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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

PUBLIC UTILITIES COMMISSION
STATE OF COLORADO

IN THE MATTER OF THE APPLICATION)
OF ATMOS ENERGY CORPORATION)
FOR AN ORDER APPROVING COST) Docket No. 07A-106G
ASSIGNMENT AND ALLOCATION)
MANUAL AND FULLY DISTRIBUTED)
COST STUDY)

**MOTION TO AMEND VERIFIED APPLICATION, REQUEST THAT
DOCKET BE PROCESSED PURSUANT TO THE COMMISSION'S
MODIFIED PROCEDURES, AND REQUEST FOR WAIVER OF RESPONSE
TIME**

Atmos Energy Corporation ("Atmos"), by and through its attorneys, Holland & Hart LLP, hereby respectfully requests an Order from the Commission: 1) granting Atmos leave to amend its Verified Application filed in the above-captioned docket, as discussed herein; 2) processing this now uncontested docket pursuant to the Commission's modified procedures; 3) vacating the existing procedural schedule governing this matter; and 4) waiving the response time to this motion. In support hereof, Atmos states as follows:

1. On April 2, 2007, Atmos filed an application for approval of its proposed Cost Assignment and Allocation Manual ("CAAM") and Fully Distributed Cost Study ("FDC Study").

2. On April 4, 2007, the Commission issued its Notice of Application Filed. Such Notice established, among other things, dates by which interventions were to be filed, as well as dates by which testimony should be filed by the parties. Except for these filing dates, the Commission's Notice did not establish any other procedural dates in this docket.

3. Subsequent to the filing of its application, Atmos held a variety of discussions with the Commission Staff (“Staff”) and the Office of Consumer Counsel (“OCC”) (the only two parties in this proceeding) regarding the specifics of Atmos’ CAAM and FDC Study. The purpose for such discussions was to allow for a better understanding of Atmos’ CAAM and FDC Study and likewise allow the parties to explore whether certain modifications to either of the documents would make sense.

4. In recognition of the parties’ progress, on August 7, 2007, Atmos filed a motion requesting that the Commission vacate the then existing procedural schedule and, in its place, approve an alternative schedule. In its motion, Atmos also advised the Commission that Atmos agreed to waive the statutory time period within which the Commission must conclude this proceeding. The Commission granted Atmos’ motion on August 13, 2007 by Decision No. R07-0690-I.

5. Thereafter the parties continued to hold discussions regarding possible modifications to Atmos’ CAAM and FDC Study. Based on the progress made during those discussions, on September 14, 2007, Atmos filed an unopposed motion for an order modifying the procedural schedule established by Decision No. R07-0690-I, so as to allow an additional thirty (30) days, or so, for those discussions to reach their logical conclusion.

6. On September 21, 2007, by Decision R07-0793-I, the Presiding Administrative Law Judge granted Atmos’ motion.

7. Thereafter, the parties' discussions continued to a point where Atmos circulated specific proposed modifications to its CAAM for consideration by Staff and the OCC.

8. In order to give Staff and the OCC adequate time to consider such modifications, on October 15, 2007, Atmos filed an unopposed motion requesting modification of the procedural schedule established by Decision No. R07-0793-I. Atmos' motion was granted on November 5, 2007 by Decision No. R07-0926-I.

9. Atmos can now report that those discussions resulted in Atmos, Staff and the OCC agreeing upon certain modifications to Atmos' CAAM that was included as Exhibit 2 to Atmos' Verified Application filed in this proceeding.

10. While the Parties have agreed upon the content of Atmos' revised CAAM as attached to this motion, their agreement thereto is premised upon each reserving its right to advocate a cost allocation principle or principles other than that already in use on the Atmos system, as more particularly provided by Rule 4502 (l) of the Commission's Rules Regulating Gas Utilities and Pipeline Operators. By way of example, the areas of which rights are being reserved is the allocation of the charges for services from Atmos' captive property insurance subsidiary, Blue Flame. Blue Flame is billed at cost to Atmos' Colorado rate divisions and Atmos is currently allocating these costs at the fully distributed cost. Atmos maintains that periodic surveys are made in the commercial marketplace by its broker to determine the cost of risk of property coverage for Atmos and further maintains that these surveys have proven that Blue Flame provides better coverage at a lower price than is available in the commercial marketplace. Another example

is the allocation of corporate executive time based on timesheets rather than the three factor allocation method. Staff and the OCC reserve the right to challenge these assertions in future rate proceedings, and Atmos agrees to make information available that is intended to demonstrate the veracity of such assertions not only for Atmos as a whole, but also for Colorado ratepayers.

11. As a result of these agreed upon modifications, Atmos respectfully requests leave to amend its Verified Application so as to substitute the revised Cost Assignment and Allocation Manual attached to this motion for that originally submitted as Exhibit 2 to Atmos' Verified Application.

12. With the agreed upon modifications to Atmos' CAAM that are reflected in the attachment to this motion, this proceeding is now uncontested. As a result, Atmos respectfully requests that the Commission process Atmos' Verified Application according to the Commission's modified procedures articulated in Rule 1403 of the Commission's Rules of Practice and Procedure, and as contemplated by C.R.S. §40-6-109(5).

13. In light of Atmos' request that this matter be processed as an uncontested matter under the Commission's modified procedures, Atmos further requests that the existing procedural schedule established by Decision No. R07-0926-I be vacated, including the requirement that Atmos file direct testimony relative to its application on November 30, 2007.

14. Atmos has conferred with representatives of Staff and the OCC and is authorized to state that they support the relief requested in this motion.

15. Because Staff and the OCC support the relief requested in this motion, Atmos requests that the response time to this motion be waived.

16. Atmos states that good cause has been shown for the granting of this motion and that no prejudice or harm will result to any party or customer of Atmos, or to any other person or entity. To the contrary, the relief requested in this motion will result in a more efficient and cost-effective process for the development of Atmos' CAAM and FDC Study, which will in turn benefit the Company and its customers.

WHEREFORE, for the reasons set forth herein, Atmos Energy Corporation respectfully requests an Order from the Commission: 1) granting Atmos leave to amend its Verified Application filed in the above-captioned docket, as discussed herein; 2) processing this now uncontested docket pursuant to the Commission's modified procedures; 3) vacating the existing procedural schedule governing this matter; and 4) waiving the response time to this motion.

DATED this 28th day of November, 2007.

Respectfully submitted,

HOLLAND & HART LLP

A handwritten signature in black ink, appearing to read "Thomas R. O'Donnell", is written over a horizontal line.

Thomas R. O'Donnell, Esq.

Holland & Hart LLP

555 Seventeenth St., Suite 3200

Denver, CO 80202-3979

Telephone: (303) 295-8291

Telefax: (303) 295-8261

Attorneys for Atmos Energy Corporation

CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of November, 2007, an original and 10 true and correct copies of the foregoing document entitled **MOTION TO AMEND VERIFIED APPLICATION, REQUEST THAT DOCKET BE PROCESSED PURSUANT TO THE COMMISSION'S MODIFIED PROCEDURES, AND REQUEST FOR WAIVER OF RESPONSE TIME** was hand-delivered to:

Doug Dean, Director
Colorado Public Utilities Commission
1560 Broadway, Suite 250
Denver, CO 80202

And a copy was placed in the United States Mail, postage prepaid and addressed to:

Douglas C. Walther
Associate General Counsel
Atmos Energy Corporation
5430 LBJ Freeway, Suite 1800
Dallas, TX 75240
Douglas.walther@atmosenergy.com

Joe T. Christian
Director of Rates
Atmos Energy Corporation
5430 LBJ Freeway, Suite 1800
Dallas, TX 75240
Joe.christian@atmosenergy.com

Paul Gomez
Assistant Attorney General
Office of the Attorney General
1525 Sherman Street, 6th Floor
Denver, CO 80203
Paul.gomez@dora.state.co.us

Michael J. Santisi
Assistant Attorney General
Office of the Attorney General
1525 Sherman Street, 5th Floor
Denver, CO 80203
Michael.santisi@state.co.us

Billy Kwan
Public Utilities Commission
1560 Broadway, Suite 250
Denver, CO 80202
Billy.kwan@dora.state.co.us

John Trogonoski
Public Utilities Commission
1560 Broadway, Suite 250
Denver, CO 80202
John.trogonoski@dora.state.co.us

Bridget McGee-Stiles
Public Utilities Commission
1560 Broadway, Suite 250
Denver, CO 80202
Bridget.mcgee-stiles@dora.state.co.us

Bill Dalton
Public Utilities Commission
1560 Broadway, Suite 250
Denver, CO 80202
William.dalton@dora.state.co.us

Michael Hydock
Advisory Staff
Public Utilities Commission
1560 Broadway, Suite 250
Denver, CO 80202
Michael.hydock@dora.state.co.us

Karen Wilkes
Vice President, Regulatory &
Public Affairs
Atmos Energy Corporation
1301 Pennsylvania, Suite 8000
Denver, CO 80203
Karen.wilkes@atmosenergy.com

Christopher M. Irby
Assistant Attorney General
Office of the Attorney General
1525 Sherman Street, 7th Floor
Denver, CO 80203
Chris.irby@state.co.us

Dennis Senger
Rate/Financial Analyst
Office of Consumer Counsel
1560 Broadway, Suite 200
Denver, CO 80202
Dennis.senger@dora.state.co.us

A handwritten signature in cursive script, reading "Debbie Cochran", is written over a horizontal line.

REVISED EXHIBIT 2

Atmos Energy Corporation
Cost Assignment and Allocation Manual
As required by 4CCR 723-3-4500

<u>Table of Contents</u>	<u>Section</u>	<u>Page</u>
Introduction		2
Definitions and Glossary of Terms		2-4
<i>Cost Assignment and Allocation Principles</i>	4502	
-Overview	4502	5-6
-Tariffed Services	4502(a)	6
-Direct Assignment	4502(b)	6
-Common Costs	4502(c)	6-8
-Value of Transactions – CO utility to nonregulated activity	4502(d)	8-9
-Value of Transactions – Nonregulated activity to utility	4502(e)	9-10
-Inability to establish a market price	4502(f)	10
-Non-jurisdictional regulated services	4502(g)	10
-Value of transactions between regulated divisions within a utility	4502(h)	11
-Bundled Services	4502(i)	11
-Incidental activities	4502(j)	11
-Audit Trail	4502(k)	11-12
<i>Cost Assignment and Allocation Manuals</i>	4503	12
-Information to be included in the CAAM (I-VI)	4503(b)	12-14
-Description of the basis of the assignment/allocation(VIII)	4503(b)	15-31
-Statement (VIII)	4503(b)	32
<i>Fully Distributed Cost Study</i>	4504	32-34
<i>Disclosure of Nonregulated Goods and Services</i>	4505	34

Appendix

Attachment 1 – Organization Structure

Attachment 2 - Excel file “Colorado CAAM – Section 4504(d)(II).xls

Attachment 3 – Fully Distributed Cost Study – excel file FDCS – Inc Stmt Dec06 as
filed.xls

I. **INTRODUCTION:**

This Cost Assignment and Allocation Manual (“CAAM”) describes and explains the cost assignments and allocation processes which are utilized by Atmos Energy Corporation (“Atmos”) in accordance to 4 Code of Colorado Regulations (“CCR”) 723-4-4502 and 4503. The CAAM describes and explains the calculation methods used to segregate and account for costs between and among jurisdictions, between regulated and nonregulated activities and between and among utility divisions

DEFINITIONS:

The following abbreviations or acronyms are used within the CAAM document.

Atmos (the Company).....	Atmos Energy Corporation
CAAM.....	Cost Assignment and Allocation Manual
CCR.....	Code of Colorado Regulations
FERC.....	Federal Energy Regulatory Commission
FDCS.....	Fully Distributed Cost Study
O&M.....	Operations & Maintenance Expense

GLOSSARY OF TERMS:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Shared Services - The Company's functions that serve multiple rate divisions. These services include departments such as Legal, Billing, Call Center, Accounting, Gas Supply, Rates Administration among others. Shared Services is comprised of Shared Services – General Office and Shared Services – Customer Support

Shared Services – Customer Support – The Company's functions that serve multiple rate divisions. These services include billing, customer call center functions and customer support related services.

Shared Services – General Office – The Company's functions that serve multiple rate divisions. These services include all other functions not encompassed by Shared Services – Customer Support.

Subsidiaries - The Atmos Energy Corporation subsidiaries are:

Atmos Energy Holdings, Inc.
Atmos Energy Marketing, LLC
Atmos Exploration & Production, Inc.
Atmos Pipeline and Storage, LLC
Atmos Power Systems, Inc.
Atmos Energy Services, LLC
Blue Flame Insurance Services, LTD
Egasco, LLC
Energas Energy Services Trust
Enermart Energy Services Trust
Mississippi Energies, Inc.
Trans Louisiana Gas Pipeline, Inc.
Trans Louisiana Gas Storage, Inc.
UCG Storage, Inc.
WKG Storage, Inc.
Legendary Lighting, LLC (50%)
PDH I Holding Company, Inc.
Unitary GH&C Products, LLC (28%)
United Cities Propane Gas, Inc.
Atmos Gathering Company, LLC
Straight Creek Gathering GP, LLC
Straight Creek Gathering, LP

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

II. (4502) COST ASSIGNMENT AND ALLOCATION PRINCIPLES

Overview

Atmos Energy Corporation consists of the utility (Atmos Energy Corporation, (Unconsolidated) and various subsidiaries. The utility is the parent company. The Company conducts its unregulated operations through its subsidiaries. A chart showing the current corporate structure is included in Appendix A, attachment 1.

The various divisions are a part of the Company's management control structure that is utilized in the Company's shared costs allocation processes. Section 4503(b)(I) of the CAAM describes the corporate structure in detail. There are currently seven such operating divisions – six of which are regulated gas local distribution operations and one of which is a regulated intrastate pipeline operation. We also refer to these divisions as "Business Units." The Company's Colorado operation is contained within the Colorado-Kansas Operating Division/Business Unit. Also, Operating Divisions or Business Units are comprised of rate divisions (described later herein).

"Operating divisions" do not constitute separate legal entities. They are merely unincorporated operating divisions within the organizational structure that the Company has chosen. None of the Operating Divisions are subsidiary entities that have a separate legal existence apart from the Company, they are not distinct legal entities, and they do not have separate equity or debt. Additionally, the divisions do not keep separate books and records.

There are **operating rate divisions** and **office rate divisions**. An operating rate division represents a regulated operation such as the Company's utility operations in Colorado. An office rate division is one that provides common services to operating rate divisions (as more fully explained herein). The costs of the office rate divisions are allocated to the operating rate divisions in accordance with the methodology described by the CAM, as will be more explained in detail in section 4503.

"Rate division" denotes the Company's regulatory jurisdictions that are defined by state boundaries or, where applicable, geographic areas within states and which comprise an Operating Division. The term rate division also denotes the Company's various Shared Services, as well as a particular Operating Division's general and regional office rate divisions, whose costs are common to more than one operating rate division and are therefore allocable to those operating rate divisions. For example, an Operating Division may encompass multiple rate divisions, particularly if the operations of the Business Unit include multiple states. Basically, each rate division represents an accumulation of accounting data applicable to an area in which rates have been set by a regulatory authority

such as the Colorado Public Utilities Commission. The Company refers to this area as a rate division.

The rate division designation is incorporated into the Company's account coding string. As such, costs are accumulated for various operating area rate divisions or office rate divisions within the Company's general ledger. This could represent the Company's operations in a particular state or a particular area within a state and/or various office rate divisions, which would appropriately allocate costs to operating rate divisions.

4502(a) Tariffed Services

If a tariffed service is provided to or from Colorado, the charge for that service is at the tariffed rate. Currently, there are no tariffed services provided to or from another state or subsidiary to Colorado.

4502(b) Direct Assignment

Direct costs are charged directly to the operating rate division that has incurred the costs. For example, if Colorado hires an outside contractor to perform leak survey services, then those costs are charged directly, and only, to Colorado because the work is done only for Colorado.

4502(c) Common Costs

Common costs such as Shared Services cost or operating division costs, are allocated to the operating rate divisions that receive the benefit of those services.

If an office rate division encompasses more than one jurisdiction, such as the Company's Colorado rate division, which provides services to the Company's utility operations in Colorado, Missouri, and Kansas, then the costs from that office rate division are allocated to the separate rate divisions to which it provides services.

Detailed transactions are recorded by rate division in the general ledger for all utility divisions of Atmos Energy. The rate division designation is incorporated into the Company's account coding string. As such, costs are accumulated for various operating areas or office rate divisions within the Company's general ledger. This could represent the Company's operations in a particular state or a particular area within a state and/or various office rate divisions, which would appropriately allocate costs to operating rate divisions.

Each category is fairly and equitably allocated between regulated and nonregulated activities or jurisdictions in accordance with the following principles:

4502(c)(I) Cost Causation

The Company's Shared Services – General Office provides the various support services discussed above to its utility operations in the twelve states in which the Company operates. Some of these shared services are also provided to the Company's unregulated subsidiaries. Similarly, the Shared Services - Customer Support provides customer service functions to the Company's utility operations and is the utility customer's point of contact with the Company for service activations, billing issues, emergency reporting, etc. Colorado rate division customers receive the benefits of these services, and the allocations of these costs are apportioned to the Colorado rate division on the basis of cost causation (or benefit received). In addition to Shared Services, the Colorado-Kansas Division headquarters office in Denver provides services to Colorado, Kansas and Missouri and, as a result, costs from the Colorado-Kansas division headquarters office allocates costs to the Company's Colorado rate division as well as other jurisdictions that it supported on the basis of cost causation (or benefit received).

4502(c)(II) Variability

Overall, the Company's allocation methodologies are based upon correlations of, among others, business size and practices, and based upon those relationships, the allocation percentages to be applied to costs is reviewed and changed at least annually. If there is a dramatic change in the business size and practices during the fiscal year, the company will review and determine the impact of the change and determine if it is necessary to update the allocation percentages at that time.

4502(c)(III) Traceability

Operations and Maintenance (O&M) expense, depreciation expense, and taxes, other than income taxes, expense related to Shared Services, and the Colorado-Kansas division's headquarters office are allocated on the Company's books and records utilizing the allocation methodologies described in detail in section 4503 of this CAAM. The Company allocates these expenses within its books and records as a part of its normal accounting cycle. The allocation factor used has a logical or observable correlation to the activity and generally calculated once per year, updated at the beginning of the Company's fiscal year (October 1), and utilized for the entire year unless a material event occurs that would significantly change the factors.

For those Shared Services costs that are not allocated on the Company's books and records, either a composite factor for Shared Service – General Office or a customer factor for Shared Service – Customer Support is used to allocate costs. Some examples of Shared Services costs for which composite factors or the customer factor, as appropriate, are used for allocating such expenses for

ratemaking purposes would include plant in service and accumulated deferred income taxes, as well as other rate base items.

Composite factors are derived based upon a three-factor formula comprised of:

1. The simple average of the relative percentage of gross plant in service for each of the Company's business units to the total gross plant in service for all of Atmos' business units (excluding Shared Services);
2. The ratio of the number of customers in each of the Company's business units to the total number of the Company's customers; and
3. The ratio of direct O&M expense for each of the Company's business units to the total direct operation and maintenance expenses of all Atmos business units (excluding Shared Services).

The **Customer Factor** is derived based on the average number of customers of the Operating Divisions that receive allocable costs for the services provided.

4502(c)(IV) Benefit

Common costs include costs related to technical and support services that are provided to the Company's operating rate divisions by centralized shared services ("Shared Services" or "SSU"). Shared Services – General Office includes, for example, accounting, human resources, legal, rates, information technology and numerous others functions. Shared Services – Customer Support includes customer call center services, billing, collections, and other customer support related functions. The costs for these Shared Services are allocated to the Company's rate divisions that benefits from these services.

4502(c)(V) Residual

Any residual costs left after direct assignments or indirect assignments, i.e., allocations, are allocated using the same allocation methodologies as used in the original allocation.

4502(d)Value of transactions –Colorado Utility to nonregulated activities

For cost assignment and allocation purposes, the value of all transactions from the Colorado utility to a nonregulated activity shall be determined as follows:

- I. Atmos provides regulated natural gas distribution service to its customers in Colorado at tariffed rates. Atmos does not provide non-regulated activities to its customers within Colorado. However, if the Colorado utility provided a product or service to a nonregulated activity in Colorado, the value of the transaction would be at a tariffed rate.

- II. As stated in 4502(d)(I), Atmos does not provide non-regulated activities to its customers within Colorado. However, if the company provided a nonutility service or product that was not pursuant to tariff, the cost charged would be at the higher of market price or the utility's fully distributed cost in accordance with these rules .
- III. If the transaction involves the sale of an asset, the value of the transaction shall be the higher of net-book cost or market price. If the transaction involves the use of an asset the value of the transaction shall be the higher of fully distributed cost or market price. The company does not have these types of transactions within Colorado.

4502(e) Value of transactions –Nonregulated activities to the Utility

For cost assignment and allocation purposes, the value of all transactions from a nonregulated activity to the utility shall be determined as follows:

- I. Pursuant to the rules as defined in section 4502(e)(I) of the CCR, *if the transaction involves a product or service that is not provided pursuant to a tariff, the value of the transaction shall be the lower of the fully distributed cost or the market price except if the transaction results from a competitive solicitation process then the value of the transaction shall be the winning bid price. Fully distributed cost in this circumstance, shall be the cost that would be incurred by the utility to provide the service internally. Market price shall be either the price charged by the supplying nonregulated activity or if that condition is not met, the lowest price charged by other persons in the market for a comparable product or service, when such prices are publicly available.*

Charges for services from the Company's captive property insurance subsidiary, Blue Flame, are billed at cost to the Company's Colorado rate divisions. Additionally, charges for services from Atmos Energy Services are also billed at cost to Colorado. The Company is currently allocating these costs at the fully distributed cost. See section 4502(f).

Periodic surveys are made in the commercial marketplace by our broker to determine the cost of risk of property coverage for Atmos. Historically these surveys have proven Blueflame provides better coverage at a lower price than is available in the commercial marketplace.

- II. Pursuant to the rules as defined in section 4502(e)(II) of the CCR, *if the transaction involves the sale of an asset, the value of the transaction shall be the lower of net-book cost or market price. If the transaction involves*

the use of an asset, the value of the transaction shall be the lower of fully distributed cost or market price. Market price shall be either the price charged by the nonregulated activity or, if this condition cannot be met, the lowest price charged by another person in the market for the sale or use of a comparable asset, where such prices are publicly available.

Currently the transactions occurring between Atmos' Colorado Operations and Atmos' non-regulated subsidiaries do not involve either the sale or use of assets. If, at some future date, these types of transactions occur, the value of the transaction would be valued at the lower of net-book cost or market price.

4502(f) Inability to establish a market price

Pursuant to the rules as defined in section 4502(f) of the CCR, if it is impracticable for the utility to establish a market price pursuant to paragraphs (d) or (e), the utility shall provide a statement to that effect, including its reasons in its fully distributed cost study as well as its proposed method and amount for valuing the transaction. Parties in a Commission proceeding retain the right to advocate alternative market prices pursuant to paragraphs (d) and (e).

Please see 4502(e)(I).

4502(g) Non-jurisdictional regulated services.

Pursuant to the rules as defined in section 4502(g) of the CCR, a utility may classify nonjurisdictional services as regulated if the services are rate-regulated by another agency (i.e., another state utility commission or the FERC) and where there are agency-accepted principles or methods for the development of rates associated with such services. This rule may apply, for example, to a provider's wholesale sales of electric power and energy. For such services, the utility shall identify the services in its manual, and account for the revenues, expenses, assets, liabilities, and ratebase associated with these services as if these services are regulated.

The Company has classified certain non Colorado jurisdictional utility operations in other states as regulated since the services are rate regulated by the state commissions in Kansas, Missouri, Texas, Louisiana, Mississippi, Iowa, Illinois, Tennessee, Georgia, Virginia and Kentucky. The Company has identified the services in this CAAM, and accounted for the revenues, expenses, assets, liabilities, and ratebase associated with these services as if they are regulated.

4502(h) Value of transactions between regulated divisions within a utility

Atmos provides only natural gas delivery services to its customers in Colorado. Unlike other utilities in Colorado, the Company is not involved and has no plans to be involved in any non regulated activities such as new product development, lighting solutions, water service, appliance repair services, heating and air conditioning services, etc.

4502(i) Bundled Services

The Company does not sell bundled services and therefore this section does not apply. Please see section 4502(h).

4502(j) Incidental activities

Incidental activities as defined in section 4500(h) are not provided in Colorado. If these services were provided in Colorado any amount of these activities would be classified as regulated activities and booked as part of the Company's utility records.

4502(k) Audit Trail

Atmos' account coding structure enables it to capture the costs for direct and allocable activities and provides a detailed audit trail. Expenses, Assets, and Liabilities for Atmos' shared services and other operating division general office divisions are coded to applicable location codes and cost centers which are then allocated to the appropriate rate divisions based upon the methodologies described herein. Allocations recorded in the books and records of the company are reflective of the allocation methodology used for rate making purposes from the last approved rate case but may be modified or updated between rate cases.

Atmos account coding structure is as follows:

XXX. XXXX. XXXX. XXXXX. XXXXXX. XXXX.

Company	Cost	FERC	Sub-	Service	Future
	Center	Account	Account	Area	Use
3 digit	4 digit	4 digits	5 digits	6 digits	4 digits

Within the above coding structure, "Company" and "Cost Center" are primarily utilized for management reporting purposes and reflects the internal management "cost responsibility" structure of Atmos Energy Corporation, exclusive of its subsidiaries. The term "Company" as utilized for account coding refers to a

subsidiary or separate legal entity or to one of the Company's seven operating divisions under which Atmos conducts the vast majority of its utility business in twelve states. "Cost Center" addresses departmental cost responsibility and is primarily utilized for budget control purposes. Utilization of the "Company" or "Cost Center" fields is not suitable for financial or regulatory reporting purposes.

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

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

III. 4503(b) COST ASSIGNMENT AND ALLOCATION MANUALS

Each utility shall include the following information in its CAAM:

- I. A listing of all regulated or nonregulated division of the Colorado utility together with an identification of the regulated or nonregulated activities conducted by each.*

Total Company

Atmos operates its utility business in twelve states through seven operating divisions. The operating divisions are divisions of Atmos and are not subsidiaries or separate legal entities. The operating divisions are Mid-Tex and West Texas Divisions through which Atmos operates in Texas; Colorado-Kansas Division through which Atmos operates in Kansas, Colorado and a small portion of the Company's Missouri operations; Louisiana Division through which Atmos operates in Louisiana; Kentucky/Mid-States Division through which Atmos operates in Kentucky, Tennessee, Georgia, Missouri, Virginia, Illinois and Iowa; Mississippi Division through which Atmos operates in Mississippi and Atmos Pipeline-Texas Division through which Atmos operates its intrastate pipeline business in Texas. The operating divisions are not separate legal entities, and therefore, by definition, cannot be affiliates of Atmos. The Colorado-Kansas division does not perform any nonregulated activities. The Colorado utility within the Colorado-Kansas division, provides regulated natural gas service to its customers in Colorado.

Technical and support services are provided to the operating divisions by centralized shared services departments primarily located at the Atmos headquarters in Dallas. These centralized functions include, but are not limited to, Accounting, Gas Supply, Human Resources, Legal, Rates and the Customer Support Centers. The costs for these shared services are allocated to the operating divisions. In addition, for operating divisions that operate in more than one rate jurisdiction, costs from the operating division general office are allocated to separate rate divisions within the operating division.

In addition to its utility business, Atmos also has non-utility operations. The non-utility business is operated through a number of subsidiaries which are separate legal entities and one division. A chart showing Atmos' current organizational structure is contained in Appendix A, attachment 1, which includes a brief identification of activities for each. As the organizational structure indicates, Atmos Energy Corporation owns 100% of Mississippi Energies, Inc, Blue Flame Insurance Services, LTD, PDH I Holding Company, Inc, and Atmos Energy Holdings, Inc. Atmos Energy Holdings, Inc. is the sole owner of Egasco, LLC, Atmos Pipeline and Storage, LLC, Atmos Energy Services, LLC, Atmos Power Systems, Inc., Atmos Energy Marketing, LLC, Enermart Energy Services Trust and United Cities Propane Gas, Inc. Atmos Pipeline and Storage, LLC is the sole owner of WKG Storage, Inc., Trans Louisiana Gas Storage, Inc., UCG Storage Inc., Atmos Exploration and Production, Inc., Trans Louisiana Gas Pipeline, Inc. and Atmos Gathering Company, LLC. Atmos Energy Services, LLC is the sole owner of Energas Energy Services Trust. Mississippi Energies, Inc. holds an equity interest in Legendary Lighting, LLC (50%) and Unitary GH&C Products, LLC (28%). Atmos Gathering Company, LLC is the sole owner of Straight Creek Gathering GP, LLC and the sole limited partner of Straight Creek Gathering, LP, holding a 99% interest. Straight Creek Gathering GP, LLC is the general partner holding a 1% interest in Straight Creek Gathering, LP.

II. *A listing of all regulated or nonregulated affiliates of the Colorado utility together with an identification of which affiliates allocate or assign costs to and from the Colorado utility.*

The Colorado-Kansas division as stated in 4503(b)(I) is not a separate legal entity and therefore is not an affiliate of Atmos. Colorado does not provide nonregulated services to its customers.

The Colorado-Kansas division receives nonregulated services from Blue Flame Insurance Service, LTD and Atmos Energy Services, LLC.

Blue Flame provides captive insurance policies and Atmos Energy Services provides gas supply services. Both of these are allocated to Colorado-Kansas Division through allocations as described in detail in section 4503(b)(VII).

- III. *A listing and description of each regulated and nonregulated activity offered by the Colorado utility. The Colorado utility shall provide a description in sufficient detail to identify the types of costs associated with the activity and shall identify how the activity is offered to the public and identify whether the Colorado utility provides the activity in more than one state. If an activity is offered subject to tariff, the Colorado utility may identify the tariff and the tariff section that describes the service offering in lieu of providing a service description.*

Colorado provides only regulated natural gas service to its customers in Colorado. The service is defined in their approved tariffed rate as filed with CPUC and is detailed in the Atmos Energy Corporation website www.atmosenergy.com.

- IV. *Listing of revenues, expenses, assets, liabilities and ratebase items by Uniform System of Accounts (USOA) account number that the utility proposes to include in its revenue requirement for Colorado jurisdictional activities including those items that are partially allocated to Colorado as well as those items that are exclusively assigned to Colorado.*

See appendix A, attachment 2

- V. *A detailed description showing how the revenues, expenses, assets, liabilities and ratebase items by account and sub-account are assigned and/or allocated to the Colorado utility's nonregulated activities, along with a description of the methods used to perform the assignment and allocations.*

See 4503(b)(IV) above.

- VI. *A description of each transaction between the Colorado utility and a nonregulated activity which occurred since the Colorado utility's prior CAAM was filed and, for each transaction, a statement as to whether, for this Commission's jurisdictional cost assignment and allocation purposes, the value of the transactions is at cost or market as applicable.*

This is the company's first filing of the CAAM with the Colorado Commission. Please see section 4502(h).

VII. A description of the basis for how the assignment or allocation is made.

Service: Capitalized overhead (general)

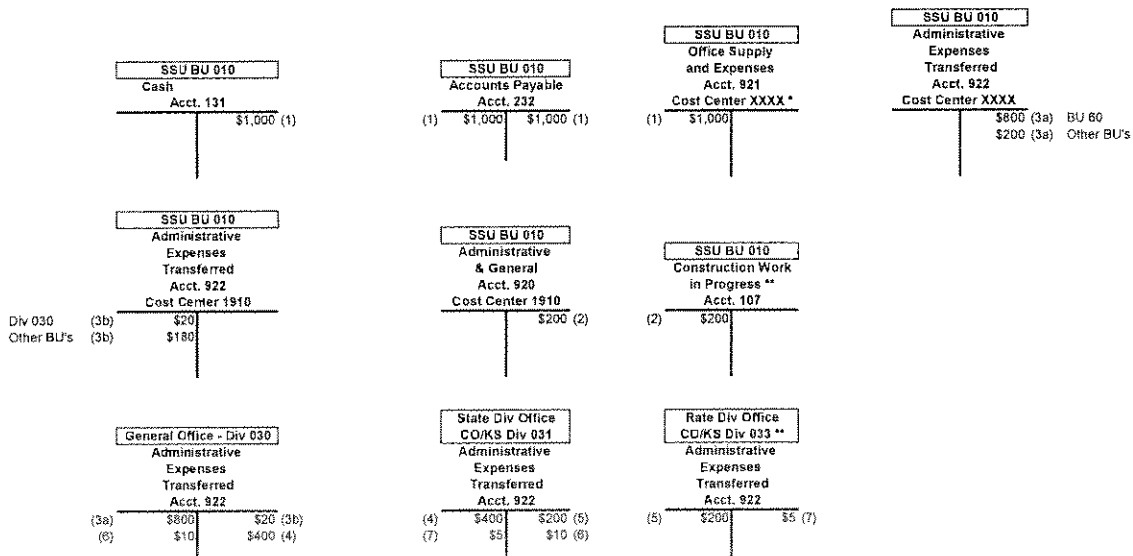
Description: Overhead related to capital expenditures

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

Current Use of Service: Rate divisions

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

General Ledger Entries: Example Only



* Cap rate = 20%

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

Flow of Activity

- (1) Purchase Office Supplies
- (2) Capitalize Overhead is calculated based on cost center capitalization percentage
- (3a) Allocate operating expense to operating divisions
- (3b) Allocate capitalization credits to operating divisions
- (4) Allocating Shared Services Expenses to State Division Office - 50% Allocation rate for illustration purposes only
- (5) Allocating Shared Services Expenses to Rate Division Office - 50% Allocation rate for illustration purposes only
- (6) Allocating Shared Services Capitalization Credit to State Division Office - 50% Allocation rate for illustration purposes only
- (7) Allocating Shared Services Capitalization Credit to Rate Division Office - 50% Allocation rate for illustration purposes only

Service: Stores overhead

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

Current Provider of Service: Shared Services
Operating division general office

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

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

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div> <div>\$100 (1)</div> <div>\$2 (3)</div> </div>	<div>SSU BU 010</div> <div>Inventory</div> <div> <div>(1) \$100</div> <div>\$100 (2)</div> </div>	<div>Rate Div Office</div> <div>CO/KS Div 033 *</div> <div>Construction Work</div> <div>in Progress</div> <div>Acct. 107</div> <div> <div>(2) \$100</div> <div>(3) \$2</div> </div>
<div>SSU BU 010</div> <div>Stores Expense</div> <div>Undistributed</div> <div>Acct. 163</div> <div> <div>(3) \$2</div> <div>\$2 (3)</div> </div>		

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

Flow of Activity

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

Service: Expenses in Shared Services – Customer Support cost centers

Description: Includes all expenses for Customer Support.

Current Provider
Of Service Shared Services

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

Basis for
allocation Costs are allocated to the applicable rate division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>(1) \$1,000 \$1,000 (1)</div>	<div>SSU BU 010</div> <div>Office Supply and Expenses *</div> <div>Acct. 921</div> <div>Cost Center XXXX</div> <div>(1) \$1,000</div>	<div>SSU BU 010</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>\$ 250 (2)</div>
<div>General Office</div> <div>CO/KS BU 060</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>(2) \$250 \$125.00 (3)</div>	<div>State Div Office</div> <div>CO/KS Div 031</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>(3) \$125.00 \$12.50 (4)</div>	<div>Rate Div Office</div> <div>CO/KS Div 033 **</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>(4) \$12.50</div>	

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

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

Flow of Activity

- (1) Purchase Office Supplies - Shared Services
- (2) Allocating Shared Services Expenses to General Offices - 25% Allocation rate for illustration purposes only
- (3) Allocating Shared Services Expenses to State Division Office - 50% Allocation rate for illustration purposes only
- (4) Allocating Shared Services Expenses to Rate Division Office - 10% Allocation rate for illustration purposes only

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

Description: Includes O&M expenses in Shared Services – General Office.

Current Provider
Of Service Shared Services

Current Use of
Service Atmos Energy Marketing, LLC
Atmos Power Systems, Inc
Atmos Pipeline and Storage, LLC
Atmos Energy Services, LLC
West Texas Division
Mid-Tex Division
Atmos Pipeline - Texas
Louisiana Division
Kentucky/Mid-States Division
Colorado-Kansas Division
Mississippi Division

Basis for
allocation Costs are allocated to affiliates and operating divisions based on a composite factor as defined in section 4502(c)(III) applied to the Shared Services departments. Shared Services departments which provide services to the Company's affiliates, utilize a composite factor The computation includes the affiliates (if Mid-Tex and Atmos Pipeline-Texas are provided services by a department, the composite factor will include Mid-Tex and Atmos Pipeline-Texas at a 25%, 50%, 75% or 100% rate depending on how much service the department provides).

Shared Service departments that do not provide services to the Company's affiliates, utilize a composite factor that does not include the Company's affiliates (If Mid-Tex and Atmos Pipeline-Texas are provided services by a department, the composite factor will include Mid-Tex and Atmos Pipeline-Texas at a 25%, 50%, 75% or 100% rate depending on how much service the department provides).

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>\$1,000 (1) \$1,000 (1)</div>	<div>SSU BU 010</div> <div>Office Supply and Expenses *</div> <div>Acct. 921</div> <div>Cost Center XXXX</div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>\$ 200 (2)</div>
<div>General Office</div> <div>CO/KS BU 060</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>\$200 (2) \$90.00 (3)</div>	<div>State Div Office</div> <div>CO/KS Div 031</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>\$90.00 (3) \$13.50 (4)</div>	<div>Rate Div Office</div> <div>CO/KS Div 033 **</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>\$13.50 (4)</div>	

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

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

Flow of Activity

- (1) Purchase Office Supplies - Shared Services
- (2) Allocating Shared Services Expenses to General Offices - 20% Allocation rate for illustration purposes only
- (3) Allocating Shared Services Expenses to State Division Office - 45% Allocation rate for illustration purposes only
- (4) Allocating Shared Services Expenses to Rate Division Office - 15% Allocation rate for illustration purposes only

Service: SSU – Customer Support depreciation and taxes other than income taxes

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

Current Provider Of Services Shared Services

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

Basis for allocation Costs are allocated to the applicable rate division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>(1) \$1,000</div>	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>(1) \$1,000 (1) \$1,000</div>	<div>SSU BU 010</div> <div>Taxes Other than Income Taxes</div> <div>Acct. 408.1</div> <div>(1) \$1,000 (2) \$250</div>	
<div>General Office</div> <div>CO/KS BU 060</div> <div>Taxes Other than Income Taxes</div> <div>Acct. 408.1</div> <div>(2) \$250 (3) \$125.00</div>	<div>State Div Office</div> <div>CO/KS Div 031</div> <div>Taxes Other than Income Taxes</div> <div>Acct. 408.1</div> <div>(3) \$125.00 (4) \$12.50</div>	<div>Rate Div Office</div> <div>CO/KS Div 033 *</div> <div>Taxes Other than Income Taxes</div> <div>Acct. 408.1</div> <div>(4) \$12.50</div>	
<div>SSU BU 010</div> <div>Depreciation Exp</div> <div>Acct. 403</div> <div>(5) \$100 (6) \$100</div>	<div>SSU BU 010</div> <div>Depreciation Exp</div> <div>Acct. 108</div> <div>(5) \$100</div>	<div>CO/KS BU 060-Div 31</div> <div>Depreciation Exp</div> <div>Acct. 403</div> <div>(6) \$10 (7) \$10</div>	<div>CO/KS BU 060-Div 33-36 & 41</div> <div>Depreciation Exp</div> <div>Acct. 403</div> <div>(7) \$10</div>

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

Flow of Activity

- (1) Taxes Other than Income Taxes incurred
- (2) Allocating Shared Services Expenses to General Offices - 25% Allocation rate for illustration purposes only
- (3) Allocating Shared Services Expenses to State Division Office - 50% Allocation rate for illustration purposes only
- (4) Allocating Shared Services Expenses to Rate Division Office - 10% Allocation rate for illustration purposes only
- (5) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
- (6) Current Month Depreciation Expense is allocated to the various utility rate divisions using the following allocation factors:
 - a. For SSU division 002 - General - Allocated using the composite factor
 - b. For SSU division 012 - Call Center - Allocated using the customer factor.
- (7) Allocation from division 31 - Colorado Operating Division to Colorado rate divisions - Allocated using the composite factor.

Service: SSU – General Office depreciation and taxes other than income taxes

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

Current Provider Of Services Shared Services

Current Use of Service
Atmos Energy Marketing, LLC
Atmos Power Systems, Inc
Atmos Pipeline and Storage, LLC
Atmos Energy Services, LLC
West Texas Division
Mid-Tex Division
Atmos Pipeline - Texas
Louisiana Division
Kentucky/Mid-States Division
Colorado-Kansas Division
Mississippi Division

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

The percentage of Gross Direct Property Plant and Equipment in each operating division unit as a percentage of the total Direct Property Plant and Equipment in all of the operating divisions.

The number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions.

The total direct O&M expense in each operating division as a percentage of the total direct O&M expense in all operating divisions.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Taxes Other than Income Taxes</div> <div>Acct. 408.1</div> <div>\$1,000 (1)</div>	
			<div>SSU BU 010</div> <div>Taxes Other than Income Taxes</div> <div>Acct. 408.1</div> <div>\$200 (2)</div>
<div>General Office</div> <div>CO/KS BU 060</div> <div>Taxes Other than Income Taxes</div> <div>Acct. 408.1</div> <div>\$200 (2)</div>	<div>State Div Office</div> <div>CO/KS Div 031</div> <div>Taxes Other than Income Taxes</div> <div>Acct. 408.1</div> <div>\$90.00 (3)</div>	<div>Rate Div Office</div> <div>CO/KS Div 033 *</div> <div>Taxes Other than Income Taxes</div> <div>Acct. 408.1</div> <div>\$13.50 (4)</div>	
<div>SSU BU 010</div> <div>Depreciation Exp</div> <div>Acct. 403</div> <div>\$100 (5)</div>	<div>SSU BU 010</div> <div>Depreciation Exp</div> <div>Acct. 108</div> <div>\$100 (5)</div>	<div>CO/KS BU 060-Div 31</div> <div>Depreciation Exp</div> <div>Acct. 403</div> <div>\$10 (6)</div>	<div>CO/KS BU 060-Div 33-36 & 41</div> <div>Depreciation Exp</div> <div>Acct. 403</div> <div>\$10 (7)</div>

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

Flow of Activity

- (1) Taxes Other than Income Taxes incurred
- (2) Allocating Shared Services Expenses to General Offices - 20% Allocation rate for illustration purposes only
- (3) Allocating Shared Services Expenses to State Division Office - 45% Allocation rate for illustration purposes only
- (4) Allocating Shared Services Expenses to Rate Division Office - 15% Allocation rate for illustration purposes only
- (5) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
- (6) Current Month Depreciation Expense is allocated to the various utility rate divisions using the following allocation factors:
 - a. For SSU division 002 - General - Allocated using the composite factor
 - b. For SSU division 012 - Call Center - Allocated using the customer factor.
- (7) Allocation from division 31 - Colorado Operating Division to Colorado rate divisions - Allocated using the composite factor.

Service: Colorado-Kansas Division general office expenses to state regional office division level and rate division levels.

Description: Allocation of division general office costs to state regional office division levels and rate division levels.

Current Provider of Service: Colorado-Kansas Division general office

Current Use of Service: Colorado-Kansas Operating Division state office divisions and rate divisions.

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

The percentage of Gross Direct Property Plant and Equipment in each state as a percentage of the total Direct Property Plant and Equipment in Colorado-Kansas Division.

The number of customers in each state as a percentage of the total number of customers in Colorado-Kansas Division.

The total direct O&M expense in each state as a percentage of the total direct O&M expense in Colorado-Kansas Division.

General Ledger Entries: Example Only

<div>General Office CO/KS BU 060 Div 030</div> <div>Cash Acct. 131</div> <div>\$500 (1)</div>	<div>General Office CO/KS BU 060</div> <div>Accounts Payable Acct. 232</div> <div>(1) \$500 \$500 (1)</div>	<div>General Office CO/KS BU 060</div> <div>Office Supply and Expenses *</div> <div>Acct. 921</div> <div>(1) \$500</div>
<div>General Office CO/KS BU 060</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>\$250.00 (2)</div>	<div>State Div Office CO/KS Div 031</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>(2) \$250 \$25.00 (3)</div>	<div>Rate Div Office CO/KS Div 033 **</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>(3) \$25.00</div>

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

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

Flow of Activity

- (1) Purchase Office Supplies - Colorado/Kansas Division General Office
- (2) Allocating General Office Expenses to State Division Office - 50% Allocation rate for illustration purposes only
- (3) Allocating General Office Expenses to Rate Division Office - 10% Allocation rate for illustration purposes only

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

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

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

Current Use of Service: Colorado-Kansas Division rate divisions

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

The percentage of Gross Direct Property Plant and Equipment in each state as a percentage of the total Direct Property Plant and Equipment in Colorado-Kansas Division.

The number of customers in each state as a percentage of the total number of customers in Colorado-Kansas Division.

The total direct O&M expense in each state as a percentage of the total direct O&M expense in Colorado-Kansas Division.

General Ledger Entries: Example Only

<div>State Div Office CO/KS Div 031 Cash Acct. 131</div> <div>\$300 (1)</div>	<div>State Div Office CO/KS Div 031 Accounts Payable Acct. 232</div> <div>(1) \$300 \$300 (1)</div>	<div>State Div Office CO/KS Div 031 Office Supply and Expenses * Acct. 921</div> <div>(1) \$300</div>
<div>State Div Office CO/KS Div 031 Administrative Expenses Transferred Acct. 922</div> <div>\$30.00 (2)</div>	<div>Rate Div Office CO/KS Div 033 ** Administrative Expenses Transferred Acct. 922</div> <div>(2) \$30.00</div>	

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

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

Flow of Activity

(1) Purchase Office Supplies - State Division Office

(2) Allocating State Division Expenses to Rate Division Office - 10% Allocation rate for illustration purposes only

Service: Benefits cost allocation

Description: Accumulates fringe benefits (workers compensation, basic life insurance, SFAS/106, medial/dental insurance, long term disability, ESOP, pension cost etc.) and allocates to the rate jurisdictions and/or subsidiaries.

Current Provider of Service: Shared Services

Current Use of Service: Atmos Pipeline – Texas Division
Atmos Power Systems, Inc
UCG Storage, Inc
Atmos Energy Services, LLC
Atmos Energy Marketing, LLC
West Texas Division
Louisiana Division
Kentucky/Mid-States Division
Mid-Tex Division
Colorado-Kansas Division
Mississippi Division

Basis for allocation: Fringe benefits components are accumulated by each operating division general office. Benefit expenses are allocated to rate jurisdictions by multiplying each rate jurisdiction's labor dollars by that particular operating division's benefits load percentage. The load percentage is calculated using total budgeted benefits divided by total labor. An allocation of fringe benefits from Shared Services to the subsidiaries is calculated based on the number of employees of each subsidiary that receive their benefits from Atmos Energy Corporation.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Clearing Account</div> <div>Acct. 184</div> <div>(1) \$1,000 \$1,000 (1)</div>	<div>SSU BU 010</div> <div>Employee Pensions and Benefits *</div> <div>Acct. 926</div> <div>(1) \$1,000</div>	<div>SSU BU 010</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>\$ 200 (2)</div>
<div>General Office</div> <div>CO/KS BU 060</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>(2) \$200 \$90.00 (3)</div>	<div>State Div Office</div> <div>CO/KS Div 031</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>(3) \$90.00 \$13.50 (4)</div>	<div>Rate Div Office</div> <div>CO/KS Div 033 **</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>(4) \$13.50</div>	

* Many O&M expense accounts exist in addition to 926 that get cleared out of account 922.

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

Flow of Activity

- (1) Benefit costs incurred
- (2) Allocating Shared Services Expenses to General Offices - 20% Allocation rate for illustration purposes only
- (3) Allocating Shared Services Expenses to State Division Office - 45% Allocation rate for illustration purposes only
- (4) Allocating Shared Services Expenses to Rate Division Office - 15% Allocation rate for illustration purposes only

Service: Other income and interest expense

Description: Allocation of Shared Services' other income and interest expense

Current Provider of Service: Shared Services

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

Basis for allocation: Interest Expense, Interest Income and Other Non Operating Income in shared services are allocated to each utility division based on the budget allocation percentages. The budget allocation is based on net investment by business unit as of the latest month available when the budget is prepared, with normalizing or averaging adjustments to working capital. Net investment is total assets less non-debt liabilities (excluding long-term debt, notes payable and current maturities.) The allocation factors are the same for the whole year. This is a below the line allocation.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Accounts Receivable</div> <div>Acct. 232</div> <div>\$1,000 (1) \$1,000 (1)</div>	<div>SSU BU 010</div> <div>Interest and Dividend Income</div> <div>Acct. 419</div> <div>\$1,000 (1) \$20 (2)</div>	<div>Div 033</div> <div>Interest and Dividend Income</div> <div>Acct. 419</div> <div>\$ 20 (2)</div>
<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$2,000 (3)</div>	<div>SSU BU 010</div> <div>Accounts Receivable</div> <div>Acct. 232</div> <div>\$2,000 (3) \$2,000 (3)</div>	<div>SSU BU 010</div> <div>Other Deductions *</div> <div>Acct. 426.5</div> <div>\$40 (3) \$2,000 (4)</div>	<div>Div 033</div> <div>Other Deductions</div> <div>Acct. 426.5</div> <div>\$ 40 (4)</div>
<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$3,000 (5)</div>	<div>SSU BU 010</div> <div>Accounts Receivable</div> <div>Acct. 232</div> <div>\$3,000 (5) \$3,000 (5)</div>	<div>SSU BU 010</div> <div>Interest Expense</div> <div>Acct. 431</div> <div>\$60 (5) \$3,000 (6)</div>	<div>Div 033</div> <div>Interest Expense</div> <div>Acct. 431</div> <div>\$ 60 (6)</div>

* Includes various accounts but cleared out of account 426.5

Flow of Activity

- (1) Interest and Dividend Income generated
- (2) Allocating Shared Services Income and Dividend Income to Div 33 only - Assume 2% allocation rate
- (3) Other Income and Expenses generated
- (4) Allocating Shared Services Other Deductions to Div 33 only - Assume 2% allocation rate
- (5) Interest Expense generated
- (6) Allocating Shared Services Interest Expense to Div 33 only - Assume 2% allocation rate

Service: Property Insurance

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

Current Provider of Service: Blue Flame Insurance Services, LTD

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

Basis for allocation: Atmos Energy Corp. is invoiced by Blue Flame Insurance Services. Costs are then further allocated based on property value of each affiliate.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$100 (1)</div>	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>(1) \$100 \$100 (1)</div>	<div>SSU BU 010</div> <div>Prepayments</div> <div>Acct. 165</div> <div>(1) \$100 \$8 (2)</div>
<div>General Office</div> <div>CO/KS BU 060</div> <div>Property Insurance</div> <div>Acct. 924</div> <div>(2) \$1.60 \$0.80 (3)</div>	<div>State Div Office</div> <div>CO/KS Div 031</div> <div>Property Insurance</div> <div>Acct. 924</div> <div>(3) \$0.80 \$0.08 (4)</div>	<div>Rate Div Office</div> <div>CO/KS Div 033 *</div> <div>Property Insurance</div> <div>Acct. 924</div> <div>(4) \$0.08</div>

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

Flow of Activity

- (1) Property Insurance incurred
- (2) Amortized on a monthly basis
- (3) Allocating Shared Services Expenses to General Office - 20% Allocation rate for illustration purposes only
- (4) Allocating Shared Services Expenses to State Division Office - 50% Allocation rate for illustration purposes only
- (5) Allocating Shared Services Expenses to Rate Division Office - 10% Allocation rate for illustration purposes only

Service: Intercompany labor

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

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

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

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

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$500 (2a)</div>	<div>SSU BU 010</div> <div>A/R from Assoc Co.</div> <div>Acct. 146</div> <div>\$500 (2b)</div>	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>\$500 (2a)</div> <div>\$500 (2b)</div>
<div>Atmos Energy Services</div> <div>AES BU 301</div> <div>Mains & Services Exp</div> <div>Acct. 8740</div> <div>\$500 (1)</div>	<div>CO/KS BU 060-Div 002</div> <div>A/R from Assoc Co.</div> <div>Acct. 146</div> <div>\$500 (2b)</div>	<div>CO/KS BU 060-Div 30</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>\$500 (2b)</div> <div>\$500 (1)</div>

Flow of Activity

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

Service: Adjustments to Uncollectible Accounts Expense

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

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

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

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

General Ledger Entries: Example Only

Rate Division *			Rate Division			Rate Division		
Accumulated Provision for Uncollectible Accounts Acct. 144 sub aaaaa			Customer Accounts - Uncollectible Accounts Acct. 904			Accumulated Provision for Uncollectible Accounts Acct. 144 sub bbbbbb		
(2)	\$	250		\$	1,000		\$	250 (2)

* Each rate division has a different allocation rate.

Flow of Activity

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

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

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

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

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

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

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div>	<div>SSU BU 010</div> <div>A/R from Assoc Co.</div> <div>Acct. 146</div>	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div>
<div>\$500 (2a)</div>	<div>\$500 (2b)</div>	<div>\$500 (2a)</div> <div>\$500 (2b)</div>
<div>Kansas Administration</div> <div>CO/KS BU 060-Div 81</div> <div>Mains & Services Exp</div> <div>Acct. 8740</div>	<div>Northeast CO. Division</div> <div>CO/KS BU 060-Div 33</div> <div>Mains & Services Exp</div> <div>Acct. 8740</div>	<div>CO/KS BU 060-Div 002</div> <div>A/R from Assoc Co.</div> <div>Acct. 146</div>
<div>(1) \$250</div>	<div>(1) \$250</div>	<div>\$500 (2b)</div>
<div>CO/KS BU 060-Div 30</div> <div>Accounts Payable</div> <div>Acct. 232</div>		
<div>(2b) \$500</div> <div>\$500 (1)</div>		

Flow of Activity

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

Service: Gas supply services between the operating divisions and an affiliate

Description: Atmos Energy Services provides gas supply administrative services to the operating divisions.

Current Provider of Service: Atmos Energy Services, LLC

Current Use of Service: West Texas Division
Louisiana Division
Mid-States Division
Colorado-Kansas Division
Mississippi Division

Basis for allocation: Costs are charged directly to a specific service area in Atmos Energy Services which is relative to each location of the operating divisions (i.e. Georgia costs accumulated in Atmos Energy Services are billed directly to the operating division for Georgia). These costs are billed to the operating divisions on a monthly basis.

Administrative charges are allocated to each region based on total throughput volumes from the prior fiscal year (October 1 to September 30).

General Ledger Entries: Example Only

<div>AES - BU 301</div> <div>Cash</div> <div>131</div> <div>\$500 (1)</div>	<div>AES - BU 301</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>\$500 (1)</div>	<div>AES - BU 301</div> <div>Oper Exp</div> <div>Acct. xxxx</div> <div>\$500 (1)</div>	<div>AES - BU 301-Div 002**</div> <div>A/R from Assoc Co.</div> <div>Acct. 146</div> <div>\$100 (2)</div>	<div>AES - BU 301**</div> <div>Misc Service Revenue</div> <div>Acct. 488</div> <div>\$100 (2)</div>
<div>CO/KS BU 060-Div 002</div> <div>A/R from Assoc Co.</div> <div>Acct. 146</div> <div>\$100 (2)</div>	<div>State Div Office</div> <div>CO/KS BU 060-Div 31</div> <div>Outside Services Employed</div> <div>Acct. 923</div> <div>\$100 (2)</div>	<div>State Div Office</div> <div>CO/KS BU 060-Div 31</div> <div>Admin Exp Transferred</div> <div>Acct. 922</div> <div>\$100 (3)</div>	<div>Rate Div Office</div> <div>CO/KS BU 060-Div 33**</div> <div>Admin Exp Transferred</div> <div>Acct. 922</div> <div>\$100 (3)</div>	

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

*** For this example, this amount represents the portion of the billings attributed to the CO/KS division 31 state office

Flow of Activity

- (1) Atmos Energy Services (AES), a subsidiary of Atmos Energy Corporation incurred operating expense
- (2) AES, bills various Atmos operating divisions for their use of gas supply services
- (3) Allocation from division 31 - Colorado Operating Division to Colorado rate divisions - Allocated using the composite factor.

Service: Atmos Pipeline – Texas Division taxes other than income taxes

Description: Includes taxes other than income tax charged to cost center 9609 in Atmos Pipeline – Texas Division

Current Provider Of Services: Atmos Pipeline – Texas Division

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

Basis for allocation: Costs are allocated to the applicable rate division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions.

General Ledger Entries: Example Only

<div>BU 180</div> <div>Cash</div> <div>Acct. 131</div> <div>(1) \$1,000</div>	<div>BU 180</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>(1) \$1,000 (1) \$1,000</div>	<div>BU 180</div> <div>Taxes Other than Income Taxes</div> <div>Sub Acct. 9609</div> <div>Acct. 408.1</div> <div>(1) \$1,000 (2) \$250</div>
<div>General Office</div> <div>CO/KS BU 060</div> <div>Taxes Other than Income Taxes</div> <div>Acct. 408.1</div> <div>(2) \$250 (3) \$125.00</div>	<div>State Div Office</div> <div>CO/KS Div 031</div> <div>Taxes Other than Income Taxes</div> <div>Acct. 408.1</div> <div>(3) \$125.00 (4) \$12.50</div>	<div>Rate Div Office</div> <div>CO/KS Div 033 *</div> <div>Taxes Other than Income Taxes</div> <div>Acct. 408.1</div> <div>(4) \$12.50</div>

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

Flow of Activity

- (1) Taxes Other than Income Taxes incurred
- (2) Allocating Shared Services Expenses to General Offices - 25% Allocation rate for illustration purposes only
- (3) Allocating Shared Services Expenses to State Division Office - 50% Allocation rate for illustration purposes only
- (4) Allocating Shared Services Expenses to Rate Division Office - 10% Allocation rate for illustration purposes only

Service: AES Retail Services

Description: AES Retail services monthly revenue

Current Provider Of Services: Atmos Energy Services LLC
Energas Energy Services Trust, Inc.

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

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

The percentage of Gross Direct Property Plant and Equipment in each state as a percentage of the total Direct Property Plant and Equipment in Colorado-Kansas Division.

The number of customers in each state as a percentage of the total number of customers in Colorado-Kansas Division.

The total direct O&M expense in each state as a percentage of the total direct O&M expense in Colorado-Kansas Division.

General Ledger Entries: Example Only

BU 301	BU 309	General Office CO/KS BU 060
Revenues from Nonutility Operations Acct. 417	Revenues from Nonutility Operations Acct. 417	Revenues from Nonutility Operations Acct. 417
(1) \$1,000	(1) \$2,000	\$100 (1) \$200 (1)

Flow of Activity

(1) Revenues from Nonutility Operations incurred and allocated to General Offices

VIII. If the utility believes that specific cost assignments or allocations are under the jurisdiction of another authority, the utility shall so state in its CAAM and give a written description of the prescribed methods. Nothing herein shall be construed to be a delegation of the Commission's ratemaking authority related to those assignments or allocations.

Cost allocations and assignments of shared services cost are subject to the regulations of 12 state commissions, as well as city officials in Texas. As such, the companies allocation methodologies are designed to meet the ratemaking requirements of each of those states. It is not the company's intent to assign or allocate costs in such a manner that would cause any of the state regulatory jurisdictions to delegate ratemaking authority related to cost assignment or allocation.

IV. (4504) FULLY DISTRIBUTED COST STUDY

- a. *The utility shall submit its fully distributed cost study in both electronic and paper format simultaneously with filing its CAAM for all Colorado divisions and activities.*

Please see the electronic copy of the excel file titled "FDCS – Inc Stmt Dec06 as filed.xls" and also the submission of the paper copy entitled "ATMOS ENERGY CORP Fully Distributed Cost Study". The paper copy includes all of the workpapers along with cross referencing for each page within the FDCS and a cross reference of the workpapers to the applicable CAAM sections.

- b. *The utility shall prepare a FDC study that identifies all the nonregulated activities provided by each division in Colorado.*

Please reference the index in the fully distributed cost study for schedules 2 and 6-9

The FDC study shall show the revenues, expenses, assets, liabilities and ratebase items assigned and allocated to each nonregulated activity.

Atmos provides only regulated, natural gas delivery services to its customers in Colorado.

If the utility has more than one division (e.g., gas, electric, thermal or non-utility) in Colorado, the FDC study shall include a summary of all assigned and allocated costs by division.

Please reference the index in the fully distributed cost study for schedules 15, 16, 17, and 19.

- c. *In preparation of its FDC study, the utility shall complete an analysis of each nonregulated activity to identify the costs that are associated with and/or should be charged to each nonregulated activity to ensure each nonregulated activity is assigned and allocated the appropriate amount of revenues, expenses, assets, liabilities and ratebase items.*

As stated in section 4504(b), the Company only provides regulated gas services to its customers in Colorado and does not provide services to any nonregulated activities.

- d. *If the CAAM is filed in connection with a rate case, the FDC study shall be based on the same test year used in the utility's rate case filing. The utility's FDC study shall include revenues, expenses, assets, liabilities and ratebase items in order for the Commission to determine if all appropriate revenues, expenses, assets, liabilities and ratebase items have been appropriately assigned and allocated, and to determine the utility's compliance with the principles established in rule 4502. For each assignment and allocation the utility shall:*

- (I) Identify the revenues, expenses, assets, liabilities and ratebase items by account number, sub-account number and account description; and*

Please reference the index in the fully distributed cost study for schedule 17.

- (II) For each account in (I) above, identify the assignment and allocation method used to assign and allocate costs in sufficient detail to verify the assignment and allocation method used to assign and allocate costs to Colorado divisions and activities is accurate and consistent with the utility's CAAM methodology and reference the CAAM section that describes the allocation.*

Please reference the CAAM, appendix A, Attachment 2, excel file "Colorado CAAM – Section 4504(d)(II).xls"

- (III) Provide the test year dollar itemized amounts of revenues, expenses, assets, liabilities, and ratebase assigned and allocated to each Colorado Division and non-regulated activity; the itemized amounts assigned and allocated to the Colorado utility for regulated activities; the itemized amounts assigned and allocated to the Colorado utility for Colorado nonregulated activities; and the itemized amounts assigned and allocated to other jurisdictions.*

Please reference the index in the fully distributed cost study for schedules 1, 2, and 3.

- e. *Each utility shall maintain all records and supporting documentation concerning its FDC study for so long as such study is in effect or are subject to a complaint or a proceeding before the Commission.*

Records are maintained at Atmos Energy Corporation headquarters located at 5430 LBJ Freeway, Dallas, TX 75240.

V. (4505) DISCLOSURE OF NONREGULATED GOODS AND SERVICES

Whenever a Colorado utility engages in the provision or marketing of nonregulated goods or services in Colorado that are not subject to Commission regulation, and the Colorado utility's name or logo is used in connection with the provision of such nonregulated goods and services in Colorado, there must be conspicuous, clear, and concise disclosure to prospective customers that such nonregulated goods and services are not regulated by the Commission. Such disclosure to prospective customers in Colorado shall be included in all Colorado advertising or marketing materials, proposals, contracts, and bills for nonregulated goods and services, regardless of whether the Colorado utility provides such nonregulated goods or services in Colorado directly or through a division or affiliate.

Please reference section 4502(h).

Appendix

ATTACHMENT 1

