,010
100		AR 15 general plant amortization	-	100.00%	100%	100%	-
101							
102		Total General Plant Depr	$ 1,206,932				$ 896,618
103							
104		Total Depreciation Expense (Div 9)	$ 19,124,846				$ 18,817,091
105							
106							

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Depreciation Expense
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12 Months Ending 12/31/2022	O&M Expense Factor	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	$ -	100.00%	100%	50.42%	$ -
112	30300	Misc Intangible Plant	-	100.00%	100%	50.42%	-
113							
114		Total Intangible Plant Depr	$ -				$ -
115							
116		Distribution Plant					
117	37400	Land & Land Rights	$ -	100.00%	100%	50.42%	$ -
118	35010	Land	-	100.00%	100%	50.42%	-
119	37402	Land Rights	-	100.00%	100%	50.42%	-
120	37403	Land Other	-	100.00%	100%	50.42%	-
121	36602	Structures & Improvements	-	100.00%	100%	50.42%	-
122	37501	Structures & Improvements T.B.	-	100.00%	100%	50.42%	-
123	37402	Land Rights	-	100.00%	100%	50.42%	-
124	37503	Improvements	-	100.00%	100%	50.42%	-
125	36700	Mains Cathodic Protection	-	100.00%	100%	50.42%	-
126	36701	Mains - Steel	-	100.00%	100%	50.42%	-
127	37602	Mains - Plastic	-	100.00%	100%	50.42%	-
128	37800	Meas & Reg. Sta. Equip - General	-	100.00%	100%	50.42%	-
129	37900	Meas & Reg. Sta. Equip - City Gate	-	100.00%	100%	50.42%	-
130	37905	Meas & Reg. Sta. Equipment T.b.	-	100.00%	100%	50.42%	-
131	38000	Services	-	100.00%	100%	50.42%	-
132	38100	Meters	-	100.00%	100%	50.42%	-
133	38200	Meter Installaitons	-	100.00%	100%	50.42%	-
134	38300	House Regulators	-	100.00%	100%	50.42%	-
135	38400	House Reg. Installations	-	100.00%	100%	50.42%	-
136	38500	Ind. Meas. & Reg. Sta. Equipment	-	100.00%	100%	50.42%	-
137	38600	Other Prop. On Cust. Prem	-	100.00%	100%	50.42%	-
138							
139		Total Distribution Plant Depr	$ -				$ -
140							
141		General Plant					
142	39001	39001-Structures - Frame	$ 4,430	100.00%	100%	50.42%	$ 2,233
143	39004	39004-Air Conditioning Equipment	989	100.00%	100%	50.42%	499
144	39009	39009-Improv. to Leased Premises	-	100.00%	100%	50.42%	-
145	39100	39100-Office Furniture & Equipment	1,346	100.00%	100%	50.42%	679
146	39101	Office Furniture And	-	100.00%	100%	50.42%	-
147	39103	Office Machines	-	100.00%	100%	50.42%	-
148	39200	39200-Trans Equip- Group	1,476	43.90%	100%	50.42%	327
149	39300	Stores Equipment	-	100.00%	100%	50.42%	-
150	39400	39400-Tools, Shop, & Garage Equip.	7,328	43.91%	100%	50.42%	1,622
151	39600	39600-Power Operated Equipment	1,030	2.00%	100%	50.42%	10
152	39700	39700-Communication Equipment	-	100.00%	100%	50.42%	-
153	39701	Communication Equip.	-	100.00%	100%	50.42%	-
154	39702	Communication Equip.	-	100.00%	100%	50.42%	-
155	39800	39800-Miscellaneous Equipment	-	100.00%	100%	50.42%	-
156	39900	39900-Other Tangible Property	-	100.00%	100%	50.42%	-
157	39901	39901-Oth Tang Prop - Servers - H/W	-	100.00%	100%	50.42%	-
158	39902	39902-Oth Tang Prop - Servers - S/W	-	100.00%	100%	50.42%	-
159	39903	39903-Oth Tang Prop - Network - H/W	2,827	100.00%	100%	50.42%	1,425
160	39906	39906-Oth Tang Prop - PC Hardware	-	100.00%	100%	50.42%	-
161	39907	39907-Oth Tang Prop - PC Software	9,784	100.00%	100%	50.42%	4,933
162	39908	39908-Oth Tang Prop - Appl Software	-	100.00%	100%	50.42%	-
163							
164							
165		Total General Plant Depr	$ 29,210				$ 11,729
166							
167		Total Depreciation Expense (Div 91)	$ 29,210				$ 11,729

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Depreciation Expense
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12 Months Ending 12/31/2022	O&M Expense Factor	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
168							
169	**Shared Services General Office (Division 002)**						
170							
171		General Plant					
172	39000	39000-Structures & Improvements	$ 324,959	100%	9.86%	50.42%	$ 16,155
173	39005	39005-G-Structures & Improvements	276,533	100%	100.00%	1.56%	4,313
174	39009	39009-Improv. to Leased Premises	187,189	100%	9.86%	50.42%	9,306
175	39020	Struct & Improv AEAM	64	100%	100.00%	6.11%	4
176	39029	Improv-Leased AEAM	1,034	100%	100.00%	6.11%	63
177	39100	39100-Office Furniture & Equipment	282,088	100%	9.86%	50.42%	14,024
178	39102	39102-Remittance Processing Equipment	-	100%	9.86%	50.42%	-
179	39103	39103-Office Furn. - Copiers & Type	-	100%	9.86%	50.42%	-
180	39104	39104-G-Office Furniture & Equip.	2,813	100%	100.00%	1.56%	44
181	39120	Off Furn & Equip-AEAM	10,428	100%	100.00%	6.11%	637
182	39200	39200-Transportation Equipment	27,206	100%	9.86%	50.42%	1,353
183	39300	39300-Stores Equipment	-	100%	9.86%	50.42%	-
184	39400	39400-Tools, Shop, & Garage Equip.	6,367	100%	9.86%	50.42%	317
185	39420	Tools And Garage-AEAM	-	100%	100.00%	6.11%	-
186	39500	39500-Laboratory Equipment	-	100%	9.86%	50.42%	-
187	39700	39700-Communication Equipment	26,913	100%	9.86%	50.42%	1,338
188	39720	Commun Equip AEAM	593	100%	100.00%	6.11%	36
189	39800	39800-Miscellaneous Equipment	9,883	100%	9.86%	50.42%	491
190	39820	Misc Equip - AEAM	535	100%	100.00%	6.11%	33
191	39900	39900-Other Tangible Equipm	-	100%	9.86%	50.42%	-
192	39901	39901-Oth Tang Prop - Servers - H/W	6,131,587	100%	9.86%	50.42%	304,826
193	39902	39902-Oth Tang Prop - Servers - S/W	436,692	100%	9.86%	50.42%	21,710
194	39903	39903-Oth Tang Prop - Network - H/W	400,279	100%	9.86%	50.42%	19,900
195	39904	39904-Oth Tang Prop - CPU	-	100%	9.86%	50.42%	-
196	39905	39905-Oth Tang Prop - MF Hardware	-	100%	9.86%	50.42%	-
197	39906	39906-Oth Tang Prop - PC Hardware	932,636	100%	9.86%	50.42%	46,365
198	39907	39907-Oth Tang Prop - PC Software	127,087	100%	9.86%	50.42%	6,318
199	39908	39908-Oth Tang Prop - Appl Software	7,724,177	100%	9.86%	50.42%	384,001
200	39909	39909-Oth Tang Prop - Mainframe S/W	-	100%	9.86%	50.42%	-
201	39921	Servers-Hardware-AEAM	280,069	100%	100.00%	6.11%	17,102
202	39922	Servers-Software-AEAM	1,074,977	100%	100.00%	6.11%	65,642
203	39923	Network Hardware-AEAM	69,148	100%	100.00%	6.11%	4,222
204	39924	39924-Oth Tang Prop - Gen.	-	100%	9.86%	50.42%	-
205	39926	Pc Hardware-AEAM	59,724	100%	100.00%	6.11%	3,647
206	39928	Application SW-AEAM	2,390,198	100%	100.00%	6.11%	145,954
207	39931	ALGN-Servers-Hardware	39,536	100%	100.00%	4.64%	1,833
208	39932	ALGN-Servers-Software	83,330	100%	100.00%	4.64%	3,864
209	39938	ALGN-Application SW	1,625,485	100%	100.00%	4.64%	75,375
210							
211							
212		Total Depreciation Expense (Div 2)	$ 22,531,531				$ 1,148,872

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Depreciation Expense
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Acct. No.	Account / SubAccount Titles	12 Months Ending 12/31/2022	O&M Expense Factor	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
213							
214	**Shared Services Customer Support (Division 012)**						
215							
216		General Plant					
217	38900	38900-Land	$ -	100%	11.02%	50.43%	$ -
218	38910	38910-CKV-Land & Land Rights	-	100%	100.00%	2.48%	-
219	39000	39000-Structures & Improvements	316,361	100%	11.02%	50.43%	17,581
220	39009	39009-Improv. to Leased Premises	144,697	100%	11.02%	50.43%	8,041
221	39010	39010-CKV-Structures & Improvements	298,990	100%	100.00%	2.48%	7,412
222	39100	39100-Office Furniture & Equipment	174,303	100%	11.02%	50.43%	9,687
223	39101	Office Furniture And	-	100%	11.02%	50.43%	-
224	39102	Remittance Processing	-	100%	11.02%	50.43%	-
225	39103	39103-Office Furn. - Copiers & Type	-	100%	11.02%	50.43%	-
226	39110	CKV-Office Furn & Eq	35,247	100%	100.00%	2.48%	874
227	39210	CKV-Transportation Eq	-	100%	100.00%	2.48%	-
228	39410	CKV-Tools Shop Garage	77,660	100%	100.00%	2.48%	1,925
229	39510	CKV-Laboratory Equip	191	100%	100.00%	2.48%	5
230	39700	39700-Communication Equipment	128,561	100%	11.02%	50.43%	7,145
231	39710	39710-CKV-Communication Equipment	22,035	100%	100.00%	2.48%	546
232	39800	39800-Miscellaneous Equipment	5,168	100%	11.02%	50.43%	287
233	39810	CKV-Misc Equipment	39,487	100%	100.00%	2.48%	979
234	39900	39900-Other Tangible Property	-	100%	11.02%	50.43%	-
235	39901	39901-Oth Tang Prop - Servers - H/W	1,353,496	100%	11.02%	50.43%	75,219
236	39902	39902-Oth Tang Prop - Servers - S/W	234,784	100%	11.02%	50.43%	13,048
237	39903	39903-Oth Tang Prop - Network - H/W	34,958	100%	11.02%	50.43%	1,943
238	39906	39906-Oth Tang Prop - PC Hardware	245,485	100%	11.02%	50.43%	13,643
239	39907	39907-Oth Tang Prop - PC Software	-	100%	11.02%	50.43%	-
240	39908	39908-Oth Tang Prop - Appl Software	7,507,597	100%	11.02%	50.43%	417,226
241	39910	39910-CKV-Other Tangible Property	45,046	100%	100.00%	2.48%	1,117
242	39916	39916-CKV-Oth Tang Prop-PC Hardware	12,966	100%	100.00%	2.48%	321
243	39917	39917-CKV-Oth Tang Prop-PC Software	355	100%	100.00%	2.48%	9
244	39918	CKV-Oth Tang Prop-App	-	100%	100.00%	2.48%	-
245	39924	Oth Tang Prop - Gen.	-	100%	11.02%	50.43%	-
246							
247							
248		Total Depreciation Expense (Div 12)	$ 10,677,389				$ 577,007
249							
250		Total Accumulated Depreciation & Amortization (Div 009, 091, 002, 012)	$ 52,362,976				$ 20,554,698

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Allowance For Working Capital
Base Period: Twelve Months Ended September 30, 2021

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: 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		$	(3,207,973)
2	Material & Supplies	13 Month Average Balance	B-4.1		396,001
3	Gas Stored Underground	13 Month Average Balance	B-4.1		6,673,959
4	Prepayments	13 Month Average Balance	B-4.1		-
5	Total Working Capital Requirements			$	3,861,986

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Allowance For Working Capital
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:______Base Period__X___Forecasted Period | FR 16(8)(b)4
Type of Filing:___X____Original________Updated ________Revised | Schedule B-4 F
Workpaper Reference No(s). | Witness: 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		$	(3,062,527)
2	Material & Supplies	13 Month Average Balance	B-4.1		215,286
3	Gas Stored Underground	13 Month Average Balance	B-4.1		8,401,855
4	Prepayments	13 Month Average Balance	B-4.1		0
5	Total Working Capital Requirements			$	5,554,614

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Working Capital Components
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Description	Base Period Ending Balance: 9/30/2021 Ending Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	13 Month Average: 9/30/2021 13 Month Avg	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
1	Material & Supplies (Account 1540 & 1630)								
2	Kentucky Direct (Div 009)	$ (537,429)	100%	100%	$ (537,429)	$ (532,174)	100%	100%	$ (532,174)
3	KY/Mid-States General Office (Div 091)	1,828,238	100%	50.42%	921,797	1,840,885	100%	50.42%	928,174
4	Shared Services General Office (Div 002)	-	9.86%	50.42%	-	-	9.86%	50.42%	-
5	Shared Services Customer Support (Div 012)	-	11.02%	50.43%	-	-	11.02%	50.43%	-
6	Total	$ 1,290,809			$ 384,369	$ 1,308,712			$ 396,001
7									
8	Gas Stored Underground (Account 1641)								
9	Kentucky Direct (Div 009)	$ 10,824,191	100%	100%	$ 10,824,191	$ 6,673,959	100%	100%	$ 6,673,959
10	KY/Mid-States General Office (Div 091)	-	100%	50.42%	-	-	100%	50.42%	-
11	Shared Services General Office (Div 002)	-	9.86%	50.42%	-	-	9.86%	50.42%	-
12	Shared Services Customer Support (Div 012)	-	11.02%	50.43%	-	-	11.02%	50.43%	-
13	Total	$ 10,824,191			$ 10,824,191	$ 6,673,959			$ 6,673,959
14									
15	Prepayments (Account 1650)								
16	Kentucky Direct (Div 009)	$ -	100%	100%	$ -	$ -	100%	100%	$ -
17	KY/Mid-States General Office (Div 091)	-	100%	50.42%	-	-	100%	50.42%	-
18	Shared Services General Office (Div 002)	-	9.86%	50.42%	-	-	9.86%	50.42%	-
19	Shared Services Customer Support (Div 012)	-	11.02%	50.43%	-	-	11.02%	50.43%	-
20	Total	$ -			$ -	$ -			$ -
21									
22	Total Other Working Capital Allowances	$ 12,115,000			$ 11,208,560	$ 7,982,670			$ 7,069,959

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Working Capital Components
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

		Forecasted Period Ending Balance				13 Month Average			
Line No.	Description	12/31/2022 Ending Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount	12/31/2022 13 Month Avg	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
1	Material & Supplies (Account 1540 & 1630)								
2	Kentucky Direct (Div 009)	$ (537,429)	100%	100%	$ (537,429)	$ (537,429)	100%	100%	$ (537,429)
3	KY/Mid-States General Office (Div 091)	1,492,889	100%	50.42%	752,715	1,492,889	100%	50.42%	752,715
4	Shared Services General Office (Div 002)	-	9.86%	50.42%	-	-	9.86%	50.42%	-
5	Shared Services Customer Support (Div 012)	-	11.02%	50.43%	-	-	11.02%	50.43%	-
6	Total	$ 955,460			$ 215,286	$ 955,460			$ 215,286
7									
8	Gas Stored Underground (Account 1641)								
9	Kentucky Direct (Div 009)	$ 16,854,216	100%	100%	$ 16,854,216	$ 8,401,855	100%	100%	$ 8,401,855
10	KY/Mid-States General Office (Div 091)	-	100%	50.42%	-	-	100%	50.42%	-
11	Shared Services General Office (Div 002)	-	9.86%	50.42%	-	-	9.86%	50.42%	-
12	Shared Services Customer Support (Div 012)	-	11.02%	50.43%	-	-	11.02%	50.43%	-
13	Total	$ 16,854,216			$ 16,854,216	$ 8,401,855			$ 8,401,855
14									
15	Prepayments (Account 1650)								
16	Kentucky Direct (Div 009)	$ -	100%	100%	$ -	$ -	100%	100%	$ -
17	KY/Mid-States General Office (Div 091)	-	100%	50.42%	-	-	100%	50.42%	-
18	Shared Services General Office (Div 002)	-	9.86%	50.42%	-	-	9.86%	50.42%	-
19	Shared Services Customer Support (Div 012)	-	11.02%	50.43%	-	-	11.02%	50.43%	-
20	Total	$ -			$ -	$ -			$ -
21									
22	Total Other Working Capital Allowances	$ 17,809,677			$ 17,069,502	$ 9,357,315			$ 8,617,141

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Cash Working Capital Components - 1 / 8 O&M Expenses
Base Period: Twelve Months Ended September 30, 2021

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)4.2
Schedule B-4.2 B
Witness: 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	742,885	12.50%	92,861
4	Transmission O&M Expense	201,245	12.50%	25,156
5	Distribution O&M Expense	9,060,381	12.50%	1,132,548
6	Customer Accting. & Collection	2,888,691	12.50%	361,086
7	Customer Service & Information	170,526	12.50%	21,316
8	Sales Expense	323,516	12.50%	40,439
9	Admin. & General Expense	17,924,415	12.50%	2,240,552
10	Total O & M Expenses	$ 31,311,659		$ 3,913,957

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Cash Working Capital Components - 1 / 8 O&M Expenses
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:______Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)4.2
Schedule B-4.2 F
Witness: 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	755,658	12.50%	94,457
4	Transmission O&M Expense	206,350	12.50%	25,794
5	Distribution O&M Expense	9,199,699	12.50%	1,149,962
6	Customer Accting. & Collection	2,399,513	12.50%	299,939
7	Customer Service & Information	175,131	12.50%	21,891
8	Sales Expense	155,125	12.50%	19,391
9	Admin. & General Expense	16,155,959	12.50%	2,019,495
10	Total O & M Expenses	$ 29,047,435		$ 3,630,929

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Deferred Credits and Accumulated Deferred Income Taxes
Base Period: Twelve Months Ended September 30, 2021

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: Christian

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)	$ 16,554,815	100%	100%	$ 16,554,815	$ 14,656,075	100%	100%	$ 14,656,075
2									
3	Account 282 - Accumulated Deferred Income Taxes	(109,048,872)	100%	100%	(109,048,872)	(105,519,941)	100%	100%	(105,519,941)
4									
5	Account 283 - Accumulated Deferred Income Taxes - Other	(407,942)	100%	100%	(407,942)	(351,790)	100%	100%	(351,790)
6									
7	Div 09 Accumulated Deferred Income Taxes	$ (92,901,999)			$ (92,901,999)	$ (91,215,657)			$ (91,215,657)
8									
9	**DIVISION 02**								
10	Account 190 - Accumulated Deferred Income Taxes	$ 1,003,364,749	9.86%	50.42%	$ 49,881,396	$ 829,026,884	9.86%	50.42%	$ 41,214,342
11									
12	Account 282 - Accumulated Deferred Income Taxes	(18,468,801)	9.86%	50.42%	(918,160)	(18,179,359)	9.86%	50.42%	(903,771)
13									
14	Account 283 - Accumulated Deferred Income Taxes - Other	30,739,755	9.86%	50.42%	1,528,200	30,826,657	9.86%	50.42%	1,532,520
15									
16	Div 02 Accumulated Deferred Income Taxes	$ 1,015,635,703			$ 50,491,435	$ 841,674,182			$ 41,843,091
17	**DIVISION 12**								
18	Account 190 - Accumulated Deferred Income Taxes	$ (469,726)	11.02%	50.43%	$ (26,104)	$ (418,501)	11.02%	50.43%	$ (23,258)
19									
20	Account 282 - Accumulated Deferred Income Taxes	(12,438,012)	11.02%	50.43%	(691,228)	(13,345,439)	11.02%	50.43%	(741,658)
21									
22	Account 283 - Accumulated Deferred Income Taxes - Other	195	11.02%	50.43%	11	(39)	11.02%	50.43%	(2)
23									
24	Div 012 Accumulated Deferred Income Taxes	$ (12,907,543)			$ (717,322)	$ (13,763,980)			$ (764,917)
25	**DIVISION 91**								
26									
27	Account 190 - Accumulated Deferred Income Taxes	$ (2,447,669)	100%	50.42%	$ (1,234,115)	$ (2,359,059)	100%	50.42%	$ (1,189,438)
28									
29	Account 255 - Accumulated Deferred Investment Tax Credits	0	100%	50.42%	0	0	100%	50.42%	0
30									
31	Account 282 - Accumulated Deferred Income Taxes	(828,427)	100%	50.42%	(417,693)	(794,968)	100%	50.42%	(400,823)
32									
33	Account 283 - Accumulated Deferred Income Taxes - Other	(1,307,420)	100%	50.42%	(659,201)	(1,291,112)	100%	50.42%	(650,979)
34									
35	Div 91 Accumulated Deferred Income Taxes	$ (4,583,516)			$ (2,311,009)	$ (4,445,139)			$ (2,241,239)
36									
37	**Total Deferred Inc. Taxes and Investment Tax Credits**	$ 905,242,645			$ (45,438,894)	$ 732,249,407			$ (52,378,722)

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Deferred Credits and Accumulated Deferred Income Taxes
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Account	Period End	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	Test Period Prorated Ending Balance	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Allocated Amount
	DIVISION 09								
1	Account 190 - Accumulated Deferred Income Taxes	$ 15,237,663	100%	100%	$ 15,237,663	$ 15,237,663	100%	100%	$ 15,237,663
2									
3	Account 282 - Accumulated Deferred Income Taxes	(114,494,631)	100%	100%	(114,494,631)	(114,494,631)	100%	100%	(114,494,631)
4									
5	Account 283 - Accumulated Deferred Income Taxes - Other	(407,942)	100%	100%	(407,942)	(407,942)	100%	100%	(407,942)
6									
7	Div 09 Accumulated Deferred Income Taxes	$ (99,664,910)			$ (99,664,910)	$ (99,664,910)			$ (99,664,910)
8									
9	**DIVISION 02**								
10	Account 190 - Accumulated Deferred Income Taxes	$ 1,003,364,749	9.86%	50.42%	$ 49,881,396	$ 1,003,364,749	9.86%	50.42%	$ 49,881,396
11									
12	Account 282 - Accumulated Deferred Income Taxes	(19,590,408)	9.86%	50.42%	(973,920)	(19,590,408)	9.86%	50.42%	(973,920)
13									
14	Account 283 - Accumulated Deferred Income Taxes - Other	30,739,755	9.86%	50.42%	1,528,200	30,739,755	9.86%	50.42%	1,528,200
15									
16	Div 02 Accumulated Deferred Income Taxes	$ 1,014,514,096			$ 50,435,676	$ 1,014,514,096			$ 50,435,676
17	**DIVISION 12**								
18	Account 190 - Accumulated Deferred Income Taxes	$ (469,726)	11.02%	50.43%	$ (26,104)	$ (469,726)	11.02%	50.43%	$ (26,104)
19									
20	Account 282 - Accumulated Deferred Income Taxes	(10,946,261)	11.02%	50.43%	(608,326)	(10,946,261)	11.02%	50.43%	(608,326)
21									
22	Account 283 - Accumulated Deferred Income Taxes - Other	195	11.02%	50.43%	11	195	11.02%	50.43%	11
23									
24	Div 012 Accumulated Deferred Income Taxes	$ (11,415,792)			$ (634,420)	$ (11,415,792)			$ (634,420)
25	**DIVISION 91**								
26	Account 190 - Accumulated Deferred Income Taxes	$ (2,447,669)	100%	50.42%	$ (1,234,115)	$ (2,447,669)	100%	50.42%	$ (1,234,115)
27									
28	Account 255 - Accumulated Deferred Investment Tax Credits	0	100%	50.42%	0	0	100%	50.42%	0
29									
30	Account 282 - Accumulated Deferred Income Taxes	(875,858)	100%	50.42%	(441,607)	(875,858)	100%	50.42%	(441,607)
31									
32	Account 283 - Accumulated Deferred Income Taxes - Other	(1,307,420)	100%	50.42%	(659,201)	(1,307,420)	100%	50.42%	(659,201)
33									
34	Div 91 Accumulated Deferred Income Taxes	$ (4,630,947)			$ (2,334,923)	$ (4,630,947)			$ (2,334,923)
35									
36									
37	**Total Deferred Inc. Taxes and Investment Tax Credits**	$ 898,802,447			$ (52,198,578)	$ 898,802,447			$ (52,198,578)
38	*(excluding forecasted change in NOLC)*								
39	**Forecasted Change in NOLC**								(11,871,206)
40									
41	**Forecasted 13-month Average ADIT in Rate Base**								**(64,069,784)**
42									

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Deferred Credits and Accumulated Deferred Income Taxes
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Account	Period End	Kentucky- Mid States Division Allocation	Kentucky Jurisdiction Allocation	Jurisdictional Period ending Balance	Test Period Prorated Ending Balance	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		596,130,007			
49									
50	Required Operating Income			A.1		45,663,559			
51									
52	Interest Deduction			E.1		10,496,657			
53									
54	Return on Equity Portion of Rate Base			line 50 - line 52		35,166,902			
55									
56	Return, grossed up for Income Tax	24.95%		Line 54 / (1-tax rate)		46,857,964			
57									
58	Tax Expense on Return	24.95%		Line 56 x tax rate		11,691,062			
59									
60	Change In ADIT, excluding forecasted change in NOLC			Line 37; B.5 B		180,144			
61	Required Change in NOLC					(11,871,206)		(0)	
62									
63	**Total Required Change in Accumulated Deferred Income Taxes**[1]			**B.1 F; B.1 B**		**(11,691,062)**			
64									
65									
66	**ADIT Reconciliation**								
67	**Avg ADIT, Base Period**			**B.5 B**		**(52,378,722)**			
68									
69	13-Month Average ADIT, Forecasted Period, excl, Change in NOLC			Line 37		(52,198,578)			
70	Change in NOLC			Line 39		(11,871,206)			
71	**Forecasted 13-month Average ADIT in Rate Base**					**(64,069,784)**			
72									
73	**Total Required Change in Accumulated Deferred Income Taxes**			Line 71 - Line 67		**(11,691,062)**			
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. 2021-00214
Customer Advances For Construction
Base Period: Twelve Months Ended September 30, 2021

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: Christian

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	$ (683,775)	100%	100%	$ (683,775)	$ (681,896)	100%	100%	$ (681,896)
2										
3	**DIVISION 02**									
4	15560	Account 252 - Customer Advances For Construction	-	9.86%	50.42%	-	-	9.86%	50.42%	-
5										
6	**DIVISION 12**									
7	15560	Account 252 - Customer Advances For Construction	-	11.02%	50.43%	-	-	11.02%	50.43%	-
8										
9	**DIVISION 91**									
10	15560	Account 252 - Customer Advances For Construction	-	100%	50.42%	-	-	100%	50.42%	-
11										
12		Total Account 252 - Customer Advances For Construction	$ (683,775)			$ (683,775)	$ (681,896)			$ (681,896)

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Customer Advances For Construction
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

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	$ (683,775)	100%	100%	$ (683,775)	$ (683,775)	100%	100%	$ (683,775)
2										
3	**DIVISION 02**									
4	15560	Account 252 - Customer Advances For Construction	-	9.86%	50.42%	-	-	9.86%	50.42%	-
5										
6	**DIVISION 12**									
7	15560	Account 252 - Customer Advances For Construction	-	11.02%	50.43%	-	-	11.02%	50.43%	-
8										
9	**DIVISION 91**									
10	15560	Account 252 - Customer Advances For Construction	0	100%	50.42%	0	0	100%	50.42%	0
11										
12		Total Account 252 - Customer Advances For Construction	$ (683,775)			$ (683,775)	$ (683,775)			$ (683,775)

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Working Capital Components

FR 16(8)(b)4.1

Line No.	Description	actual Sep-20	actual Oct-20	actual Nov-20	actual Dec-20	actual Jan-21	actual Feb-21	actual Mar-21	projected Apr-21	projected May-21	projected Jun-21	projected Jul-21	projected Aug-21	projected Sep-21	13 Month Average
1	**Materials & Supplies**														
2															
3	Kentucky Direct (Div 009)														
4	Account 1540- Plant Materials and Operating Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
5	Account 1630- Stores Expense Undistributed	$ (469,111)	$ (509,498)	$ (523,318)	$ (535,855)	$ (545,351)	$ (548,753)	$ (561,798)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	
6	Total Materials & Supplies	$ (469,111)	$ (509,498)	$ (523,318)	$ (535,855)	$ (545,351)	$ (548,753)	$ (561,798)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (532,174)
7															
8	KY/Mid-States General Office (Div 091)														
9	Account 1540- Plant Materials and Operating Supplies	$ 581,043	$ 581,043	$ 581,043	$ 581,043	$ 581,043	$ 581,043	$ 581,043	$ 581,043	$ 581,043	$ 581,043	$ 581,043	$ 581,043	$ 581,043	
10	Account 1630- Stores Expense Undistributed	1,411,612	1,019,560	1,050,170	1,083,084	1,116,531	1,590,634	1,623,188	1,247,195	1,247,195	1,247,195	1,247,195	1,247,195	1,247,195	
11	Total Materials & Supplies	$ 1,992,655	$ 1,600,604	$ 1,631,213	$ 1,664,128	$ 1,697,574	$ 2,171,678	$ 2,204,231	$ 1,828,238	$ 1,828,238	$ 1,828,238	$ 1,828,238	$ 1,828,238	$ 1,828,238	$ 1,840,885
12															
13	Shared Services General Office (Div 002)														
14	Account 1540- Plant Materials and Operating Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
15	Account 1630- Stores Expense Undistributed	-	-	-	-	-	-	-	-	-	-	-	-	-	
16	Total Materials & Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17															
18	Shared Services Customer Support (Div 012)														
19	Account 1540- Plant Materials and Operating Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
20	Account 1630- Stores Expense Undistributed	-	-	-	-	-	-	-	-	-	-	-	-	-	
21	Total Materials & Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
22															
23	**Gas Stored Underground- Account 1641**														
24															
25	Kentucky Direct (Div 009)	$12,741,964	$14,457,320	$13,451,576	$11,524,153	$ 9,335,172	$ 5,734,348	$ 4,112,786	$ (1,767,099)	$ (3,615,348)	$ (243,403)	$ 3,202,042	$ 7,003,758	$ 10,824,191	$ 6,673,959
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. 2021-00214
Forecasted Test Period: Twelve Months Ended December 31, 2022
Working Capital Components

FR 16(8)(b)4.1

Line No.	Description	Forecasted Dec-21	Forecasted Jan-22	Forecasted Feb-22	Forecasted Mar-22	Forecasted Apr-22	Forecasted May-22	Forecasted Jun-22	Forecasted Jul-22	Forecasted Aug-22	Forecasted Sep-22	Forecasted Oct-22	Forecasted Nov-22	Forecasted Dec-22	13 Month Average
1	**Materials & Supplies**														
2															
3	Kentucky Direct (Div 009)														
4	Account 1540- Plant Materials and Operating Suppl	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
5	Account 1630- Stores Expense Undistributed	(537,429)	(537,429)	(537,429)	(537,429)	(537,429)	(537,429)	(537,429)	(537,429)	(537,429)	(537,429)	(537,429)	(537,429)	(537,429)	
6	Total Materials & Supplies	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)	$ (537,429)
7															
8	KY/Mid-States General Office (Div 091)														
9	Account 1540- Plant Materials and Operating Suppl	$ 245,694	$ 245,694	$ 245,694	$ 245,694	$ 245,694	$ 245,694	$ 245,694	$ 245,694	$ 245,694	$ 245,694	$ 245,694	$ 245,694	$ 245,694	
10	Account 1630- Stores Expense Undistributed	1,247,195	1,247,195	1,247,195	1,247,195	1,247,195	1,247,195	1,247,195	1,247,195	1,247,195	1,247,195	1,247,195	1,247,195	1,247,195	
11	Total Materials & Supplies	$ 1,492,889	$ 1,492,889	$ 1,492,889	$ 1,492,889	$ 1,492,889	$ 1,492,889	$ 1,492,889	$ 1,492,889	$ 1,492,889	$ 1,492,889	$ 1,492,889	$ 1,492,889	$ 1,492,889	$ 1,492,889
12															
13	Shared Services General Office (Div 002)														
14	Account 1540- Plant Materials and Operating Suppl	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
15	Account 1630- Stores Expense Undistributed	-	-	-	-	-	-	-	-	-	-	-	-	-	
16	Total Materials & Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17															
18	Shared Services Customer Support (Div 012)														
19	Account 1540- Plant Materials and Operating Suppl	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
20	Account 1630- Stores Expense Undistributed	-	-	-	-	-	-	-	-	-	-	-	-	-	
21	Total Materials & Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
22															
23	**Gas Stored Underground- Account 1641**														
24															
25	Kentucky Direct (Div 009)	$ 16,154,120	$ 11,558,273	$ 6,263,469	$ 146,430	$ (4,597,320)	$ (1,257,320)	$ 2,128,850	$ 5,522,508	$ 8,896,200	$12,297,346	$15,789,586	$19,467,761	$ 16,854,216	$ 8,401,855
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. 2021-00214
Deferred Credits and Accumulated Deferred Income Taxes
Base Period: Twelve Months Ended September 30, 2021

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(b)5
WP B-5 B

Line No.	Sub Acct	actual Sep-20	actual Oct-20	actual Nov-20	actual Dec-20	actual Jan-21	actual Feb-21	actual Mar-21	forecast Apr-21	forecast May-21	forecast Jun-21	forecast Jul-21	forecast Aug-21	forecast Sep-21	13 month Average
	DIVISION 09														
1	Account 190 - Accumulated Deferred Income Taxes	$ 12,421,035	$ 12,393,203	$ 12,365,370	$ 12,321,606	$ 12,293,774	$ 12,265,941	$ 16,721,666	$ 16,693,977	$ 16,666,144	$ 16,638,312	$ 16,610,480	$ 16,582,648	$ 16,554,815	$ 14,656,075
2															
3	Account 282 - Accumulated Deferred Income Taxes	(102,635,864)	(102,635,864)	(102,635,864)	(104,203,096)	(104,203,096)	(104,203,096)	(105,379,322)	(106,083,426)	(106,771,516)	(107,456,750)	(108,038,362)	(108,464,109)	(109,048,872)	(105,519,941)
4															
5	Account 283 - Accumulated Deferred Income Taxes - Other	(295,537)	(295,537)	(295,537)	(277,021)	(277,021)	(277,021)	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)	(351,790)
6															
7	Div 09 Accumulated Deferred Income Taxes	$ (90,510,366)	$ (90,538,198)	$ (90,566,031)	$ (92,158,511)	$ (92,186,343)	$ (92,214,176)	$ (89,065,598)	$ (89,797,392)	$ (90,513,314)	$ (91,226,380)	$ (91,835,824)	$ (92,289,404)	$ (92,901,999)	$ (91,215,657)
8															
9	**DIVISION 02**														
10	Account 190 - Accumulated Deferred Income Taxes	$630,844,716	$630,844,716	$630,844,716	$620,420,700	$620,420,700	$620,420,700	$1,003,364,749	$ 1,003,364,749	$ 1,003,364,749	$ 1,003,364,749	$ 1,003,364,749	$1,003,364,749	$1,003,364,749	$ 829,026,884
11															
12	Account 282 - Accumulated Deferred Income Taxes	(17,648,510)	(17,648,510)	(17,648,510)	(18,017,153)	(18,017,153)	(18,017,153)	(18,422,723)	(18,459,075)	(18,493,453)	(18,505,018)	(18,500,033)	(18,485,570)	(18,468,801)	(18,179,359)
13															
14	Account 283 - Accumulated Deferred Income Taxes - Other	30,908,362	30,798,390	30,688,418	31,131,007	31,021,036	30,911,064	30,849,727	30,739,755	30,739,755	30,739,755	30,739,755	30,739,755	30,739,755	30,826,657
15															
16	Div 02 Accumulated Deferred Income Taxes	$644,104,568	$643,994,596	$643,884,624	$633,534,554	$633,424,583	$633,314,611	$1,015,791,753	$ 1,015,645,429	$ 1,015,611,051	$ 1,015,599,487	$ 1,015,604,471	$1,015,618,934	$1,015,635,703	$ 841,674,182
17	**DIVISION 12**														
18	Account 190 - Accumulated Deferred Income Taxes	$ (316,363)	$ (316,363)	$ (316,363)	$ (401,116)	$ (401,116)	$ (401,116)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (418,501)
19															
20	Account 282 - Accumulated Deferred Income Taxes	(14,089,067)	(14,089,067)	(14,089,067)	(13,673,882)	(13,673,882)	(13,673,882)	(13,333,582)	(13,184,466)	(13,035,405)	(12,886,190)	(12,736,848)	(12,587,354)	(12,438,012)	(13,345,439)
21															
22	Account 283 - Accumulated Deferred Income Taxes - Other	(263)	(263)	(263)	(363)	(363)	(363)	195	195	195	195	195	195	195	(39)
23															
24	Div 012 Accumulated Deferred Income Taxes	$ (14,405,693)	$ (14,405,693)	$ (14,405,693)	$ (14,075,361)	$ (14,075,361)	$ (14,075,361)	$ (13,803,113)	$ (13,653,997)	$ (13,504,936)	$ (13,355,721)	$ (13,206,379)	$ (13,056,885)	$ (12,907,543)	$ (13,763,980)
25															
26	**DIVISION 91**														
27	Account 190 - Accumulated Deferred Income Taxes	$ (2,208,524)	$ (2,208,524)	$ (2,208,524)	$ (2,302,838)	$ (2,302,838)	$ (2,302,838)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,359,059)
28															
29	Account 282 - Accumulated Deferred Income Taxes	(776,908)	(776,908)	(776,908)	(783,349)	(783,349)	(783,349)	(786,949)	(793,862)	(800,775)	(807,688)	(814,601)	(821,514)	(828,427)	(794,968)
30															
31	Account 283 - Accumulated Deferred Income Taxes - Other	(1,255,687)	(1,255,687)	(1,255,687)	(1,288,484)	(1,288,484)	(1,288,484)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,291,112)
32															
33	Account 255 - Accumulated Deferred Investment Tax Credits	0	0	0	0	0	0	0	0	0	0	0	0	0	-
34															
35	Div 91 Accumulated Deferred Income Taxes	$ (4,241,119)	$ (4,241,119)	$ (4,241,119)	$ (4,374,671)	$ (4,374,671)	$ (4,374,671)	$ (4,542,038)	$ (4,548,951)	$ (4,555,864)	$ (4,562,777)	$ (4,569,690)	$ (4,576,603)	$ (4,583,516)	$ (4,445,139)
36															
37	Total	$534,947,390	$534,809,586	$534,671,782	$522,926,011	$522,788,207	$522,650,403	$ 908,381,004	$ 907,645,089	$ 907,036,938	$ 906,454,609	$ 905,992,578	$ 905,696,043	$ 905,242,645	$ 732,249,407

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022
Deferred Liablity Amortization

Base Period

		Regulatory Liability Balance	Amortization Expense
ADIT Excess Deferred Liabilities	Sep-20	(32,236,480)	
Account 2530 - 27909	Oct-20	(32,114,500)	121,981
	Nov-20	(31,992,519)	121,981
	Dec-20	(31,870,539)	121,981
	Jan-21	(31,748,558)	121,981
	Feb-21	(31,626,578)	121,981
	Mar-21	(31,504,597)	121,981
	Apr-21	(31,382,617)	121,981
	May-21	(31,260,636)	121,981
	Jun-21	(31,138,656)	121,981
	Jul-21	(31,016,675)	121,981
	Aug-21	(30,894,695)	121,981
	Sep-21	(30,772,714)	121,981
	(13 Month Average)	**(31,504,597)**	**1,463,766**

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Deferred Credits and Accumulated Deferred Income Taxes
Forecasted Test Period: Twelve Months Ended December 31, 2022

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 Dec-21	Budgeted Jan-22	Budgeted Feb-22	Budgeted Mar-22	Budgeted Apr-22	Forecast May-22	Forecast Jun-22	Forecast Jul-22	Forecast Aug-22	Forecast Sep-22	Forecast Oct-22	Forecast Nov-22	Forecast Dec-22	Test Period Prorated Ending Balance
	DIVISION 09															
1		Account 190 - Accumulated Deferred Income Taxes	$ 16,471,318	$ 16,368,514	$ 16,265,709	$ 16,162,904	$ 16,060,100	$ 15,957,295	$ 15,854,490	$ 15,751,686	$ 15,648,881	$ 15,546,076	$ 15,443,272	$ 15,340,467	$ 15,237,663	$ 15,237,663
2																
3		Account 282 - Accumulated Deferred Income Taxes	(111,066,015)	(111,676,498)	(112,210,418)	(112,675,528)	(113,090,288)	(113,464,781)	(113,780,604)	(114,038,593)	(114,235,934)	(114,387,434)	(114,446,658)	(114,481,743)	(114,494,631)	(114,494,631)
4																
5		Account 283 - Accumulated Deferred Income Taxes - Other	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)	(407,942)
6																
7		Div 09 Accumulated Deferred Income Taxes	$ (95,002,639)	$ (95,715,926)	$ (96,352,651)	$ (96,920,566)	$ (97,438,131)	$ (97,915,428)	$ (98,334,055)	$ (98,694,849)	$ (98,994,995)	$ (99,249,299)	$ (99,411,328)	$ (99,549,218)	$ (99,664,910)	$ (99,664,910)
8																
9	**DIVISION 02**															
10		Account 190 - Accumulated Deferred Income Taxes	$1,003,364,749	$1,003,364,749	$1,003,364,749	$1,003,364,749	$1,003,364,749	$1,003,364,749	$1,003,364,749	$1,003,364,749	$1,003,364,749	$1,003,364,749	$1,003,364,749	$1,003,364,749	$1,003,364,749	$1,003,364,749
11																
12		Account 282 - Accumulated Deferred Income Taxes	(19,370,913)	(19,309,490)	(19,266,158)	(19,225,743)	(19,308,082)	(19,367,748)	(19,405,968)	(19,438,364)	(19,456,293)	(19,474,523)	(19,556,559)	(19,569,789)	(19,590,408)	(19,590,408)
13																
14		Account 283 - Accumulated Deferred Income Taxes - Other	30,739,755	30,739,755	30,739,755	30,739,755	30,739,755	30,739,755	30,739,755	30,739,755	30,739,755	30,739,755	30,739,755	30,739,755	30,739,755	30,739,755
15																
16		Div 02 Accumulated Deferred Income Taxes	$1,014,733,591	$1,014,795,014	$1,014,838,346	$1,014,878,761	$1,014,796,422	$1,014,736,756	$1,014,698,536	$1,014,666,141	$1,014,648,211	$1,014,629,981	$1,014,547,946	$1,014,534,715	$1,014,514,096	$1,014,514,096
17	**DIVISION 12**															
18		Account 190 - Accumulated Deferred Income Taxes	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)	$ (469,726)
19																
20		Account 282 - Accumulated Deferred Income Taxes	(12,025,452)	(11,849,276)	(11,707,516)	(11,561,140)	(11,432,842)	(11,318,393)	(11,219,293)	(11,135,089)	(11,066,301)	(11,012,548)	(10,975,373)	(10,952,678)	(10,946,261)	(10,946,261)
21																
22		Account 283 - Accumulated Deferred Income Taxes - Other	195	195	195	195	195	195	195	195	195	195	195	195	195	195
23																
24		Div 012 Accumulated Deferred Income Taxes	$ (12,494,983)	$ (12,318,807)	$ (12,177,047)	$ (12,030,671)	$ (11,902,373)	$ (11,787,924)	$ (11,688,824)	$ (11,604,620)	$ (11,535,832)	$ (11,482,079)	$ (11,444,904)	$ (11,422,209)	$ (11,415,792)	$ (11,415,792)
25																
26	**DIVISION 91**															
27		Account 190 - Accumulated Deferred Income Taxes	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)	$ (2,447,669)
28																
29		Account 282 - Accumulated Deferred Income Taxes	(844,747)	(849,682)	(854,194)	(858,268)	(861,905)	(865,145)	(867,949)	(870,328)	(872,270)	(873,788)	(874,971)	(875,621)	(875,858)	(875,858)
30																
31		Account 283 - Accumulated Deferred Income Taxes - Other	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)	(1,307,420)
32																
33		Account 255 - Accumulated Deferred Investment Tax Credits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34																
35		Div 91 Accumulated Deferred Income Taxes	$ (4,599,836)	$ (4,604,771)	$ (4,609,283)	$ (4,613,357)	$ (4,616,994)	$ (4,620,234)	$ (4,623,038)	$ (4,625,417)	$ (4,627,359)	$ (4,628,877)	$ (4,630,060)	$ (4,630,710)	$ (4,630,947)	$ (4,630,947)
36																
37		Total	$ 902,636,133	$ 902,155,509	$ 901,699,365	$ 901,314,167	$ 900,838,924	$ 900,413,171	$ 900,052,620	$ 899,741,255	$ 899,490,026	$ 899,269,726	$ 899,061,654	$ 898,932,577	$ 898,802,447	$ 898,802,447

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022
Deferred Liablity Amortization

ADIT Excess Deferred Liabilities
Account 2530 - 27909

Forecasted Test Period

Test Period Ending Balance	Test Period 13-Month Balance	Test Period Amort. Expense
$ (25,000,033)	$ (27,703,403)	$ 5,406,740

Full Amortization Schedule

		Balance			Amortization			
		Protected	Unprotected	Total Reg Liability	Protected	Unprotected	Accelerated Unprotected	Total
	Beginning Regulatory Liability	$ (5,565,573)	$ (30,215,187)	$ (35,780,760)				
	May-18	(5,544,491)	(30,113,666)	(35,658,157)	21,082	101,521		122,603
	Jun-18	(5,523,409)	(30,012,145)	(35,535,555)	21,082	101,521		122,603
	Jul-18	(5,502,327)	(29,910,624)	(35,412,952)	21,082	101,521		122,603
	Aug-18	(5,481,246)	(29,809,103)	(35,290,349)	21,082	101,521		122,603
	Sep-18	(5,460,164)	(29,707,582)	(35,167,746)	21,082	101,521		122,603
	Oct-18	(5,439,082)	(29,606,061)	(35,045,143)	21,082	101,521		122,603
	Nov-18	(5,418,001)	(29,504,540)	(34,922,541)	21,082	101,521		122,603
	Dec-18	(5,396,919)	(29,403,019)	(34,799,938)	21,082	101,521		122,603
	Jan-19	(5,375,837)	(29,301,498)	(34,677,335)	21,082	101,521		122,603
	Feb-19	(5,354,755)	(29,199,977)	(34,554,732)	21,082	101,521		122,603
	Mar-19	(5,333,674)	(29,098,456)	(34,432,130)	21,082	101,521		122,603
First Change in Rates	Apr-19	(5,312,592)	(28,997,557)	(34,310,149)	21,082	100,899		121,981
	May-19	(5,291,510)	(28,896,658)	(34,188,169)	21,082	100,899		121,981
	Jun-19	(5,270,429)	(28,795,760)	(34,066,188)	21,082	100,899		121,981
	Jul-19	(5,249,347)	(28,694,861)	(33,944,208)	21,082	100,899		121,981
	Aug-19	(5,228,265)	(28,593,962)	(33,822,227)	21,082	100,899		121,981
	Sep-19	(5,207,183)	(28,493,063)	(33,700,247)	21,082	100,899		121,981
	Oct-19	(5,186,102)	(28,392,164)	(33,578,266)	21,082	100,899		121,981
	Nov-19	(5,165,020)	(28,291,266)	(33,456,286)	21,082	100,899		121,981
	Dec-19	(5,143,938)	(28,190,367)	(33,334,305)	21,082	100,899		121,981
	Jan-20	(5,122,857)	(28,089,468)	(33,212,324)	21,082	100,899		121,981
	Feb-20	(5,101,775)	(27,988,569)	(33,090,344)	21,082	100,899		121,981
	Mar-20	(5,080,693)	(27,887,670)	(32,968,363)	21,082	100,899		121,981
	Apr-20	(5,059,611)	(27,786,772)	(32,846,383)	21,082	100,899		121,981
	May-20	(5,038,530)	(27,685,873)	(32,724,402)	21,082	100,899		121,981
	Jun-20	(5,017,448)	(27,584,974)	(32,602,422)	21,082	100,899		121,981
	Jul-20	(4,996,366)	(27,484,075)	(32,480,441)	21,082	100,899		121,981
	Aug-20	(4,975,285)	(27,383,176)	(32,358,461)	21,082	100,899		121,981
	Sep-20	(4,954,203)	(27,282,278)	(32,236,480)	21,082	100,899		121,981
	Oct-20	(4,933,121)	(27,181,379)	(32,114,500)	21,082	100,899		121,981
	Nov-20	(4,912,039)	(27,080,480)	(31,992,519)	21,082	100,899		121,981
	Dec-20	(4,890,958)	(26,979,581)	(31,870,539)	21,082	100,899		121,981
	Jan-21	(4,869,876)	(26,878,682)	(31,748,558)	21,082	100,899		121,981
	Feb-21	(4,848,794)	(26,777,784)	(31,626,578)	21,082	100,899		121,981
	Mar-21	(4,827,713)	(26,676,885)	(31,504,597)	21,082	100,899		121,981
	Apr-21	(4,806,631)	(26,575,986)	(31,382,617)	21,082	100,899		121,981
	May-21	(4,785,549)	(26,475,087)	(31,260,636)	21,082	100,899		121,981
	Jun-21	(4,764,467)	(26,374,188)	(31,138,656)	21,082	100,899		121,981
	Jul-21	(4,743,386)	(26,273,290)	(31,016,675)	21,082	100,899		121,981
	Aug-21	(4,722,304)	(26,172,391)	(30,894,695)	21,082	100,899		121,981
	Sep-21	(4,701,222)	(26,071,492)	(30,772,714)	21,082	100,899		121,981
	Oct-21	(4,680,141)	(25,970,593)	(30,650,734)	21,082	100,899		121,981
	Nov-21	(4,659,059)	(25,869,694)	(30,528,753)	21,082	100,899		121,981
	Dec-21	(4,637,977)	(25,768,796)	(30,406,773)	21,082	100,899		121,981
New Rate Set	Jan-22	(4,616,895)	(25,339,316)	(29,956,211)	21,082		429,480	450,562
	Feb-22	(4,595,814)	(24,909,836)	(29,505,649)	21,082		429,480	450,562
	Mar-22	(4,574,732)	(24,480,356)	(29,055,088)	21,082		429,480	450,562
	Apr-22	(4,553,650)	(24,050,876)	(28,604,526)	21,082		429,480	450,562
	May-22	(4,532,569)	(23,621,396)	(28,153,965)	21,082		429,480	450,562
	Jun-22	(4,511,487)	(23,191,916)	(27,703,403)	21,082		429,480	450,562
	Jul-22	(4,490,405)	(22,762,436)	(27,252,841)	21,082		429,480	450,562
	Aug-22	(4,469,323)	(22,332,956)	(26,802,280)	21,082		429,480	450,562
	Sep-22	(4,448,242)	(21,903,476)	(26,351,718)	21,082		429,480	450,562
	Oct-22	(4,427,160)	(21,473,996)	(25,901,156)	21,082		429,480	450,562
	Nov-22	(4,406,078)	(21,044,516)	(25,450,595)	21,082		429,480	450,562
	Dec-22	(4,384,997)	(20,615,036)	(25,000,033)	21,082		429,480	450,562
	Jan-23	(4,363,915)	(20,185,557)	(24,549,471)	21,082		429,480	450,562
	Feb-23	(4,342,833)	(19,756,077)	(24,098,910)	21,082		429,480	450,562
	Mar-23	(4,321,751)	(19,326,597)	(23,648,348)	21,082		429,480	450,562
	Apr-23	(4,300,670)	(18,897,117)	(23,197,786)	21,082		429,480	450,562
	May-23	(4,279,588)	(18,467,637)	(22,747,225)	21,082		429,480	450,562

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022
Deferred Liablity Amortization

ADIT Excess Deferred Liabilities
Account 2530 - 27909

Forecasted Test Period

Test Period Ending Balance	Test Period 13-Month Balance	Test Period Amort. Expense
$ (25,000,033)	$ (27,703,403)	$ 5,406,740

Full Amortization Schedule

		Balance			Amortization			
		Protected	Unprotected	Total Reg Liability	Protected	Unprotected	Accelerated Unprotected	Total
	Jun-23	(4,258,506)	(18,038,157)	(22,296,663)	21,082		429,480	450,562
	Jul-23	(4,237,425)	(17,608,677)	(21,846,102)	21,082		429,480	450,562
	Aug-23	(4,216,343)	(17,179,197)	(21,395,540)	21,082		429,480	450,562
	Sep-23	(4,195,261)	(16,749,717)	(20,944,978)	21,082		429,480	450,562
	Oct-23	(4,174,179)	(16,320,237)	(20,494,417)	21,082		429,480	450,562
	Nov-23	(4,153,098)	(15,890,757)	(20,043,855)	21,082		429,480	450,562
	Dec-23	(4,132,016)	(15,461,277)	(19,593,293)	21,082		429,480	450,562
	Jan-24	(4,110,934)	(15,031,797)	(19,142,732)	21,082		429,480	450,562
	Feb-24	(4,089,853)	(14,602,318)	(18,692,170)	21,082		429,480	450,562
	Mar-24	(4,068,771)	(14,172,838)	(18,241,608)	21,082		429,480	450,562
	Apr-24	(4,047,689)	(13,743,358)	(17,791,047)	21,082		429,480	450,562
	May-24	(4,026,607)	(13,313,878)	(17,340,485)	21,082		429,480	450,562
	Jun-24	(4,005,526)	(12,884,398)	(16,889,924)	21,082		429,480	450,562
	Jul-24	(3,984,444)	(12,454,918)	(16,439,362)	21,082		429,480	450,562
	Aug-24	(3,963,362)	(12,025,438)	(15,988,800)	21,082		429,480	450,562
	Sep-24	(3,942,281)	(11,595,958)	(15,538,239)	21,082		429,480	450,562
	Oct-24	(3,921,199)	(11,166,478)	(15,087,677)	21,082		429,480	450,562
	Nov-24	(3,900,117)	(10,736,998)	(14,637,115)	21,082		429,480	450,562
	Dec-24	(3,879,035)	(10,307,518)	(14,186,554)	21,082		429,480	450,562
	Jan-25	(3,857,954)	(9,878,038)	(13,735,992)	21,082		429,480	450,562
	Feb-25	(3,836,872)	(9,448,558)	(13,285,430)	21,082		429,480	450,562
	Mar-25	(3,815,790)	(9,019,078)	(12,834,869)	21,082		429,480	450,562
	Apr-25	(3,794,709)	(8,589,599)	(12,384,307)	21,082		429,480	450,562
	May-25	(3,773,627)	(8,160,119)	(11,933,745)	21,082		429,480	450,562
	Jun-25	(3,752,545)	(7,730,639)	(11,483,184)	21,082		429,480	450,562
	Jul-25	(3,731,463)	(7,301,159)	(11,032,622)	21,082		429,480	450,562
	Aug-25	(3,710,382)	(6,871,679)	(10,582,061)	21,082		429,480	450,562
	Sep-25	(3,689,300)	(6,442,199)	(10,131,499)	21,082		429,480	450,562
	Oct-25	(3,668,218)	(6,012,719)	(9,680,937)	21,082		429,480	450,562
	Nov-25	(3,647,137)	(5,583,239)	(9,230,376)	21,082		429,480	450,562
	Dec-25	(3,626,055)	(5,153,759)	(8,779,814)	21,082		429,480	450,562
	Jan-26	(3,604,973)	(4,724,279)	(8,329,252)	21,082		429,480	450,562
	Feb-26	(3,583,891)	(4,294,799)	(7,878,691)	21,082		429,480	450,562
	Mar-26	(3,562,810)	(3,865,319)	(7,428,129)	21,082		429,480	450,562
	Apr-26	(3,541,728)	(3,435,839)	(6,977,567)	21,082		429,480	450,562
	May-26	(3,520,646)	(3,006,359)	(6,527,006)	21,082		429,480	450,562
	Jun-26	(3,499,565)	(2,576,880)	(6,076,444)	21,082		429,480	450,562
	Jul-26	(3,478,483)	(2,147,400)	(5,625,883)	21,082		429,480	450,562
	Aug-26	(3,457,401)	(1,717,920)	(5,175,321)	21,082		429,480	450,562
	Sep-26	(3,436,319)	(1,288,440)	(4,724,759)	21,082		429,480	450,562
	Oct-26	(3,415,238)	(858,960)	(4,274,198)	21,082		429,480	450,562
	Nov-26	(3,394,156)	(429,480)	(3,823,636)	21,082		429,480	450,562
End of 5 Year Acceleration	Dec-26	(3,373,074)	0	(3,373,074)	21,082		429,480	450,562
	Jan-27	(3,351,993)	0	(3,351,993)	21,082			21,082
	Feb-27	(3,330,911)	0	(3,330,911)	21,082			21,082
	Mar-27	(3,309,829)	0	(3,309,829)	21,082			21,082
	Apr-27	(3,288,747)	0	(3,288,747)	21,082			21,082
	May-27	(3,267,666)	0	(3,267,666)	21,082			21,082
	Jun-27	(3,246,584)	0	(3,246,584)	21,082			21,082
	Jul-27	(3,225,502)	0	(3,225,502)	21,082			21,082
	Aug-27	(3,204,421)	0	(3,204,421)	21,082			21,082
	Sep-27	(3,183,339)	0	(3,183,339)	21,082			21,082
	Oct-27	(3,162,257)	0	(3,162,257)	21,082			21,082
	Nov-27	(3,141,175)	0	(3,141,175)	21,082			21,082
	Dec-27	(3,120,094)	0	(3,120,094)	21,082			21,082
	Jan-28	(3,099,012)	0	(3,099,012)	21,082			21,082
	Feb-28	(3,077,930)	0	(3,077,930)	21,082			21,082
	Mar-28	(3,056,849)	0	(3,056,849)	21,082			21,082
	Apr-28	(3,035,767)	0	(3,035,767)	21,082			21,082
	May-28	(3,014,685)	0	(3,014,685)	21,082			21,082
	Jun-28	(2,993,603)	0	(2,993,603)	21,082			21,082
	Jul-28	(2,972,522)	0	(2,972,522)	21,082			21,082

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022
Deferred Liablity Amortization

ADIT Excess Deferred Liabilities
Account 2530 - 27909

Forecasted Test Period

Test Period Ending Balance	Test Period 13-Month Balance	Test Period Amort. Expense
$ (25,000,033)	$ (27,703,403)	$ 5,406,740

Full Amortization Schedule

	Balance			Amortization			
	Protected	Unprotected	Total Reg Liability	Protected	Unprotected	Accelerated Unprotected	Total
Aug-28	(2,951,440)	0	(2,951,440)	21,082			21,082
Sep-28	(2,930,358)	0	(2,930,358)	21,082			21,082
Oct-28	(2,909,277)	0	(2,909,277)	21,082			21,082
Nov-28	(2,888,195)	0	(2,888,195)	21,082			21,082
Dec-28	(2,867,113)	0	(2,867,113)	21,082			21,082
Jan-29	(2,846,031)	0	(2,846,031)	21,082			21,082
Feb-29	(2,824,950)	0	(2,824,950)	21,082			21,082
Mar-29	(2,803,868)	0	(2,803,868)	21,082			21,082
Apr-29	(2,782,786)	0	(2,782,786)	21,082			21,082
May-29	(2,761,705)	0	(2,761,705)	21,082			21,082
Jun-29	(2,740,623)	0	(2,740,623)	21,082			21,082
Jul-29	(2,719,541)	0	(2,719,541)	21,082			21,082
Aug-29	(2,698,459)	0	(2,698,459)	21,082			21,082
Sep-29	(2,677,378)	0	(2,677,378)	21,082			21,082
Oct-29	(2,656,296)	0	(2,656,296)	21,082			21,082
Nov-29	(2,635,214)	0	(2,635,214)	21,082			21,082
Dec-29	(2,614,133)	0	(2,614,133)	21,082			21,082
Jan-30	(2,593,051)	0	(2,593,051)	21,082			21,082
Feb-30	(2,571,969)	0	(2,571,969)	21,082			21,082
Mar-30	(2,550,887)	0	(2,550,887)	21,082			21,082
Apr-30	(2,529,806)	0	(2,529,806)	21,082			21,082
May-30	(2,508,724)	0	(2,508,724)	21,082			21,082
Jun-30	(2,487,642)	0	(2,487,642)	21,082			21,082
Jul-30	(2,466,561)	0	(2,466,561)	21,082			21,082
Aug-30	(2,445,479)	0	(2,445,479)	21,082			21,082
Sep-30	(2,424,397)	0	(2,424,397)	21,082			21,082
Oct-30	(2,403,315)	0	(2,403,315)	21,082			21,082
Nov-30	(2,382,234)	0	(2,382,234)	21,082			21,082
Dec-30	(2,361,152)	0	(2,361,152)	21,082			21,082
Jan-31	(2,340,070)	0	(2,340,070)	21,082			21,082
Feb-31	(2,318,989)	0	(2,318,989)	21,082			21,082
Mar-31	(2,297,907)	0	(2,297,907)	21,082			21,082
Apr-31	(2,276,825)	0	(2,276,825)	21,082			21,082
May-31	(2,255,743)	0	(2,255,743)	21,082			21,082
Jun-31	(2,234,662)	0	(2,234,662)	21,082			21,082
Jul-31	(2,213,580)	0	(2,213,580)	21,082			21,082
Aug-31	(2,192,498)	0	(2,192,498)	21,082			21,082
Sep-31	(2,171,417)	0	(2,171,417)	21,082			21,082
Oct-31	(2,150,335)	0	(2,150,335)	21,082			21,082
Nov-31	(2,129,253)	0	(2,129,253)	21,082			21,082
Dec-31	(2,108,171)	0	(2,108,171)	21,082			21,082
Jan-32	(2,087,090)	0	(2,087,090)	21,082			21,082
Feb-32	(2,066,008)	0	(2,066,008)	21,082			21,082
Mar-32	(2,044,926)	0	(2,044,926)	21,082			21,082
Apr-32	(2,023,845)	0	(2,023,845)	21,082			21,082
May-32	(2,002,763)	0	(2,002,763)	21,082			21,082
Jun-32	(1,981,681)	0	(1,981,681)	21,082			21,082
Jul-32	(1,960,599)	0	(1,960,599)	21,082			21,082
Aug-32	(1,939,518)	0	(1,939,518)	21,082			21,082
Sep-32	(1,918,436)	0	(1,918,436)	21,082			21,082
Oct-32	(1,897,354)	0	(1,897,354)	21,082			21,082
Nov-32	(1,876,273)	0	(1,876,273)	21,082			21,082
Dec-32	(1,855,191)	0	(1,855,191)	21,082			21,082
Jan-33	(1,834,109)	0	(1,834,109)	21,082			21,082
Feb-33	(1,813,027)	0	(1,813,027)	21,082			21,082
Mar-33	(1,791,946)	0	(1,791,946)	21,082			21,082
Apr-33	(1,770,864)	0	(1,770,864)	21,082			21,082
May-33	(1,749,782)	0	(1,749,782)	21,082			21,082
Jun-33	(1,728,701)	0	(1,728,701)	21,082			21,082
Jul-33	(1,707,619)	0	(1,707,619)	21,082			21,082
Aug-33	(1,686,537)	0	(1,686,537)	21,082			21,082
Sep-33	(1,665,455)	0	(1,665,455)	21,082			21,082

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022
Deferred Liablity Amortization

ADIT Excess Deferred Liabilities
Account 2530 - 27909

Forecasted Test Period

Test Period Ending Balance	Test Period 13-Month Balance	Test Period Amort. Expense
$ (25,000,033)	$ (27,703,403)	$ 5,406,740

Full Amortization Schedule

	Balance			Amortization			
	Protected	Unprotected	Total Reg Liability	Protected	Unprotected	Accelerated Unprotected	Total
Oct-33	(1,644,374)	0	(1,644,374)	21,082			21,082
Nov-33	(1,623,292)	0	(1,623,292)	21,082			21,082
Dec-33	(1,602,210)	0	(1,602,210)	21,082			21,082
Jan-34	(1,581,129)	0	(1,581,129)	21,082			21,082
Feb-34	(1,560,047)	0	(1,560,047)	21,082			21,082
Mar-34	(1,538,965)	0	(1,538,965)	21,082			21,082
Apr-34	(1,517,883)	0	(1,517,883)	21,082			21,082
May-34	(1,496,802)	0	(1,496,802)	21,082			21,082
Jun-34	(1,475,720)	0	(1,475,720)	21,082			21,082
Jul-34	(1,454,638)	0	(1,454,638)	21,082			21,082
Aug-34	(1,433,557)	0	(1,433,557)	21,082			21,082
Sep-34	(1,412,475)	0	(1,412,475)	21,082			21,082
Oct-34	(1,391,393)	0	(1,391,393)	21,082			21,082
Nov-34	(1,370,311)	0	(1,370,311)	21,082			21,082
Dec-34	(1,349,230)	0	(1,349,230)	21,082			21,082
Jan-35	(1,328,148)	0	(1,328,148)	21,082			21,082
Feb-35	(1,307,066)	0	(1,307,066)	21,082			21,082
Mar-35	(1,285,985)	0	(1,285,985)	21,082			21,082
Apr-35	(1,264,903)	0	(1,264,903)	21,082			21,082
May-35	(1,243,821)	0	(1,243,821)	21,082			21,082
Jun-35	(1,222,739)	0	(1,222,739)	21,082			21,082
Jul-35	(1,201,658)	0	(1,201,658)	21,082			21,082
Aug-35	(1,180,576)	0	(1,180,576)	21,082			21,082
Sep-35	(1,159,494)	0	(1,159,494)	21,082			21,082
Oct-35	(1,138,413)	0	(1,138,413)	21,082			21,082
Nov-35	(1,117,331)	0	(1,117,331)	21,082			21,082
Dec-35	(1,096,249)	0	(1,096,249)	21,082			21,082
Jan-36	(1,075,167)	0	(1,075,167)	21,082			21,082
Feb-36	(1,054,086)	0	(1,054,086)	21,082			21,082
Mar-36	(1,033,004)	0	(1,033,004)	21,082			21,082
Apr-36	(1,011,922)	0	(1,011,922)	21,082			21,082
May-36	(990,841)	0	(990,841)	21,082			21,082
Jun-36	(969,759)	0	(969,759)	21,082			21,082
Jul-36	(948,677)	0	(948,677)	21,082			21,082
Aug-36	(927,595)	0	(927,595)	21,082			21,082
Sep-36	(906,514)	0	(906,514)	21,082			21,082
Oct-36	(885,432)	0	(885,432)	21,082			21,082
Nov-36	(864,350)	0	(864,350)	21,082			21,082
Dec-36	(843,269)	0	(843,269)	21,082			21,082
Jan-37	(822,187)	0	(822,187)	21,082			21,082
Feb-37	(801,105)	0	(801,105)	21,082			21,082
Mar-37	(780,023)	0	(780,023)	21,082			21,082
Apr-37	(758,942)	0	(758,942)	21,082			21,082
May-37	(737,860)	0	(737,860)	21,082			21,082
Jun-37	(716,778)	0	(716,778)	21,082			21,082
Jul-37	(695,697)	0	(695,697)	21,082			21,082
Aug-37	(674,615)	0	(674,615)	21,082			21,082
Sep-37	(653,533)	0	(653,533)	21,082			21,082
Oct-37	(632,451)	0	(632,451)	21,082			21,082
Nov-37	(611,370)	0	(611,370)	21,082			21,082
Dec-37	(590,288)	0	(590,288)	21,082			21,082
Jan-38	(569,206)	0	(569,206)	21,082			21,082
Feb-38	(548,125)	0	(548,125)	21,082			21,082
Mar-38	(527,043)	0	(527,043)	21,082			21,082
Apr-38	(505,961)	0	(505,961)	21,082			21,082
May-38	(484,879)	0	(484,879)	21,082			21,082
Jun-38	(463,798)	0	(463,798)	21,082			21,082
Jul-38	(442,716)	0	(442,716)	21,082			21,082
Aug-38	(421,634)	0	(421,634)	21,082			21,082
Sep-38	(400,553)	0	(400,553)	21,082			21,082
Oct-38	(379,471)	0	(379,471)	21,082			21,082
Nov-38	(358,389)	0	(358,389)	21,082			21,082

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022
Deferred Liablity Amortization

ADIT Excess Deferred Liabilities
Account 2530 - 27909

Forecasted Test Period

Test Period Ending Balance	Test Period 13-Month Balance	Test Period Amort. Expense
$ (25,000,033)	$ (27,703,403)	$ 5,406,740

Full Amortization Schedule

	Balance			Amortization			
	Protected	Unprotected	Total Reg Liability	Protected	Unprotected	Accelerated Unprotected	Total
Dec-38	(337,307)	0	(337,307)	21,082			21,082
Jan-39	(316,226)	0	(316,226)	21,082			21,082
Feb-39	(295,144)	0	(295,144)	21,082			21,082
Mar-39	(274,062)	0	(274,062)	21,082			21,082
Apr-39	(252,981)	0	(252,981)	21,082			21,082
May-39	(231,899)	0	(231,899)	21,082			21,082
Jun-39	(210,817)	0	(210,817)	21,082			21,082
Jul-39	(189,735)	0	(189,735)	21,082			21,082
Aug-39	(168,654)	0	(168,654)	21,082			21,082
Sep-39	(147,572)	0	(147,572)	21,082			21,082
Oct-39	(126,490)	0	(126,490)	21,082			21,082
Nov-39	(105,409)	0	(105,409)	21,082			21,082
Dec-39	(84,327)	0	(84,327)	21,082			21,082
Jan-40	(63,245)	0	(63,245)	21,082			21,082
Feb-40	(42,163)	0	(42,163)	21,082			21,082
Mar-40	(21,082)	0	(21,082)	21,082			21,082
Apr-40	(0)	0	(0)	21,082			21,082

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Deferred Credits
Base Period: Twelve Months Ended September 30, 2021

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 Sep-20	actual Oct-20	actual Nov-20	actual Dec-20	actual Jan-21	actual Feb-21	actual Mar-21	Budgeted Apr-21	Budgeted May-21	Budgeted Jun-21	Budgeted Jul-21	Budgeted Aug-21	Budgeted Sep-21	13 month Average
	DIVISION 09															
1		Account 252 - Customer Advances For Construction	$ (659,351)	$ (659,351)	$ (657,821)	$ (668,702)	$ (670,714)	$ (673,520)	$ (772,543)	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$ (681,896)
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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Deferred Credits
Base Period: Twelve Months Ended September 30, 2021

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 Dec-21	Budgeted Jan-22	Budgeted Feb-22	Budgeted Mar-22	Budgeted Apr-22	Forecasted May-22	Forecasted Jun-22	Forecasted Jul-22	Forecasted Aug-22	Forecasted Sep-22	Forecasted Oct-22	Forecasted Nov-22	Forecasted Dec-22	13 month Average
	DIVISION 09															
1		Account 252 - Customer Advances For Construction	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$ (683,775)	$(683,775)
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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

<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:
- (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;

<u>RESPONSE:</u>

Please see attachment FR_16(8)(c)_Att1, Schedules C.1 - C.2.3.

<u>ATTACHMENT:</u>

ATTACHMENT 1 - FR_16(8)(c)_Att1 - Schedule C.xlsx, 24 Pages.

Respondents: Joe Christian and Josh Densman

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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. 2021-00214
Operating Income Summary
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:__X____Base Period___X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(c)1
Schedule C-1
Witness: Christian, Densman

Line No.	Description	Base Return at Current Rates	Forecasted Return at Current Rates	Proposed Increase	Forecasted Return at Proposed Rates
1	Operating Revenue	$ 166,354,706	$ 173,466,923	$ 21,798,399	$ 195,265,322
2	Operating Expenses				
3	Purchased Gas Cost	70,283,866	77,873,656		77,873,656
4	Other O & M Expenses	31,311,659	29,047,435	108,992	29,156,427
5	Depreciation Expense	19,295,729	20,604,447		20,604,447
6	Taxes Other than Income	9,749,303	10,232,556	43,597	10,276,153
7					
8	State & Federal Income Taxes	6,502,638	6,290,437	5,400,630	11,691,066
9	Total Operating Expenses	$ 137,143,195	$ 144,048,531	$ 5,553,218	$ 149,601,750
10	Operating Income	$ 29,211,511	$ 29,418,392	$ 16,245,181	$ 45,663,572
11	Rate Base	547,733,498	596,130,007		596,130,007
12	Rate of Return	5.33%	4.93%		7.66%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Adjusted Operating Income Statement
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:__X____Base Period___X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(c)2
Schedule C-2
Witness: Christian, 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	$166,354,706	$ 7,112,217	D-1			$173,466,923			$ 173,466,923
2										
3	Operating Expenses									
4	Purchased Gas Cost	70,283,866	7,589,791	D-1			77,873,656	-		77,873,656
5	Production O&M Expense	-	-	D-1			-	-		-
6	Storage O&M Expense	742,885	12,773	D-1			755,658	-		755,658
7	Transmission O&M Expense	201,245	5,105	D-1			206,350	-		206,350
8	Distribution O&M Expense	9,060,381	139,318	D-1		*	9,199,699	-		9,199,699
9	Customer Accting. & Collection	2,888,691	(489,178)	D-1		*	2,399,513	-		2,399,513
10	Customer Service & Informatior	170,526	4,605	D-1		*	175,131	-		175,131
11	Sales Expense	323,516	4,158	D-1		*	327,674	(172,549)	F-4	155,125
12	Admin. & General Expense	17,924,415	182,206	D-1		*	18,106,621	(1,950,662)	F-1, F-6, F-8, F-9, F-10, F-11	16,155,959
13	Depreciation Expense	19,295,729	1,308,718	D-1			20,604,447	-		20,604,447
14	Taxes - Other	9,749,303	577,084	D-1			10,326,387	(93,831)	F-10	10,232,556
15	Income Taxes	6,502,638	(212,201)				6,290,437	-		6,290,437
16										
17										
18	Total Operating Expenses	$137,143,195	$ 9,122,378		$ -		$146,265,573	$(2,217,042)		$ 144,048,531
19										
20	Net Operating Income	$ 29,211,511	$ (2,010,161)		$ -		$ 27,201,350	$ 2,217,042		$ 29,418,392

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended September 30, 2021

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: Christian, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility (1)
1		OPERATING REVENUE	
2		Sales of Gas	
3	4800	Residential	$ 93,481,691
4	4805	Unbilled Residential	2,265,575
5	4811	Commercial	40,468,227
6	4812	Industrial	4,548,662
7	4815	Unbilled Commercial	917,459
8	4816	Unbilled Industrial	16,639
9	4820	Other - Public Authority	5,882,491
10	4825	Unbilled Public Authority	179,716
11		Total Sales of Gas	$ 147,760,461
12			
13		Other Operating Income	
14	4870	Forfeited Discounts	$ 490,350
15	4880	Misc. Service Revenues	234,281
16	4893	Revenue From Transportation of Gas of Others	16,646,735
17	4950	Other Gas Revenue	1,222,878
	4960	Provision for Rate Refunds	-
18		Total Other Operating Income	$ 18,594,245
19			
20		TOTAL OPERATING REVENUE	$ 166,354,706
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	$ 653
33	8150	Maps and Records	-
34	8160	Wells Expense	369,389

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended September 30, 2021

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: Christian, Densman

Line No.	Account No. (s)	Account Title		Unadjusted Total Utility (1)
35	8170	Lines Expense		40,264
36	8180	Compressor Station Expense		50,809
37	8190	Compressor Station Expense Fuel & Power		991
38	8200	Measuring & Regulating Station Expense		7,883
39	8210	Purification		38,458
40	8240	Other		-
41	8250	Storage Well Royalties		9,209
42		Total Nat. Gas Storage Expense - Operation	$	517,656
43				
44		Natural Gas Storage Expense - Maintenance		
45	8310	Structure & Improvements	$	554
46	8320	Reservoirs & Wells		-
47	8340	Compressor Station Equip.		-
48	8350	Measuring & Regulating Station Equip.		-
49	8360	Purification Equipment		-
50	8370	Maintenance of other equipment		-
51	840/847	Other Storage Exp. - LNG		224,675
52		Total Nat. Gas Storage Expense - Maintenance	$	225,229
53				
54		Transmission Expense - Operation		
55	8500	Operation Supervision & Engineering	$	14,402
56	8520	Communication system expenses		-
57	8550	Other fuel & power for compression		206
58	8560	Mains Expense		170,757
59	8570	Measuring & Regulating Station Exp.		11,888
60	8590	Other Exp.		-
61	8600	Rents		-
62		Total Transmission Expense - Operation	$	197,254
63				
64		Transmission Expense - Maintenance		
65	8620	Structures and Improvements	$	-
66	8630	Mains		3,992
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. 2021-00214
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended September 30, 2021

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: Christian, Densman

Line No.	Account No. (s)	Account Title		Unadjusted Total Utility (1)
70		Total Transmission Expense - Maintenance	$	3,992
71				
72		Purchased Gas Cost - Operation		
73	8001	Intercompany Gas Well-head Purchases	$	-
74	8010	Natural gas field line purchases		95,420
75	8040	Natural Gas City Gate Purchases		41,885,461
76	8045	Transportation to City Gate		-
77	8050	Transmission-Operation supervision and engineering		(29,053)
78	8051	Other Gas Purchases / Gas Cost Adjustments		43,006,111
79	8052	PGA for Commercial		21,544,384
80	8053	PGA for Industrial		3,981,547
81	8054	PGA for Public Authority		3,926,694
82	8057	PGA for Transportation Sales		-
83	8058	Unbilled PGA Costs		(2,164,110)
84	8059	PGA Offset to Unrecovered Gas Cost		(74,385,845)
85	8060	Exchange Gas		954,716
86	8081	Gas Withdrawn From Storage - Debit		12,286,131
87	8082	Gas Delivered to Storage		(11,336,099)
88	8110	Gas used for products extraction-Credit		-
89	8120	Gas Used for Other Utility Operations		(10,761)
90	8130	Gas Used for Other Utility Operations		-
91	8580	Transmission and compression of gas by others		30,529,268
92		Total Purchased Gas Cost	$	70,283,866
93				
94		Distribution Expenses - Operation		
95	8700	Supervision and Engineering	$	1,047,734
96	8710	Distribution Load Dispatching		398
97	8711	Odorization		108,130
98	8720	Compressor Station Labor & Expenses		-
99	8740	Mains & Services		5,883,581
100	8750	Measuring and Regulating Station Exp. - Gen		489,308
101	8760	Measuring and Regulating Station Exp. - Ind.		26,330
102	8770	Measuring and Regulating Sta. Exp. - City Gate		3,529
103	8780	Meters and House Regulator Expense		1,048,204
104	8790	Customer Installations Expense		-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended September 30, 2021

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: Christian, Densman

Line No.	Account No. (s)	Account Title		Unadjusted Total Utility (1)
105	8800	Other Expense		1,763
106	8810	Rents		360,992
107		Total Distribution Expenses - Operation	$	8,969,969
108				
109		Distribution Expenses - Maintenance		
110	8850	Supervision and Engineering	$	180
111	8860	Structures and Improvements		-
112	8870	Mains		17,839
113	8890	Measuring and Regulating Station Exp. - Gen		60,065
114	8900	Measuring and Regulating Station Exp. - Ind.		-
115	8910	Measuring and Regulating Sta. Exp. - City Gate		2,087
116	8920	Services		1,242
117	8930	Meters and House Regulators		8,087
118	8940	Other Equipment		913
119	8950	Maintenance of Other Plant		-
120		Total Distribution Expenses - Maintenance	$	90,413
121				
122		Customer Accounts Expenses - Operation		
123	9010	Supervision	$	-
124	9020	Meter Reading Expenses		905,449
125	9030	Customer Records & Collections		1,103,205
126	9040	Uncollectible Accounts		880,036
127		Total Customer Accounts Expense	$	2,888,691
128				
129		Customer Service & Information - Operation		
130	9070	Supervision	$	-
131	9080	Customer Assistance Expenses		-
132	9090	Informational and Instructional Advertising Expenses		170,410
133	9100	Misc Cust Serv & Informational Exp		116
134		Total Customer Accounts Expenses - Operation	$	170,526
135				
136		Sales Expense		
137	9110	Supervision	$	217,036
138	9120	Demonstrating and Selling Expenses		58,955
139	9130	Advertising Expenses		47,525

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Operating Revenue and Expenses by FERC Account
Base Period: Twelve Months Ended September 30, 2021

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: Christian, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility (1)
140	9160	Miscellaneous Sales Expenses	-
141		Total Sales Expenses	$ 323,516
142			
143		Administrative and General Expenses - Operation	
144	9200	Administrative and General Salaries	$ 180,274
145	9210	Office Supplies and Expenses	8,473
146	9220	Administrative Expense Transferred	15,178,191
147	9230	Outside Services Employed	257,302
148	9240	Property Insurance	72,573
149	9250	Injuries and Damages	65,994
150	9260	Employee Pensions and Benefits	1,904,419
151	9270	Franchise Requirements	1,091
152	9280	Regulatory Commission Expense	158,729
153	930.2	Miscellaneous General Expense	95,809
154	9310	A&G-Rents	$ 1,560
155		Total Administrative and General Exp. - Operation	$ 17,924,415
156			
157		Administrative and General Expense - Maintenance	
158	9320	Maintenance of general plant	$ -
159		Total Administrative and Gen. Exp. - Maintenance	$ -
160			
161		Total Operation and Maintenance Expense	$ 101,595,525
162			
163	403	Depreciation	$ 19,295,729
164	406	Amortization	$ 49,749
165	4081	Taxes Other than Income Taxes	9,749,303
166	4091-4101	Provision for Federal & State Income Taxes	6,502,638
167			
168		TOTAL OPERATING EXPENSE (incl Gas Cost)	$ 137,192,944
169			
170		NET OPERATING INCOME	$ 29,161,762

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Operating Revenue and Expenses by FERC Account
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
1		OPERATING REVENUE	
2		Sales of Gas	
3	4800	Residential	$100,196,512
4	4811	Commercial	42,523,547
5	4812	Industrial	4,941,525
6	4820	Other - Public Authority	6,412,852
7		Total Sales of Gas	$154,074,436
8			
9		Other Operating Income	
10	4870	Forfeited Discounts	$ 1,300,280
11	4880	Misc. Service Revenues	234,286
12	4893-4896	Revenue From Transportation of Gas of Others	15,144,509
13	4950	Other Gas Revenue	2,713,412
14		Total Other Operating Income	$ 19,392,487
15			
16		TOTAL OPERATING REVENUE	$173,466,923
17			
18		OPERATING EXPENSES	
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	$ 653
29	8150	Maps and Records	-
30	8160	Wells Expense	370,315
31	8170	Lines Expense	41,265
32	8180	Compressor Station Expense	52,180
33	8190	Compressor Station Expense Fuel & Power	991
34	8200	Measuring & Regulating Station Expense	7,977
35	8210	Purification	39,794
36	8240	Other	-
37	8250	Storage Well Royalties	9,209
38		Total Nat. Gas Storage Expense - Operation	$ 522,384

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Operating Revenue and Expenses by FERC Account
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility (1)
39			
40		Natural Gas Storage Expense - Maintenance	
41	8310	Structure & Improvements	$ 554
42	8320	Reservoirs & Wells	-
43	8340	Compressor Station Equip.	-
44	8350	Measuring & Regulating Station Equip.	-
45	8360	Purification Equipment	-
46	8370	Maintenance of other equipment	-
47	841/847	Other Storage Exp. - LNG	232,720
48		Total Nat. Gas Storage Expense - Maintenance	$ 233,274
49			
50		Transmission Expense - Operation	
51	8500	Operation Supervision & Engineering	$ 14,402
52	8520	Communication system expenses	-
53	8550	Other Fuel & Power for Compression	206
54	8560	Mains Expense	175,659
55	8570	Measuring & Regulating Station Exp.	11,942
56	8590	Other Exp.	0
57	8600	Rents	0
58		Total Transmission Expense - Operation	$ 202,210
59			
60		Transmission Expense - Maintenance	
61	8620	Structures and Improvements	$ -
62	8630	Mains	4,141
63	8640	Compressor Station Equipment	-
64	8650	Measuring & Reg Station Equip.	-
65	8670	Other Equipment	-
66		Total Transmission Expense - Maintenance	$ 4,141
67			
68		Purchased Gas Cost - Operation	
69	8001	Intercompany Gas Well-head Purchases	$ -
70	8010	Natural gas field line purchases	98,009
71	8040	Natural Gas City Gate Purchases	45,028,264
72	8045	Transportation to City Gate	0
73	8050	Transmission-Operation supervision and engineerin	(31,349)
74	8051	Other Gas Purchases / Gas Cost Adjustments	48,172,790
75	8052	PGA for Commercial	23,895,123
76	8053	PGA for Industrial	4,334,292
77	8054	PGA for Public Authority	4,373,421
78	8057	PGA for Transportation Sales	0
79	8058	Unbilled PGA Costs	(2,890,437)
80	8059	PGA Offset to Unrecovered Gas Cost	(82,419,896)
81	8060	Exchange Gas	2,017,828
82	8081	Gas Withdrawn From Storage - Debit	14,196,429
83	8082	Gas Delivered to Storage	(11,565,589)
84	8110	Gas used for products extraction-Credit	0
85	8120	Gas Used for Other Utility Operations	(11,533)
86	8130	Other Gas Supply Expenses	0
87	8580	Transmission and compression of gas by others	32,676,306
88		Total Purchased Gas Cost	$ 77,873,656

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Operating Revenue and Expenses by FERC Account
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility (1)
89			
90		Distribution Expenses - Operation	
91	8700	Supervision and Engineering	$ 1,066,179
92	8710	Distribution Load Dispatching	398
93	8711	Odorization	108,130
94	8720	Compressor Station Labor & Expenses	0
95	8740	Mains & Services	5,954,353
96	8750	Measuring and Regulating Station Exp. - Gen	501,120
97	8760	Measuring and Regulating Station Exp. - Ind.	27,244
98	8770	Measuring and Regulating Sta. Exp. - City Gate	3,529
99	8780	Meters and House Regulator Expense	1,085,247
100	8790	Customer Installations Expense	0
101	8800	Other Expense	1,763
102	8810	Rents	360,992
103		Total Distribution Expenses - Operation	$ 9,108,956
104			
105		Distribution Expenses - Maintenance	
106	8850	Supervision and Engineering	$ 180
107	8860	Structures and Improvements	0
108	8870	Mains	18,047
109	8890	Measuring and Regulating Station Exp. - Gen	60,065
110	8900	Measuring and Regulating Station Exp. - Ind.	0
111	8910	Measuring and Regulating Sta. Exp. - City Gate	2,164
112	8920	Services	1,287
113	8930	Meters and House Regulators	8,087
114	8940	Other Equipment	913
115	8950	Maintenance of Other Plant	0
116		Total Distribution Expenses - Maintenance	$ 90,743
117			
118		Customer Accounts Expenses - Operation	
119	9010	Supervision	$ -
120	9020	Meter Reading Expenses	928,105
121	9030	Customer Records & Collections	1,107,950
122	9040	Uncollectible Accounts	363,458
123		Total Customer Accounts Expense	$ 2,399,513
124			
125		Customer Service & Information - Operation	
126	9070	Supervision	$ -
127	9080	Customer Assistance Expenses	0
128	9090	Informational and Instructional Advertising Expenses	175,015
129	9100	Misc Cust Serv & Informational Exp	116
130		Total Customer Accounts Expenses - Operation	$ 175,131
131			
132		Sales Expense	
133	9110	Supervision	$ 221,194
134	9120	Demonstrating and Selling Expenses	58,955
135	9130	Advertising Expenses	47,525
136	9160	Miscellaneous Sales Expenses	0
137		Total Sales Expenses	$ 327,674
138			

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Operating Revenue and Expenses by FERC Account
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

Line No.	Account No. (s)	Account Title	Unadjusted Total Utility
			(1)
139		Administrative and General Expenses - Operation	
140	9200	Administrative and General Salaries	$ 186,999
141	9210	Office Supplies and Expenses	8,473
142	9220	Administrative Expense Transferred	15,463,673
143	9230	Outside Services Employed	257,302
144	9240	Property Insurance	72,573
145	9250	Injuries and Damages	65,994
146	9260	Employee Pensions and Benefits	1,794,417
147	9270	Franchise Requirements	1,091
148	9280	Regulatory Commission Expense	158,729
149	930.2	Miscellaneous General Expense	95,809
150	9310	A&G-Rents	1,560
151		Total Administrative and General Exp. - Operation	$ 18,106,621
152			
153		Administrative and General Expense - Maintenance	
154	9320	Maintenance of General Plant	0
155		Total Administrative and Gen. Exp. - Maintenance	$ -
156			
157		Total Operation and Maintenance Expense	$109,044,303
158			
159	403-406	Depreciation and Amortization	$ 20,604,447
160	4081	Taxes Other than Income Taxes	10,326,387
161	4091	Provision for Federal & State Income Taxes	6,290,437
162			
163		T O T A L O P E R A T I N G E X P E N S E	$146,265,573
164			
165		N E T O P E R A T I N G I N C O M E	$ 27,201,350

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Monthly Jurisdictional Operating Income by FERC Account
Base Period: Twelve Months Ended September 30, 2021

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: Christian, Densman

Line No.	Acct No.	Account Discription	actual Oct-20	actual Nov-20	actual Dec-20	actual Jan-21	actual Feb-21	actual Mar-21	Budgeted Apr-21	Budgeted May-21	Budgeted Jun-21	Budgeted Jul-21	Budgeted Aug-21	Budgeted Sep-21	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
1	4091-4101	Provision for income taxes	0	0	12,974,026	0	0	2,826,807	(1,549,699)	(1,549,699)	(1,549,699)	(1,549,699)	(1,549,699)	(1,549,699)	6,502,638
2															
3	4030	Depreciation Expense	1,725,227	1,724,126	1,732,494	1,734,574	1,734,151	1,734,230	1,465,851	1,474,340	1,482,704	1,489,904	1,495,435	1,502,693	19,295,729
4	4060	Amortization of gas plant acquisition adjustments	4,146	4,146	4,146	4,146	4,146	4,146	4,146	4,146	4,146	4,146	4,146	4,146	49,749
5	4081	Taxes other than income taxes, utility operating incor	715,614	736,720	756,424	829,076	796,305	866,806	836,896	812,263	970,036	808,368	813,613	807,184	9,749,303
6	4800	Residential sales	(4,389,566)	(6,573,042)	(10,594,273)	(14,202,977)	(14,243,829)	(12,321,346)	(8,059,599)	(5,767,055)	(4,488,515)	(4,229,759)	(4,293,288)	(4,318,441)	(93,481,691)
7	4805	Unbilled Residential Revenue	(1,161,190)	(1,605,913)	(2,388,952)	129,739	610,668	2,150,074							(2,265,575)
8	4811	Commercial Revenue	(2,081,081)	(2,653,756)	(4,254,595)	(6,033,920)	(6,098,779)	(5,209,682)	(3,386,210)	(2,593,945)	(2,090,392)	(1,982,915)	(2,043,025)	(2,039,926)	(40,468,227)
9	4812	Industrial Revenue	(170,312)	(286,330)	(503,033)	(691,280)	(786,976)	(540,118)	(402,883)	(249,588)	(128,434)	(151,818)	(192,838)	(445,053)	(4,548,662)
10	4815	Unbilled Comm Revenue	(511,613)	(468,314)	(968,927)	(221,742)	504,744	748,393							(917,459)
11	4816	Unbilled Industrial Revenue	(6,832)	(639)	(26,558)	4,536	44,265	(31,411)							(16,639)
12	4820	Other Sales to Public Authorities	(226,899)	(378,743)	(687,579)	(957,388)	(981,313)	(877,681)	(505,833)	(341,006)	(243,285)	(219,039)	(230,819)	(232,907)	(5,882,491)
13	4825	Unbilled Public Authority Revenue	(95,558)	(125,403)	(167,757)	(23,954)	71,882	161,074							(179,716)
14	4870	Forfeited discounts	7	(18)	97	29	2	11	(138,491)	(103,922)	(75,652)	(59,340)	(55,948)	(57,126)	(490,350)
15	4880	Miscellaneous service revenues	(21,842)	(14,779)	(17,743)	(13,260)	(12,790)	(11,209)	(25,716)	(22,720)	(22,154)	(24,641)	(21,821)	(25,606)	(234,281)
16	4893	Revenue-Transportation Distribution	(1,507,384)	(1,497,651)	(1,770,467)	(1,839,285)	(1,731,579)	(1,580,211)	(1,357,995)	(1,081,437)	(1,034,625)	(1,090,092)	(1,047,844)	(1,108,167)	(16,646,735)
17	4950	Other Gas Revenue	0	0	0	0	0	0	(225,675)	(187,768)	(158,597)	(191,773)	(212,033)	(247,033)	(1,222,878)
18	4960	Provision for Rate Refunds	0	0	0	0	0	0							0
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	10,554	5,984	6,872	1,295	2,851	5,089	4,996	8,783	11,359	9,105	13,074	15,459	95,420
23	8040	Natural gas city gate purchases	3,672,838	3,793,392	1,093,541	3,440,150	3,090,192	5,724,714	811,406	5,293,239	4,612,165	3,154,603	2,780,075	4,419,145	41,885,461
24	8050	Other purchases	(458)	(407)	(327)	(2,981)	(956)	(1,257)	(12,033)	(1,223)	(1,797)	(620)	(1,749)	(5,245)	(29,053)
25	8051	PGA for Residential	785,365	2,367,182	5,252,344	7,892,607	8,190,995	6,723,287	4,461,119	3,770,577	1,263,427	819,123	698,725	781,362	43,006,111
26	8052	PGA for Commercial	774,806	1,201,507	2,359,182	3,678,736	3,840,725	3,137,168	2,046,511	1,525,758	764,973	652,176	612,515	950,329	21,544,384
27	8053	PGA for Industrial	109,367	205,761	376,423	523,838	601,354	405,957	525,369	318,977	152,512	117,566	143,708	500,714	3,981,547
28	8054	PGA for Public Authorities	99,023	213,722	440,031	645,117	680,664	604,108	423,136	358,081	152,850	93,043	98,652	118,265	3,926,694
29	8058	Unbilled PGA Cost	1,338,529	1,497,294	2,710,691	(52,042)	(562,012)	(2,730,166)	(1,577,370)	(2,496,639)	(383,410)	(1,935)	321,987	(229,038)	(2,164,110)
30	8059	PGA Offset to Unrecovered Gas Cost	(2,718,511)	(3,725,196)	(5,744,195)	(9,808,921)	(10,496,515)	(13,159,396)	(9,278,389)	(6,145,238)	(2,831,203)	(2,882,667)	(4,058,828)	(3,536,787)	(74,385,845)
31	8060	Exchange gas	(897,205)	(827,832)	1,049,235	2,112,070	2,755,130	1,628,394	1,884,223	(2,094,288)	(2,322,458)	(920,705)	181,486	(1,593,333)	954,716
32	8081	Gas withdrawn from storage-Debit	0	0	1,309,075	1,834,305	2,196,946	3,681,461	3,174,201	80,881	9,262	0	0	0	12,286,131
33	8082	Gas delivered to storage-Credit	(1,677,579)	(1,317,710)	(24,584)	(20,192)	(2,134)	(134,688)	(47,371)	(1,306,048)	(2,034,022)	(1,472,922)	(1,340,890)	(1,957,959)	(11,336,099)
34	8120	Gas used for other utility operations-Credit	(133)	(118)	(590)	(1,327)	(1,707)	(1,884)	240	(2,031)	(263)	(430)	1,996	(4,515)	(10,761)
35	8580	Transmission and compression of gas by others	1,610,361	2,071,769	2,310,384	2,444,274	2,454,486	2,255,683	3,462,967	4,163,893	2,556,694	2,113,206	2,426,831	2,658,720	30,529,268
36	8140	Storage-Operation supervision and engineering	0	0	0	0	295	0	51	43	57	58	54	96	653
37	8160	Wells expenses	75,219	74,044	2,632	19,713	5,504	3,090	30,857	32,428	36,054	33,717	30,291	25,838	369,389
38	8170	Lines expenses	4,536	(780)	2,784	4,960	4,128	3,065	3,499	3,319	3,553	3,554	3,517	4,128	40,264
39	8180	Compressor station expenses	2,180	4,703	4,200	5,245	3,235	3,882	4,447	4,215	4,516	4,503	4,477	5,205	50,809
40	8190	Compressor station fuel and power	139	91	91	0	0	200	81	82	76	81	75	75	991
41	8200	Storage-Measuring and regulating station expenses	90	564	250	501	1,464	854	652	609	676	687	658	878	7,883
42	8210	Storage-Purification expenses	133	582	4,444	1,713	11,513	(349)	3,486	3,414	3,412	3,387	3,439	3,283	38,458
43	8240	Storage-Other expenses	0	0	0	0	0	0	-	-	-	-	-	-	0
44	8250	Storage well royalties	193	234	468	1,229	1,388	1,329	749	761	710	749	700	700	9,209
45	8310	Storage-Maintenance of structures and improvement	0	0	0	0	0	250	43	37	48	49	46	81	554
46	8340	Maintenance of compressor station equipment	0	0	0	0	0	0	-	-	-	-	-	-	0
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	17,322	15,590	30,579	13,059	9,380	14,961	21,071	20,627	20,542	20,281	20,944	20,318	224,675
51	8500	Transmission-Operation supervision and engineering	0	0	3,850	4,206	0	0	947	1,055	1,185	1,075	952	1,132	14,402
52	8520	Communication system expenses	0	0	0	0	0	0	-	-	-	-	-	-	0
53	8550	Other fuel and power for Compression	3	36	37	0	0	32	17	17	16	17	16	16	206
54	8560	Mains expenses	17,871	13,842	7,658	12,373	9,542	18,556	14,993	14,698	14,949	14,897	14,929	16,449	170,757
55	8570	Transmission-Measuring and regulating station expe	628	2,498	618	666	680	890	972	952	959	996	940	1,090	11,888
56	8630	Transmission-Maintenance of mains	1,083	1,397	(624)	0	0	0	365	356	357	353	361	342	3,992
57	8640	Transmission-Maintenance of compressor sta equipr	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	71,288	66,362	95,387	79,708	56,124	82,261	93,122	98,202	95,512	96,986	97,460	115,322	1,047,734

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Monthly Jurisdictional Operating Income by FERC Account
Base Period: Twelve Months Ended September 30, 2021

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: Christian, Densman

Line No.	Acct No.	Account Discription	actual Oct-20	actual Nov-20	actual Dec-20	actual Jan-21	actual Feb-21	actual Mar-21	Budgeted Apr-21	Budgeted May-21	Budgeted Jun-21	Budgeted Jul-21	Budgeted Aug-21	Budgeted Sep-21	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
60	8710	Distribution load dispatching	24	23	21	20	0	123	32	33	31	32	30	30	398
61	8711	Odorization	9,981	0	3,592	5,219	3,674	26,351	8,376	7,181	9,438	9,618	8,894	15,806	108,130
62	8720	Distribution-Compressor station labor and expenses	0	0	0	0	0	0	-	-	-	-	-	-	0
63	8740	Mains and Services Expenses	432,009	431,860	432,338	430,923	490,519	491,740	521,671	532,162	560,329	549,227	525,468	485,334	5,883,581
64	8750	Distribution-Measuring and regulating station expens	21,442	41,165	43,476	39,742	48,221	32,227	43,115	41,938	44,200	43,773	43,185	46,824	489,308
65	8760	Distribution-Measuring and regulating station expens	2,416	1,483	49	(93)	4,199	4,164	2,381	2,311	2,354	2,332	2,366	2,366	26,330
66	8770	Distribution-Measuring and regulating station expens	197	211	272	352	395	428	287	291	272	287	268	268	3,529
67	8780	Meter and house regulator expenses	84,885	94,391	95,349	79,106	75,250	54,352	96,001	93,786	94,112	93,165	95,188	92,620	1,048,204
68	8790	Customer installations expenses	0	0	0	0	0	0	-	-	-	-	-	-	0
69	8800	Distribution-Other expenses	586	14	157	228	0	33	118	113	119	124	119	151	1,763
70	8810	Distribution-Rents	35,929	32,991	34,106	37,628	40,035	43,174	24,984	25,110	22,396	23,354	19,803	21,482	360,992
71	8850	Distribution-Maintenance supervision and engineerin	0	0	37	54	0	0	14	15	15	15	17	14	180
72	8860	Distribution-Maintenance of structures and improvem	0	0	0	0	0	0	-	-	-	-	-	-	0
73	8870	Distribution-Maint of mains	(814)	252	63	6,237	2,540	291	1,523	1,553	1,694	1,614	1,505	1,382	17,839
74	8890	Maintenance of measuring and regulating station equ	7,538	1,569	2,676	1,239	3,167	12,321	4,854	4,753	5,636	5,434	4,916	5,960	60,065
75	8900	Maintenance of measuring and regulating station equ	0	0	0	0	0	0	-	-	-	-	-	-	0
76	8910	Maintenance of measuring and regulating station equ	(117)	0	0	0	907	181	191	186	187	185	189	179	2,087
77	8920	Maintenance of services	0	77	222	215	(44)	106	113	110	111	110	112	110	1,242
78	8930	Maintenance of meters and house regulators	4,000	0	0	0	0	0	677	729	805	743	659	475	8,087
79	8940	Distribution-Maintenance of other equipment	178	0	13	200	0	21	71	61	80	81	75	134	913
80	9010	Customer accounts-Operation supervision	0	0	0	0	0	0	-	-	-	-	-	-	0
81	9020	Customer accounts-Meter reading expenses	75,565	69,529	68,816	62,637	77,735	77,632	81,942	80,474	78,329	79,414	77,058	76,319	905,449
82	9030	Customer accounts-Customer records and collection	81,339	80,264	77,058	81,686	80,212	120,096	96,411	101,949	109,946	102,650	94,725	76,869	1,103,205
83	9040	Customer accounts-Uncollectible accounts	65,873	83,619	111,162	113,424	126,691	196,530	34,864	30,604	29,190	29,221	29,051	29,807	880,036
84	9090	Customer service-Operating informational and instru	12,569	11,827	10,158	9,275	10,184	29,138	14,404	14,434	14,942	14,628	14,320	14,530	170,410
85	9100	Customer service-Miscellaneous customer service	0	0	0	0	0	65	8	9	10	9	8	9	116
86	9110	Sales-Supervision	9,930	11,190	10,027	8,589	8,619	10,462	26,173	25,977	24,383	23,787	27,040	30,860	217,036
87	9120	Sales-Demonstrating and selling expenses	2,997	3,628	3,216	13,802	8,096	1,757	3,459	5,103	5,205	3,956	3,388	4,350	58,955
88	9130	Sales-Advertising expenses	1,451	1,174	5,364	1,847	15,081	1,667	3,124	3,482	3,912	3,546	3,141	3,736	47,525
89	9200	A&G-Administrative & general salaries	18,133	11,769	14,262	13,022	12,402	14,262	16,470	16,097	16,142	15,959	16,294	15,461	180,274
90	9210	A&G-Office supplies & expense	422	345	438	2,702	1,360	476	553	547	525	614	365	128	8,473
91	9220	A&G-Administrative expense transferred-Credit	1,082,814	809,555	1,033,751	1,079,132	957,419	1,240,213	1,215,436	1,351,087	1,188,085	1,298,162	1,143,476	2,779,061	15,178,191
92	9230	A&G-Outside services employed	7,439	6,315	8,993	6,567	9,442	88,516	21,539	23,187	25,611	23,625	20,963	15,106	257,302
93	9240	A&G-Property insurance	12,388	11,822	12,394	9,729	12,497	12,825	344	-	-	573	-	-	72,573
94	9250	A&G-Injuries & damages	2,619	4,798	2,614	8,074	7,895	15,567	4,094	4,316	4,762	4,536	3,905	2,816	65,994
95	9260	A&G-Employee pensions and benefits	132,989	135,263	145,655	124,404	127,288	135,284	187,964	184,396	183,757	181,404	187,122	178,892	1,904,419
96	9270	A&G-Franchise requirements	292	0	0	0	0	0	58	55	67	85	54	480	1,091
97	9280	A&G-Regulatory commission expenses	5,274	6,368	9,451	8,257	10,744	11,474	9,657	9,612	11,271	12,927	9,197	54,497	158,729
98	9302	Miscellaneous general expenses	19,280	5,007	5,908	12,526	7,247	11,247	1,498	16,295	12,115	1,952	472	2,262	95,809
99	9310	A&G-Rents	0	0	0	1,020	0	0	22	273	201	28	5	10	1,560
100	9320	A&G-Maintenance of general plant	0	0	0	0	0	0	-	-	-	-	-	-	0
101															
102		Operating (Income)Loss*	($2,300,013)	($3,618,577)	($5,464,630)	($6,293,641)	($5,094,057)	($4,006,710)	($3,318,726)	($1,822,925)	($1,201,824)	($1,258,861)	($1,394,602)	$110,165	($29,161,762)

*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. 2021-00214
Monthly Jurisdictional Operating Income by FERC Account, **Div 002 Only**
Base Period: Twelve Months Ended September 30, 2021

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: Christian, Densman

Line No.	Acct No.	Account Discription	actual Oct-20	actual Dec-20	actual Dec-20	actual Jan-21	actual Feb-21	actual Mar-21	Budgeted Apr-21	Budgeted May-21	Budgeted Jun-21	Budgeted Jul-21	Budgeted Aug-21	Budgeted Sep-21	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 i	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	8700	Distribution-Operation supervision and engineerir	192	177	1,621	7	177	177	646	635	655	651	645	668	6,247
5	8560	Mains Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
6	8740	Mains and Services Expenses	5,863	10,459	(5,225)	7,919	4,938	(33,591)	68,497	68,738	69,346	68,604	68,463	69,328	403,339
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	995	29	0	0	0	9,883	2,270	2,258	2,339	2,325	2,266	20,174	42,540
9	8810	Distribution-Rents	838	1,682	201	(16,315)	(592)	(362)	(3,040)	(3,040)	(3,046)	(3,040)	(3,040)	(3,043)	(32,798)
10	8850	Distribution-Maintenance supervision and engine	0	0	0	0	0	0	0	0	0	0	0	0	0
11	8900	Maintenance of measuring and regulating station	0	0	0	0	0	0	0	0	0	0	0	0	0
12	9010	Customer accounts-Operation supervision	0	0	0	0	0	0	0	0	0	0	0	0	0
13	9030	Customer accounts-Customer records and collec	9,951	9,680	10,053	9,579	7,384	6,557	9,015	8,626	9,464	9,055	9,050	9,178	107,590
14	9040	Customer accounts-Uncollectible accounts	0	0	0	0	0	0	0	0	0	0	0	20,493,544	20,493,544
15	9100	Customer service-Miscellaneous customer servic	0	0	0	0	0	0	0	0	0	0	0	0	0
16	9120	Sales-Demonstrating and selling expenses	16,725	13,023	20,635	10,106	10,279	9,868	15,148	16,138	15,142	17,525	16,533	17,511	178,633
17	9160	Sales-Miscellaneous sales expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
18	9200	A&G-Administrative & general salaries	(674,501)	(3,232,736)	(1,373,918)	(2,933,234)	(3,189,450)	(2,224,758)	(3,538,153)	(4,918,214)	(3,555,014)	(3,954,091)	(3,024,911)	(3,131,628)	(35,750,607)
19	9210	A&G-Office supplies & expense	2,659,291	2,536,561	2,622,285	2,388,730	2,559,956	2,631,301	3,592,792	3,360,712	3,416,734	3,385,039	3,321,939	5,023,503	37,498,843
20	9220	A&G-Administrative expense transferred-Credit	(9,953,031)	(6,233,532)	(8,710,902)	(8,416,255)	(7,515,001)	(11,872,059)	(9,040,892)	(11,991,043)	(9,647,401)	(10,511,625)	(8,669,384)	(41,786,801)	(144,347,926)
21	9230	A&G-Outside services employed	894,023	854,946	826,625	847,252	1,176,195	1,062,101	1,213,250	1,261,432	1,261,813	1,270,295	1,210,032	11,005,990	22,883,954
22	9240	A&G-Property insurance	9,024	9,024	9,032	9,024	9,024	9,717	10,825	10,825	10,825	10,825	10,900	10,825	119,871
23	9250	A&G-Injuries & damages	2,756,598	2,294,191	2,747,643	2,770,998	2,766,989	103,137	2,653,093	2,652,772	2,653,103	2,653,119	2,671,418	2,653,119	29,376,181
24	9260	A&G-Employee pensions and benefits	2,672,276	2,744,975	2,887,847	4,090,987	3,279,884	5,373,014	4,302,454	8,814,611	4,472,114	6,334,504	3,670,464	3,761,062	52,404,192
25	9301	A&G-General advertising expense	0	0	0	0	0	0	0	0	0	0	0	0	0
26	9302	Miscellaneous general expenses	549,726	112,310	547,447	687,803	523,820	2,145,254	214,879	217,214	794,456	217,757	217,254	1,283,872	7,511,793
27	9310	A&G-Rents	419,452	405,841	414,345	406,291	433,845	371,906	471,795	471,807	472,408	471,925	471,802	509,032	5,320,451
28	9320	A&G-Maintenance of general plant	21,992	25,759	38,480	23,614	2,923	16,721	27,421	26,529	27,061	27,133	26,568	63,665	327,867
29		Operating (Income)Loss*	($610,586)	($447,610)	$36,170	($113,494)	$70,370	($2,391,135)	($0)	($0)	$0	$0	($0)	$0	($3,456,285)
30															
31	9220	A&G-Administrative expense transferred-Credit	(9,953,031)	(6,233,532)	(8,710,902)	(8,416,255)	(7,515,001)	(11,872,059)	(9,040,892)	(11,991,043)	(9,647,401)	(10,511,625)	(8,669,384)	(41,786,801)	(144,347,926)
32		Allocation Factor to Kentucky	5.05%	5.08%	5.07%	5.07%	5.06%	5.04%	4.97%	4.97%	4.97%	4.97%	4.97%	4.97%	5.00%
33		Total Allocated Amount	(502,337)	(316,548)	(441,827)	(426,615)	(380,628)	(597,793)	(449,460)	(596,124)	(479,612)	(522,576)	(430,991)	(2,077,394)	(7,221,904)

*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. 2021-00214
Monthly Jurisdictional Operating Income by FERC Account, **Div 012 Only**
Base Period: Twelve Months Ended September 30, 2021

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: Christian, Densman

Line No.	Acct No.	Account Discription	actual Oct-20	actual Dec-20	actual Dec-20	actual Jan-21	actual Feb-21	actual Mar-21	Budgeted Apr-21	Budgeted May-21	Budgeted Jun-21	Budgeted Jul-21	Budgeted Aug-21	Budgeted Sep-21	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	3,776	0	0	172	0	117	115	113	118	111	110	4,633
4	8740	Mains and Services Expenses	11,348	9,513	6,381	12,272	6,748	4,409	9,707	9,343	9,707	9,422	9,422	9,421	107,693
5	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
6	9010	Customer accounts-Operation supervision	367,825	373,216	380,642	373,086	347,547	431,838	456,880	435,042	454,782	441,649	439,051	438,879	4,940,438
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	1,825,152	1,679,301	1,893,105	1,769,755	1,674,505	1,859,987	2,137,171	2,006,380	2,097,488	2,065,388	2,026,187	2,024,983	23,059,403
9	9200	A&G-Administrative & general salaries	270,730	253,169	290,400	344,455	249,040	300,880	338,599	323,578	338,599	326,816	326,816	326,816	3,689,897
10	9210	A&G-Office supplies & expense	659,503	649,345	648,815	666,150	719,357	720,359	208,930	175,445	190,750	207,777	185,986	178,665	5,211,081
11	9220	A&G-Administrative expense transferred-Credit	(4,167,436)	(3,982,735)	(4,269,085)	(4,205,869)	(3,968,320)	(4,422,929)	(4,328,808)	(4,098,355)	(4,255,049)	(4,193,695)	(4,111,654)	(4,097,159)	(50,101,093)
12	9230	A&G-Outside services employed	78,414	49,789	34,291	95,902	72,233	97,685	81,879	35,861	64,467	76,509	58,135	49,651	794,816
13	9240	A&G-Property insurance	6,576	6,576	6,576	6,576	6,576	6,666	0	0	0	0	0	0	39,547
14	9250	A&G-Injuries & damages	93	93	93	177	93	93	0	0	0	0	0	0	642
15	9260	A&G-Employee pensions and benefits	847,168	857,813	907,834	837,585	790,922	908,984	999,639	1,016,721	1,003,273	970,076	970,076	972,765	11,082,853
16	9310	A&G-Rents	100,626	99,560	100,785	99,912	100,746	91,363	95,882	95,868	95,868	95,940	95,868	95,868	1,168,286
17	9320	A&G-Maintenance of general plant	0	585	164	0	382	665	2	1	1	2	1	1	1,805
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	(4,167,436)	(3,982,735)	(4,269,085)	(4,205,869)	(3,968,320)	(4,422,929)	(4,328,808)	(4,098,355)	(4,255,049)	(4,193,695)	(4,111,654)	(4,097,159)	(50,101,093)
22		Allocation Factor to Kentucky	5.31%	5.29%	5.34%	5.28%	5.29%	5.33%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.43%
23		Total Allocated Amount	(221,170)	(210,823)	(228,061)	(221,984)	(209,904)	(235,605)	(240,569)	(227,761)	(236,469)	(233,060)	(228,500)	(227,695)	(2,721,602)
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. 2021-00214
Monthly Jurisdictional Operating Income by FERC Account, **Div 091 Only**
Base Period: Twelve Months Ended September 30, 2021

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: Christian, Densman

Line No.	Acct No.	Account Discription	actual Oct-20	actual Nov-20	actual Dec-20	actual Jan-21	actual Feb-21	actual Mar-21	Budgeted Apr-21	Budgeted May-21	Budgeted Jun-21	Budgeted Jul-21	Budgeted Aug-21	Budgeted Sep-21	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	0	0	0	0	0	0
3	4081	Taxes other than income taxes, utility operating i	0	(0)	0	0	0	(0)	0	0	0	0	0	0	(0)
4	8170	Lines expenses	43	41	40	44	90	0	73	72	70	70	70	70	685
5	8180	Compressor station expenses	30	29	28	31	63	0	51	50	49	49	49	49	479
6	8190	Compressor station fuel and power	5	32	65	74	33	16	63	62	61	61	61	61	593
7	8210	Storage-Purification expenses	99	115	268	299	303	210	364	358	350	350	349	351	3,416
8	8240	Storage-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
9	8250	Storage well royalties	882	459	1,102	2,271	1,407	934	1,982	1,954	1,909	1,907	1,904	1,914	18,623
10	8500	Transmission-Operation supervision and engine	0	24,916	1,797	1,556	868	72	9,661	9,675	8,764	9,239	8,651	11,645	86,843
11	8560	Mains expenses	39	37	36	40	81	0	66	65	63	63	63	63	616
12	8570	Transmission-Measuring and regulating station e	165	0	0	0	0	0	149	147	144	144	144	144	1,038
13	8600	Transmission-Measuring and regulating station e	64	168	50	89	181	1	3,691	3,751	3,855	4,969	4,325	4,314	25,457
14	8650	Transmission-Maintenance of me - Non-Inventor	0	0	0	0	0	0	0	0	0	0	0	0	0
15	8700	Distribution-Operation supervision and engineeri	139,346	157,718	164,992	296,232	195,538	158,320	283,249	249,293	231,060	243,124	305,308	217,199	2,641,379
16	8711	Odorization	0	0	0	0	0	0	0	0	0	0	0	0	0
17	8740	Mains and Services Expenses	7,500	14,106	8,496	15,885	10,443	5,713	4,729	6,902	6,824	7,093	5,695	9,046	102,433
18	8750	Distribution-Measuring and regulating station ex	40,385	33,530	33,355	39,895	47,737	42,151	26,946	25,608	28,610	28,044	26,476	29,672	402,409
19	8760	Distribution-Measuring and regulating station ex	14,955	3,502	6,921	10,664	17,114	17,496	7,731	7,382	7,731	7,731	7,731	7,742	116,701
20	8770	Distribution-Measuring and regulating station ex	0	0	0	0	(594)	0	(349)	(270)	(769)	(561)	(267)	(1,066)	(3,876)
21	8780	Meter and house regulator expenses	(32)	704	(31)	(26)	0	87	77	73	77	77	77	77	1,158
22	8800	Distribution-Other expenses	62,950	73,531	65,230	63,613	54,707	75,256	131,930	119,964	113,658	113,013	111,793	141,655	1,127,300
23	8810	Distribution-Rents	27,086	26,509	26,412	29,002	27,550	27,016	38,555	37,954	37,797	37,175	36,963	37,575	389,593
24	8870	Distribution-Maint of mains	(73)	0	0	0	0	0	(8)	(8)	(8)	(8)	(8)	(8)	(121)
25	8890	Maintenance of measuring and regulating statior	5,895	9,768	4,720	5,506	12,014	16,059	5,905	5,638	5,905	5,905	5,905	5,913	89,134
26	8900	Maintenance of measuring and regulating statior	(147)	0	0	0	0	0	(16)	(15)	(16)	(16)	(16)	(16)	(243)
27	8910	Maintenance of measuring and regulating statior	953	708	(374)	348	1,784	(371)	334	318	334	334	334	334	5,035
28	9010	Customer accounts-Operation supervision	11,142	10,759	11,715	10,696	10,190	10,279	7,093	6,774	7,095	7,093	7,100	7,103	107,040
29	9020	Customer accounts-Meter reading expenses	46	32	18	(4)	193	(39)	27	26	27	27	27	27	408
30	9030	Customer accounts-Customer records and collec	178,387	137,705	172,861	176,651	198,239	186,087	258,521	237,577	229,756	228,257	228,296	274,215	2,506,551
31	9040	Customer accounts-Uncollectible accounts	0	0	0	0	0	0	34,584	29,522	27,679	27,994	28,469	30,223	178,471
32	9090	Customer service-Operating informational and ir	36,688	(14,058)	22,867	13,092	13,696	15,667	16,377	17,366	18,013	16,162	25,629	16,044	197,543
33	9100	Customer service-Miscellaneous customer servi	60	25	2	53	28	30	129	38	17	46	66	16	512
34	9110	Sales-Supervision	10,915	14,058	11,575	10,257	11,004	12,875	13,424	11,064	11,760	11,664	14,428	11,588	144,610
35	9120	Sales-Demonstrating and selling expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
36	9130	Sales-Advertising expenses	0	0	0	0	382	0	247	73	33	88	126	31	981
37	9200	A&G-Administrative & general salaries	(23,431)	(6,224)	(6,353)	(6,289)	(37,621)	(26,548)	722	634	634	722	4,171	631	(98,951)
38	9210	A&G-Office supplies & expense	0	0	0	(70,000)	20	0	(23,355)	(21,238)	(20,122)	(20,005)	(19,639)	(25,080)	(199,420)
39	9220	A&G-Administrative expense transferred-Credit	(712,628)	(559,667)	(721,664)	(853,892)	(727,664)	(806,851)	(1,042,061)	(1,045,620)	(936,143)	(1,076,013)	(959,907)	(940,048)	(10,382,158)
40	9230	A&G-Outside services employed	20,249	16,646	20,939	4,528	1,752	(12,642)	17,179	15,621	14,800	14,716	14,557	18,446	146,791
41	9240	A&G-Property insurance	42	35	42	(44)	52	17	3,213	3,265	3,356	4,326	3,765	3,755	21,824
42	9250	A&G-Injuries & damages	5,206	12,894	(27,444)	11,921	9,251	2,300	28,011	28,309	29,120	36,691	32,314	32,229	200,804
43	9260	A&G-Employee pensions and benefits	173,179	41,923	202,335	237,508	151,158	275,864	170,706	247,612	167,509	289,470	104,992	104,084	2,166,338
44	9280	A&G-Regulatory commission expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
45	9302	Miscellaneous general expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
46	9310	A&G-Rents	0	0	0	0	0	0	0	0	0	0	0	0	0
47															
48		Operating (Income)Loss*	($0)	($0)	$0	($0)	$0	($0)	$0	($0)	$0	($0)	($0)	($0)	($0)
49															
50	9220	A&G-Administrative expense transferred-Credit	(712,628)	(559,667)	(721,664)	(853,892)	(727,664)	(806,851)	(1,042,061)	(1,045,620)	(936,143)	(1,076,013)	(959,907)	(940,048)	(10,382,157)
51		Allocation Factor to Kentucky	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%
52		Total Allocated Amount	(359,307)	(282,184)	(363,863)	(430,532)	(366,888)	(406,815)	(525,407)	(527,201)	(472,003)	(542,526)	(483,985)	(473,972)	(5,234,684)

*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. 2021-00214
Monthly Jurisdictional Operating Income by FERC Account
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

Line No.	Acct No.	Account Discription	Forecasted Jan-22	Forecasted Feb-22	Forecasted Mar-22	Forecasted Apr-22	Forecasted May-22	Forecasted Jun-22	Forecasted Jul-22	Forecasted Aug-22	Forecasted Sep-22	Forecasted Oct-22	Forecasted Nov-22	Forecasted Dec-22	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
1	4091	Provision for Federal & State Income Taxes	524,203	524,203	524,203	524,203	524,203	524,203	524,203	524,203	524,203	524,203	524,203	524,203	6,290,437
2															
3	4030	Depreciation Expense	1,712,892	1,712,892	1,712,892	1,712,892	1,712,892	1,712,892	1,712,892	1,712,892	1,712,892	1,712,892	1,712,892	1,712,892	20,554,698
4	4060	Amortization of gas plant acquisition adjustments	4,146	4,146	4,146	4,146	4,146	4,146	4,146	4,146	4,146	4,146	4,146	4,146	49,749
5	4081	Taxes other than income taxes, utility operating incor	865,159	841,309	999,450	837,277	842,698	836,077	853,603	832,483	853,597	837,547	902,357	824,829	10,326,387
6	4800	Residential sales	(14,970,553)	(15,164,796)	(11,593,055)	(8,577,097)	(5,847,698)	(4,533,787)	(4,268,018)	(4,254,977)	(4,278,837)	(5,244,767)	(8,885,342)	(12,577,585)	(100,196,512)
7	4805	Unbilled Residential Revenue													
8	4811	Commercial Revenue	(6,051,198)	(6,085,291)	(4,783,842)	(3,643,759)	(2,642,358)	(2,125,049)	(2,014,762)	(1,994,546)	(1,990,986)	(2,352,047)	(3,722,007)	(5,117,701)	(42,523,547)
9	4812	Industrial Revenue	(802,231)	(854,748)	(584,991)	(454,891)	(256,744)	(132,086)	(156,453)	(181,437)	(415,603)	(222,147)	(319,272)	(560,922)	(4,941,525)
10	4815	Unbilled Comm Revenue													
11	4816	Unbilled Industrial Revenue													
12	4820	Other Sales to Public Authorities	(1,038,861)	(1,050,504)	(785,908)	(549,223)	(347,105)	(247,015)	(222,227)	(222,973)	(224,956)	(296,981)	(573,686)	(853,414)	(6,412,852)
13	4825	Unbilled Public Authority Revenue													
14	4870	Forfeited discounts	(164,748)	(191,837)	(193,882)	(149,225)	(111,035)	(76,826)	(60,068)	(56,586)	(56,303)	(56,497)	(68,652)	(114,622)	(1,300,280)
15	4880	Miscellaneous service revenues	(13,265)	(12,790)	(11,209)	(25,716)	(22,720)	(22,154)	(24,641)	(21,821)	(25,606)	(21,842)	(14,779)	(17,743)	(234,286)
16	4893	Revenue-Transportation Commercial	(1,488,404)	(1,606,599)	(1,495,291)	(1,357,995)	(1,081,437)	(1,034,625)	(1,090,092)	(1,047,844)	(1,108,167)	(1,183,910)	(1,308,192)	(1,341,955)	(15,144,509)
17	4950	Other Gas Revenue	(277,653)	(287,785)	(246,528)	(225,675)	(187,768)	(158,597)	(191,773)	(212,033)	(247,033)	(205,898)	(225,332)	(247,338)	(2,713,412)
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	1,467	3,207	6,348	5,716	9,091	11,755	9,425	12,204	14,402	9,763	7,647	6,983	98,009
23	8040	Natural gas city gate purchases	3,897,070	3,476,229	7,140,448	928,308	5,478,719	4,773,344	3,265,458	2,595,173	4,116,972	3,397,433	4,847,768	1,111,342	45,028,264
24	8050	Other purchases	(3,377)	(1,076)	(1,568)	(13,766)	(1,266)	(1,860)	(642)	(1,633)	(4,886)	(424)	(520)	(332)	(31,349)
25	8051	PGA for Residential	8,940,902	9,214,242	8,385,970	5,103,844	3,902,701	1,307,579	847,907	652,253	727,934	726,475	3,025,141	5,337,842	48,172,790
26	8052	PGA for Commercial	4,167,345	4,320,521	3,912,996	2,341,357	1,579,222	791,706	675,094	571,777	885,347	716,708	1,535,467	2,397,585	23,895,123
27	8053	PGA for Industrial	593,414	676,477	506,352	601,060	330,155	157,842	121,697	134,150	466,476	101,166	262,953	382,551	4,334,292
28	8054	PGA for Public Authorities	730,802	765,695	753,505	484,098	370,628	158,192	96,313	92,091	110,178	91,598	273,127	447,194	4,373,421
29	8058	Unbilled PGA Cost	(58,954)	(632,221)	(3,405,341)	(1,804,625)	(2,584,123)	(396,809)	(2,003)	300,572	(213,376)	1,238,161	1,913,468	2,754,816	(2,890,437)
30	8059	PGA Offset to Unrecovered Gas Cost	(11,111,741)	(11,807,775)	(16,413,742)	(10,615,151)	(6,360,572)	(2,930,144)	(2,983,966)	(3,788,876)	(3,294,948)	(2,514,665)	(4,760,617)	(5,837,699)	(82,419,896)
31	8060	Exchange gas	2,392,595	3,099,310	2,031,100	2,155,688	(2,167,673)	(2,403,620)	(953,060)	169,416	(1,484,384)	(829,929)	(1,057,929)	1,066,314	2,017,828
32	8081	Gas withdrawn from storage-Debit	2,077,937	2,471,396	4,591,894	3,631,517	83,716	9,586	0	0	0	0	0	1,330,384	14,196,429
33	8082	Gas delivered to storage-Credit	(22,874)	(2,401)	(167,996)	(54,196)	(1,351,813)	(2,105,104)	(1,524,681)	(1,251,707)	(1,824,078)	(1,551,787)	(1,683,968)	(24,984)	(11,565,589)
34	8120	Gas used for other utility operations-Credit	(1,503)	(1,920)	(2,349)	275	(2,103)	(272)	(445)	1,863	(4,206)	(123)	(151)	(600)	(11,533)
35	8580	Transmission and compression of gas by others	2,768,922	2,761,108	2,813,518	3,961,885	4,309,799	2,646,042	2,187,466	2,265,423	2,476,922	1,489,609	2,647,618	2,347,992	32,676,306
36	8140	Storage-Operation supervision and engineering	53	45	72	51	43	57	58	54	96	52	32	41	653
37	8160	Wells expenses	25,866	29,891	38,169	30,926	32,495	36,121	33,783	30,359	25,902	32,825	29,880	24,100	370,315
38	8170	Lines expenses	3,130	3,053	3,656	3,573	3,391	3,625	3,625	3,590	4,197	3,265	2,836	3,323	41,265
39	8180	Compressor station expenses	3,933	3,817	4,571	4,547	4,314	4,614	4,600	4,577	5,299	4,106	3,584	4,216	52,180
40	8190	Compressor station fuel and power	81	92	93	81	82	76	81	75	75	86	82	86	991
41	8200	Storage-Measuring and regulating station expenses	628	608	770	659	616	683	693	665	884	645	519	607	7,977
42	8210	Storage-Purification expenses	2,938	3,011	3,196	3,584	3,510	3,508	3,482	3,536	3,375	3,140	3,041	3,472	39,794
43	8240	Storage-Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	0
44	8250	Storage well royalties	755	859	864	749	761	710	749	700	700	802	762	799	9,209
45	8310	Storage-Maintenance of structures and improvement	45	38	61	43	37	48	49	46	81	44	27	35	554
46	8340	Maintenance of compressor station equipment	-	-	-	-	-	-	-	-	-	-	-	-	0
47	8350	Maintenance of measuring and regulating station equ	-	-	-	-	-	-	-	-	-	-	-	-	0
48	8360	Processing-Maintenance of purification equipment	-	-	-	-	-	-	-	-	-	-	-	-	0
49	8370	Maintenance of other equipment	-	-	-	-	-	-	-	-	-	-	-	-	0
50	8410	Other storage expenses-Operation labor and expens	16,447	16,738	17,850	21,662	21,205	21,121	20,854	21,528	20,873	17,616	17,185	19,640	232,720
51	8500	Transmission-Operation supervision and engineering	1,346	2,333	1,914	947	1,055	1,185	1,075	952	1,132	651	697	1,116	14,402
52	8520	Communication system expenses	-	-	-	-	-	-	-	-	-	-	-	-	0
53	8550	Other fuel and power for Compression	17	19	19	17	17	16	17	16	16	18	17	18	206
54	8560	Mains expenses	12,818	13,030	14,326	15,353	15,050	15,302	15,246	15,285	16,787	13,833	13,852	14,776	175,659
55	8570	Transmission-Measuring and regulating station expe	964	1,027	1,139	975	956	963	1,000	944	1,094	1,009	894	978	11,942
56	8630	Transmission-Maintenance of mains	303	308	328	376	367	368	364	372	353	324	315	362	4,141
57	8640	Transmission-Maintenance of compressor sta equipr	-	-	-	-	-	-	-	-	-	-	-	-	0
58	8650	Transmission-Maintenance of measuring and regulat	-	-	-	-	-	-	-	-	-	-	-	-	0

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Monthly Jurisdictional Operating Income by FERC Account
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

Line No.	Acct No.	Account Discription	Forecasted Jan-22	Forecasted Feb-22	Forecasted Mar-22	Forecasted Apr-22	Forecasted May-22	Forecasted Jun-22	Forecasted Jul-22	Forecasted Aug-22	Forecasted Sep-22	Forecasted Oct-22	Forecasted Nov-22	Forecasted Dec-22	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
59	8700	Distribution-Operation supervision and engineering	87,254	69,811	82,669	94,477	99,526	96,841	98,299	98,800	116,595	72,645	73,314	75,947	1,066,179
60	8710	Distribution load dispatching	33	37	37	32	33	31	32	30	30	35	33	35	398
61	8711	Odorization	8,761	7,499	11,928	8,376	7,181	9,438	9,618	8,894	15,806	8,608	5,239	6,783	108,130
62	8720	Distribution-Compressor station labor and expenses	-	-	-	-	-	-	-	-	-	-	-	-	0
63	8740	Mains and Services Expenses	419,486	454,086	529,567	526,871	537,244	565,425	554,265	530,612	490,215	443,769	463,994	438,819	5,954,353
64	8750	Distribution-Measuring and regulating station expens	36,901	37,203	43,561	43,983	42,786	45,051	44,613	44,044	47,638	39,206	36,215	39,920	501,120
65	8760	Distribution-Measuring and regulating station expens	2,009	2,020	2,214	2,449	2,377	2,420	2,398	2,433	2,429	2,134	2,025	2,337	27,244
66	8770	Distribution-Measuring and regulating station expens	289	329	331	287	291	272	287	268	268	307	292	306	3,529
67	8780	Meter and house regulator expenses	78,918	80,111	86,084	98,723	96,445	96,779	95,802	97,881	95,175	84,320	81,678	93,332	1,085,247
68	8790	Customer installations expenses	-	-	-	-	-	-	-	-	-	-	-	-	0
69	8800	Distribution-Other expenses	162	162	184	118	113	119	124	119	151	172	178	161	1,763
70	8810	Distribution-Rents	33,454	39,601	40,688	24,984	25,110	22,396	23,354	19,803	21,482	44,863	31,265	33,994	360,992
71	8850	Distribution-Maintenance supervision and engineerin	14	2	29	14	15	15	15	17	14	14	16	16	180
72	8860	Distribution-Maintenance of structures and improvem	-	-	-	-	-	-	-	-	-	-	-	-	0
73	8870	Distribution-Maint of mains	1,290	1,417	1,753	1,538	1,568	1,709	1,628	1,520	1,396	1,542	1,402	1,284	18,047
74	8890	Maintenance of measuring and regulating station equ	4,464	4,588	6,446	4,854	4,753	5,636	5,434	4,916	5,960	5,138	4,078	3,798	60,065
75	8900	Maintenance of measuring and regulating station equ	-	-	-	-	-	-	-	-	-	-	-	-	0
76	8910	Maintenance of measuring and regulating station equ	159	161	172	196	192	192	190	194	184	170	165	189	2,164
77	8920	Maintenance of services	95	96	104	116	113	114	113	115	113	101	96	111	1,287
78	8930	Maintenance of meters and house regulators	554	669	845	677	729	805	743	659	475	733	684	514	8,087
79	8940	Distribution-Maintenance of other equipment	74	63	101	71	61	80	81	75	134	73	44	57	913
80	9010	Customer accounts-Operation supervision	-	-	-	-	-	-	-	-	-	-	-	-	0
81	9020	Customer accounts-Meter reading expenses	69,178	75,528	76,162	83,606	82,101	79,960	81,027	78,705	77,881	73,720	71,020	79,217	928,105
82	9030	Customer accounts-Customer records and collection	73,653	86,732	107,819	96,760	102,289	110,288	102,988	95,070	77,197	94,696	89,300	71,158	1,107,950
83	9040	Customer accounts-Uncollectible accounts	41,108	40,001	20,552	24,204	14,923	23,242	24,428	25,782	23,857	31,795	41,737	51,830	363,458
84	9090	Customer service-Operating informational and instru	13,745	16,716	16,285	14,742	14,765	15,274	14,956	14,655	14,848	12,259	12,032	14,737	175,015
85	9100	Customer service-Miscellaneous customer service	11	19	15	8	9	10	9	8	9	5	6	9	116
86	9110	Sales-Supervision	9,187	9,471	10,578	26,478	26,276	24,682	24,083	27,342	31,146	10,129	10,638	11,183	221,194
87	9120	Sales-Demonstrating and selling expenses	6,077	8,543	7,655	3,459	5,103	5,205	3,956	3,388	4,350	3,865	2,880	4,475	58,955
88	9130	Sales-Advertising expenses	4,441	7,697	6,316	3,124	3,482	3,912	3,546	3,141	3,736	2,147	2,299	3,684	47,525
89	9200	A&G-Administrative & General Salaries	13,700	13,933	14,825	16,964	16,580	16,627	16,437	16,783	15,925	14,650	14,233	16,342	186,999
90	9210	A&G-Office supplies & expense	1,016	1,402	1,105	553	547	525	614	365	128	693	698	828	8,473
91	9220	A&G-Administrative expense transferred-Credit	1,090,879	1,023,855	1,199,348	1,227,443	1,362,183	1,200,162	1,310,188	1,155,445	2,791,200	1,148,673	844,701	1,109,597	15,463,673
92	9230	A&G-Outside services employed	17,632	21,275	26,900	21,539	23,187	25,611	23,625	20,963	15,106	23,333	21,770	16,362	257,302
93	9240	A&G-Property insurance	12,997	12,624	11,920	344	-	-	573	-	-	11,507	11,009	11,599	72,573
94	9250	A&G-Injuries & damages	6,516	7,097	7,966	4,094	4,316	4,762	4,536	3,905	2,816	7,214	6,830	5,943	65,994
95	9260	A&G-Employee pensions and benefits	128,588	130,553	139,156	163,240	160,232	159,525	157,448	162,662	155,683	139,965	142,607	154,758	1,794,417
96	9270	A&G-Franchise requirements	48	42	53	58	55	67	85	54	480	49	56	45	1,091
97	9280	A&G-Regulatory commission expenses	7,921	7,847	10,014	9,657	9,612	11,271	12,927	9,197	54,497	8,921	9,434	7,430	158,729
98	9302	Miscellaneous general expenses	15,865	4,435	11,073	1,498	16,295	12,115	1,952	472	2,262	18,384	4,948	6,510	95,809
99	9310	A&G-Rents	266	73	184	22	273	201	28	5	10	309	81	108	1,560
100	9320	A&G-Maintenance of general plant	-	-	-	-	-	-	-	-	-	-	-	-	0
101															
102		Operating (Income)Loss*	($5,596,644)	($6,112,641)	($4,265,419)	($3,114,155)	($1,595,987)	($1,129,627)	($1,012,754)	($1,178,971)	$345,560	($1,770,962)	($3,427,145)	($4,633,041)	($27,201,350)

*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. 2021-00214
Monthly Jurisdictional Operating Income by FERC Account, **Div 002 Only**
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

Line No.	Acct No.	Account Discription	Forecasted Jan-22	Forecasted Mar-22	Forecasted Mar-22	Forecasted Apr-22	Forecasted May-22	Forecasted Jun-22	Forecasted Jul-22	Forecasted Aug-22	Forecasted Sep-22	Forecasted Oct-22	Forecasted Nov-22	Forecasted Dec-22	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 i	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	0	0	0	0	0	0	0	0	0	0	0	0	0
5	8700	Distribution-Operation supervision and engineerir	355	375	421	652	641	661	658	652	675	399	381	477	6,346
6	8740	Mains and Services Expenses	73,651	33,326	(225,346)	68,497	68,738	69,346	68,604	68,463	69,328	72,651	70,562	(34,482)	403,339
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	1,405	2,125	2,064	2,270	2,258	2,339	2,325	2,266	20,174	1,671	1,678	1,964	42,540
9	8810	Distribution-Rents	(2,639)	(2,555)	(1,459)	(3,040)	(3,040)	(3,046)	(3,040)	(3,040)	(3,043)	(2,800)	(2,709)	(2,386)	(32,798)
10	8850	Maintenance Supervision and Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0
11	8900	Maintenance of measuring and regulating station	0	0	0	0	0	0	0	0	0	0	0	0	0
12	9010	Customer accounts-Operation supervision	0	0	0	0	0	0	0	0	0	0	0	0	0
13	9030	Customer accounts-Customer records and collec	8,821	7,933	10,342	9,282	8,881	9,731	9,323	9,318	9,446	9,580	8,548	10,299	111,502
14	9040	Customer accounts-Uncollectible accounts	0	0	0	0	0	0	0	0	20,493,544	0	0	0	20,493,544
15	9100	Customer service-Miscellaneous customer servic	0	0	0	0	0	0	0	0	0	0	0	0	0
16	9120	Sales-Demonstrating and selling	9,248	8,991	11,320	15,148	16,138	15,142	17,525	16,533	17,511	21,054	11,707	18,316	178,633
17	9160	Miscellaneous Sales Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
18	9200	A&G-Administrative & general salaries	(2,802,652)	(3,070,148)	(2,141,142)	(3,401,814)	(4,787,911)	(3,418,495)	(3,817,268)	(2,888,087)	(2,994,804)	(380,081)	(2,982,051)	(1,068,384)	(33,752,839)
19	9210	A&G-Office supplies & expense	2,413,386	2,547,301	2,877,164	3,592,792	3,360,712	3,416,734	3,385,039	3,321,939	5,023,503	2,538,983	2,428,635	2,592,655	37,498,843
20	9220	A&G-Administrative expense transferred-Credit	(8,335,434)	(8,082,380)	(10,131,158)	(9,219,943)	(12,160,424)	(9,826,741)	(10,691,453)	(8,849,212)	(41,966,639)	(10,037,893)	(6,278,069)	(9,337,623)	(144,916,968)
21	9230	A&G-Outside services employed	723,475	1,112,346	1,108,099	1,213,657	1,261,804	1,262,221	1,270,704	1,210,442	11,006,400	854,281	865,578	1,014,345	22,903,353
22	9240	A&G-Property insurance	11,273	11,272	458	10,825	10,825	10,825	10,825	10,900	10,825	11,247	9,323	11,272	119,871
23	9250	A&G-Injuries & damages	2,761,973	2,761,292	119,245	2,653,294	2,652,955	2,653,304	2,653,321	2,671,620	2,653,321	2,756,430	2,285,660	2,763,323	29,385,737
24	9260	A&G-Employee pensions and benefits	4,013,605	3,713,778	5,821,103	4,344,285	8,852,872	4,514,053	6,376,622	3,712,582	3,803,190	3,091,241	3,002,993	3,152,463	54,398,787
25	9301	A&G-General advertising expense	0	0	0	0	0	0	0	0	0	0	0	0	0
26	9302	Miscellaneous general expenses	702,832	523,220	2,150,193	214,879	217,214	794,456	217,757	217,254	1,283,872	613,259	142,454	434,404	7,511,793
27	9310	A&G-Rents	400,260	410,966	376,679	471,795	471,807	472,408	471,925	471,802	509,032	428,171	414,269	421,336	5,320,451
28	9320	A&G-Maintenance of general plant	20,441	22,159	22,017	27,421	26,529	27,061	27,133	26,568	63,665	21,809	21,041	22,023	327,867
29		Operating (Income)Loss*	$0	$0	($0)	($0)	$0	$0	$0	$0	($0)	($0)	($0)	$0	$0
30															
31	9220	A&G-Administrative expense transferred-Credit	(8,335,434)	(8,082,380)	(10,131,158)	(9,219,943)	(12,160,424)	(9,826,741)	(10,691,453)	(8,849,212)	(41,966,639)	(10,037,893)	(6,278,069)	(9,337,623)	
32		Allocation Factor to Kentucky	4.97%	4.97%	4.97%	4.97%	4.97%	4.97%	4.97%	4.97%	4.97%	4.97%	4.97%	4.97%	
33		Total Allocated Amount	(414,389)	(401,808)	(503,662)	(458,361)	(604,545)	(488,528)	(531,516)	(439,931)	(2,086,335)	(499,025)	(312,109)	(464,212)	(7,204,420)

*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. 2021-00214
Monthly Jurisdictional Operating Income by FERC Account, **Div 012 Only**
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

Line No.	Acct No.	Account Discription	Forecasted Jan-22	Forecasted Mar-22	Forecasted Mar-22	Forecasted Apr-22	Forecasted May-22	Forecasted Jun-22	Forecasted Jul-22	Forecasted Aug-22	Forecasted Sep-22	Forecasted Oct-22	Forecasted Nov-22	Forecasted Dec-22	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	698	524	756	117	115	113	118	111	110	684	650	636	4,633
4	8740	Mains and Services Expenses	8,129	7,936	8,069	9,954	9,578	9,954	9,659	9,659	9,659	8,244	10,286	9,889	111,017
5	8800	Distribution-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
6	9010	Customer accounts-Operation supervision	392,610	366,334	414,082	470,363	447,927	468,265	454,662	452,065	451,893	398,855	381,459	423,859	5,122,374
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	1,876,219	1,700,962	1,940,306	2,199,495	2,065,939	2,159,812	2,125,543	2,086,343	2,085,138	1,912,351	1,775,361	1,972,931	23,900,400
9	9200	A&G-Administrative & general salaries	295,164	273,891	311,740	348,757	333,286	348,757	336,621	336,621	336,620	300,199	286,559	318,754	3,826,968
10	9210	A&G-Office supplies & expense	684,859	688,916	709,316	208,930	175,445	190,750	207,777	185,986	178,665	677,499	662,205	640,733	5,211,081
11	9220	A&G-Administrative expense transferred-Credit	(4,320,566)	(4,056,690)	(4,522,530)	(4,460,938)	(4,224,624)	(4,387,179)	(4,321,228)	(4,239,187)	(4,224,692)	(4,360,210)	(4,167,444)	(4,473,774)	(51,759,061)
12	9230	A&G-Outside services employed	79,429	102,774	91,421	81,879	35,861	64,467	76,509	58,135	49,651	69,115	53,331	32,243	794,816
13	9240	A&G-Property insurance	6,645	6,563	6,651	0	0	0	0	0	0	6,563	6,563	6,563	39,547
14	9250	A&G-Injuries & damages	108	106	108	0	0	0	0	0	0	106	106	106	642
15	9260	A&G-Employee pensions and benefits	878,696	810,966	929,715	1,045,558	1,060,603	1,049,192	1,014,397	1,014,397	1,017,086	892,477	896,659	967,745	11,577,492
16	9310	A&G-Rents	97,711	97,416	110,067	95,882	95,868	95,868	95,940	95,868	95,868	93,822	93,965	100,011	1,168,286
17	9320	A&G-Maintenance of general plant	299	302	298	2	1	1	2	1	1	295	299	302	1,805
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	(4,320,566)	(4,056,690)	(4,522,530)	(4,460,938)	(4,224,624)	(4,387,179)	(4,321,228)	(4,239,187)	(4,224,692)	(4,360,210)	(4,167,444)	(4,473,774)	(51,759,061)
22		Allocation Factor to Kentucky	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	
23		Total Allocated Amount	(240,111)	(225,446)	(251,334)	(247,912)	(234,779)	(243,812)	(240,147)	(235,588)	(234,782)	(242,314)	(231,601)	(248,625)	(2,876,451)

*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. 2021-00214
Monthly Jurisdictional Operating Income by FERC Account, **Div 091 Only**
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

Line No.	Acct No.	Account Discription	Forecasted Jan-22	Forecasted Mar-22	Forecasted Mar-22	Forecasted Apr-22	Forecasted May-22	Forecasted Jun-22	Forecasted Jul-22	Forecasted Aug-22	Forecasted Sep-22	Forecasted Oct-22	Forecasted Nov-22	Forecasted Dec-22	Total
			$	$	$	$	$	$	$	$	$	$	$	$	$
1	4030	Depreciation Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
2	4060	Amortization of gas plant acquisition adjustments													
3	4081	Taxes other than income taxes, utility operating income	-	-	-	-	-	-	-	-	-	-	-	-	-
4	8170	Lines expenses	(3)	50	53	73	72	70	70	70	70	54	52	53	685
5	8180	Compressor station expenses	(2)	35	37	51	50	49	49	49	49	38	37	37	479
6	8190	Compressor station fuel and power	(3)	43	46	63	62	61	61	61	61	47	45	46	593
7	8210	Storage-Purification expenses	(15)	248	265	364	358	350	350	349	351	269	261	267	3,416
8	8240	Storage-Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
9	8250	Storage well royalties	(82)	1,353	1,443	1,982	1,954	1,909	1,907	1,904	1,914	1,465	1,421	1,453	18,623
10	8500	Transmission-Operation supervision and engineering	4,672	5,194	4,692	9,661	9,675	8,764	9,239	8,651	11,645	4,458	5,071	5,122	86,843
11	8560	Mains expenses	(3)	45	48	66	65	63	63	63	63	48	47	48	616
12	8570	Transmission-Measuring and regulating station expenses	1	105	112	150	147	144	144	144	145	114	109	113	1,427
13	8600	Transmission-Measuring and regulating station expenses	31	25	21	3,691	3,751	3,855	4,969	4,325	4,314	43	23	24	25,070
14	8650	Transmission-Maintenance of me - Non-Inventory Supplies 8650-02005	0	0	0	0	0	0	0	0	0	0	0	0	0
15	8700	Distribution-Operation supervision and engineering	257,911	209,572	174,849	285,807	251,736	233,618	245,681	307,865	219,761	180,798	149,319	174,251	2,691,166
16	8711	Odorization	0	0	0	0	0	0	0	0	0	0	0	0	0
17	8740	Mains and Services Expenses	29,939	9,327	6,610	4,813	6,982	6,908	7,177	5,778	9,130	3,394	6,746	7,257	104,061
18	8750	Distribution-Measuring and regulating station expenses-Genrl	50,239	39,781	41,588	27,705	26,333	29,368	28,802	27,235	30,432	44,094	30,947	40,655	417,178
19	8760	Distribution-Measuring and regulating station expenses-Industrial	14,637	11,940	12,402	7,963	7,603	7,963	7,963	7,963	7,974	13,238	9,321	12,247	121,215
20	8770	Distribution-Measuring and regulating station expenses-City gate check stations	(167)	(66)	(97)	(349)	(270)	(769)	(561)	(267)	(1,066)	(137)	(58)	(70)	(3,876)
21	8780	Meter and house regulator expenses	145	118	123	79	75	79	79	79	79	131	93	122	1,203
22	8800	Distribution-Other expenses	38,631	71,647	71,157	131,930	119,964	113,658	113,013	111,793	141,655	66,560	77,044	70,248	1,127,300
23	8810	Distribution-Rents	16,553	30,122	29,767	38,555	37,954	37,797	37,175	36,963	37,575	26,987	30,506	29,642	389,593
24	8870	Distribution-Maint of mains	(15)	(12)	(13)	(8)	(8)	(8)	(8)	(8)	(8)	(14)	(10)	(13)	(125)
25	8890	Maintenance of measuring and regulating station equipment-General	11,179	9,120	9,472	6,082	5,807	6,082	6,082	6,082	6,091	10,111	7,119	9,354	92,582
26	8900	Maintenance of measuring and regulating station equipment-Industrial	(30)	(25)	(26)	(17)	(16)	(17)	(17)	(17)	(17)	(28)	(19)	(25)	(252)
27	8910	Maintenance of measuring and regulating station equipment-City gate check stati	632	515	535	344	328	344	344	344	344	571	402	528	5,230
28	9010	Customer accounts-Operation supervision	13,422	10,948	11,371	7,306	6,977	7,307	7,306	7,313	7,316	12,138	8,547	11,229	111,179
29	9020	Customer accounts-Meter reading expenses	51	42	43	28	27	28	28	28	28	46	33	43	424
30	9030	Customer accounts-Customer records and collections expenses	148,424	185,091	187,107	259,882	238,877	231,117	229,618	229,657	275,579	184,628	178,418	184,652	2,533,050
31	9040	Customer accounts-Uncollectible accounts	0	0	0	34,584	29,522	27,679	27,994	28,469	30,223	0	0	0	178,471
32	9090	Customer service-Operating informational and instructional advertising expense	20,059	14,665	14,911	16,643	17,621	18,279	16,429	25,896	16,311	15,664	11,508	14,744	202,730
33	9100	Customer service-Miscellaneous customer service	95	75	4	129	38	17	46	66	16	7	13	5	512
34	9110	Sales-Supervision	15,943	12,757	11,651	13,618	11,250	11,954	11,858	14,623	11,783	12,516	9,163	11,283	148,399
35	9120	Sales-Demonstrating and selling expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
36	9130	Sales-Advertising expenses	182	144	7	247	73	33	88	126	31	14	25	10	981
37	9200	A&G-Administrative & general salaries	(5,464)	(33,269)	(35,969)	722	634	634	722	4,171	631	(20,687)	(5,463)	(5,614)	(98,951)
38	9210	A&G-Office supplies & expense	(6,836)	(12,687)	(12,597)	(23,355)	(21,238)	(20,122)	(20,005)	(19,639)	(25,080)	(11,781)	(13,640)	(12,439)	(199,420)
39	9220	A&G-Administrative expense transferred-Credit	(865,489)	(786,594)	(881,302)	(1,033,658)	(1,037,007)	(927,849)	(1,068,077)	(951,856)	(932,334)	(807,882)	(596,968)	(786,911)	(10,675,927)
40	9230	A&G-Outside services employed	5,030	9,330	9,266	17,179	15,621	14,800	14,716	14,557	18,446	8,667	10,032	9,147	146,791
41	9240	A&G-Property insurance	27	22	18	3,213	3,265	3,356	4,326	3,765	3,755	37	20	21	21,824
42	9250	A&G-Injuries & damages	4,615	3,763	3,874	27,513	27,813	28,626	36,210	31,828	31,755	4,276	2,961	3,848	207,081
43	9260	A&G-Employee pensions and benefits	245,691	206,577	338,533	156,944	233,904	153,852	276,158	91,570	90,979	250,118	76,876	218,622	2,339,825
44	9280	A&G-Regulatory commission expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
45	9302	Miscellaneous general expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
46	9310	A&G-Rents	0	0	0	0	0	0	0	0	0	0	0	0	0
47															
48	Operating (Income)Loss*		$0	($0)	$0	$0	($0)	$0	($0)	($0)	($0)	($0)	$0	$0	$0
49															
50	9220	A&G-Administrative expense transferred-Credit	(865,489)	(786,594)	(881,302)	(1,033,658)	(1,037,007)	(927,849)	(1,068,077)	(951,856)	(932,334)	(807,882)	(596,968)	(786,911)	(10,675,927)
51		Allocation Factor to Kentucky	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%
52		Total Allocated Amount	(436,379)	(396,600)	(444,352)	(521,171)	(522,859)	(467,821)	(538,524)	(479,926)	(470,083)	(407,334)	(300,992)	(396,760)	(5,382,802)

*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. 2021-00214
Account 4081-Taxes Other than Income Tax by Sub-Account
Base Period: Twelve Months Ended September 30, 2021

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: Christian

Line No.	Discription	actual Oct-20	actual Nov-20	actual Dec-20	actual Jan-21	actual Feb-21	actual Mar-21	Budgeted Apr-21	Budgeted May-21	Budgeted Jun-21	Budgeted Jul-21	Budgeted Aug-21	Budgeted Sep-21	Total
	Div 009													
1														
2														
3	Payroll	$ 17,537	$ 56,025	$ 27,380	$ 30,289	$ 27,390	$ 15,891	$ 62,551	$ 40,043	$ 52,327	$ 35,497	$ 41,350	$ 34,964	$ 441,245
4	Payroll Tax Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Ad Valorem - Accrual	625,688	625,688	625,688	691,388	691,388	691,388	695,800	694,342	694,342	694,342	694,342	694,342	8,118,738
6	Dot Transmission User Tax	-	-	-	-	-	73,846	-	-	145,406	-	-	-	219,252
7	Taxes Property and Other	-	81	386	76	-	85	667	-	83	651	43	-	2,071
8	Public Service Commission Assessment	29,618	29,618	29,618	29,618	29,618	29,618	29,618	29,618	29,618	29,618	29,618	29,618	355,417
9	Allocation for taxes other CSC	10,996	29,003	15,074	14,063	12,076	13,778	12,129	12,129	12,129	12,129	12,129	12,129	167,768
10	Allocation from taxes other SS	17,756	(19,624)	27,284	45,889	17,963	20,789	22,294	22,294	22,294	22,294	22,294	22,294	243,817
11	Allocation from taxes other Gen Office	14,020	15,928	30,994	17,753	17,870	21,411	13,837	13,837	13,837	13,837	13,837	13,837	200,995
12														
13	Total	$ 715,614	$ 736,719	$ 756,424	$ 829,076	$ 796,305	$ 866,806	$ 836,896	$ 812,263	$ 970,036	$ 808,368	$ 813,613	$ 807,184	$ 9,749,303
14														
15	**Div 002**													
16														
17														
18	Payroll	$ 276,703	$ (481,432)	$ 468,413	$ 381,853	$ 320,116	$ 376,962	$ 295,708	$ 295,708	$ 295,708	$ 295,708	$ 295,708	$ 295,708	$ 3,116,866
19	Ad Valorem	80,400	80,400	80,400	41,200	41,200	41,200	41,200	41,200	41,200	41,200	41,200	41,200	612,000
20	Payroll Tax Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Taxes Property And Other	61	6,305	-	500,000	-	-	111,526	111,526	111,526	111,526	111,526	111,526	1,175,522
22														
23	Total Tax Other Than Income Tax	$ 357,163	$ (394,727)	$ 548,813	$ 923,053	$ 361,316	$ 418,162	$ 448,434	$ 448,434	$ 448,434	$ 448,434	$ 448,434	$ 448,434	$ 4,904,387
24														
25	Allocation Factor to Kentucky Mid-States (Div 091)							9.86%	9.86%	9.86%	9.86%	9.86%	9.86%	
26	Allocation Factor to Kentucky Jurisdiction (Div 009)							50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	
27														
28	Total Allocated Amount	$ 17,756	$ (19,624)	$ 27,284	$ 45,889	$ 17,963	$ 20,789	$ 22,294	$ 22,294	$ 22,294	$ 22,294	$ 22,294	$ 22,294	$ 243,817
29														
30	**Div 012**													
31														
32														
33	Payroll	$ 149,581	$ 473,313	$ 222,900	$ 224,326	$ 188,605	$ 219,199	$ 189,758	$ 189,758	$ 189,758	$ 189,758	$ 189,758	$ 189,758	$ 2,616,472
34	Ad Valorem	48,100	48,100	48,100	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	400,800
35														
36	Total Tax Other Than Income Tax	$ 197,681	$ 521,413	$ 271,000	$ 252,826	$ 217,105	$ 247,699	$ 218,258	$ 218,258	$ 218,258	$ 218,258	$ 218,258	$ 218,258	$ 3,017,272
37														
38	Allocation Factor to Kentucky Mid-States (Div 091)							11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	
39	Allocation Factor to Kentucky Jurisdiction (Div 009)							50.43%	50.43%	50.43%	50.43%	50.43%	50.43%	
40														
41	Total Allocated Amount	$ 10,996	$ 29,003	$ 15,074	$ 14,063	$ 12,076	$ 13,778	$ 12,129	$ 12,129	$ 12,129	$ 12,129	$ 12,129	$ 12,129	$ 167,768
42														
43	**Div 091**													
44														
45														
46	Payroll	$ 26,859	$ 31,582	$ 61,475	$ 32,994	$ 35,236	$ 42,553	$ 27,443	$ 27,443	$ 27,443	$ 27,443	$ 27,443	$ 27,443	$ 395,356
47	Payroll Tax Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
48	Ad Valorem	-	-	-	-	-	-	-	-	-	-	-	-	-
49	Occupational Licenses	-	-	-	-	-	-	-	-	-	-	-	-	-
50														
51	Total Tax Other Than Income Tax	$ 26,859	$ 31,582	$ 61,475	$ 32,994	$ 35,236	$ 42,553	$ 27,443	$ 27,443	$ 27,443	$ 27,443	$ 27,443	$ 27,443	$ 395,356
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)							50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	
55														
56	Total Allocated Amount	$ 14,020	$ 15,928	$ 30,994	$ 17,753	$ 17,870	$ 21,411	$ 13,837	$ 13,837	$ 13,837	$ 13,837	$ 13,837	$ 13,837	$ 200,995

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Account 4081-Taxes Other than Income Tax by Sub-Account
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Discription	Forecasted Jan-22	Forecasted Feb-22	Forecasted Mar-22	Forecasted Apr-22	Forecasted May-22	Forecasted Jun-22	Forecasted Jul-22	Forecasted Aug-22	Forecasted Sep-22	Forecasted Oct-22	Forecasted Nov-22	Forecasted Dec-22	Total
	Div 009													
1														
2														
3	Payroll	$ 64,428	$ 41,244	$ 53,897	$ 36,562	$ 42,591	$ 36,013	$ 37,033	$ 32,207	$ 53,450	$ 36,701	$ 102,228	$ 24,381	$ 560,733
4	Payroll Tax Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Ad Valorem - Accrual	721,721	721,721	721,721	721,721	721,721	721,721	721,721	721,721	721,721	721,721	721,721	721,721	8,660,652
6	Dot Transmission User Tax	-	-	145,406	-	-	-	-	-	-	-	-	-	145,406
7	Taxes Property and Other	667	-	83	651	43	-	16,506	212	83	782	65	383	19,475
8	Public Service Commission Assessment	28,911	28,911	28,911	28,911	28,911	28,911	28,911	28,911	28,911	28,911	28,911	28,911	346,934
9	Allocation for taxes other CSC	12,446	12,446	12,446	12,446	12,446	12,446	12,446	12,446	12,446	12,446	12,446	12,446	149,350
10	Allocation from taxes other SS	22,735	22,735	22,735	22,735	22,735	22,735	22,735	22,735	22,735	22,735	22,735	22,735	272,815
11	Allocation from taxes other Gen Office	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	171,023
12														
13	Total	$ 865,159	$ 841,309	$ 999,450	$ 837,277	$ 842,698	$ 836,077	$ 853,603	$ 832,483	$ 853,597	$ 837,547	$ 902,357	$ 824,829	$ 10,326,387
14														
15	**Div 002**													
16														
17														
18	Payroll	$ 304,580	$ 304,580	$ 304,580	$ 304,580	$ 304,580	$ 304,580	$ 304,580	$ 304,580	$ 304,580	$ 304,580	$ 304,580	$ 304,580	$ 3,654,956
19	Ad Valorem	41,200	41,200	41,200	41,200	41,200	41,200	41,200	41,200	41,200	41,200	41,200	41,200	494,400
20	Benefit Load Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Taxes Property And Other	111,526	111,526	111,526	111,526	111,526	111,526	111,526	111,526	111,526	111,526	111,526	111,526	1,338,312
22														
23	Total Tax Other Than Income Tax	$ 457,306	$ 457,306	$ 457,306	$ 457,306	$ 457,306	$ 457,306	$ 457,306	$ 457,306	$ 457,306	$ 457,306	$ 457,306	$ 457,306	$ 5,487,669
24														
25	Allocation Factor to Kentucky Mid-States (Div 091)	9.86%	9.86%	9.86%	9.86%	9.86%	9.86%	9.86%	9.86%	9.86%	9.86%	9.86%	9.86%	
26	Allocation Factor to Kentucky Jurisdiction (Div 009)	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	
27														
28	Total Allocated Amount from Div 2	22,735	22,735	22,735	22,735	22,735	22,735	22,735	22,735	22,735	22,735	22,735	22,735	$ 272,815
29														
30	**Div 012**													
31														
32														
33	Payroll	$ 195,451	$ 195,451	$ 195,451	$ 195,451	$ 195,451	$ 195,451	$ 195,451	$ 195,451	$ 195,451	$ 195,451	$ 195,451	$ 195,451	$ 2,345,407
34	Ad Valorem	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	342,000
35														
36	Total Tax Other Than Income Tax	$ 223,951	$ 223,951	$ 223,951	$ 223,951	$ 223,951	$ 223,951	$ 223,951	$ 223,951	$ 223,951	$ 223,951	$ 223,951	$ 223,951	$ 2,687,407
37														
38	Allocation Factor to Kentucky Mid-States (Div 091)	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	11.02%	
39	Allocation Factor to Kentucky Jurisdiction (Div 009)	50.43%	50.43%	50.43%	50.43%	50.43%	50.43%	50.43%	50.43%	50.43%	50.43%	50.43%	50.43%	
40														
41	Total Allocated Amount from Div 12	12,446	12,446	12,446	12,446	12,446	12,446	12,446	12,446	12,446	12,446	12,446	12,446	$ 149,350
42														
43	**Div 091**													
44														
45														
46	Payroll	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 339,196
47	Payroll Tax Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
48	Ad Valorem	-	-	-	-	-	-	-	-	-	-	-	-	-
49	Occupational Licenses	-	-	-	-	-	-	-	-	-	-	-	-	-
50														
51	Total Tax Other Than Income Tax	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 28,266	$ 339,196
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)	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	50.42%	
55														
56	Total Allocated Amount from Div 91	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	$ 171,023

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 - FR_16(8)(d)_Att1 - Schedule D.xlsx, 8 Pages.

Respondents: Joe Christian and Josh Densman

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

FR 16(8)(d) SCHEDULE D

Operating Income Summary

Schedule	Pages	Description
D-1	4	Summary of Utility Jurisdictional Adjustments to Operating Income by Account
D-2.1	1	Detailed Adjustments
D-2.2	1	Detailed Adjustments
D-2.3	1	Detailed Adjustments

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Summary of Utility Jurisdictional Adjustments to
Operating Income by Major Accounts
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

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.
			Title of Adjustment					
	SALE of Gas							
1	480 Gas Rev - Residential	93,481,691	6,714,821					6,714,821
2	480 Gas Rev - Commericial	40,468,227	2,055,320					2,055,320
3	480 Gas Rev - Industrial	4,548,662	392,863					392,863
4	480 Gas Rev - Public Authority & Other	5,882,491	530,361					530,361
5								
6								
7	Total SALE of Gas	144,381,071	9,693,365	0	0	0	0	9,693,365
8								
9	Other Operating Income							
10	Forfeited discounts	490,350		809,930				809,930
11	488 MISC. Service Revenues	234,281		5				5
12	489 Revenue From Transporting Gas to Others	16,646,735		(1,502,226)				(1,502,226)
13	495 Other Gas Service Revenue	1,222,878		1,490,533				1,490,533
14								
15	Total Other Operating Income	18,594,245	0	798,243	0	0	0	798,243
16								
17	Total Operating Revenue	162,975,315	9,693,365	798,243	0	0	0	10,491,607
18								
19	Other Gas Supply Expenses - Operation							
20	803/804/812 Gas Purchase Costs	70,283,866			7,589,791			7,589,791
21								
22	Total Other Gas Supply Expenses - Operation	70,283,866	0	0	7,589,791	0	0	7,589,791
23								
24	Total Plant Revenue	92,691,450	9,693,365	798,243	(7,589,791)	0	0	2,901,817
25								
26	Blended Effective Tax Rate	24.95%	2,418,495	199,162	(1,893,653)	0	0	724,003
27								
28	NET Operating Income Impact		7,274,870	599,081	(5,696,138)	0	0	2,177,814

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Summary of Utility Jurisdictional Adjustments to
Operating Income by Major Accounts
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:___X____Base Period___X____Forecasted Period
Type of Filing:_______Original________Updated ____X____Revised
Workpaper Reference No(s).____________________

FR 16(8)(d)1
Schedule D-1
Witness: Christian, 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.
29	7590	814 Storage Supervision & Engineering	-	-	-	-	-	-	-
30	8140	814 Storage Supervision & Engineering	653	-	-	-	-		-
31	8150	815 Maps and records	-	-	-	-	-	-	-
32	8160	816 Storage Wells Expense	369,389	926	-	-	-	-	926
33	8170	817 Storage Lines Expense	40,264	1,000	-	-	-	-	1,000
34	8180	818 Storage Compressor Station	50,809	1,371	-	-	-	-	1,371
35	8190	819 Storage Compressor Station Fuel	991	-	-	-	-	-	-
36	8200	820 Storage Measuring & Regulating	7,883	95	-	-	-	-	95
37	8210	821 Storage Purification	38,458	1,336	-	-	-	-	1,336
38	8240	824 Storage Other Expense	-	-	-	-	-	-	-
39	8250	825 Storage Royalties	9,209	-	-	-	-	-	-
40	8310	831 Storage Maintenance Structure	554	-	-	-	-	-	-
41	8320	832 Storage Maintenance Res	-	-	-	-	-	-	-
42	8340	834 Storage Maintenance Compressor	-	-	-	-	-	-	-
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	224,675	8,045	-	-	-	-	8,045
48	8470	847 Storage Maintenance	-	-	-	-	-	-	-
49	8500	850 Trsm Supervision & Engineering	14,402	-	-	-	-	-	-
50	8520	852 Communication system expenses	-	-	-	-	-		-
51	8550	855 Other Fuel & Power Comp	206	-	-	-			
52	8560	856 Trsm Mains Expense	170,757	4,902	-	-	-	-	4,902
53	8570	857 Trsm Measuring & Regulating	11,888	54	-	-	-	-	54
54	8590	859 Trsm Other Exp	-	-	-	-	-	-	-
55	8600	860 Rents	-	-	-	-	-	-	-
56	8620	862 Trsm Structure & Improvements	-	-	-	-	-	-	-
57	8630	863 Trsm Maint of Mains	3,992	149	-	-	-	-	149
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	1,047,734	18,446	-	-	-	-	18,446
62	8710	871 Dist Load Dispatching	398	-	-	-	-	-	-
63	8711	8711 Odorization	108,130	-	-	-	-	-	-
64	8720	872 Dist Comp Sta	-	-	-	-	-	-	-
65	8740	874 Dist Main/Ser Exp	5,883,581	70,772	-	-	-	-	70,772
66	8750	875 Dist Meas/Reg Sta-Gen	489,308	11,812	-	-	-	-	11,812
67	8760	876 Dist Meas/Reg Sta-Ind	26,330	915	-	-	-	-	915
68	8770	877 Dist Meas/Reg Sta-Cty.	3,529	-	-	-	-	-	-
69	8780	878 Dist Mtr/House Reg	1,048,204	37,043	-	-	-	-	37,043
70	8790	879 Dist Cust Install	-	-	-	-	-	-	-
71	8800	880 Dist Other Exp	1,763	-	-	-	-	-	-
72	8810	881 Dist Rents	360,992	-	-	-	-	-	-
73	8850	885 Dist Maint Super/Eng	180	-	-	-	-	-	-
74	8860	886 Dist Maint Struc/Improv	-	-	-	-	-	-	-

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Summary of Utility Jurisdictional Adjustments to
Operating Income by Major Accounts
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, 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	17,839	208	-	-	-	-	208
76	8890	889 Dist Maint Meas/Reg Sta-Gen	60,065	-	-	-	-	-	-
77	8900	890 Dist Maint Meas/Reg Sta-Ind	-	-	-	-	-	-	-
78	8910	891 Dist Maint Meas/Reg Sta-Cty	2,087	78	-	-	-	-	78
79	8920	892 Dist Maint of Ser	1,242	44	-	-	-	-	44
80	8930	893 Dist Maint Mtr/House Reg	8,087	-	-	-	-	-	-
81	8940	894 Dist Maint Other Eq	913	-	-	-	-	-	-
82	8950	895 Maintenance of Other Plant	-	-	-	-	-	-	-
83	9010	901 Cust Accts Supervision	-	-	-	-	-	-	-
84	9020	902 Cust Accts Mtr Exp	905,449	22,655	-	-	-	-	22,655
85	9030	903 Cust Accts Records/Collections	1,103,205	4,745	-	-	-	-	4,745
86	9040	904 Cust Accts Uncoll Accts	880,036	-	-	-	-	-	-
87	9070	907 Cust Accts Supervision	-	-	-	-	-	-	-
88	9080	908 Customer Assistance Expenses	-	-	-	-	-	-	-
89	9090	909 Cust Ser Supervision	170,410	4,605	-	-	-	-	4,605
90	9100	910 Cust Ser Assist Exp	116	-	-	-	-	-	-
91	9110	911 Cust Ser Info Adv Exp	217,036	4,158	-	-	-	-	4,158
92	9120	912 Demonstrating and Selling Expenses	58,955	-	-	-	-	-	-
93	9130	913 Advertising Expenses	47,525	-	-	-	-	-	-
94	9160	916 Sales Promo Demo/Selling	-	-	-	-	-	-	-
95	9200	920 Administrative and General Salaries	180,274	6,725	-	-	-	-	6,725
96	9210	921 Adm Gen Office Supply	8,473	-	-	-	-	-	-
97	9220	922 Administrative Expense Transferred	15,178,191	-	-	-	-	285,482	285,482
98	9230	923 Adm Gen Outside Services Emply	257,302	-	-	-	-	-	-
99	9240	924 Property insurance	72,573	-	-	-	-	-	-
100	9250	925 Adm Gen Injuries/Damages	65,994	-	-	-	-	-	-
101	9260	926 Adm Gen Empl Pen/Ben	1,904,419	(110,002)	-	-	-	-	(110,002)
102	9270	927 Adm Gen Franchise Req	1,091	-	-	-	-	-	-
103	9280	928 Adm Gen Reg Comm Exp	158,729	-	-	-	-	-	-
104	9290	929 Uniforms capitalized	-	-	-	-	-	-	-
105	9301	9301 Adm Gen Goodwill Adv	-	-	-	-	-	-	-
106	9302	9302 Adm Gen Gen Exp	95,809	-	-	-	-	-	-
107	9310	931 A&G-Rents	1,560	-	-	-	-		-
108	9320	932 Adm Gen Maint Gen Plant	-	-	-	-	-	-	-
109	Total		31,311,659	90,083	0	0	0	285,482	375,566
110	Labor and Benefits		7,168,252	90,083					90,083
111	Rent, Maintenance and Utilites		1,035,431		0				0
112	Other O&M		16,133,469			0			0
113	Bad Debt		880,036				0		0
114	Costs allocated from SSU and KY-MDS General Office		15,178,191	0	0	0		285,482	285,482
115	Total		40,395,379	90,083	0	0	(516,579)	285,482	375,566
116	Blended Effective Tax Rate		24.95%	(22,476)	0	(0)	128,886	(71,228)	(93,704)
117	NET Operating Income Impact			67,607	0	0	(387,692)	214,254	281,862

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Summary of Utility Jurisdictional Adjustments to
Operating Income by Major Accounts
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, 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	19,295,729	1,258,970					1,258,970
119	404 Amortization Expense	0						0
120	406 AMORT. - Gas Plant AQUIST.	49,749						0
121								
122	Total DEPRECIATION and Amortization	19,345,477	1,258,970					1,258,970
123								
124	Blended Effective Tax Rate	24.95%	314,113					314,113
125								
126	NET Operating Income Impact		944,857					944,857
127								
128								
129								
130								
131	408 Taxes, Other than Income	9,749,303		577,084				577,084
132								
133	Blended Effective Tax Rate	24.95%		143,982				143,982
134								
135	NET Operating Income Impact			433,101				433,101

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Detailed Adjustments
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

Purpose and Description		Amount
ADJ1		
SALE of Gas-Residential - the purpose of this Adjustment is to reflect the normalization of volumes	Forecasted	$100,196,512
due to cold weather in base period, and changes in gas costs between the periods	Base	93,481,691
	Adjustment	$6,714,821
		7.2%
SALE of Gas-Commercial - the purpose of this Adjustment is to reflect the normalization of volumes	Forecasted	$42,523,547
due to cold weather in base period, and changes in gas costs between the periods	Base	40,468,227
	Adjustment	$2,055,320
		5.1%
SALE of Gas-Industrial - the purpose of this Adjustment is to reflect known and measurable changes,	Forecasted	$4,941,525
increases and reductions, shifts from base period to test year and	Base	4,548,662
changes in gas costs between the periods.	Adjustment	$392,863
		8.6%
SALE of Gas-Public Authority - The purpose of this Adjustment is to reflect the normalization of	Forecasted	$6,412,852
volumes due to cold weather in base period, and changes in gas costs between the periods	Base	5,882,491
	Adjustment	$530,361
		9.0%
SALE of Gas - Unbilled - no adjustment.	Forecasted	$0
	Base	0
	Adjustment	$0
		0.0%
ADJ2		
Forfeited discounts - the purpose of this adjustment is to reflect anticipated changes in the billed late	Forecasted	$1,300,280
payment fees from the base period to the test year.	Base	490,350
	Adjustment	$809,930
		165.2%
Misc Service Revenues - the purpose of this adjustment is to reflect modest reduction in service charge	Forecasted	$234,286
revenues for the base period.	Base	234,281
	Adjustment	$5
		0.0%
Revenue from Transportation - the purpose of this Adjustment is to reflect known and measurable	Forecasted	$15,144,509
changes in demand for existing industries and account for migration to/from transportation service	Base	16,646,735
	Adjustment	($1,502,226)
		-9.0%
Other gas service revenues - the purpose of this adjustment is to reflect pro forma adjustments for	Forecasted	$2,713,412
individual customers and special contract reformations	Base	1,222,878
	Adjustment	$1,490,533
		121.9%
ADJ3		
Gas Purchase Costs - The purpose of this Adjustment is to reflect the purchase quantities	Forecasted	$77,873,656
for sales service. The Base Period includes Unbilled Gas Costs that will zero out by the end	Base	70,283,866
of the base period when replaced by actuals. Gas costs in the Forecasted Period are higher	Adjustment	$7,589,791
primarily due to lower estimated GCA price		10.8%
Summary of Revenue Adjustments.		
Base Year Revenues		162,975,315
Base Year Gas Costs		70,283,866
Base Year Gross Profit		92,691,450
Test Year Revenues		173,466,923
Test Year Gas costs		77,873,656
Test Year Gross Profit		95,593,267

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Detailed Adjustments
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

Purpose and Description		Amount
ADJ 1		
Labor and Benefits - The purpose of this adjustment is to account for forecasted labor and benefits expense due primarily to adjustments to labor capitalization rate versus the base period. Benefits are projected as a fixed benefit load percentage of labor expense plus an amount for workers' comp insurance. This adjustment pertains to labor and benefits for Kentucky operations.	Forecasted	$ 7,258,335
	Base	7,168,252
	Adjustment	$ 90,083
		1.3%
ADJ 2		
Rent, Maintenance and Utilities - The purpose of this adjustment is to account for forecasted rent, maintenance and utilities. Unlike other O&M categories that are likely to increase with normal inflation, our building rents are driven by leases already in place and can therefore be projected with a high level of accuracy. The rent portion of this O&M category was projected by reviewing actual lease amounts. This adjustment pertains to expenses for Kentucky operations.	Forecasted	$ 1,035,431
	Base	1,035,431
	Adjustment	$ -
		0.0%
ADJ 3		
Other O&M - The purpose of this adjustment is to account for projected changes in O&M expenses other than labor, benefits, rent, and bad debt. This adjustment pertains to expenses for Kentucky operations.	Forecasted	$ 6,959,764
	Base	6,959,764
	Adjustment	$ 0
		0.0%
ADJ 4		
Bad Debt - The purpose of this adjustment is to account for anticipated bad debt costs due to uncollectible accounts. The projection is made by calculating 0.50% of residential, commercial and public authority margins from the revenues projection.	Forecasted	$ 453,443
	Base	970,022
	Adjustment	$ (516,579)
		-113.9%
ADJ 5		
Costs allocated from Shared Services and Kentucky-Mid States General Office - The purpose of this adjustment is to account for the forecasted amount of expenses that are allocated to Kentucky from the Shared Services Unit and Division General Office.	Forecasted	$ 15,463,673
	Base	15,178,191
	Adjustment	$ 285,482
		1.9%
Summary of O & M adjustments.	Forecasted	$ 31,170,646
	Base	31,311,660
	Adjustment	$ (141,013)
		-0.5%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Detailed Adjustments
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian, Densman

LN NO	Purpose and Description		Amount
1	**ADJ1**		
2	Depreciation Expense - The purpose of this adjustment is to reflect the change in	Forecasted	$20,554,698
3	depreciation expense due to the increased level of depreciable plant investment.	Base	19,295,729
4		Adjustment	$1,258,970
5			6.5%
6	**ADJ2**		
7	Taxes Other - The purpose of this adjustment is to account for anticipated	Forecasted	$10,326,387
8	changes in Taxes, Other than Income Taxes	Base	9,749,303
9		Adjustment	$577,084
10			5.9%

<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:

(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;

<u>RESPONSE:</u>

Please see attachment FR_16(8)(e)_Att1, Schedule E.

<u>ATTACHMENT:</u>

ATTACHMENT 1 - FR_16(8)(e)_Att1 - Schedule E.xlsx, 2 Pages.

Respondent: Joe Christian

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

FR 16(8)(e) SCHEDULE E

Income Tax Calculation

Schedule	Pages	Description
E	1	Income Tax Calculation

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Computation of State & Federal Income Tax
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

FR 16(8)(e)
Type of Filing:___X____Original________Updated ________Revised — Schedule E
Workpaper Reference No(s).____________________ — Witness: Christian

Line No.	Description	Base Period Unadjusted (1)	Adjustments (2)	Test Period Fully Adjusted (3)	Sched. Ref.
1	Operating Income before Income Tax & Interest	$ 35,714,149	$ (5,320)	$ 35,708,828	C-2
2	Interest Deduction	9,651,471	845,186	10,496,657	*
3	Taxable Income	$ 26,062,677	$ (850,506)	$ 25,212,171	
4	Composite Tax Rate (state & federal)	24.950%		24.950%	* *
5	**State & Federal Income Tax**	$ 6,502,638	$ (212,201)	**$ 6,290,437**	
	* Interest Expense Calculation:				
6	13 Month Average Rate Base	$547,733,498		$596,130,007	B-1
7	Weighted cost of Debt	1.76%		1.76%	J-1
8	Interest Expense	$ 9,651,471		$ 10,496,657	
9	2021 * * Composite Tax Rate Calculation: 5.00% + 21%(100% - 5.00%) = 24.95%				
10	State Tax Rate	5.00%			
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-12.

ATTACHMENT:

ATTACHMENT 1 - FR_16(8)(f)_Att1 - Schedule F.xlsx, 20 Pages.

Respondent: Joe Christian

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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	SERP Expense
F-10	1	Incentive Compensation Expense
F-11	1	2017-00349 O&M Adjustments
F-12	1	Misc Regulatory Liabilities

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
SOCIAL and Service CLUB DUES
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:___X___Base Period___X____Forecasted Period
Type of Filing:___X____Original________Updated________Revised
Workpaper Reference No(s).

FR 16(8)(f)
Schedule F-1
Witness: Christian

Line No.	Account No.	Social Organization/Service Club	Total Utility	Jurisdictional %	Jurisdiction
		BASE PERIOD			
1	Various	AGA	55,578	100%	55,578
2	Various	ASME	158		158
3	Various	BUILDING INDUSTRY ASSOCIATION OF GREATER LOUISVILLE	475		475
4	Various	CADIZ TRIGG COUNTY ECONOMIC DEVELOP COMM	500		500
5	Various	CHAMBER OF COMMERCE	42,878		42,878
6	Various	CRITTENDEN COUNTY ECONOMIC	100		100
7	Various	ECONOMIC DEVELOPMENT COUNCIL	11,000		11,000
8	Various	FRANKLIN SIMPSON INDUSTRIAL AUTHORITY	5,000		5,000
9	Various	GIRLS INC.	500		500
10	Various	GLASGOW BARREN COUNTY CHAMBER OF COMMERCE	2,575		2,575
11	Various	GREATER OWENSBORO ECONOMIC DEVELOPMENT CORP	10,000		10,000
12	Various	GREATER OWENSBORO REALTOR ASSOCIATION	256		256
13	Various	GREATER PADUCAH ECONOMIC DEVELOPMENT COUNCIL INC	3,000		3,000
14	Various	HOME BUILDERS ASSOCIATION	810		810
15	Various	HOME BUILDERS ASSOCIATION OF OWENSBORO	475		475
16	Various	HOPKINS COUNTY PVA	55		55
17	Various	KENTUCKY ASSOCIATION FOR ECONOMIC DEVELOPMENT	20,000		20,000
18	Various	KENTUCKY ASSOCIATION OF MANUFACTURERS	1,740		1,740
19	Various	KENTUCKY ASSOCIATION OF MASTER CONTRACTORS INC	2,500		2,500
20	Various	KENTUCKY COUNTY JUDGE EXECUTIVE ASSOCIATION	200		200
21	Various	KENTUCKY GAS ASSOCIATION	10,250		10,250
22	Various	KENTUCKY GAZETTE	374		374
23	Various	KENTUCKY OIL AND GAS ASSOCIATION	1,020		1,020
24	Various	KENTUCKY RESTAURANT ASSOCIATION	395		395
25	Various	KENTUCKY VFW PROGRAM	98		98
26	Various	LOGAN COUNTY HOME BUILDERS	350		350
27	Various	NACE INTERNATIONAL	588		588
28	Various	NATIONAL GAS DISTRIBUTERS ASSOCIATION OF EAST TENNESS	250		250
29	Various	NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS	299		299
30	Various	OHIO COUNTY CHAMBER OF COMMERCE	319		319
31	Various	OKLAHOMA ACCOUNTANCY BOARD	26		26
32	Various	ONE HEALTH	75		75
33	Various	PADUCAH BOARD OF REALTORS INC	300		300
34	Various	REALTOR ASSOCIATION OF SOUTHERN KENTUCKY	200		
35	Various	SAM'S CLUB	310		
36	Various	SOUTHERN GAS ASSOCIATION	82		82
		Total Base Period	172,736		172,226

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
SOCIAL and Service CLUB DUES
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:___X___Base Period___X____Forecasted Period
Type of Filing:___X____Original________Updated________Revised
Workpaper Reference No(s).

FR 16(8)(f)
Schedule F-1
Witness: Christian

Line No.	Account No.	Social Organization/Service Club	Total Utility	Jurisdictional %		Adjustment %	Adjustment	Jurisdiction Adjusted Amount
		TEST PERIOD						
1	Various	AGA	55,578	100%	55,578	6.2%	(3,446)	52,132
2	Various	ASME	158		158			158
3	Various	BUILDING INDUSTRY ASSOCIATION OF GREATER LOUISVILLE	475		475			475
4	Various	CADIZ TRIGG COUNTY ECONOMIC DEVELOP COMM	500		500			500
5	Various	CHAMBER OF COMMERCE	42,878		42,878	15.0%	(6,432)	36,447
6	Various	CRITTENDEN COUNTY ECONOMIC	100		100			100
7	Various	ECONOMIC DEVELOPMENT COUNCIL	11,000		11,000			11,000
8	Various	FRANKLIN SIMPSON INDUSTRIAL AUTHORITY	5,000		5,000			5,000
9	Various	GIRLS INC.	500		500			500
10	Various	GLASGOW BARREN COUNTY CHAMBER OF COMMERCE	2,575		2,575			2,575
11	Various	GREATER OWENSBORO ECONOMIC DEVELOPMENT CORP	10,000		10,000			10,000
12	Various	GREATER OWENSBORO REALTOR ASSOCIATION	256		256			256
13	Various	GREATER PADUCAH ECONOMIC DEVELOPMENT COUNCIL INC	3,000		3,000			3,000
14	Various	HOME BUILDERS ASSOCIATION	810		810			810
15	Various	HOME BUILDERS ASSOCIATION OF OWENSBORO	475		475			475
16	Various	HOPKINS COUNTY PVA	55		55			55
17	Various	KENTUCKY ASSOCIATION FOR ECONOMIC DEVELOPMENT	20,000		20,000			20,000
18	Various	KENTUCKY ASSOCIATION OF MANUFACTURERS	1,740		1,740			1,740
19	Various	KENTUCKY ASSOCIATION OF MASTER CONTRACTORS INC	2,500		2,500			2,500
20	Various	KENTUCKY COUNTY JUDGE EXECUTIVE ASSOCIATION	200		200			200
21	Various	KENTUCKY GAS ASSOCIATION	10,250		10,250			10,250
22	Various	KENTUCKY GAZETTE	374		374			374
23	Various	KENTUCKY OIL AND GAS ASSOCIATION	1,020		1,020			1,020
24	Various	KENTUCKY RESTAURANT ASSOCIATION	395		395			395
25	Various	KENTUCKY VFW PROGRAM	98		98			98
26	Various	LOGAN COUNTY HOME BUILDERS	350		350			350
27	Various	NACE INTERNATIONAL	588		588			588
28	Various	NATIONAL GAS DISTRIBUTERS ASSOCIATION OF EAST TENNESS	250		250			250
29	Various	NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS	299		299			299
30	Various	OHIO COUNTY CHAMBER OF COMMERCE	319		319			319
31	Various	OKLAHOMA ACCOUNTANCY BOARD	26		26			26
32	Various	ONE HEALTH	75		75			75
33	Various	PADUCAH BOARD OF REALTORS INC	300		300			300
34	Various	REALTOR ASSOCIATION OF SOUTHERN KENTUCKY	200		200			200
35	Various	SAM'S CLUB	310		310			310
36	Various	SOUTHERN GAS ASSOCIATION	82		82			82
		Total Forecasted Period	172,736		172,736		(9,878)	162,859

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
CHARITABLE CONTRIBUTIONS
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Account No.	Charitable Organization *	Total Utility	Jurisdictional %	Jurisdiction
		BASE PERIOD			
1	Various	Community Welfare	$437,690	100%	$ 437,690
2	Various	Education	$ 43,684		43,684
3	Various	Health	$ 7,700		7,700
4	Various	Museums & Arts	$ 8,750		8,750
5	Various	Salvation Army	$ 1,500		1,500
6	Various	United Way Agencies	$ 5,500		5,500
7	Various	Youth Clubs & Centers	$ 3,315		3,315
8	Various	Heat Help Assistance Program	$233,636		233,636
		Total	$741,774		$ 741,774
		TEST PERIOD			
1	Various	Community Welfare	$437,690	100%	$ 437,690
2	Various	Education	$ 43,684		43,684
3	Various	Health	$ 7,700		7,700
4	Various	Museums & Arts	$ 8,750		8,750
5	Various	Salvation Army	$ 1,500		1,500
6	Various	United Way Agencies	$ 5,500		5,500
7	Various	Youth Clubs & Centers	$ 3,315		3,315
8	Various	Heat Help Assistance Program	$233,636		233,636
		Total	$741,774		$ 741,774

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. 2021-00214
INITIATION FEES/COUNTRY CLUB Expenses *
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Account No.	Payee Organization	Base Period Total Utility	Base Period Jurisdictional %	Base Period Jurisdiction	Forecasted Period Total Utility	Forecasted Period Jurisdictional %	Forecasted Period Jurisdiction
1	Various	Owensboro Country Club (dues)	$ -	100%	$ -	$ -	100%	$ -
2	Various	OCC - Expenses	-		-	-		-
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. 2021-00214
Employee PARTY, OUTING, and GIFT EXP.
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

			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	$ 60,781	50.42%	$ 30,646	$ 60,781	50.42%	$ 30,646
8								
9		Total	$ 60,781		$ 30,646	$ 60,781		$ 30,646
10								
11		**Div 002**						
12	Various	Sub Account 07421- Service Awards	$ 61,704	4.97%	$ 3,068	$ 61,704	4.97%	$ 3,068
13								
14		Total	$ 61,704		$ 3,068	$ 61,704		$ 3,068
15								
16		**Div 012**						
17	Various	Sub Account 07421- Service Awards	$ 76,105	5.56%	$ 4,229	$ 76,105	5.56%	$ 4,229
18								
19		Total	$ 76,105		$ 4,229	$ 76,105		$ 4,229
20								
21		**Grand Total**	$ 198,590		$ 37,943	$ 198,590		$ 37,943

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Customer Service and Informational SALES and General ADVERTISING Expense
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

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)	170,410	100%	170,410	175,015	100%	175,015
7	910	Miscellaneous Customer Service and Informational (1)	-	100%	-	-	100%	-
8		Total	$170,410		$170,410	$175,015		$175,015
9								
10		**Div 091**						
11	907	Supervision (1)	$ -	50.42%	$ -	$ -	50.42%	$ -
12	908	Customer Assistance	-	50.42%	-	-	50.42%	-
13	909	Informational Advertising (1)	-	50.42%	-	-	50.42%	-
14	910	Miscellaneous Customer Service and Informational (1)	512	50.42%	258	512	50.42%	258
15		Total	$ 512		$ 258	$ 512		$ 258
16								
17		**Div 002**						
18	907	Supervision (1)	$ -	4.97%	$ -	$ -	4.97%	$ -
19	908	Customer Assistance	-	4.97%	-	-	4.97%	-
20	909	Informational Advertising (1)	-	4.97%	-	-	4.97%	-
21	910	Miscellaneous Customer Service and Informational (1)	-	4.97%	-	-	4.97%	-
22		Total	$ -		$ -	$ -		$ -
23								
24		**Div 012**						
25	907	Supervision (1)	$ -	5.56%	$ -	$ -	5.56%	$ -
26	908	Customer Assistance	-	5.56%	-	-	5.56%	-
27	909	Informational Advertising (1)	-	5.56%	-	-	5.56%	-
28	910	Miscellaneous Customer Service and Informational (1)	-	5.56%	-	-	5.56%	-
29		Total	$ -		$ -	$ -		$ -
30								
31		**Sales Expense**						
32								
33		**Div 009**						
34	911	Supervision	$217,036	100%	$217,036	$221,194	100%	$221,194
35	912	Demonstration and Selling (1)	58,955	100%	58,955	58,955	100%	58,955
36	913	Advertising	47,525	100%	47,525	47,525	100%	47,525
37	916	Miscellaneous Sales Expense	-	100%	-	-	100%	-
38		Total	$323,516		$323,516	$327,674		$327,674
39								
40		**Div 091**						
41	911	Supervision	$144,610	50.42%	$ 72,913	$148,399	50.42%	$ 74,823
42	912	Demonstration and Selling (1)	0	50.42%	0	0	50.42%	0
43	913	Advertising	981	50.42%	495	981	50.42%	495
44	916	Miscellaneous Sales Expense	0	50.42%	0	0	50.42%	0
45		Total	$145,591		$ 73,407	$149,380		$ 75,318
46								
47		**Div 002**						
48	911	Supervision	$ -	4.97%	$ -	$ -	4.97%	$ -
49	912	Demonstration and Selling (1)	178,633	4.97%	8,881	178,633	4.97%	8,881
50	913	Advertising	-	4.97%	-	-	4.97%	-
51	916	Miscellaneous Sales Expense	-	4.97%	-	-	4.97%	-
52		Total	$178,633		$ 8,881	$178,633		$ 8,881
53								
54		**Div 012**						
55	911	Supervision	$ -	5.56%	$ -	$ -	5.56%	$ -
56	912	Demonstration and Selling (1)	-	5.56%	-	-	5.56%	-
57	913	Advertising	-	5.56%	-	-	5.56%	-
58	916	Miscellaneous Sales Expense	-	5.56%	-	-	5.56%	-
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. 2021-00214
ADVERTISING
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

		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	$ 150,930	$ 9,902	$ 160,832	100%	$ 160,832	$ 150,930	100%	$ 150,930
3									
4	**Div 091**								
5	Newspaper, Magazine,bill stuffer & Other	19,552	1,392	20,943	50.42%	10,560	19,552	50.42%	9,858
6									
7	**Div 002**								
8	Newspaper, Magazine,bill stuffer & Other	207,988	27,010	234,998	4.97%	11,683	207,988	4.97%	10,340
9									
10	**Div 012**								
11	Newspaper, Magazine,bill stuffer & Other	25,573	-	25,573	5.56%	1,421	25,573	5.56%	1,421
12									
13	**Grand Total**	$ 404,043	$ 38,303	$ 442,346		$ 184,495	$ 404,043		$ 172,549

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
PROFESSIONAL Service Expenses
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:__x___Base Period___x___Forecasted Period
Type of Filing:___X_____Original________Updated________Revised
Workpaper Reference No(s).____________________

FR 16(8)(f)
Schedule F-5
Witness: Christian

		Base Period			Forecasted Period		
Line No.	Description	Total Utility	Kentucky Jurisdictional	Allocated Amount	Total Utility	Kentucky Jurisdictional	Allocated Amount
	Account 923 - Outside Services Employed						
1							
2	Div 009						
3	06111- Contract Labor	$ 162,745	100%	$ 162,745	$ 162,745	100%	$ 162,745
4	06121- Legal	$ 94,557	100%	94,557	$ 94,557	100%	94,557
5	Total	$ 257,302		$ 257,302	$ 257,302		$ 257,302
6							
7	Div 091						
8	06111- Contract Labor	$ 27,968	50.42%	$ 14,101	$ 27,968	50.42%	$ 14,101
9	06121- Legal	$ 118,823	50.42%	59,911	$ 118,823	50.42%	59,911
10	Total	$ 146,791		$ 74,012	$ 146,791		$ 74,012
11							
12	Div 002						
13	06111- Contract Labor	$ 19,504,987	4.97%	$ 969,673	$19,504,987	4.97%	$ 969,673
14	06121- Legal	$ 2,274,462	4.97%	113,073	$ 2,274,462	4.97%	113,073
15	Total	$ 21,779,449		$ 1,082,746	$21,779,449		$ 1,082,746
16							
17	Div 012						
18	06111- Contract Labor	$ 783,420	5.56%	$ 43,538	$ 783,420	5.56%	$ 43,538
19	06121- Legal	$ 11,396	5.56%	633.30	$ 11,396	5.56%	633.30
20	Total	$ 794,816		$ 44,171	$ 794,816		$ 44,171

Note: Rate Case related expenses are shown separately on Schedule F-6.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
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: Christian

Line No.	Description		Amount
1	**Consulting**		
2	Class Cost Study - P. Raab	$ 22,990	
3	Depreciation Study - D. Watson	82,441	
4	Cost of Capital - D'Ascendis, D.	45,857	
5	sub-total		$ 151,287
6			
7	**Legal Fees**		
8	(J. Hughes/R. Hutchinson)		132,354
9			
10	**Employee Expense**		
11	(airfare, lodging, meals, etc.)		21,617
12			
13	**Miscellaneous Expense**		
14	(printing, advertising, etc.)		93,838
15			
16	**Total Projected Rate Case Expense**		$ 399,097
17			
18	**Three (3) Year Amortization of Rate Case Expenses**		$ 133,032

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
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: Christian

Line			Case No. 2018-00281	
19				
20	**Rate Case (3 year Amortization)**		**Case No. 2018-00281**	
21			Regulated Asset Balance	Amortization Expense
22		Sep-20	168,652	9,370
23		Oct-20	159,282	9,370
24		Nov-20	149,913	9,370
25		Dec-20	140,543	9,370
26		Jan-21	131,174	9,370
27		Feb-21	121,804	9,370
28		Mar-21	112,435	9,370
29		Apr-21	103,065	9,370
30		May-21	93,695	9,370
31		Jun-21	84,326	9,370
32		Jul-21	74,956	9,370
33		Aug-21	65,587	9,370
34		Sep-21	56,217	9,370
35			112,435	121,804
36		(13 Month Average)		
37				
38				
39		Oct-21	46,848	9,370
40		Nov-21	37,478	9,370
41		Dec-21	28,109	9,370
42		Jan-22	18,739	9,370
43		Feb-22	9,370	9,370
44		Mar-22	0	9,370
45		Apr-22	0	0
46		May-22	0	0
47		Jun-22	0	0
48		Jul-22	0	0
49		Aug-22	0	0
50		Sep-22	0	0
51		Oct-22	0	0
52		Nov-22	0	0
53		Dec-22	0	0
54		Jan-23	0	0
55		Feb-23	0	0
56		Mar-23	0	0
57		Apr-23	0	0
58		May-23	0	0
59		Jun-23	0	0
60		Jul-23	0	0
61		Aug-23	0	0
62		Sep-23	0	0

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
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: Christian

63				
64	**Rate Case (3 year Amortization)**		**Case No. 2021-00214**	
65			Regulated Asset Balance	Amortization Expense
66		Dec-21	0	0
67		Jan-22	388,011	11,086
68		Feb-22	376,925	11,086
69		Mar-22	365,839	11,086
70		Apr-22	354,753	11,086
71		May-22	343,667	11,086
72		Jun-22	332,580	11,086
73		Jul-22	321,494	11,086
74		Aug-22	310,408	11,086
75		Sep-22	299,322	11,086
76		Oct-22	288,236	11,086
77		Nov-22	277,150	11,086
78		Dec-22	266,064	11,086
79			301,881	133,032
80			(13 Month Average)	
81				
82				
83		Jan-23	254,978	11,086
84		Feb-23	243,892	11,086
85		Mar-23	232,806	11,086
86		Apr-23	221,720	11,086
87		May-23	210,634	11,086
88		Jun-23	199,548	11,086
89		Jul-23	188,462	11,086
90		Aug-23	177,376	11,086
91		Sep-23	166,290	11,086
92		Oct-23	155,204	11,086
93		Nov-23	144,118	11,086
94		Dec-23	133,032	11,086
95		Jan-24	121,946	11,086
96		Feb-24	110,860	11,086
97		Mar-24	99,774	11,086
98		Apr-24	88,688	11,086
99		May-24	77,602	11,086
100		Jun-24	66,516	11,086
101		Jul-24	55,430	11,086
102		Aug-24	44,344	11,086
103		Sep-24	33,258	11,086
104		Oct-24	22,172	11,086
105		Nov-24	11,086	11,086
106		Dec-24	0	11,086
107				

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
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: Christian

108					
109	**Rate Case (3 year Amortization)**		**Cases Combined**		
110			Balance Total	Amortization Total	
111		Sep-20	168,652	9,370	
112		Oct-20	159,282	9,370	
113		Nov-20	149,913	9,370	
114		Dec-20	140,543	9,370	
115		Jan-21	131,174	9,370	
116		Feb-21	121,804	9,370	
117		Mar-21	112,435	9,370	Test Period
118		Apr-21	103,065	9,370	
119		May-21	93,695	9,370	
120		Jun-21	84,326	9,370	
121		Jul-21	74,956	9,370	
122		Aug-21	65,587	9,370	
123		Sep-21	56,217	9,370	
124		Oct-21	46,848	9,370	
125		Nov-21	37,478	9,370	
126		Dec-21	28,109	9,370	
127		Jan-22	406,750	20,456	
128		Feb-22	386,294	20,456	
129		Mar-22	365,839	20,456	
130		Apr-22	354,753	11,086	
131		May-22	343,667	11,086	
132		Jun-22	332,580	11,086	Forecast Period
133		Jul-22	321,494	11,086	
134		Aug-22	310,408	11,086	
135		Sep-22	299,322	11,086	
136		Oct-22	288,236	11,086	
137		Nov-22	277,150	11,086	
138		Dec-22	266,064	11,086	
139			306,205	161,141	
140			(13 Month Ave	Forecast Total)	
141					
142		Jan-23	254,978	11,086	
143		Feb-23	243,892	11,086	
144		Mar-23	232,806	11,086	
145		Apr-23	221,720	11,086	
146		May-23	210,634	11,086	
147		Jun-23	199,548	11,086	
148		Jul-23	188,462	11,086	
149		Aug-23	177,376	11,086	
150		Sep-23	166,290	11,086	
151		Oct-23	155,204	11,086	
152		Nov-23	144,118	11,086	
153		Dec-23	133,032	11,086	
154		Jan-24	121,946	11,086	
155		Feb-24	110,860	11,086	
156		Mar-24	99,774	11,086	
157		Apr-24	88,688	11,086	
158		May-24	77,602	11,086	
159		Jun-24	66,516	11,086	
160		Jul-24	55,430	11,086	
161		Aug-24	44,344	11,086	
162		Sep-24	33,258	11,086	
163		Oct-24	22,172	11,086	
164		Nov-24	11,086	11,086	
165		Dec-24	0	11,086	

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
CIVIC, POLITICAL and RELATED ACTIVITIES
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

		Base Period			Forecasted Period		
Line No.	Item (A)	Total Utility	Kentucky Jurisdictional	Allocated Amount	Total Utility	Kentucky Jurisdictional	Allocated Amount
1	**Div 009**						
2	Donations (1)	$ -	100%	$ -	$ -	100%	$ -
3	Civic Duties (2)	-	100%	-	-	100%	-
4	Political Activities (3)	46,290	100%	46,290	46,290	100%	46,290
5	Other	-	100%	-	-	100%	-
6	Total	$ 46,290		$ 46,290	$ 46,290		$ 46,290
7							
8	**Div 091**						
9	Donations (1)	$ -	50.42%	$ -	$ -	50.42%	$ -
10	Civic Duties (2)	-	50.42%	-	-	50.42%	-
11	Political Activities (3)	12,719	50.42%	6,413	12,719	50.42%	6,413
12	Other	-	50.42%	-	-	50.42%	-
13	Total	$ 12,719		$ 6,413	$ 12,719		$ 6,413
14							
15	**Div 002**						
16	Donations (1)	$ -	4.97%	$ -	$ -	4.97%	$ -
17	Civic Duties (2)	-	4.97%	-	-	4.97%	-
18	Political Activities (3)	423,589	4.97%	21,058	423,589	4.97%	21,058
19	Other	-	4.97%	-	-	4.97%	-
20	Total	$423,589		$ 21,058	$ 423,589		$ 21,058
21							
22	**Div 012**						
23	Donations (1)	$ -	5.56%	$ -	$ -	5.56%	$ -
24	Civic Duties (2)	-	5.56%	-	-	5.56%	-
25	Political Activities (3)	-	5.56%	-	-	5.56%	-
26	Other	-	5.56%	-	-	5.56%	-
27	Total	$ -		$ -	$ -		$ -
28							
29	**Grand Total**	$482,598		$ 73,761	$ 482,598		$ 73,761

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. 2021-00214
EMPLOYEE EXPENSE REPORT EXCLUSIONS

Data:__x___Base Period___x___Forecasted Period
Type of Filing:___X_____Original________Updated________Revised
Workpaper Reference No(s).____________________

FR 16(8)(f)
Schedule F-8
Witness: Christian

		Base Period			Forecasted Period		
Line No.	Description	Amount	Kentucky Jurisdictional	Allocated Amount	Amount	Kentucky Jurisdictional	Allocated Amount
1	Div 009	$ 29,135	100.00%	$ 29,135	$ 29,135	100%	$ 29,135
2							
3	Div 091	23,185	50.42%	11,690	23,185	50.42%	11,690
4							
5	Div 002	219,937	4.97%	10,934	219,937	4.97%	10,934
6							
7	Div 012	20,433	5.56%	1,136	20,433	5.56%	1,136
8							
9	Total Expense Report Exclusions	$ 292,690		$ 52,895	$292,690		$ 52,895

NOTE: This amount is included on ratemaking adjustments on Schedule C-2 and therefore excluded from the Revenue Requirements.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
SERP EXPENSE

Data:__x___Base Period___x___Forecasted Period — FR 16(8)(f)
Type of Filing:___X_____Original________Updated________Revise — Schedule F-9
Workpaper Reference No(s).____________________ — Witness: Christian

Line No.	Div	Category	Total	Allocation Factor	Allocated Total Amount
1	2	SERP Expense	$1,359,794	4.97%	$ 67,601
2					
3	91	SERP Expense	41,063	50.42%	20,704
4					
5		SERP Expense Adjustment			$ 88,305

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
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: Christian

Line No.	Div	Category	Total	Allocation Factor	Allocated Totals
		Variable Pay & Management Incentive Plans			
1	2	VPP & MIP	12,353,619	4.97%	$ 614,149
2	12	VPP & MIP	0	5.56%	0
3	91	VPP & MIP	1,104,133	50.42%	556,704
4	9	VPP & MIP	0	100.00%	0
5		Total Allocated VPP & MIP Plans			$ 1,170,853
		Restricted Stock Plans			
6	2	RSU-LTIP - Time Lapse	0	4.97%	$ -
7		RSU-LTIP - Performance Based	4,040,779	4.97%	200,884
8	12	RSU-LTIP - Time Lapse	0	5.56%	0
9		RSU-LTIP - Performance Based	172,710	5.56%	9,598
10	91	RSU-LTIP - Time Lapse	0	50.42%	0
11		RSU-LTIP - Performance Based	92,815	50.42%	46,797
12	9	RSU-LTIP - Time Lapse	0	100.00%	0
13		RSU-LTIP - Performance Based	15,424	100.00%	15,424
14		Total Allocated Restricted Stock Plans			$ 272,704
15		Grand Total Allocated Expense			$ 1,443,557
16		Payroll Taxes Expense Adjustment			$ 93,831

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
2017-00349 O&M Adjustments

Data:__x___Base Period___x___Forecasted Period — FR 16(8)(f)
Type of Filing:___X_____Original________Updated________Revised — Schedule F-11
Workpaper Reference No(s).____________________ — Witness: Christian

Line No.	Division	Budget Sub Account	Amount	Allocation	Total
1					
2	002	Directors Retirement Expenses - 04113	2,782,692	4.97%	138,339
3	002	Removal of Retirement Benefits	1,823,107	4.97%	90,634
4	012	Removal of Retirement Benefits	991,029	5.56%	55,075
5	009	Removal of Retirement Benefits	190,977	100.00%	190,977
6	091	Removal of Retirement Benefits	83,585	50.42%	42,144
7					
8		Grand Total			517,169

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Regulatory Liabilities
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:__X___Base Period__X___Forecasted Period | FR 16(8)(f)
Type of Filing:___X____Original________Updated ________Revised | Schedule F-12
Workpaper Reference No(s). | Witness: Christian

Line No.	Description	Base Period			Forecast Period			
	Regulatory Liability		Balance	Accrual		Balance	Accrual	Amortization
1	Cost of Service Reserve 2420-27910	Sep-20	$ (57,684)	$ -	Dec-21	$ (57,684)	$ -	$ -
2		Oct-20	(57,684)	-	Jan-22	$ (52,877)	-	4,807
3		Nov-20	(57,684)	-	Feb-22	$ (48,070)	-	4,807
4		Dec-20	(57,684)	-	Mar-22	$ (43,263)	-	4,807
5		Jan-21	(57,684)	-	Apr-22	$ (38,456)	-	4,807
6		Feb-21	(57,684)	-	May-22	$ (33,649)	-	4,807
7		Mar-21	(57,684)	-	Jun-22	$ (28,842)	-	4,807
8		Apr-21	(57,684)	-	Jul-22	$ (24,035)	-	4,807
9		May-21	(57,684)	-	Aug-22	$ (19,228)	-	4,807
10		Jun-21	(57,684)	-	Sep-22	$ (14,421)	-	4,807
11		Jul-21	(57,684)	-	Oct-22	$ (9,614)	-	4,807
12		Aug-21	(57,684)	-	Nov-22	$ (4,807)	-	4,807
13		Sep-21	(57,684)	-	Dec-22	$ -	-	4,807
14								
15		Base Period	$ (57,684)	$ -	Forecast Period	$ (28,842)	$ -	$ 57,684
16			(13-Month Avg)			(13-Month Avg)		
17								
18		Oct-21	(57,684)	-				
19		Nov-21	(57,684)	-				
20								
21								
22								
23	Regulatory Liability		Balance	Accrual		Balance	Accrual	Amortization
24	Depreciation Reserve 2540-27913	Sep-20	$ (5,208,777)	$ (306,399)	Dec-21	$ (9,804,757)	$(306,399)	$ -
25		Oct-20	(5,515,176)	(306,399)	Jan-22	(8,987,694)	-	817,063
26		Nov-20	(5,821,575)	(306,399)	Feb-22	(8,170,631)	-	817,063
27		Dec-20	(6,127,973)	(306,399)	Mar-22	(7,353,568)	-	817,063
28		Jan-21	(6,434,372)	(306,399)	Apr-22	(6,536,505)	-	817,063
29		Feb-21	(6,740,771)	(306,399)	May-22	(5,719,442)	-	817,063
30		Mar-21	(7,047,169)	(306,399)	Jun-22	(4,902,379)	-	817,063
31		Apr-21	(7,353,568)	(306,399)	Jul-22	(4,085,316)	-	817,063
32		May-21	(7,659,967)	(306,399)	Aug-22	(3,268,252)	-	817,063
33		Jun-21	(7,966,365)	(306,399)	Sep-22	(2,451,189)	-	817,063
34		Jul-21	(8,272,764)	(306,399)	Oct-22	(1,634,126)	-	817,063
35		Aug-21	(8,579,163)	(306,399)	Nov-22	(817,063)	-	817,063
36		Sep-21	(8,885,561)	(306,399)	Dec-22	-	-	817,063
37								
38		Base Period	$ (7,047,169)	$ (3,676,784)	Forecast Period	$ (4,902,379)	$ -	$ 9,804,757
39			(13-Month Avg)			(13-Month Avg)		
40								
41		Oct-21	(9,191,960)	(306,399)				
42		Nov-21	(9,498,359)	(306,399)				
43								
44								
45								
46						Balance (13-Mo.)		Amortization
47	Total Regulatory Liabilities				Forecast Period	$ (4,931,221)		$ 9,862,441
48								

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Regulatory Liabilities
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:__X___Base Period__X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).

FR 16(8)(f)
Schedule F-12
Witness: Christian

Line No.	Description	Base Period				Forecast Period				
						(Rate Implementation March 2022)				
	Regulatory Liability		Balance	Accrual			Balance	Accrual	Amortization
1	Cost of Service Reserve 2420-27910	Sep-20	$ (57,684)	$ -		Dec-21	$ (57,684)	$ -	$ -
2		Oct-20	(57,684)	-		Jan-22	(57,684)	-	-
3		Nov-20	(57,684)	-		Feb-22	(57,684)	-	-
4		Dec-20	(57,684)	-		Mar-22	(52,877)	-	4,807
5		Jan-21	(57,684)	-		Apr-22	(48,070)	-	4,807
6		Feb-21	(57,684)	-		May-22	(43,263)	-	4,807
7		Mar-21	(57,684)	-		Jun-22	(38,456)	-	4,807
8		Apr-21	(57,684)	-		Jul-22	(33,649)	-	4,807
9		May-21	(57,684)	-		Aug-22	(28,842)	-	4,807
10		Jun-21	(57,684)	-		Sep-22	(24,035)	-	4,807
11		Jul-21	(57,684)	-		Oct-22	(19,228)	-	4,807
12		Aug-21	(57,684)	-		Nov-22	(14,421)	-	4,807
13		Sep-21	(57,684)	-		Dec-22	(9,614)	-	4,807
14									
15		Base Period	$ (57,684)	$ -		Forecast Period	$ (37,346)	$ -	$ 48,070
16			(13-Month Avg)				(13-Month Avg)		
17									
18		Oct-21	(57,684)	-		Jan-23	(4,807)		4,807
19		Nov-21	(57,684)	-		Feb-23	-		4,807
20									
21									
22						*(Rate Implementation March 2022)*			
23	Regulatory Liability		Balance	Accrual			Balance	Accrual	Amortization
24	Depreciation Reserve 2540-27913	Sep-20	$ (5,208,777)	$ (306,399)		Dec-21	$ (9,804,757)	$(306,399)	$ -
25		Oct-20	(5,515,176)	(306,399)		Jan-22	(10,111,156)	(306,399)	-
26		Nov-20	(5,821,575)	(306,399)		Feb-22	(10,417,555)	(306,399)	-
27		Dec-20	(6,127,973)	(306,399)		Mar-22	(9,549,425)	-	868,130
28		Jan-21	(6,434,372)	(306,399)		Apr-22	(8,681,296)	-	868,130
29		Feb-21	(6,740,771)	(306,399)		May-22	(7,813,166)	-	868,130
30		Mar-21	(7,047,169)	(306,399)		Jun-22	(6,945,037)	-	868,130
31		Apr-21	(7,353,568)	(306,399)		Jul-22	(6,076,907)	-	868,130
32		May-21	(7,659,967)	(306,399)		Aug-22	(5,208,777)	-	868,130
33		Jun-21	(7,966,365)	(306,399)		Sep-22	(4,340,648)	-	868,130
34		Jul-21	(8,272,764)	(306,399)		Oct-22	(3,472,518)	-	868,130
35		Aug-21	(8,579,163)	(306,399)		Nov-22	(2,604,389)	-	868,130
36		Sep-21	(8,885,561)	(306,399)		Dec-22	(1,736,259)	-	868,130
37									
38		Base Period	$ (7,047,169)	$ (3,676,784)		Forecast Period	$ (6,673,992)	$(612,797)	$ 8,681,296
39			(13-Month Avg)				(13-Month Avg)		
40									
41		Oct-21	(9,191,960)	(306,399)		Jan-23	(868,130)	-	868,130
42		Nov-21	(9,498,359)	(306,399)		Feb-23	(0)	-	868,130
43									
44									
45									
46							Balance (13-Mo.)		Amortization
47	Total Regulatory Liabilities					Forecast Period	$ (6,711,338)		$ 8,729,365
48									

<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:
   (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;

<u>RESPONSE:</u>

Please see attachment FR_16(13)(g)_Att1, Schedules G-1 through G-3.

<u>ATTACHMENT:</u>

ATTACHMENT 1 - FR_16(8)(g)_Att1 - Schedule G.xlsx, 3 Pages.

Respondents: Joe Christian

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
PAYROLL Costs
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:__X___Base Period___X___Forecasted Period — FR 16(8)(g)
Type of Filing:___X____Original________Updated — Schedule G-1
Workpaper Reference No(s). — Witness: Christian

Line No.	Description	% of Labor	Total Company Unadjusted	Jurisdictional	Base Period Jurisdictional Unadjusted	Adjustments	Forecasted Period Jurisdictional ADJUSTED
1	Payroll Costs						
2	Labor		$ 12,426,376	100.00%	$ 12,426,376	$ 456,383	$ 12,882,759
3							
4	Employee Benefits						
5	PENSION & RETIREMENT Income Plan	4.06%	$ 504,739	100.00%	$ 504,739	$ 18,538	$ 523,277
6	FAS 106	4.74%	589,092	100.00%	589,092	21,636	610,728
7	Employee INSURANCE PLANS	21.29%	2,645,981	100.00%	2,645,981	97,179	2,743,159
8	ESOP PLAN Contributions	5.32%	660,625	100.00%	660,625	24,263	684,887
9							
10	Total Employee BENEFITS		$ 4,182,204		$ 4,182,204	$ (257,052)	$ 3,925,152
11							
12	Payroll Taxes						
15	Payroll Taxes		$ 1,022,348	100.00%	1,022,348	276,126	$ 1,298,474
16	Total Payroll Taxes		$ 1,022,348		$ 1,022,348	$ 276,126	$ 1,298,474
17							
18	Total Payroll Costs		$ 17,630,927		$ 17,630,927	$ 475,458	$ 18,106,385

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Payroll Analysis by Employee Classifications/Payroll Distribution/Total Company
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Description	2016	% Change	2017	% Change	2018	% Change	2019	% Change	2020	% Change	Base Period	% Change	Forecasted Period
		Most Recent Five Years*												
1														
2														
3	Man Hours													
4	Straight Time Hours	402,264	-3.32%	388,906	-3.30%	376,067	14.05%	428,910	-1.01%	424,588	-8.88%	386,880	0.00%	386,880
5	OverTime Hours	23,292	9.29%	25,455	20.41%	30,650	3.78%	31,808	-41.08%	18,741	22.26%	22,913	0.00%	22,913
6	Total Manhours	425,556	-2.63%	414,361	-1.84%	406,717	0.76%	460,718	-11.05%	443,329	-7.56%	409,793	0.00%	409,793
7	Ratio of OverTime Hours													
8	to Straight-Time Hours	5.790%		6.545%		8.150%		7.416%		4.414%		5.923%		5.923%
9														
10	Labor Dollars													
11	Straight-Time Dollars	11,387,044	-0.32%	11,350,421	0.04%	11,354,438	4.20%	11,830,931	2.27%	12,100,004	-6.50%	11,312,973	4.43%	11,813,877
12	OverTime Dollars	913,258	12.28%	1,025,396	21.56%	1,246,476	6.00%	1,321,265	-38.17%	816,954	36.29%	1,113,403	-4.00%	1,068,883
13	Total Labor Dollars	12,300,302	0.61%	12,375,816	1.82%	12,600,914	4.37%	13,152,196	-1.79%	12,916,959	-3.80%	12,426,376	3.67%	12,882,759
14	Ratio of OverTime Dollars													
15	to Straight-Time Dollars	8.020%		9.034%		10.978%		11.168%		6.752%		9.842%		9.048%
16														
17	O&M Labor Dollars	5,063,947	4.27%	5,280,414	6.45%	5,621,117	-4.59%	5,432,594	2.41%	5,104,736	5.06%	5,363,213	3.73%	5,563,298
18	Ratio of O&M of Labor Dollars													
19	to Total Labor Dollars	41.169%		42.667%		44.609%		41.306%		39.520%		43.160%		43.184%
20														
21	Employee Benefits													
22	Total Employee Benefits	4,593,455	-8.26%	4,213,988	-1.69%	4,142,789	10.39%	4,573,154	-6.33%	4,283,537	-2.37%	4,182,204	-6.15%	3,925,152
23	Employee Benefits Expensed	1,957,208	-3.79%	1,883,010	-3.62%	1,814,787	7.40%	1,949,162	-9.71%	1,759,955	2.56%	1,805,039	-6.09%	1,695,038
24	Ratio of Employee Benefits													
25	Expensed to Total Employee													
26	Benefits	42.609%		44.685%		43.806%		42.622%		41.086%		43.160%		43.184%
27														
28	Payroll Taxes													
29	Total Payroll Taxes	937,780	19.26%	1,118,351	-16.38%	935,218	58.63%	1,483,580	-16.89%	1,233,011	-17.09%	1,022,348	27.01%	1,298,474
30	Payroll Taxes Expensed	352,392	-2.91%	342,145	6.60%	364,719	11.99%	408,463	-17.83%	335,621	31.47%	441,245	27.08%	560,733
31	Ratio of Payroll Taxes													
32	Expensed to Total Payroll													
33	Taxes	37.577%		30.594%		38.998%		27.532%		27.220%		43.160%		43.184%
34														
35	Employee Levels													
36	Average Employee Levels	213	-3.29%	206	-4.13%	198	-1.27%	195	-2.31%	191	-2.36%	186	0.00%	186
37	Year end Employee Levels	211	-5.21%	200	-2.50%	195	0.00%	195	-4.62%	186	0.00%	186	0.00%	186

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Executive Compensation
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

Line No.	Description	% of Labor			Base Period Company Unallocated	Adjustments	Forecasted Period Company Unallocated
1	Includes 7 Officers						
2							
3	Gross Payroll						
4	Salary				$ 3,266,811	$ 130,672	$ 3,397,483
5	Other Allowances and Compensation				9,307,885	372,315	$ 9,680,200
6	Total Salary and Compensation				$ 12,574,695	$ 502,988	$ 13,077,683
7							
8	Employee Benefits	FY19	FY20	Wtd Avg			
9	Pensions	3.11%	3.78%	3.45%	$ 112,542	$ 4,502	$ 117,043
10	SERP				$ 3,063,427	122,537	3,185,964
11	Other Benefits	29.73%	30.76%	30.25%	988,047	39,522	1,027,569
12	Total Employee Benefits				$ 4,164,016	$ 166,561	$ 4,330,576
13							
14	Payroll Taxes						
15	FICA/FUTA/SUTA				$ 538,018	$ 21,521	$ 559,539
16	Total Payroll Taxes				$ 538,018	$ 21,521	$ 559,539
17							
18	Total Compensation				$ 17,276,729	$ 691,069	$ 17,967,798

NOTE: This schedule contains confidential information, detail of these numbers are available upon request.

Positions included on this schedule are:
Executive Chairman
SVP, Utility Operations (created in January 2017)
SVP, General Counsel & Corporate Secretary (vacant from Mar17-Jul17, filled in Aug-17)
President and CEO
SVP, CFO
SVP, Human Resources (created in January 2017)

These costs are total costs for Atmos Energy Corporation, a portion of which are allocated to Kentucky.

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 - FR_16(8)(h)_Att1 - Schedule H.xlsx, 1 Page.

Respondents: Joe Christian

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Computation of Gross Revenue Conversion Factor
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Christian

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	5.00%	4.965000%	4.965000%
6	Income before Federal Income Tax		94.335000%	94.335000%
7	Federal Income Tax @	21%	19.810400%	19.810400%
8	Operating Income Percentage		74.524600%	74.524600%
9	Gross Revenue Conversion Factor			
10	(100 % divided by Income after Income Tax)		1.341839	1.341839

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 - FR_16(8)(i)_Att1 - Schedule I.xlsx, 3 Pages.

Respondents: Michelle Faulk, Joe Christian and Josh Densman

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Comparative Income Statement
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Faulk, Christian, Densman

	Most Recent Five Calendar Years (000s)					Base Year (000s)	Test Year (000s)	(000s)		
	2016	2017	2018	2019	2020	9/30/2021	12/31/2022	2023	2024	2025
INCOME STATEMENT	$	$	$	$	$	$	$	$	$	$
Operating Revenues										
Gas service revenue	129,827	144,870	161,584	157,506	134,242	147,760	154,074	153,426	152,978	153,371
Transportation	15,748	17,215	18,537	18,325	17,180	16,647	15,145	15,145	15,145	15,145
Other revenue	1,857	2,017	733	1,878	2,087	1,948	4,248	4,240	4,236	4,239
Total Operating Revenues	147,431	164,102	180,854	177,709	153,508	166,355	173,467	172,810	172,358	172,755
Purchase gas	61,180	70,880	89,006	83,689	59,996	70,284	77,874	77,014	76,288	76,402
Gross Profit	86,251	93,222	91,848	94,020	93,513	96,071	95,593	95,795	96,071	96,353
Operating Expenses										
Direct O&M	14,518	16,031	17,403	18,981	15,673	16,133	13,584	20,851	21,093	21,336
Allocated O&M	12,708	11,829	12,110	13,265	13,189	15,178	15,464	11,926	12,353	12,805
Depreciation & amortization	19,121	19,379	20,842	20,422	20,475	19,296	20,604	20,821	22,394	23,953
Taxes - other than income	5,919	6,336	6,455	8,673	9,401	9,749	10,326	10,730	11,249	11,738
Total Operating Expenses	52,266	53,575	56,811	61,340	58,738	60,357	59,978	64,328	67,089	69,832
Operating income(loss)	33,985	39,647	35,038	32,679	34,775	35,714	35,615	31,467	28,981	26,521
Other income										
Interest Income	42	32	(2)	31	39	39	39	39	39	39
Performance based rates	2,792	3,246	3,241	3,425	3,359	3,359	3,000	3,000	3,000	3,000
Donations	(355)	(361)	(455)	(477)	(817)	(817)	(817)	(817)	(817)	(817)
Other Income	(391)	(403)	(428)	1,249	123	123	123	123	123	123
Total other income	2,087	2,514	2,356	4,228	2,704	2,704	2,345	2,345	2,345	2,345
Interest Charges										
Total interest charges	7,377	8,009	8,022	9,456	9,366	9,651	10,497	10,431	11,462	12,587
Income Before Taxes	28,695	34,152	29,372	27,452	28,112	28,767	27,463	23,381	19,864	16,279
Provision for income taxes	9,516	9,697	8,861	6,288	3,380	7,177	6,852	5,834	4,956	4,062
Net Income	19,178	24,455	20,511	21,164	24,732	21,589	20,611	17,548	14,908	12,218

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Revenue Statistics
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Faulk, Densman

Line No.	Description	Most Recent Five Calendar Years 2016	2017	2018	2019	2020	Base Period 9/30/2021	Forecasted Period 12/31/2022	2023	2024	2025
1	Revenue by Customer Class:										
2	Residential	$ 85,596,832	$ 94,138,422	$ 102,705,471	$ 97,529,079	$ 88,021,107	$ 95,747,266	$ 100,196,512	$ 99,877,930	$ 99,645,931	$ 99,924,438
3	Commercial	34,032,004	38,222,731	44,941,378	43,100,803	35,926,642	41,385,686	42,523,547	$ 42,314,290	$ 42,197,438	$ 42,327,247
4	Industrial	4,441,439	6,400,150	6,556,064	9,909,683	4,916,762	4,565,302	4,941,525	$ 4,877,578	$ 4,831,144	$ 4,824,111
5	Public Authority & Other	5,756,388	6,108,524	7,381,197	6,966,725	5,377,006	6,062,207	6,412,852	$ 6,355,850	$ 6,303,227	$ 6,295,454
6	Unbilled										
7	Total	$ 129,826,663	$144,869,827	$ 161,584,111	$ 157,506,291	$ 134,241,517	$147,760,461	$154,074,436	$ 153,425,648	$ 152,977,740	$ 153,371,250
8	Number of Customer by Class:										
9	Residential	156,174	156,811	157,629	158,011	159,525	159,822	160,872	161,322	161,922	162,522
10	Commercial	17,354	17,432	17,510	17,719	18,098	18,098	18,229	18,286	18,361	18,436
11	Industrial	206	214	213	222	224	223	223	223	223	223
12	Public Authority & Other	1,549	1,537	1,542	1,537	1,533	1,533	1,533	1,533	1,533	1,533
13	Total	175,282	175,994	176,893	177,488	179,380	179,676	180,857	181,363	182,038	182,713
14	Average Revenue per Class:										
15	Residential	$ 548	$ 600	$ 652	$ 617	$ 552	$ 599	$ 623	$ 619	$ 615	$ 615
16	Commercial	1,961	2,193	2,567	2,432	1,985	2,287	2,333	2,314	2,298	2,296
17	Industrial	21,578	29,896	30,840	44,722	21,942	20,518	22,209	21,922	21,713	21,681
18	Public Authority & Other	3,717	3,975	4,788	4,534	3,507	3,953	4,182	4,145	4,111	4,106

(1) Unbilled Revenue is not included in the appropriate customer class.

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
SALES STATISTICS
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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: Faulk, Densman

Line No.	Description	Most Recent Five Calendar Years 2016	2017	2018	2019	2020	Base Period 9/30/2021	Forecasted Period 12/31/2022	2023	2024	2025
		Mcf	Mcf	Mcf	Mcf		Mcf	Mcf	Mcf	Mcf	
1	Sales by Customer Class:										
2	Residential	8,859,272	8,360,876	10,702,975	9,987,269	9,097,361	9,963,428	10,018,608	10,045,694	10,083,122	10,120,503
3	Commercial	4,436,288	4,415,168	5,449,652	5,129,772	4,677,889	5,034,563	5,066,768	5,081,984	5,102,793	5,123,608
4	Industrial	1,021,718	1,517,001	1,202,134	1,997,154	1,175,062	894,511	894,511	894,511	894,511	894,511
5	Public Authority & Other	896,168	824,971	1,021,094	956,098	838,414	903,639	903,639	903,639	903,639	903,639
6	Unbilled										
7											
8	Total	15,213,446	15,118,017	18,375,854	18,070,292	15,788,726	16,796,141	16,883,526	16,925,828	16,984,065	17,042,260
9											
10	Number of Customer by Class:										
11	Residential	156,174	156,811	157,629	158,011	159,525	159,822	160,872	161,322	161,922	162,522
12	Commercial	17,354	17,432	17,510	17,719	18,098	18,098	18,229	18,286	18,361	18,436
13	Industrial	206	214	213	222	224	223	223	223	223	223
14	Public Authority & Other	1,549	1,537	1,542	1,537	1,533	1,533	1,533	1,533	1,533	1,533
15											
16	Total	175,282	175,994	176,893	177,488	179,380	179,676	180,857	181,363	182,038	182,713
17											
18	Average Volume per Class:										
19	Residential	57	53	68	63	57	62	62	62	62	62
20	Commercial	256	253	311	290	258	278	278	278	278	278
21	Industrial	4,964	7,086	5,655	9,013	5,244	4,020	4,020	4,020	4,020	4,020
22	Public Authority & Other	579	537	662	622	547	589	589	589	589	589

<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:
   (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;

<u>RESPONSE:</u>

Please see attachment FR_16(8)(j)_Att1, Schedules J-1 through J-4.

<u>ATTACHMENT:</u>

ATTACHMENT 1 - FR_16(8)(j)_Att1 - Schedule J.xlsx, 8 Pages.

Respondent: Joe Christian

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Cost of Capital Summary
Base Period: Twelve Months Ended September 30, 2021

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	$ 21,557	0.19%	25.17%	0.05%
7	LONG-TERM DEBT	J-3	4,781,476	41.11%	4.17%	1.71%
8	PREFERRED STOCK	J-4	0	0.00%	0.00%	0.00%
9	COMMON EQUITY		$ 6,828,048	58.71%	10.35%	6.08%
10	Total Capital		$ 11,631,081	100.00%		7.84%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
13 Month Average Capital Structure
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022

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

			Base Period				Forecasted Period			
Line No.	Class of Capital	Workpaper Reference	Amount	Percent of Total	Cost Rate	Weighted Cost	Amount	Percent of Total	Cost Rate	Weighted Cost
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
			$000	%	%	%	$000	%	%	%
1	SHORT-TERM DEBT		21,557	0.19%	25.17%	0.05%	21,557	0.18%	25.17%	0.05%
2	LONG-TERM DEBT		4,781,476	41.11%	4.17%	1.71%	5,119,938	42.77%	4.00%	1.71%
3	Total DEBT		4,803,033	41.30%		1.76%	5,141,494	42.95%		1.76%
4	PREFERRED STOCK		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
5	COMMON EQUITY		6,828,048	58.71%	10.35%	6.08%	6,828,048	57.05%	10.35%	5.90%
6	Other Capital		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
7	Total Capital		11,631,081	100.0%		7.84%	11,969,542	100.0%		7.66%

CURRENT RATES

			Base Period				Forecasted Period			
Line No.	Class of Capital	Workpaper Reference	Amount	Percent of Total	Cost Rate	Weighted Cost	Amount	Percent of Total	Cost Rate	Weighted Cost
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
			$000	%	%	%	$000	%	%	%
8	SHORT-TERM DEBT		21,557	0.19%	25.17%	0.05%	21,557	0.18%	25.17%	0.05%
9	LONG-TERM DEBT		4,781,476	41.11%	4.17%	1.71%	5,119,938	42.77%	4.00%	1.71%
10	Total DEBT		4,803,033	41.30%		1.76%	5,141,494	42.95%		1.76%
11	PREFERRED STOCK		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
12	COMMON EQUITY		6,828,048	58.71%	6.08%	3.57%	6,828,048	57.05%	5.56%	3.17%
13	Other Capital		0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
14	Total Capital		11,631,081	100.0%		5.33%	11,969,542	100.0%		4.93%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
ANNUALIZED SHORT-TERM DEBT
as of March 31, 2020

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(j)
Schedule J-2
Sheet 1 of 1
Witness: Christian

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	$ 21,557	0.566%	$ 122	
2	COMMITMENT FEE & BANK ADMIN			$ 5,305	
3	TOTAL SHORT-TERM DEBT	$ 21,557		$ 5,427	25.17%

NOTES:

(1) Interest Rate is the actual average rate for 12 Months Ended March 31, 2021

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
AVERAGE ANNUALIZED LONG-TERM DEBT
Base Period: Twelve Months Ended September 30, 2021

Data:__X___Base Period______Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(j)
Schedule J-3
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	6.750%	$10,125,000	
2	6.67% MTN A1 due Dec 2025	10,000,000	6.670%	667,000	
3	5.95% Sr Note due 10/15/2034	200,000,000	5.950%	11,900,000	
4	4.3% Sr Note due 10/1/2048	600,000,000	4.300%	25,800,000	
5	Sr Note 5.50% Due 06/15/2041	400,000,000	5.500%	22,000,000	
6	4.15% Sr Note due 1/15/2043	500,000,000	4.150%	20,750,000	
7	4.125% Sr Note due 10/15/2044 (500MM(2014) & 250MM(2017)	750,000,000	4.125%	30,937,500	
8	3.00% Sr Note due 6/15/2027	500,000,000	3.000%	15,000,000	
9	4.125% Sr Note due 3/15/49	450,000,000	4.125%	18,562,500	
10	2.625% Sr Notes Due 2029	300,000,000	2.625%	7,875,000	
11	3.375% Sr Notes Due 2049	500,000,000	3.375%	16,875,000	
12	$200MM 3YR. Term Loan (Established 4/09/20)	184,615,385	2.320%	4,282,192	
13	1.500% Sr Notes Due 2031	276,923,077	1.500%	4,153,846	
14	Total	$ 4,821,538,462		$188,928,038	
15					
16	Annualized Amortization of Debt Exp. & Debt Dsct.			$10,293,599	
17	Less Unamortized Debt Discount	($1,754,949)			
18	Less Unamortized Debt Expenses	($38,307,527)			
19					
20					
21					
22	Total LONG-TERM DEBT	$4,781,475,986		199,221,638	**4.17%**

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
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. 2021-00214
Cost of Capital Summary
Thirteen Month Average as of September 30, 2022

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	Amount		Percent of Total	Cost Rate	Weighted Cost
		(A)	(B)		(C)	(D)	(E)
			$000			%	%
	Capital Structure						
6	SHORT-TERM DEBT		$	21,557	0.18%	25.17%	0.05%
7	LONG-TERM DEBT	J-3		5,119,938	42.77%	4.00%	1.71%
8	PREFERRED STOCK	J-4		0	0.00%	0.00%	0.00%
9	COMMON EQUITY		$	6,828,048	57.05%	10.35%	5.90%
10	Total Capital		$	11,969,542	100.00%		7.66%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
AVERAGE ANNUALIZED LONG-TERM DEBT
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:_____Base Period___X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(j)
Schedule J-3
Sheet 1 of 1
Witness: Christian

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	4.3% Sr Note due 10/1/2048	600,000,000	4.30%	25,800,000	
5	Sr Note 5.50% Due 06/15/2041	400,000,000	5.50%	22,000,000	
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 (500MM(2014) & 250MM(2017)	750,000,000	4.13%	30,937,500	
8	3.00% Sr Note due 6/15/2027	500,000,000	3.00%	15,000,000	
9	4.125% Sr Note due 3/15/49	450,000,000	4.13%	18,562,500	
10	2.625% Sr Notes Due 2029	300,000,000	2.63%	7,875,000	
11	3.375% Sr Notes Due 2049	500,000,000	3.38%	16,875,000	
12	$200MM 3YR. Term Loan (Established 4/09/20)	200,000,000	2.43%	4,850,000	
13	1.500% Sr Notes Due 2031	600,000,000	1.50%	9,000,000	
14	Total	$ 5,160,000,000		$ 194,342,000	
15					
16	Annualized Amortization of Debt Exp. & Debt Dsct.			10,293,599	
17	Less Unamortized Debt Discount	($1,754,949)			
18	Less Unamortized Debt Expenses	($38,307,527)			
19					
20					
21					
22	Total LONG-TERM DEBT	$ 5,119,937,524		$ 204,635,599	4.00%

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
AVERAGE ANNUALIZED SHORT-TERM DEBT
Forecasted Test Period: Twelve Months Ended December 31, 2022

Data:_____Base Period___X___Forecasted Period
Type of Filing:___X____Original________Updated ________Revised
Workpaper Reference No(s).____________________

FR 16(8)(j)
Schedule J-2
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)	21,557	0.5659%	122	
2	COMMITMENT FEE			5,305	
3	TOTAL SHORT-TERM DEBT	21,557		5,427	25.17%

NOTES:

(1) Interest Rate is the actual average rate for 12 Months Ended March 31, 2021

<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.

<u>ATTACHMENT:</u>

ATTACHMENT 1 - FR_16(8)(k)_Att1 - Schedule K.xlsx, 3 Pages.

Respondents: Michelle Faulk, Josh Densman and Joe Christian

CASE NO. 2021-00214
FR 16(8)(k)
ATTACHMENT 1

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Comparative Financial Data
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022
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: Faulk, Christian, Densman

Line No.	Description	Forecasted Period	Base Period	Most Recent Ten Calendar Years - as Reported 2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
1	Plant Data: ($000)												
2	Plant in Service by functional class:												
3	Intangible Plant	781	781	128	128	128	128	128	128	128	128	128	128
4	Production & Gathering Plant	0	0	0	0	0	0	0	0	636	901	901	901
5	Underground Storage	16,168	16,168	14,473	14,471	13,328	13,329	12,454	11,560	10,792	9,630	10,104	9,388
6	Transmission Plant	33,200	33,200	33,002	32,817	31,462	31,784	31,814	31,808	31,877	32,962	32,836	33,144
7	Distribution Plant	786,426	736,944	708,442	666,530	573,567	517,179	472,849	413,302	381,623	340,200	323,036	296,493
8	General Plant	52,193	46,063	24,782	23,892	22,758	21,675	21,271	18,126	16,683	15,589	15,238	16,000
9	Acquisition Adjustments			3,279	3,279	3,279	3,279	3,279	3,279	3,279	3,279	3,279	3,279
10													
11	Gross Plant	888,769	833,157	784,106	741,117	644,522	587,374	541,795	478,203	445,018	402,689	385,522	359,333
12	Less: Accumulated depreciation	191,213	185,509	178,144	176,418	178,946	175,150	167,228	165,298	160,839	158,300	151,849	150,795
13	Net plant in Service	697,556	647,648	605,962	564,699	465,576	412,224	374,567	312,905	284,179	244,389	233,673	208,538
14													
15	Construction Work in Progress	0	0	6,625	6,557	42,150	32,838	10,146	26,310	12,708	16,578	6,006	3,306
16													
17	Total CWIP	0	0	6,625	6,557	42,150	32,838	10,146	26,310	12,708	16,578	6,006	3,306
18													
19	Total	697,556	647,648	612,587	571,256	507,726	445,062	384,713	339,215	296,887	260,967	239,679	211,844
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)	21,557	21,557	0	464,915	575,780	447,745	829,811	457,927	196,695	367,984	570,929	206,396
27	Long-term debt ($000)	5,119,938	4,781,476	4,531,944	3,529,452	3,068,665	3,067,045	2,438,779	2,437,515	2,455,986	2,455,671	1,956,305	2,206,117
28	Preferred stock ($000)			0	0	0	0	0	0	0	0	0	0
29	Common equity ($000)	6,828,048	6,828,048	6,791,203	5,750,223	4,769,951	3,898,666	3,463,059	3,194,797	3,086,232	2,580,409	2,359,243	2,255,421
30													
31	Total	11,969,542	11,631,081	11,323,147	9,744,590	8,414,396	7,413,456	6,731,649	6,090,239	5,738,913	5,404,064	4,886,477	4,667,934

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Comparative Financial Data
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022
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: Faulk, Christian, Densman

Line		Forecasted	Base	Most Recent Ten Calendar Years - as Reported									
No.	Description	Period	Period	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
32													
33	Condensed Income Statement data: ($000)												
34	Operating Revenues	173,467	166,355	153,508	177,709	180,855	164,102	147,431	170,468	196,882	162,968	134,778	149,662
35	Operating Expenses (excludes Federal												
36	and State Taxes, includes gas cost)	137,852	130,641	118,505	144,252	145,642	124,455	113,447	141,526	166,452	139,358	112,027	126,219
37	State Income Tax (current))												
38	Federal Income Tax (current)												
39	Federal and State Income Tax - net	6,852	7,177	3,380	6,288	8,861	9,697	9,516	9,884	9,671	7,060	8,157	8,094
40	Investment tax credits												
41	Operating Income	28,763	28,537	31,623	27,169	26,352	29,950	24,468	19,058	20,759	16,550	14,594	15,349
42	AFUDC	0	0	614	1,513	1,239	379	175	182	139	88	101	22
43	Other Income net	2,345	2,704	1,861	2,113	943	2,135	1,912	2,063	2,019	2,033	2,046	2,657
44	Income available for fixed charges	31,108	31,241	34,098	30,795	28,534	32,464	26,555	21,303	22,917	18,671	16,741	18,028
45	Interest charges	10,497	9,651	9,366	9,456	8,022	8,009	7,377	6,698	6,347	6,524	5,612	5,792
46	Net Income	20,611	21,589	24,732	21,339	20,512	24,455	19,178	14,605	16,570	12,147	11,129	12,236
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	20,611	21,589	24,732	21,339	20,512	24,455	19,178	14,605	16,570	12,147	11,129	12,236
49													
50	AFUDC - % of Net Income	0.00%	0.00%	2.48%	7.09%	6.04%	1.55%	0.91%	1.25%	0.84%	0.72%	0.91%	0.18%
51	AFUDC - % of earnings available for												
52	common equity	0.00%	0.00%	2.48%	7.09%	6.04%	1.55%	0.91%	1.25%	0.84%	0.72%	0.91%	0.18%
53													
54													
55													
56	Costs of Capital												
57	Embedded cost of short-term debt (%)	25.17%	25.17%	22.46% (4)	8.06%	3.40%	1.68%	1.12%	1.09%	1.49%	1.17%	1.22%	1.03%
58	Embedded cost of long-term debt (%)	4.00%	4.17%	4.26%	4.69%	5.19%	5.45%	5.89%	5.90%	6.03%	6.26%	6.51%	6.75%
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	3.62	3.98	8.90	6.98	6.14	5.85	5.60	5.15	4.62	3.86	3.01	2.97
63	Pre-Tax Interest Coverage (Excluding AFUDC)	3.62	3.98	9.84	7.30	6.73	6.03	5.72	5.26	4.69	3.91	3.06	2.95
64	After Tax Interest Coverage	2.96	3.24	7.34	5.69	6.07	4.06	3.92	3.56	3.20	2.86	2.32	2.26
65	SEC Coverage (3)	N/A	N/A	N/A	N/A	N/A	5.45	5.16	4.77	4.11	3.63	2.84	2.78
66	After Tax Interest Coverage (Excluding AFUDC	2.96	3.24	8.12	5.96	6.65	4.18	4.01	3.63	3.24	2.90	2.36	2.24
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 (3)	N/A	N/A	N/A	N/A	N/A	3.81	3.64	3.32	3.02	2.70	2.21	2.13
69													
70	Stock and Bond Ratings: (1)												
71	Moody's Bond Rating	N/A	A1	A1	A2	A2	A2	A2	A2	A2	Baa1	Baa1	Baa1
72	S&P Bond Rating	N/A	A	A	A	A	A	A	A-	A-	A-	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

Atmos Energy Corporation, Kentucky/Mid-States Division
Kentucky Jurisdiction Case No. 2021-00214
Comparative Financial Data
Base Period: Twelve Months Ended September 30, 2021
Forecasted Test Period: Twelve Months Ended December 31, 2022
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: Faulk, Christian, Densman

Line		Forecasted	Base	Most Recent Ten Calendar Years - as Reported									
No.	Description	Period	Period	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
75													
76	Common Stock Related Data: (1)												
77	Shares Outstanding Year End (000)	N/A	N/A	125,882	119,339	111,274	106,105	103,931	101,479	100,388	90,640	90,240	90,296
78	Shares Outstanding - Weighted	N/A	N/A										
79	Average (Monthly) (000)	N/A	N/A	122,872	117,461	111,012	106,100	103,524	101,892	97,608	91,711	91,172	90,652
80	Earnings Per Share - Weighted Avg. ($)	N/A	N/A	4.89	4.35	5.43	3.73	3.38	3.09	2.96	2.64	2.37	2.27
81	Dividends Paid Per Share ($)	N/A	N/A	2.30	2.10	1.94	1.80	1.68	1.56	1.48	1.40	1.38	1.36
82	Dividends Declared Per Share ($)	N/A	N/A	2.30	2.10	1.94	1.80	1.68	1.56	1.48	1.40	1.38	1.36
83	Dividend Payout Ratio (Declared	N/A	N/A										
84	Basis) (%)	N/A	N/A	47%	48%	36%	48%	50%	50%	50%	53%	58%	60%
85	Market Price - High (Low)	N/A	N/A										
86	1st Quarter - High ($)	N/A	N/A	113.42	99.50	92.29	74.73	64.25	58.08	47.06	36.86	35.40	31.72
87	1st Quarter - Low ($)	N/A	N/A	105.47	89.33	84.41	68.96	57.82	47.35	41.08	33.20	30.97	29.10
88	2nd Quarter - High ($)	N/A	N/A	120.57	103.72	85.89	80.40	74.33	58.81	48.01	42.69	33.15	34.98
89	2nd Quarter - Low ($)	N/A	N/A	80.50	89.85	78.03	73.21	61.74	52.02	44.19	35.11	30.60	31.51
90	3rd Quarter - High ($)	N/A	N/A	110.70	107.93	90.53	85.54	81.32	56.41	53.40	44.87	35.07	34.94
91	3rd Quarter - Low ($)	N/A	N/A	94.16	99.07	82.68	78.90	70.60	51.28	46.94	38.59	30.91	31.34
92	4th Quarter - High ($)	N/A	N/A	106.04	114.65	94.77	88.69	81.16	58.18	52.68	45.19	36.94	34.32
93	4th Quarter - Low ($)	N/A	N/A	92.00	105.27	89.81	82.42	71.88	51.48	47.01	39.40	34.94	28.87
94	Book Amount Per Share (Year-end) ($)	N/A	N/A	55.27	48.95	42.97	36.75	33.45	31.35	31.62	28.14	25.88	24.88
95													
96	(1) Based on fiscal year-end of parent company												
97													
98	Rate of Return Measures (1)												
99	Return On Common Equity (Average)	5.4%	5.6%	9.6%	9.7%	13.9%	10.8%	10.5%	10.0%	10.2%	9.8%	8.3%	8.6%
100	Return On Total Capital (Average)	4.8%	4.9%	5.7%	5.6%	7.6%	5.6%	5.5%	5.2%	5.2%	4.8%	4.0%	4.3%
101	Return On Net Plant in Service (Average)	4.1%	4.4%	4.8%	4.6%	6.1%	4.5%	4.5%	4.5%	4.5%	4.3%	3.6%	3.8%
102													
103	Other Financial and Operating Data:												
104	Mix of Sales: (MMcf)												
105	Residential	10,019	9,963	9,389	9,887	10,416	8,724	9,094	9,826	11,729	10,695	8,433	10,187
106	Commercial	5,067	5,035	4,748	5,105	5,346	4,575	4,538	4,845	5,650	5,143	3,972	4,642
107	Industrial	895	895	1,139	1,919	1,286	1,517	1,048	693	810	811	995	821
108	Public authority & Other Sales	904	904	859	945	994	859	916	1,025	1,234	1,179	980	1,111
109	Unbilled	0	0										
110	Total Mix of Sales	16,884	16,796	16,135	17,856	18,043	15,674	15,595	16,389	19,423	17,828	14,380	16,761
111													
112	Mix of Fuel: (MMcf)												
113		0	0	0	0	0	0	0	0	0	0	0	0
114	Other	17,204	17,115	16,662	18,711	19,087	16,060	15,417	18,606	21,324	18,367	17,441	16,748
115													
116	Total MIX of Fuel (2)	17,204	17,115	16,662	18,711	19,087	16,060	15,417	18,606	21,324	18,367	17,441	16,748
117													
118	Composite Depreciation Rate	2.21%	2.01%	2.47%	2.61%	3.07%	3.12%	3.33%	3.66%	3.50%	3.31%	3.49%	3.58%

(1) Based on fiscal year-end of parent company, except for Base Period & Test Period which are based on Atmos Energy Corporation, Kentucky. Return calculations cannot be used for revenue requirement purposes
(2) Kentucky gas purchases by accounting month.
(3) No longer required to provide Computation of Earnings to Fixed charges in SEC filings.
(4) The high cost of short-term debt for 2020 is due to fixed commitment fees and low short-term borrowings.

<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:

(l) A narrative description and explanation of all proposed tariff changes;

<u>RESPONSE:</u>

A narrative description and explanation of all proposed tariff changes is provided in the Direct Testimony of Brannon Taylor.

Respondent: Brannon Taylor

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 - FR_16(8)(m)_Att1 - Revenue Statistics.xlsx, 2 Pages.

Respondent: Josh Densman

Atmos Energy Corporation
Case No. 2021-00214
REVENUE STATISTICS - Total Company
For the BASE PERIOD ending March 31, 2021

Line No.	Description	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	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)	(Act)	(Act)	(Act)	(Act)	(Act)	(Act)	
2														
3	Residential Sales	$ 7,933	$ 5,294	$ 4,254	$ 4,043	$ 3,968	$ 3,985	$ 4,692	$ 8,127	$ 11,336	$ 13,140	$ 14,016	$ 10,791	$ 91,578
4	Commercial Sales	3,324	2,295	1,883	1,795	1,711	1,705	1,968	3,352	4,565	5,255	5,590	4,417	37,859
5	Industrial Sales	396	201	104	122	128	278	158	276	487	672	770	528	4,120
6	Public Authority Sales	497	294	214	194	186	187	240	512	756	891	960	720	5,652
7	Unbilled	-	-	-	-	-	-	-	-	-	-	-	-	0
8														
9	Total Sales	12,150	8,084	6,456	6,154	5,993	6,155	7,058	12,268	17,144	19,957	21,336	16,456	139,209
10														
11	Transportation	1,584	1,269	1,193	1,282	1,260	1,355	1,390	1,534	1,589	1,766	1,894	1,742	17,858
12	Other Revenue	26	23	22	25	22	26	22	15	18	13	13	11	234
13														
14	Total Operating Revenues	13,759	9,376	7,672	7,460	7,274	7,536	8,469	13,816	18,751	21,736	23,243	18,209	157,301
15	Purchase Gas Costs	5,698	2,628	1,475	1,269	1,129	1,255	1,855	5,824	9,408	11,495	12,553	8,885	63,474
16														
17	Gross Profit	$ 8,061	$ 6,748	$ 6,197	$ 6,192	$ 6,145	$ 6,281	$ 6,614	$ 7,992	$ 9,343	$ 10,241	$ 10,690	$ 9,323	$ 93,827
18														
19														
20	Mcf by Customer Class (000's)	(Act)	(Act)	(Act)	(Act)	(Act)	(Act)	(Act)	(Act)	(Act)	(Act)	(Act)	(Act)	
21														
22	Residential Sales	888	414	200	157	157	161	315	911	1,512	1,850	2,005	1,395	9,963
23	Commercial Sales	444	265	182	165	164	165	224	446	673	805	864	638	5,035
24	Industrial Sales	91	45	23	28	33	85	40	57	98	137	155	104	895
25	Public Authority Sales	80	43	26	23	23	23	35	81	128	154	167	121	904
26	Unbilled	-	-	-	-	-	-	-	-	-	-	-	-	-
27														
28	Total Sales	1,502	767	431	373	376	434	614	1,495	2,410	2,946	3,190	2,257	16,796
29														
30	Transportation	2,725	2,159	1,993	2,226	2,282	2,479	2,372	2,627	2,726	3,060	3,284	2,935	30,867
31														
32	Total Deliveries	4,226	2,927	2,424	2,599	2,658	2,913	2,986	4,122	5,136	6,006	6,474	5,192	47,664

FR 16(8)m
Schedule 2 of 2

Atmos Energy Corporation
Case No. 2021-00214
REVENUE STATISTICS - Total Company
For the TEST YEAR ending December 31, 2022

Line No.	Description	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	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	$ 14,971	$ 15,165	$ 11,593	$ 8,577	$ 5,848	$ 4,534	$ 4,268	$ 4,255	$ 4,279	$ 5,245	$ 8,885	$ 12,578	$ 100,197
4	Commercial Sales	6,051	6,085	4,784	3,644	2,642	2,125	2,015	1,995	1,991	2,352	3,722	5,118	42,524
5	Industrial Sales	802	855	585	455	257	132	156	181	416	222	319	561	4,942
6	Public Authority Sales	1,039	1,051	786	549	347	247	222	223	225	297	574	853	6,413
7	Unbilled	-	-	-	-	-	-	-	-	-	-	-	-	0
8														
9	Total Sales	22,863	23,155	17,748	13,225	9,094	7,038	6,661	6,654	6,910	8,116	13,500	19,110	154,074
10														
11	Transportation	1,766	1,894	1,742	1,584	1,269	1,193	1,282	1,260	1,355	1,390	1,534	1,589	17,858
12	Other Revenue	178	205	205	175	134	99	85	78	82	78	83	132	1,535
13														
14	Total Operating Revenues	24,807	25,254	19,695	14,984	10,497	8,330	8,028	7,992	8,347	9,584	15,117	20,831	173,467
15	Purchase Gas Costs	14,370	14,341	10,150	6,725	3,597	2,019	1,740	1,754	1,973	2,875	7,009	11,317	77,871
16														
17	Gross Profit	$ 10,437	$ 10,913	$ 9,545	$ 8,258	$ 6,900	$ 6,311	$ 6,288	$ 6,238	$ 6,374	$ 6,709	$ 8,108	$ 9,514	$ 95,596
18														
19														
20	Mcf by Customer Class (000's)													
21														
22	Residential Sales	1,857	2,012	1,400	894	417	201	158	158	162	318	918	1,523	10,019
23	Commercial Sales	808	867	641	447	267	184	167	165	167	226	450	679	5,067
24	Industrial Sales	137	155	104	91	45	23	28	33	85	40	57	98	895
25	Public Authority Sales	154	167	121	80	43	26	23	23	23	35	81	128	904
26	Unbilled	-	1	2	3	4	5	6	7	8	9	10	11	-
27														
28	Total Sales	2,956	3,202	2,267	1,515	777	439	381	386	445	627	1,516	2,438	16,884
29														
30	Transportation	3,060	3,284	2,935	2,725	2,159	1,993	2,226	2,282	2,479	2,372	2,627	2,726	30,867
31														
32	Total Deliveries	6,016	6,486	5,202	4,240	2,936	2,432	2,608	2,668	2,924	2,999	4,142	5,164	47,751

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 - FR_16(8)(n)_Att1 - Bill Comparison.xls, 1 Page.

Respondent: Brannon Taylor

FR 16(8)(n)

Atmos Energy Corporation
Case No. 2021-00214
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	5.2	$51.90	$56.89	$4.99
2					
3	Commercial / Public Autho	25.2	$206.35	$222.52	$16.17
4					
5	Industrial/Transportation	6243.0	$4,481.09	$5,032.70	$551.61
6					
7					

(1) Based on total annual Mcf requirements by class, divided by average number of customers, as projected for the test year ending December 31, 2022.

(2) The basis for gas costs in both present and proposed rates is based on the Company's Gas Cost Adjustment for May 2021, approved by the Commission in Case 2021-00142.

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 five rate cases, Case No. 2009-00354, Case No. 2013-00148, Case No. 2015-00343, Case No. 2017-00349, and Case No. 2018-00281, 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. 2018-00281.

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: Brannon Taylor

<u>REQUEST:</u>

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.

<u>RESPONSE:</u>

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: Brannon Taylor

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: Brannon Taylor

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: Brannon Taylor

<u>REQUEST:</u>

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 - FR_17(4)(a)-(j)_Att1 - 2021 Public Notice Final.pdf, 5 Pages.

Respondent: Brannon Taylor

NOTICE OF PROPOSED CHANGES IN GAS TARIFFS WHICH WILL RESULT IN INCREASED CHARGES

Notice is hereby given that Atmos Energy Corporation (“Atmos Energy” or “Company”), a public utility furnishing natural gas service within the Commonwealth of Kentucky, on or about the 30th day of June, 2021 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 July 30, 2021 in Case No. 2021-00214. Atmos Energy is also proposing to make the following changes to its existing tariffs:

- The revision of the Rate Book Index on Sheet Nos. 1 and 2 to reflect the changes described below. There is no revenue impact associated with this change.
- The removal of the word “experimental” from the Company’s PBR mechanism from Sheet Nos. 2 and 18. There is no revenue impact associated with this change.
- The removal of parking service and references to parking service from the Company’s Tariff on Sheet Nos. 47, 48, 54, 55, and 60. This tariff modification would affect customers under Company’s Rate Schedules T-3 and T-4.
- The replacement of the Natural Gas Weekly pricing index with the use of the highest and lowest Gas Daily weekly average pricing index for imbalance pricing calculations on Sheets Nos. 48 and 55. This tariff modification would affect customers under Company’s Rate Schedules T-3 and T-4.
- The following changes on Sheet No. 87 to the Priorities of Curtailment: (1) Combine all Commercial service under Rate G-1 into Priority Level 2; (2) Combine Industrial service under Rate G-1 and Rate T-4 Service to new Priority Level 3; (3) Combine service under Rate G-2 Service and Rate T-3 Service to new Priority Level 4; and (4) Make Flex Sales Transactions new Priority Level 5.
- Create the ability to issue Operational Flow Orders to transportation customers on Sheet Nos. 88A and 88B. This tariff modification would affect customers under Company’s Rate Schedules T-3 and T-4 and would require actions by Customers to alleviate conditions that, in the sole judgment of Company, jeopardize the operational integrity of Company’s system.
- Modification of the Company’s Pipeline Replacement Program (PRP) tariff to permit inclusion of Aldyl-A pipe on Sheet No. 38. This tariff modification would amend the PRP applicable under the Company’s Rate Schedules G-1, G-2, T-3, and T-4.
- Proposal of the Tax Act Adjustment Factor (“TAAF”) on Sheet No. 42 to be utilized to implement the effects of future changes of the Federal and/or state income tax rates on the most recently approved base rates, which could be a collection from customers or a pass back to customers. The Tariff will be set at zero until the effective date of a new a Federal and/or state income tax rate and approval by the Commission of a TAAF rate. This tariff modification would be applicable under the Company’s Rate Schedules G-1, G-2, T-3 and T-4. Any future adjustments to the TAAF rate would require Kentucky Public Service Commission approval.

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:	$20.68	Per Mcf	$24.40	Per Mcf	$3.72	18.0%
Commodity Charge						
First 300 Mcf or less per month	$5.9272	Per Mcf[1]	$6.1717	Per Mcf[1]	$0.2445	4.1%
Next 14,700 Mcf per month	$5.4995	Per Mcf	$5.6719	Per Mcf	$0.1724	3.1%
Over 15,000 Mcf per month*	$5.3068	Per Mcf	$5.4445	Per Mcf	$0.1377	2.6%
Minimum Charge:						
The Base Charge						
Non-Residential Service						
Monthly Base Charge:	$56.25	Per meter	$66.50	Per meter	$10.25	18.2%
Commodity Charge						
First 300 Mcf or less per month	$5.9272	Per Mcf[1]	$6.1717	Per Mcf[1]	$0.2445	4.1%
Next 14,700 Mcf per month	$5.4995	Per Mcf	$5.6719	Per Mcf	$0.1724	3.1%
Over 15,000 Mcf per month*	$5.3068	Per Mcf	$5.4445	Per Mcf	$0.1377	2.6%
Minimum Charge: The Base Charge						
Rate G-2, Interruptible Sales Service						
Monthly Base Charge:	$455.56	Per delivery point	$540.00	Per delivery Point	$84.44	18.5%
Commodity Charge						
First 15,000 Mcf or less per month	$4.0823	Per Mcf	$4.2307	Per Mcf	$0.1484	3.6%
Over 15,000 Mcf per month	$3.8827	Per Mcf	$4.0010	Per Mcf	$0.1183	3.0%
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	$457.97	Per meter	$540.00	Per meter	$82.03	17.9%
Administrative Charge	$50.00		$50.00		$0.00	0.0%
Commodity Charge						
First 15,000 Mcf or less per month	$0.8760	Per Mcf	$1.0337	Per Mcf	$0.1577	18.0%
Over 15,000 Mcf per month	$0.6719	Per Mcf	$0.7928	Per Mcf	$0.1209	18.0%
Rate T-4, Firm Transportation Service						
Transportation only service						
Monthly Base Charge:						
Meter Charge	$458.20	Per meter	$540.00	Per meter	$81.80	17.9%
Administrative Charge	$50.00		$50.00		$0.00	0.0%
Commodity Charge						
First 300 Mcf or less per month	$1.4508	Per Mcf	$1.6800	Per Mcf	$0.2292	15.8%
Next 14,700 Mcf per month	$1.0030	Per Mcf	$1.1740	Per Mcf	$0.1710	17.0%
Over 15,000 Mcf per month*	$0.8012	Per Mcf	$0.9390	Per Mcf	$0.1378	17.2%

1Mcf = 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 $16,389,804 or 9.4% with increases of approximately $9,630,868 or 9.6% for residential consumers, and $3,835,279 or 7.8% for commercial and public authority consumers, and approximately $2,806,544 or 12.3% for industrial and transportation consumers. Charges from other gas revenue will increase $117,113 or 7.6%. The average monthly bill for residential consumers will increase approximately $4.99 or 9.6%. The average monthly bill for commercial and public authority consumers will increase approximately $16.17 or 7.8%. The average monthly bill for industrial and transportation customers will increase approximately $551.61 or 12.3%.

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	5.20	$51.90	$56.89	$4.99	9.6%
Commercial/Pub Auth	25.20	$206.35	$222.52	$16.17	7.8%
Industrial/transportation	6,243.00	$4,481.09	$5,032.70	$551.61	12.3%

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. With the current state of emergency for COVID-19, a person that wishes to examine the application and any related documents may also call Atmos Energy at 1-888-286-6700 and arrangements will be made to make a copy available for examination.

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. Brannon C. Taylor
810 Crescent Centre Dr., STE 600
Franklin, TN 37067
(615) 771-8330
brannon.taylor@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
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