**BEFORE THE PUBLIC SERVICE COMMISSION**

**COMMONWEALTH OF KENTUCKY**

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COMMISSION

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|---|---|---|
| **IN THE MATTER OF** | ) | |
| **RATE APPLICATION BY** | ) | **CASE NO. 20060-00464** |
| **ATMOS ENERGY/KENTUCKY DIVISION** | ) | |

# FILING REQUIREMENTS

**VOLUME 5 OF 9**

**FILED IN SUPPORT OR PROPOSED**

**CHANGE IN RATES**

**DECEMBER 2006**

# Atmos Energy
# Case No. 2006-00464
# Table of Contents

## Volume 5


| Tab Number | Filing Requirement # |
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PUBLIC SERVICE COMMISSION

# Atmos Energy Kentucky
# Case No. 2006-00464
# Forecasted Test Period Filing Requirements

## FR 10(9)(p)

Description of Filing Requirement:

SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued during prior 2 years and any Form 10-Qs issued during past 6 quarters;

Response:

See attached.

# Atmos Energy Corporation

2001

Summary

Annual Report

# SPIR

## The Spirit That Binds Us.

Reaffirming our commitment to our strategy, continuing our growth and making the most of our opportunities require vision, determination, passion, creativity, excellence and, above all, energy.

ATMOS ENERGY CORPORATION

## Financial Highlights

| | Year ended September 30 2001 | 2000 | Change |
|---|---|---|---|
| | *(Dollars in thousands except per share data)* | | |
| Operating revenues | $1,442,275 | $ 850,152 | 69.6% |
| Gross profit | 374,720 | 325,706 | 15.0% |
| Utility net income | $ 49,881 | $ 22,459 | 122.1% |
| Nonregulated net income | 6,209 | 13,459 | -53.9% |
| Total | $ 56,090 | $ 35,918 | 56.2% |
| Total assets | $2,036,180 | $1,348,758 | 51.0% |
| Total capitalization | $1,276,263 | $ 755,664 | 68.9% |
| Net income per share – diluted | $1.47 | $1.14 | 28.9% |
| Cash dividends per share | $1.16 | $1.14 | 1.8% |
| Book value per share at end of year | $14.31 | $12.28 | 16.5% |
| Total throughput (MMcf) | 217,774 | 197,564 | 10.2% |
| Heating degree days | 2,753 | 2,096 | 31.3% |
| Degree days as a percentage of normal | 107% | 82% | 30.5% |
| Meters in service at end of year | 1,386,323 | 1,096,599 | 26.4% |
| Return on average shareholders' equity | 10.4% | 9.3% | 11.8% |
| Shareholders' equity as a percentage of total capitalization (including short-term debt) at end of year | 39.0% | 38.4% | 1.6% |
| Shareholders of record | 30,524 | 32,394 | -5.8% |
| Weighted average shares outstanding – diluted (000s) | 38,247 | 31,594 | 21.1% |

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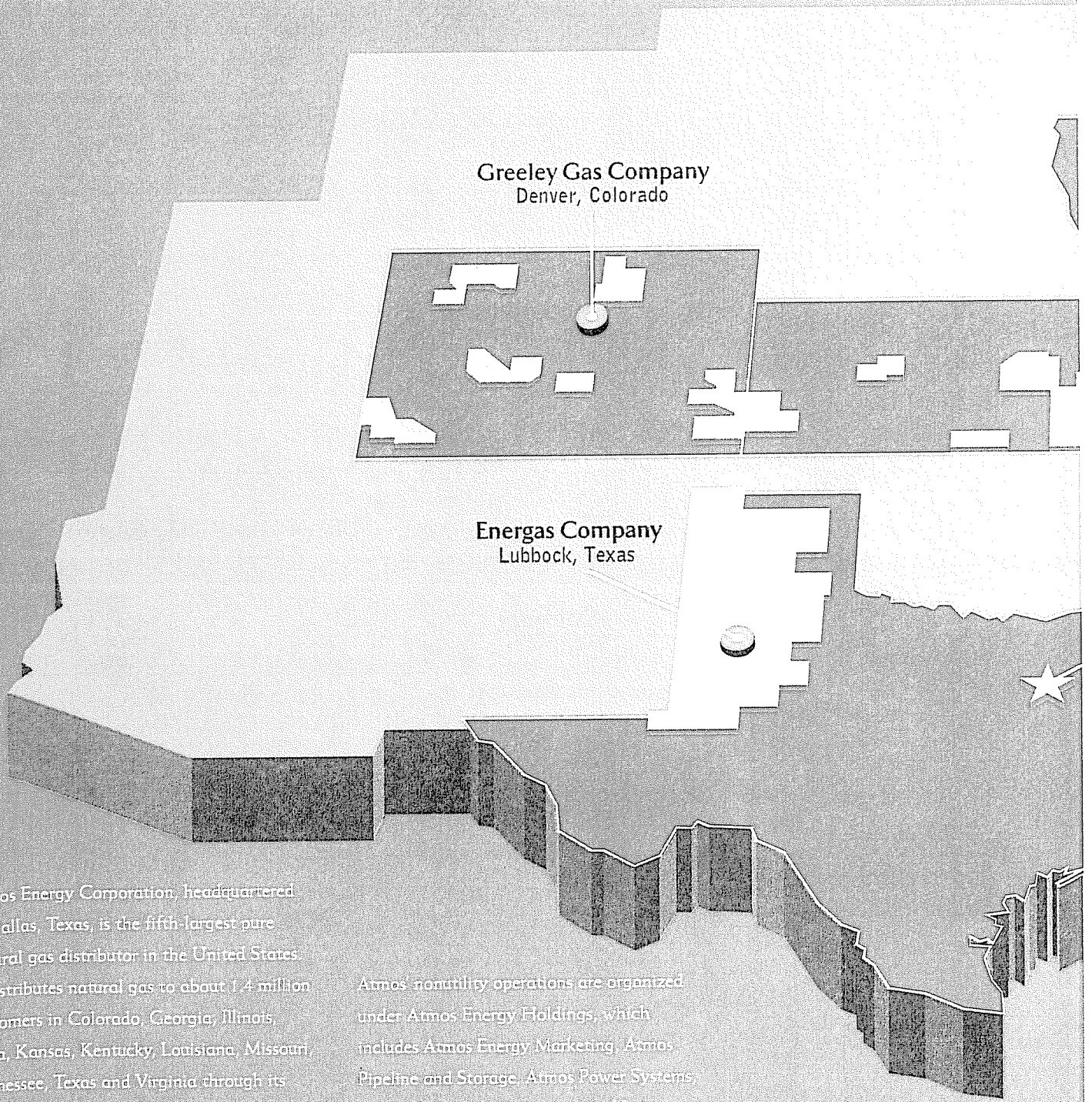
**Our vision for Atmos** is to be one of the largest providers of natural gas distribution and related services in the United States, a producer of superior financial results, recognized for excellent customer service and an employer of choice.

**Our strategy** is to deliver superior shareholder value, manage utility operations exceptionally well, expand through acquisitions and profitably grow our nonutility operations.

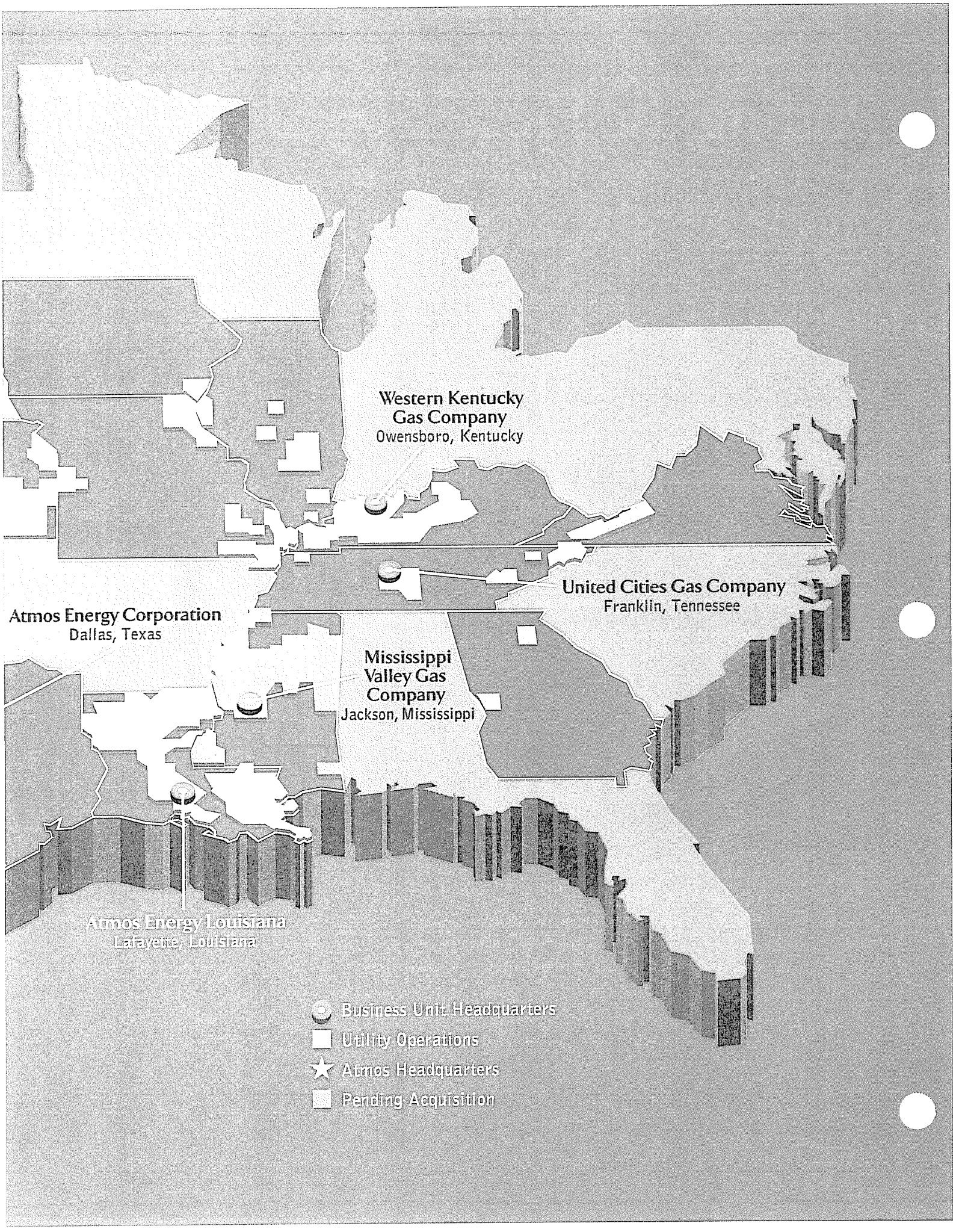
**During fiscal 2001** ➤We combined our existing gas utility operations in Louisiana with a major acquisition to form Atmos Energy Louisiana, the state's largest pure gas utility; we also announced plans to grow further by acquiring the largest pure gas utility in Mississippi. ➤In our nonutility operations, we acquired full ownership of Woodward Marketing, launched a new venture to build small electric power plants, purchased two gas marketing companies and agreed to purchase a major gas storage field in Kentucky. ➤All five of our natural gas distribution utilities delivered expanded customer service during one of the coldest winters in history and in the face of record-high gas prices; we also reduced our operation and maintenance expense to below the level in 1998, concluded three rate cases to add to revenues and purchased weather insurance to mitigate risks to our earnings.

# Putting the Pieces Together




Atmos Energy Corporation, headquartered in Dallas, Texas, is the fifth-largest pure natural gas distributor in the United States. It distributes natural gas to about 1.4 million customers in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, Tennessee, Texas and Virginia through its five operating divisions—Atmos Energy Louisiana, Energas Company, which includes nonutility sales of gas for irrigation, Greeley Gas Company, United Cities Gas Company, and Western Kentucky Gas Company.

Atmos' nonutility operations are organized under Atmos Energy Holdings, which includes Atmos Energy Marketing, Atmos Pipeline and Storage, Atmos Power Systems, and an indirect equity interest in Heritage Propane Partners, L.P., the nation's fourth largest retail propane marketer. In September 2001, Atmos agreed to acquire Mississippi Valley Gas Company.


Western Kentucky Gas Company
Owensboro, Kentucky
United Cities Gas Company
Franklin, Tennessee
Atmos Energy Corporation
Dallas, Texas
Mississippi Valley Gas Company
Jackson, Mississippi
Atmos Energy Louisiana
Lafayette, Louisiana
Business Unit Headquarters
Utility Operations
Atmos Headquarters
Pending Acquisition

# Dear Fellow Shareholder:

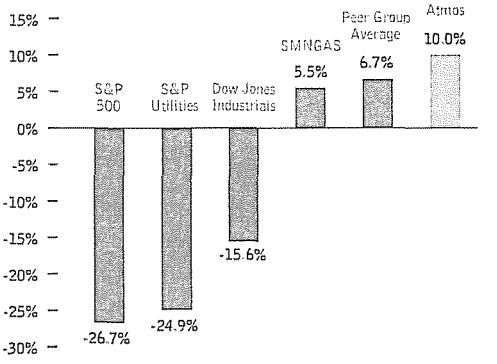
Atmos Energy Corporation achieved new heights in 2001 as we continued our tradition of growth and increased our earnings significantly.

For the year, Atmos' net income grew 56 percent from $35.9 million in 2000 to $56.1 million. Earnings per diluted share increased 29 percent from $1.14 in 2000 to $1.47. Eliminating a one-time gain of 12 cents a share in 2000 from the sale of our propane assets, the year-over-year increase in earnings per diluted share was 44 percent.

Return on average shareholders' equity was 10.4 percent, and total return to shareholders was 10.0 percent—well above that of the major market indices and the 6.7 percent average return of our industry peer group.

Atmos paid cash dividends in fiscal 2001 of $1.16 per common share. In November 2001, the Board of Directors declared Atmos' 14th consecutive annual dividend increase. The 2-cents-per-share increase makes our fiscal 2002 annual indicated dividend rate $1.18.

Total Return in Fiscal 2001




Atmos' total return to shareholders in fiscal 2001 led all the major market indices as well as the average return of other peer gas utilities.

## Growing through acquisitions

Our vision for Atmos is to be one of the largest pure natural gas providers in the United States. In 2001, we advanced to the rank of the fifth-largest pure gas provider in the U.S., based on customer count, when we completed in July our purchase of the assets of Louisiana Gas Service Company and LGS Natural Gas Company. The LGS acquisition added about 279,000 customers to our utility system and provided valuable assets and relationships for our nonutility business.

LGS's utility operations were smoothly integrated with those of our Trans Louisiana Gas Company to form a new business unit, Atmos Energy Louisiana. Teams of our employees from all functional areas made this transition virtually transparent to our Louisiana customers. These teams were aided by the advanced customer information and communication technologies that Atmos has developed during the past five years.

LGS was our eighth acquisition since 1983. The results demonstrate how adept Atmos has become at acquiring sound properties and integrating them profitably. In particular, our LGS experience proved the value of our investments in technology. By reducing our overall operating costs and helping us integrate new assets quickly, our

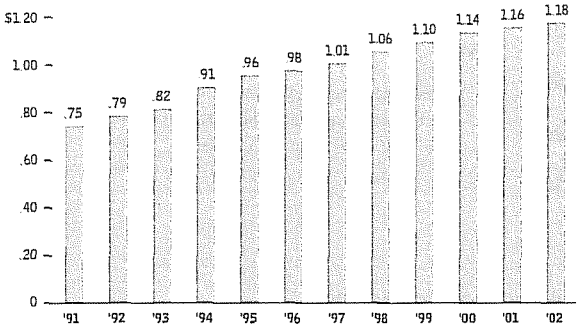
advanced systems give us a major advantage in making future acquisitions.

During fiscal 2001, we strengthened our balance sheet by issuing equity in December 2000. Investor demand was strong, and our original offering of 5 million common shares was oversubscribed. We increased the offering to 6.7 million shares and used the net proceeds of $142 million to reduce short-term debt in preparation for completing the acquisition of LGS.

In May, Atmos issued $350 million of 7⅜ percent Senior Notes due 2011. The debt offering provided net proceeds to fund the LGS acquisition.

Atmos has solid investment-grade ratings. Our senior unsecured debt and commercial paper are rated A-/A2 by Standard & Poor's, A3/P2 by Moody's and A-/F2 by Fitch. All three credit-rating agencies have affirmed their "stable" outlook for our current ratings.

Atmos Dividends Since 1991
In U.S. dollars




Atmos Energy Corporation paid dividends during 2001 of $1.16 per share. Our annual indicated dividend rate for 2002 is $1.18.

## Acquiring Mississippi Valley Gas

In September, we continued our track record of growth through acquisitions by agreeing to acquire Mississippi Valley Gas Company, the state's largest gas utility. Headquartered in Jackson, Mississippi Valley Gas has approximately 261,500 customers.

We will acquire Mississippi Valley Gas for $75 million cash and $75 million in Atmos common stock. We also will assume Mississippi Valley Gas' outstanding debt, net of working capital, of about $45 million. At an acquisition cost of about $746 a customer, our cost to acquire Mississippi Valley Gas compares very favorably with recent industry transactions.

The transaction and the issuance of Atmos common stock are subject to federal and state regulatory approvals. We expect to receive all the needed approvals over the next several months to complete the acquisition by the end of fiscal 2002. The acquisition will be accounted for as a purchase and should be accretive to earnings within the first full year of operation, excluding one-time charges related to the transaction.

## Expanding our nonutility business

Atmos' growth will be bolstered not only by acquisitions, but also by expansion of our nonutility business. We expect this segment will contribute one-quarter to one-third of our future earnings.

In April, we acquired the remaining 55 percent of Woodward Marketing, L.L.C., that we did not already own, giving us full ownership of Woodward Marketing. J. D. Woodward, Woodward Marketing's founder, now heads Atmos Energy Holdings, the holding company for all of Atmos' nonutility operations.

Atmos Energy Holdings includes Atmos Energy Marketing, which provides bundled and unbundled gas services to Atmos, municipalities and industrial customers through Woodward Marketing and Trans Louisiana Industrial Gas Company; Atmos Pipeline and Storage, which owns, has interests in and manages gas storage fields and intrastate gas pipelines; Atmos Power Systems, Inc., a new venture that builds and leases small electric power plants; and an indirect equity interest in Heritage Propane Partners, the country's fourth-largest propane marketer.

Woodward Marketing's business is marketing and trading natural gas and providing overall management of gas-supply requirements for customers in 17 states. In a 2000 gas-marketing survey, it was rated the No. 1 mid-tier and industrial gas marketer in the U.S. Its customers are extremely loyal because of its reputation for providing exceptional customer service.

In 2001, Woodward Marketing acquired two Kentucky-based natural gas marketing companies, adding about 50 million cubic feet (MMcf) per day of nonutility gas sales.

We estimate that Atmos Energy Holdings has the ability to increase its earnings by 10 percent to 15 percent annually. In turn, its growth should help Atmos' consolidated returns achieve an annual average growth rate in earnings per share of 5 percent to 7 percent, including acquisitions.

### Adding nonutility ventures

In July, Atmos Pipeline and Storage agreed to acquire a Kentucky-based gas storage field and associated pipeline facilities; it completed the transaction in November 2001. Including these new storage assets, Atmos Pipeline and Storage owns or manages more than 6 Bcf of working gas storage. It provides gas storage services to Atmos, municipalities and industrial customers.

Atmos' newest nonutility venture, Atmos Power Systems, completed its first project in June, a 20-megawatt power plant in Bolivar, Tennessee. The plant is being leased by the City of Bolivar's municipal electric department to supply electricity to the Tennessee Valley Authority during periods of peak demand.

Atmos Power Systems is exploring prospects for similar projects in communities where Atmos and Woodward Marketing have existing relationships.

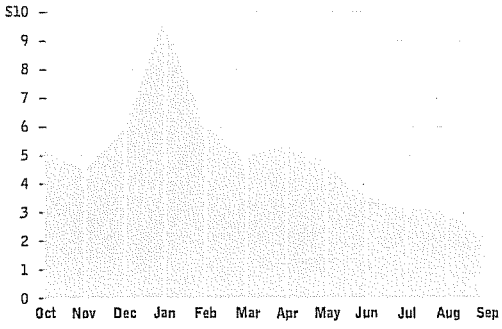
## Utility operations weather the cold

The 2000–2001 heating season was the coldest winter on record for the Company. In our 2001 first quarter, temperatures were 21 percent colder than normal and 46 percent colder than the previous year. For the entire year, the weather was 7 percent colder than normal and 31 percent colder than in 2000, excluding our weather-normalized states. The cold weather contributed about $2.7 million, or 7 cents per diluted share, to our 2001 results, but it also put extreme demands on our employees and resources.

The cold weather, combined with tight natural gas supplies, pushed up gas prices to an unprecedented $10 per million Btu (MMBtu) in December 2000, as compared with the historical winter peak prices of about $2.60 per MMBtu. This steep rise in gas prices caused many customers to have difficulty in paying their higher gas bills and to conserve more on their energy use.

Natural Gas Prices in Fiscal 2001

NYMEX monthly closing prices in dollars per million Btu




Natural gas prices reached an unprecedented $10 per million Btu during the 2001 heating season. High gas prices created many challenges in handling customer relations, collecting accounts receivable and financing gas purchases.

Higher gas prices caused an equally unprecedented 15-fold rise in calls to our Customer Support Center in Amarillo, Texas. Our employees undertook extraordinary efforts to cut the customer hold time by setting up satellite call centers, enhancing Web-based customer service options and staffing local offices to be available for customers who wanted to talk to a company representative in person.

Our employees also provided information to help those customers concerned about paying their bills. They helped customers arrange for budget billing over a 12-month period, apply for extended payment plans and sign up for low-income energy assistance through government and private social service agencies.

## The social cost and business effect of high-cost gas

Unfortunately, a much larger than normal number of our customers—more than 60,000—were disconnected for delinquency in paying their bills. As a result, customer accounts receivable increased sizably and necessitated an increase in our provision for doubtful accounts. The additional provision required for doubtful accounts, compared with the provision in 2000, lowered our 2001 earnings per diluted share by about 14 cents.

Some of this additional reserve could be recouped in 2002. As the weather turns cooler, we believe many disconnected customers will seek to return to our system. They will be required to pay any amounts they owe us as well as a reconnection fee and a higher deposit. Collecting delinquent accounts will remain a top priority in 2002.

Because of the unusually large number of customers disconnected, we have been working with regulatory commissions, social services and public assistance agencies to assist customers in getting their gas service reconnected.

We don't want any of our customers to go without gas for heat during the winter. Therefore, we have increased promotion of our bill-payment options. We have sent letters to all disconnected customers and we have contacted the news media to help reach these customers. We have been doing all we can to encourage them to restore their service before the winter heating season and to seek help if they need it.

As a result of the events of September 11, 2001, Atmos supplemented the benefits for its employees who serve as military reservists to help safeguard their livelihood and financial security. Atmos also redoubled its long-standing commitment to safety and security practices in order to increase the protection for its customers, employees and assets.

## Protecting earnings from the weather

In recent years, colder weather has not been our challenge; warmer weather has been. Unseasonably warm winters in both fiscal 1999 and 2000 dampened gas demand and our earnings.

To offset a similar effect in fiscal 2001, we purchased weather hedges for Atmos' Texas and Louisiana operations. For most of fiscal 2001, about one-third of our customer base was located in these two states, both of which lack weather-normalized rates. By the end of fiscal 2001, the percentage had increased to 46 percent as a result of completing the LGS acquisition.

For fiscal 2002 to 2004, we have purchased a three-year weather insurance policy for Texas and Louisiana. We have an option to cancel the third year of coverage if we are able to get weather protection through rates. The policy is designed to safeguard our earnings from weather that's warmer than normal by at least 7 percent or more in both states, while preserving the upside.

Atmos' goal is to limit its weather sensitivity primarily through rate design. Today, just over a fourth of our customer accounts have weather-normalized rates. We have obtained the provision in Tennessee and Georgia and a trial program in Kentucky extending through 2005. To ensure stability of rates for our customers in the future, we would like to achieve weather normalization in our other major states, particularly Texas and Louisiana.

We plan to seek regulatory relief for declining usage—a national trend in the gas utility industry, which we estimate is reducing our net income by more than $4 million a year. We also are continuing to apply for regulatory adjustments to base rates and to keep our utilities' gas price adjustments current. During the past two years, Atmos has received approval for more than $20 million in additional revenues through rate proceedings and other regulatory provisions.

### Hedging our gas supply

Atmos has focused on minimizing the effects of natural gas price fluctuations on its customers and its earnings by using physical and financial hedges to stabilize gas purchase costs. For example, we normally buy and store during the lower-use summer months about one-fifth of the gas supply we will need for the next winter. Our gas storage provides a natural hedge against buying large volumes of gas at market prices during the winter. The gas we purchased this summer ranged in price from $2.34 to $4.87 per MMBtu, which is much lower than the past winter-season prices.

To hedge further against volatility in gas prices during the 2002 heating season, we are using futures contracts, call options, pricing collars and fixed-forward physical pricing contracts. These financial hedges lock in gas prices in most states for up to half of our flowing gas supply requirements. The hedges also help to moderate the effects on customer bills of spikes in gas prices and, in turn, should help lower our customer accounts receivable caused by higher gas prices.

In presenting our gas-supply hedging program to state regulatory agencies, we received approvals in some states and broad support from all the commissions.

### Gas supply outlook

The outlook for natural gas supplies this winter seems favorable. Abundant gas supplies lowered gas prices to a 29-month low in September, and energy analysts predict the United States will have sufficient gas supplies during the 2001–2002 winter season. Although gas prices may average above historical levels, they are not expected to return to last winter's peak prices.

That will be good for Atmos because we do not profit from the cost of natural gas. Our cost of gas is passed through to customers with no markup. Colder weather typically causes customers to use greater volumes, which do contribute to our earnings. But extreme gas prices impose a hardship not only on our customers, but also on Atmos.

High gas costs increase our interest expense for borrowings to pay the higher gas prices, decrease our cash flow, require higher reserves for doubtful accounts receivable, delay matching purchased gas adjustments with actual gas purchases and cause customer-service issues.

A normal winter would be welcomed by all of us in the gas utility industry. We need prices high enough to stimulate long-term production and new exploration but not so high that they dampen demand and cause hardships for our customers.

## Business leadership

This past May, Atmos received a gratifying award when it won the inaugural Greater Dallas Business Ethics Award. The award, sponsored by the Society of Financial Services Professionals, honors companies that demonstrate ethical business practices in everyday operations, in management philosophies and in responses to crises or challenges.

Atmos' employees subscribe to the highest ethical standards and values in the ways they conduct our business and treat our customers. We stress adhering not just to the letter of the law, but to the spirit of the law. This award recognizes that companies like Atmos that follow this policy can be successful financially and still be committed to fairness and mutual respect.

Atmos has benefited in 2001 from the strong contributions of its Board of Directors. In this regard, I'm pleased that Richard K. Gordon, a vice chairman of investment banking for Merrill Lynch & Co., has joined Atmos' board. Mr. Gordon has provided advice to Atmos and major energy companies around the world for more than 30 years. He contributes his exceptional knowledge of the energy industry and a very high standard of personal integrity to help us guide Atmos' future.

Among our senior management, we honored B. J. Hackler, formerly president of Atmos Energy Louisiana, who retired after 35 years of service and Cleaburne H. Fritz, formerly vice president, information technology, who retired after 33 years of service. Mr. Hackler was succeeded as president of Atmos Energy Louisiana by Conrad E. Gruber. Mr. Gruber, in turn, was succeeded as president of Western Kentucky Gas by John A. Paris. Succeeding Mr. Fritz as our chief information officer is Leslie H. Duncan, who brings to us many years of senior management experience in information technology.

## A bright future for Atmos

Atmos' future is bright. Natural gas continues to grow in demand and in value as the most efficient and most environmentally beneficial fuel source. In North America, we enjoy an abundant gas supply, which experts predict will last for generations to come.

Natural gas provides greater energy independence for our nation and contributes to our economic freedom. It is indigenous to our land and provides nearly a quarter of our country's energy supply.

Because of the need for greater national security following the events of September 11, Atmos, like other energy providers, has taken added steps to safeguard our delivery networks, our employees and our customers.

Delivering natural gas to our customers safely, reliably and efficiently is Atmos' expertise. We are passionate about providing exceptional customer service. We are a low-cost leader in the gas industry, and our utility acquisitions and nonutility expansions offer continuing opportunities for profitable growth and returns to our shareholders.

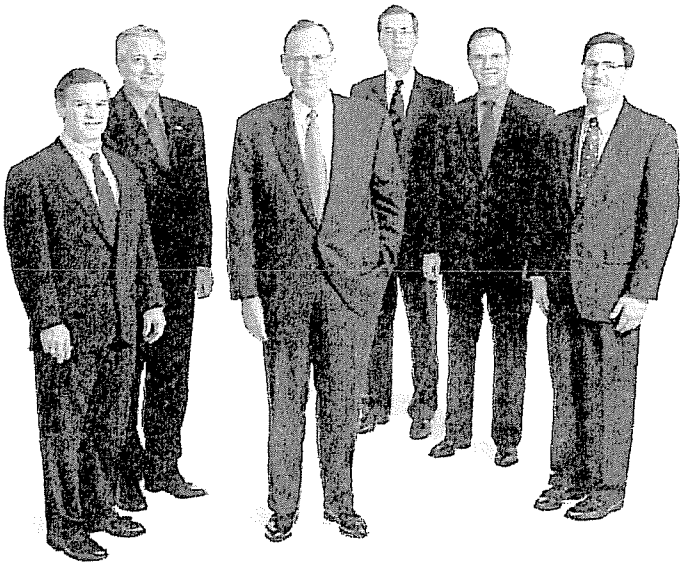
We are especially proud of our industry's role in providing for America's energy future. That future is no better characterized than by the men and women of Atmos who do their work well and serve their country in so many other ways. Our report this year honors a representative few who, in their own communities and in their own deeds, exemplify their fellow employees.

On behalf of the Atmos board, management and employees, I thank you for your continued investment in Atmos. We promise to continue executing our strategy well—just as we did in 2001—demonstrating the spirit and results worthy of your confidence.

Sincerely,

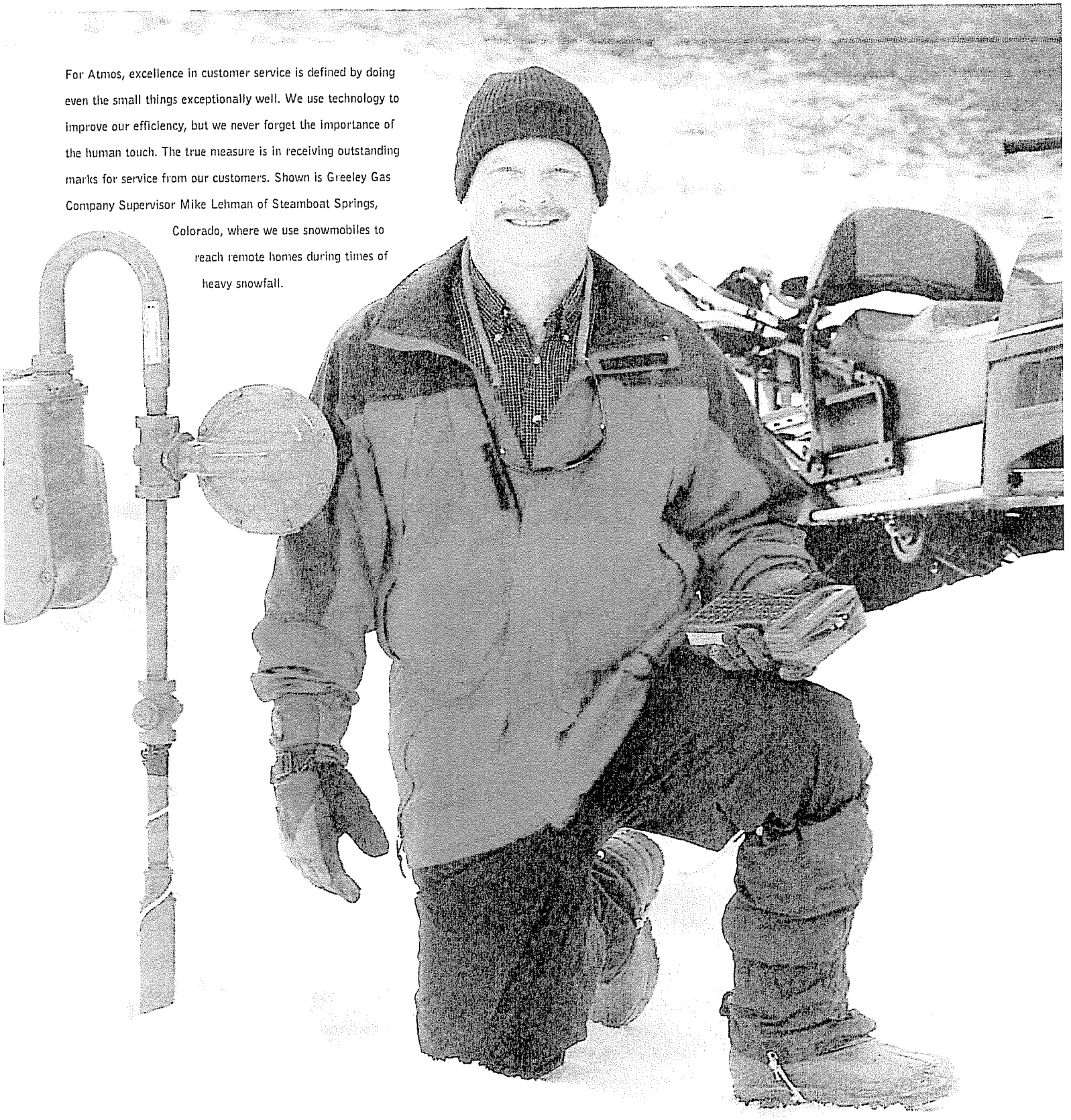
Robert W. Best

Robert W. Best
*Chairman, President and Chief Executive Officer*
*November 2, 2001*

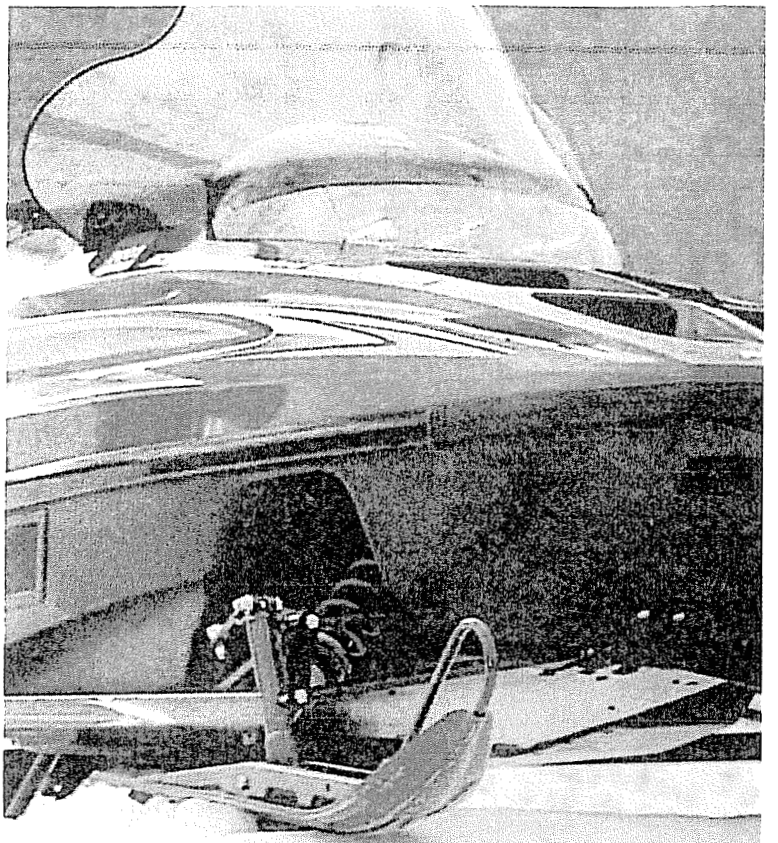


Leading Atmos Energy Corporation is its Management Committee composed of (left to right) J.D. Woodward, senior vice president, nonutility operations; R. Earl Fischer, senior vice president, utility operations; Robert W. Best, chairman, president and chief executive officer; Louis P. Gregory, senior vice president and general counsel; J. Patrick Reddy, senior vice president and chief financial officer; and Wynn D. McGregor, vice president, human resources.

For Atmos, excellence in customer service is defined by doing even the small things exceptionally well. We use technology to improve our efficiency, but we never forget the importance of the human touch. The true measure is in receiving outstanding marks for service from our customers. Shown is Greeley Gas Company Supervisor Mike Lehman of Steamboat Springs, Colorado, where we use snowmobiles to reach remote homes during times of heavy snowfall.



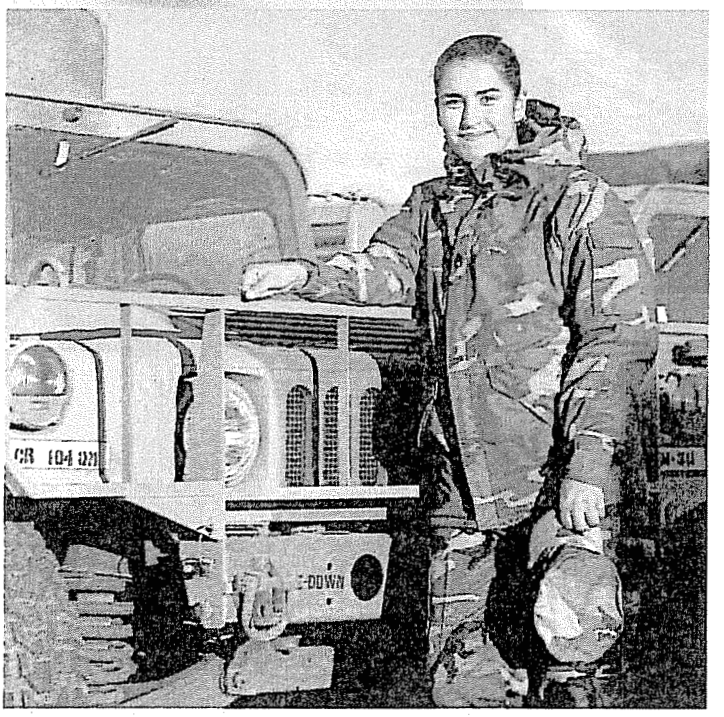
# Our Spirit of...



# Our Dedication to Serving Customers Exceptionally Well

Delivering natural gas safely, reliably and at reasonable cost is the goal of Atmos' five utility business units. Our employees have shown their dedication again and again to serve our customers exceptionally well under all types of conditions.

The 2000–2001 winter season was one of those times. Bitter cold—the coldest winter on record for Atmos—swept the country, causing the price of natural gas to soar to an unprecedented $10 per million Btu. Customers, concerned about their high gas bills, turned to our Customer Support Center, where call volumes rose 15-fold to 25,000 a day.



Energas Meter Reader Stella Guerra of Plainview, Texas, has served more than nine years in the U.S. Army Reserve after eight years of active duty and currently is an instructor for the 9th Battalion (QM) 95th Division of Des Moines, Iowa.

### Extra efforts

Atmos' customer service representatives took extraordinary efforts to reduce the length of customer hold times by setting up satellite call centers, enhancing Web-based customer service options and staffing local offices to be available for customers who wanted to talk with a company representative in person.

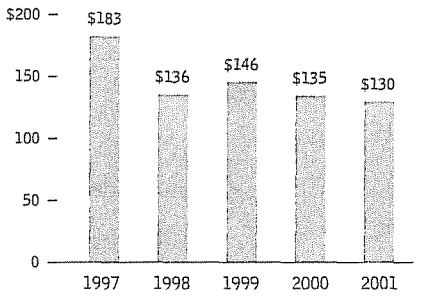
Employees also provided helpful information to those customers concerned about paying their bills. They helped them arrange for budget billing over a 12-month period, apply for extended payment plans and sign up for low-income energy assistance through government and private social service agencies.

Service

Atmos is known not only for its courteous and helpful customer service, but also for the efficiency of its operations. One industry efficiency measure is the number of customers served per employee. The average for Atmos' industry peer group in 2001 was 439 customers served per employee, compared to 587 customers served by each Atmos employee.

Another efficiency measure is our operation and maintenance expense per customer. Atmos' $130 per customer in 2001 was well below the peer-group average of $224. In 2001, we held O&M spending to below the amount we spent in 1998, which was a substantial achievement.

Operation and Maintenance Expense per Customer
In U.S. dollars



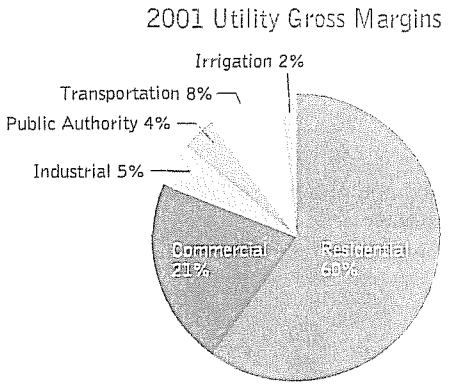

## Economies of scale

These measures show how efficient and cost-conscious we are. Indeed, our results are all the more impressive, considering we serve hundreds of small and rural communities in 11 states. We have achieved economies of scale even though the areas we serve are widely dispersed geographically with no large urban areas where greater centralization is possible.

To lower costs, we have begun a new initiative called Operations Blueprint. It is designed to improve the profitability and cost structure of our utility operations. It will guide us in operating our utilities to meet our long-range financial plans through organizational design and employee staffing, training and development. It is geared to create greater efficiencies and productivity improvements by ensuring common work practices and workforce management goals.

## Utility operating results

Utility operations in 2001 earned net income of $49.9 million on revenues of $1,378.2 million. Approximately 80 percent of our utility gross operating margins were earned from residential and commercial customers. Utility operations provided 89 percent of net income and 96 percent of consolidated revenues for the year. These operations benefited from the colder winter weather, with a 13 percent increase in gas sales volumes to 157 billion cubic feet.




However, the colder weather also led to higher delinquencies by customers who did not pay their bills. As a result, our customer accounts receivable increased, as did our provision for doubtful accounts. In part, the delinquencies rose as a result of state regulatory rules that prohibit disconnecting customers for nonpayment during the winter-heating months and extremely lenient payment options permitted by some states.

We have stepped up collection efforts and have installed new measures to qualify customers before they are initially connected or reconnected to our distribution system. We also have worked with social service and public assistance agencies as well as state regulators to help customers restore their service as soon as possible.

## Increased security

To protect our customers, employees and assets, Atmos always has stressed safety as the highest priority in all its operations.

Because of the terrorist strikes on September 11, our business units have heightened their security precautions. We have reviewed our business continuity plans, discussed security matters with public officials and law enforcement agencies and increased the vigilance at our facilities.

Our business units have well-established coordination and communication procedures with firefighters, law enforcement agencies and other emergency officials. We also have relationships with other gas companies in the region to assist each other in case of an emergency.

# Our Spirit

## Our Determination to Face Challenges and Achieve Goals

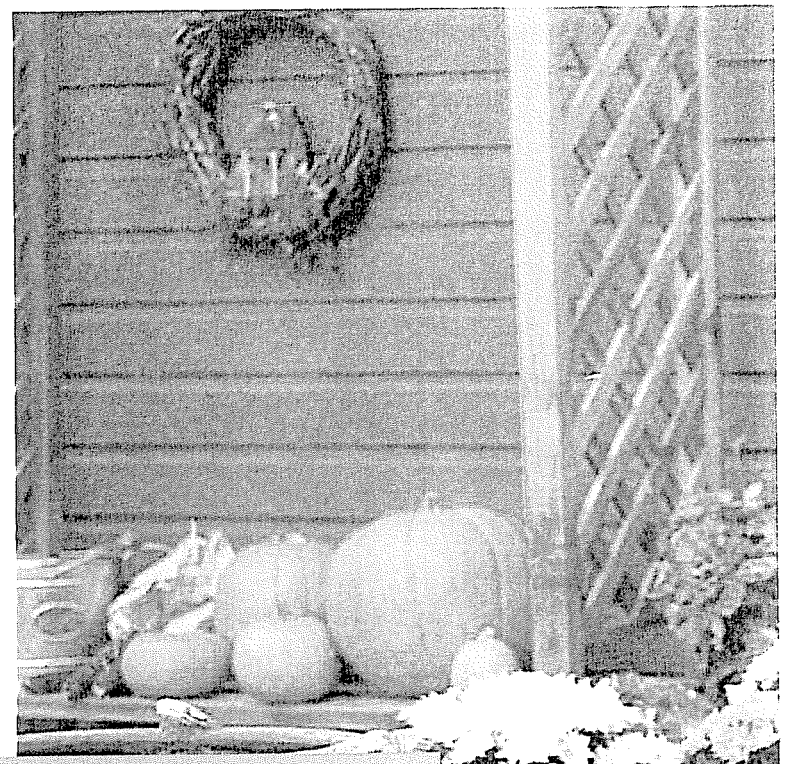
One of our strategies is to run our utility operations exceptionally well. To do this, we want to provide excellent customer service and be one of the most profitable gas providers in the industry.

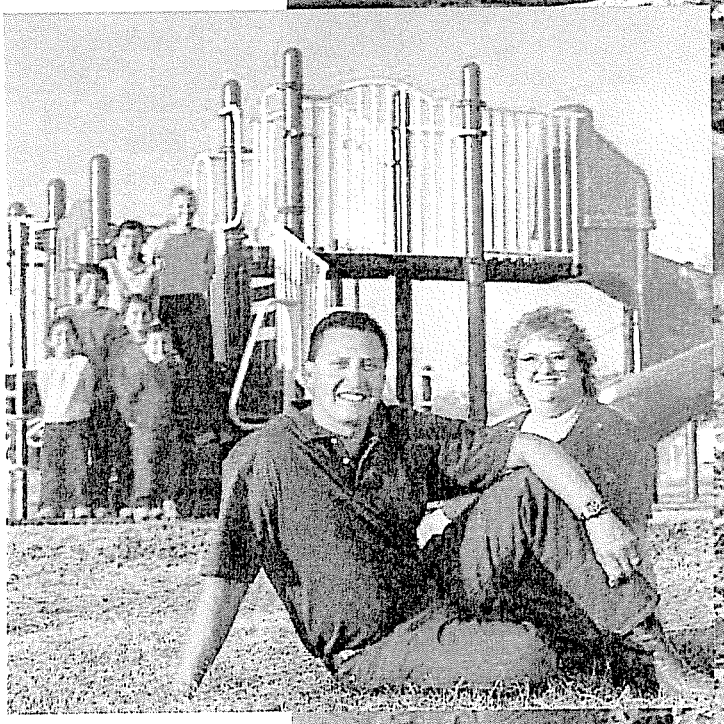
Our fiscal 2001 results proved how we are accomplishing these two goals by successfully overcoming business challenges.

### Regulatory relations

As a regulated business, we need a reasonable opportunity to earn our allowed rates of return and to recover our prudent expenditures in a timely manner without the burden of "regulatory lag." However, it is equally incumbent upon us to keep our regulatory filings up to date.

Operating in 11 states, we face wide-ranging requirements that control our tariffs and the way we do business. As a result, we work with local officials and state utility commission staffs to explain our operating results. We file promptly when revenue deficiencies occur and we keep our purchased gas





Energas Service Technician Henry Cruz, his wife, Stacey, and daughter Lauren intended to adopt two children, but instead found room in their home and hearts to adopt five children from the same family and reunite them.

# of...Resilience

To lessen the effects of higher gas prices during the winter on customers with fixed incomes and on low income customers, Greeley Gas Public Affairs Manager Karen Wilkes (shown left) formed a coalition of industry representatives and energy assistance agencies throughout Colorado. Together this group successfully lobbied for additional energy assistance funds, developed a massive public awareness campaign and created a single toll-free number that customers of all natural gas companies in Colorado could call for assistance information. The coalition continues to operate.

adjustments current to recover the cost of natural gas that we purchase to deliver to our customers.

Atmos has been successful in pursuing regulatory relief. During the past two years, Atmos' utility operations have been granted $20 million in additional revenues by six regulatory commissions. In 2001, we concluded rate cases in Texas, Illinois, Colorado and Virginia.

We will continue to seek regulatory approvals for changes that have significant financial effects, such as weather-normalized rate structures, declining usage and gas-supply hedging.

Because of the past winter's high gas costs, we have undertaken a program to hedge about half of our gas supply for the 2001–2002 heating season. In addition to the gas we buy and place in storage during the summer months, we are using a variety of financial derivatives to stabilize our future gas costs.

Our hedging measures will benefit our customers as well as Atmos by moderating some of the negative effects of spiking gas costs. We're gratified that all the regulatory commissions in the states we serve have either approved outright or indicated broad support for the objectives of our plan.

### Future filings

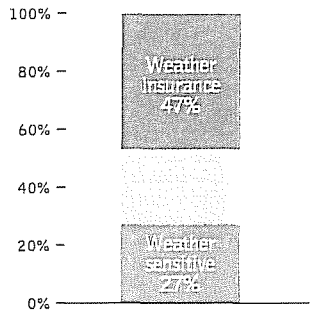
Through approvals for marketing efforts and changes in rate design, we will seek to overcome the financial effects of an industrywide trend of declining volume consumption, owing to energy-efficient appliances, conservation and better-insulated houses and commercial buildings.

We also will seek to recover extraordinary items, such as the significant increase in bad debts resulting from the past winter's high gas prices. In two states, we already have been granted approval to recover a portion of these bad debts.

Although weather normalization is now in effect for 26 percent of our customer base, much warmer-than-normal winter weather in recent years has hurt our financial results. Our gas sales volumes are directly related to heating requirements during winter weather. Rates that are weather-normalized help stabilize rates for our customers and operating revenues for our utility business units. As a result, Atmos has a long-term strategy to obtain weather-normalized rates in Texas, Louisiana and possibly other states. To further mitigate the effects of adverse weather conditions on our earnings, we will seek to shift more of our costs from the commodity to the base portion of rates.

Atmos also has purchased a three-year weather insurance policy, beginning in fiscal 2002, for its Texas and Louisiana operations. We have the option to cancel in the third year if we are able to get weather protection through rates. This weather policy protects against weather that is at least 7 percent warmer than normal, with a potential payout of up to $20 million each year. The full break-even of the premium cost occurs with weather that is at least 11 percent warmer than normal.

2002 Atmos Utility Customer Base




For fiscal 2002, weather-normalized rates and weather insurance will be in place for nearly three-fourths of our rate base. Mississippi Valley Gas has weather-normalized rates, as well.

Weather is a critical factor affecting our sales of natural gas for irrigation. Many West Texas farmers use gas to power irrigation pumps during the spring and summer. Early in the 2001 season, rainfall and high gas prices limited demand; however, declining gas prices and hot weather during the summer helped sales that recouped some of the early losses. Our total irrigation revenues were $35 million, or 2 percent, of 2001 consolidated revenues.

## Optimizing utility operations

Atmos will continue to evaluate how best to use its regulated assets to benefit its customers and its shareholders. In some cases, we will consider divesting nonstrategic assets and redeploying the proceeds to assets or ventures that offer greater opportunities for profitable growth.

Such a situation arose in December 2000, when Atmos sold its natural gas distribution assets in Gaffney, South Carolina, for approximately $6.6 million in cash. The South Carolina assets, which were operated by our United Cities Gas division, served only 5,400 customers, and there was virtually no opportunity for Atmos to increase its scope and scale within the state.

# Combining People and Assets to Form a Louisiana Leader

Atmos completed its acquisition of the assets of Louisiana Gas Service Company and LGS Natural Gas Company in July 2001 to become the largest pure natural gas distributor in Louisiana.

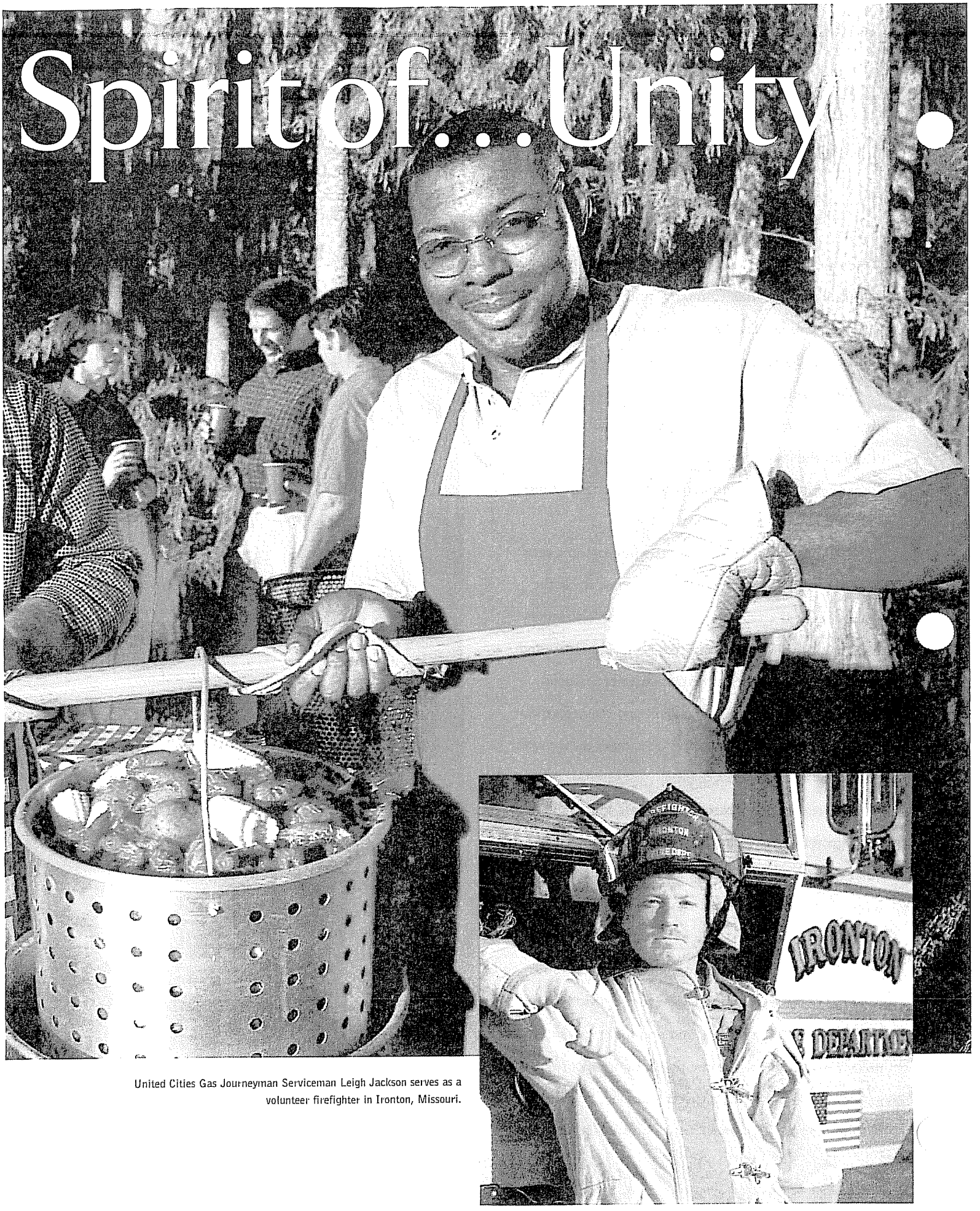
The addition of about 279,000 LGS customers also made Atmos the fifth-largest pure natural gas utility in the country. LGS was combined with our Trans Louisiana Gas Company to form a new business unit, Atmos Energy Louisiana.

The integration of the two companies went very smoothly because of the excellent teamwork by the employees of the two companies. In addition, Atmos' investments in advanced information technology and financial systems helped the combination proceed quickly. Just three days after completing the acquisition, we successfully billed our new LGS customers through the Atmos billing system.

Our acquisition strategy is not just to grow. It is to grow profitably and to optimize our assets. LGS is a good example of how we are increasing our scale and scope and achieving this strategy. With LGS, we added new areas with customer-growth rates higher than in many of our other communities. LGS also is providing additional nonutility revenues through its pipeline and storage assets and nonutility gas sales to industrial customers. We are proud of our record not only of adding profitable assets like LGS, but also of maintaining our customers' trust and satisfaction.

Atmos completed the acquisition of Louisiana Gas Service Company in July and combined it with our Trans Louisiana Gas operations to form Atmos Energy Louisiana. Atmos is now the largest pure natural gas distributor in Louisiana. Shown are Anthony McGehee (left), senior construction operator who worked for Trans La, and Roy Moss Sr. (right), service technician who was with LGS.

# Spirit of...Unity




United Cities Gas Journeyman Serviceman Leigh Jackson serves as a volunteer firefighter in Ironton, Missouri.

# Our Spirit of...

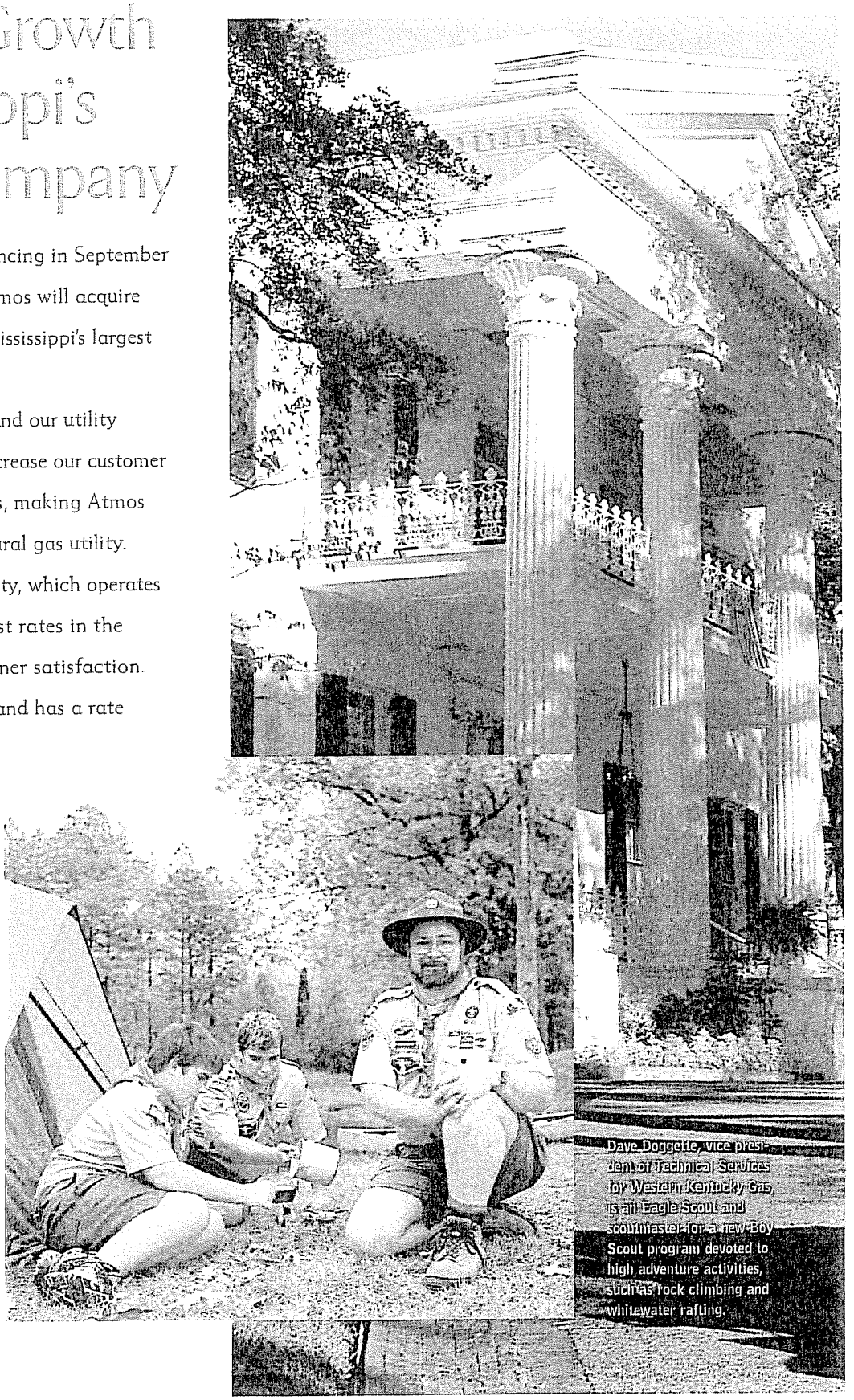
## Continued Growth with Mississippi's No. 1 Gas Company

We concluded fiscal 2001 by announcing in September our ninth acquisition since 1983. Atmos will acquire Mississippi Valley Gas Company, Mississippi's largest gas utility.

Mississippi Valley Gas will expand our utility operations into 12 states and will increase our customer base to nearly 1.7 million customers, making Atmos the country's third-largest pure natural gas utility.

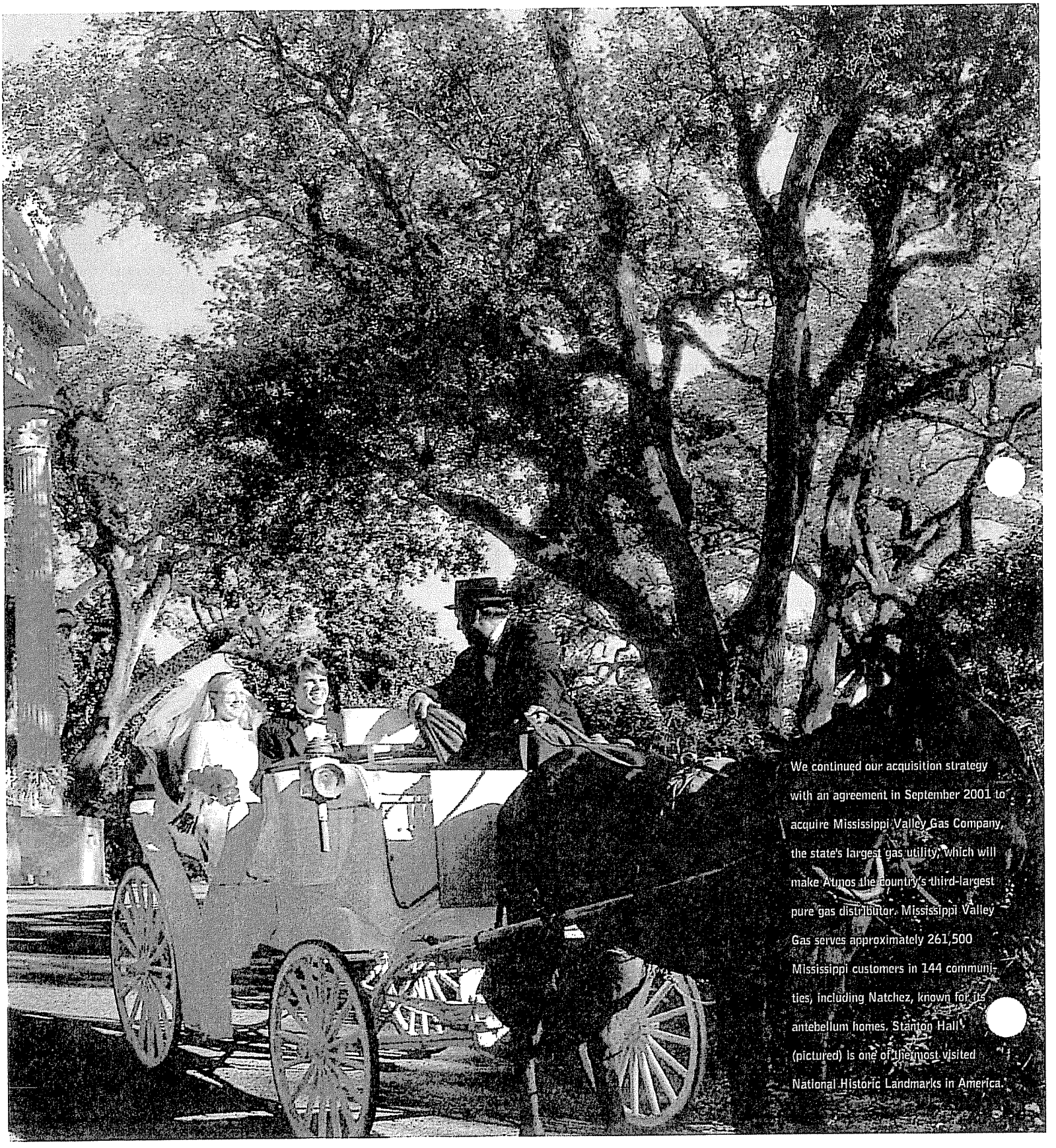
Atmos will gain a successful utility, which operates efficiently, offers some of the lowest rates in the Southeast and ranks high in customer satisfaction. The utility serves 144 communities and has a rate structure designed to mitigate the effect of weather on earnings, provide stable cash flow and reward the utility for excellent customer service.

Atmos will acquire Mississippi Valley Gas for $75 million in cash and $75 million in Atmos common stock. We also will assume Mississippi Valley Gas' outstanding debt, net of working capital, of about $45 million. We expect to complete the acquisition in fiscal 2002.



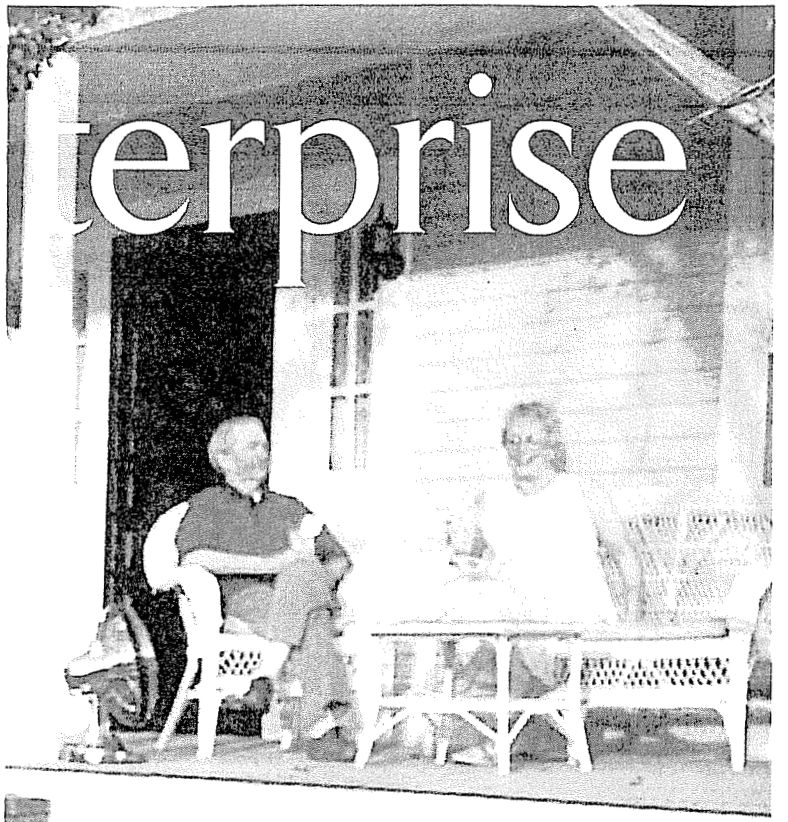
Dave Doggette, vice president of Technical Services for Western Kentucky Gas, is an Eagle Scout and scoutmaster for a new Boy Scout program devoted to high adventure activities, such as rock climbing and whitewater rafting.

# Commitment



We continued our acquisition strategy with an agreement in September 2001 to acquire Mississippi Valley Gas Company, the state's largest gas utility, which will make Atmos the country's third-largest pure gas distributor. Mississippi Valley Gas serves approximately 261,500 Mississippi customers in 144 communities, including Natchez, known for its antebellum homes. Stanton Hall (pictured) is one of the most visited National Historic Landmarks in America.

Atmos has developed an innovative strategy to enter the electric generation market with minimal risk. In the summer of 2001, Atmos Power Systems completed a 20-megawatt electric generating plant and leased it to the Electric Department of the City of Bolivar, Tennessee. The plant provides additional peak load electric power typically required during the summer months. With the success of this first project, Atmos Power Systems is considering opportunities to build and lease similar-sized power plants.




# Pursuing New Ways to Profitably Grow Nonutility Earnings

Atmos expects its nonutility operations to provide opportunities for future growth and earnings.

In April, we expanded these operations by acquiring the remaining 55 percent of Woodward Marketing, L.L.C., that Atmos did not already own.

Woodward provides natural gas marketing and trading in 17 states to Atmos, municipalities and industrial customers. A 2000 national survey ranked it as the No. 1 U.S. mid-tier gas marketer in customer service.

We have organized Woodward and Atmos' other nonutility operations under a new subsidiary, Atmos Energy Holdings, Inc. Its operations include a variety of natural gas management services, such as the acquisition and provision of gas supplies, load forecasting and management, gas storage and transportation management services, peaking sales and balancing services, and gas-price hedging.

Atmos has also formed Atmos Power Systems, Inc., to build and lease small electric power plants and related facilities. Atmos Power Systems completed its first project, a 20-megawatt power plant that is leased to the Electric Department of the City of Bolivar, Tennessee, and provides peak-demand electricity to the Tennessee Valley Authority. Atmos Power Systems is pursuing other similar power projects.

Atmos Energy Louisiana Corrosion Control Technician Kenneth Wilson is president of the Interstate 20 Economic Development Board in Monroe, Louisiana, which works to bring new businesses and new jobs to the area, such as this site for a shopping center being developed by a national discount department store.

# Financial Review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## Summary Annual Report

The financial information presented in this report regarding Atmos Energy Corporation is condensed. Our complete financial statements, including notes, as well as management's discussion and analysis of financial condition and results of operations are presented in our Annual Report on Form 10-K. Investors may request, without charge, our Annual Report on Form 10-K for the year ended September 30, 2001, by calling Investor Relations at 1-800-382-8667 between 7:30 a.m. and 4:30 p.m. Central time. Our Form 10-K may also be viewed on Atmos' Web site at http://www.atmosenergy.com. Additional investor information can be found inside the back cover of this report.

# Atmos at a Glance

| | Year ended September 30 2001 | 2000 |
|---|---|---|
| **Meters in service** | | |
| Residential | 1,243,625 | 970,873 |
| Commercial | 122,274 | 104,019 |
| Industrial (including agricultural) | 13,020 | 14,259 |
| Public authority and other | 7,404 | 7,448 |
| Total meters | 1,386,323 | 1,096,599 |
| **Heating degree days** | | |
| Actual (weighted average) | 2,753 | 2,096 |
| Percent of normal | 107% | 82% |
| **Sales volumes (MMcf)** | | |
| Residential | 79,000 | 63,285 |
| Commercial | 36,922 | 30,707 |
| Industrial (including agricultural) | 33,730 | 38,687 |
| Public authority and other | 6,892 | 5,520 |
| Total | 156,544 | 138,199 |
| **Transportation volumes (MMcf)** | 61,230 | 59,365 |
| **Total throughput (MMcf)** | 217,774 | 197,564 |
| **Propane – gallons (000s)** | — | 19,329 |
| **Operating revenues (000s)** | | |
| Gas sales revenues | | |
| Residential | $ 788,902 | $ 405,552 |
| Commercial | 342,945 | 176,712 |
| Industrial (including agricultural) | 208,168 | 171,447 |
| Public authority and other | 58,539 | 27,198 |
| Total | 1,398,554 | 780,909 |
| Transportation revenues | 28,668 | 23,610 |
| Other gas revenues | 10,925 | 4,674 |
| Total gas revenues | 1,438,147 | 809,193 |
| Propane revenues | — | 22,550 |
| Other revenues | 4,128 | 18,409 |
| **Total operating revenues** | $1,442,275 | $ 850,152 |
| **Other statistics** | | |
| Gross plant (000s) | $2,109,867 | $1,579,803 |
| Net plant (000s) | $1,335,398 | $ 982,346 |
| Miles of pipe | 38,938 | 30,029 |
| Employees | 2,361 | 1,885 |

ATMOS ENERGY CORPORATION

## Condensed Consolidated Balance Sheets

| | September 30 2001 | September 30 2000 |
|---|---|---|
| | *(Dollars in thousands, except share data)* | |
| **ASSETS** | | |
| **Property, plant and equipment** | $2,055,986 | $1,546,569 |
| **Construction in progress** | 53,881 | 33,234 |
| Total property, plant and equipment, at cost | 2,109,867 | 1,579,803 |
| **Less accumulated depreciation and amortization** | 774,469 | 597,457 |
| Net property, plant and equipment | 1,335,398 | 982,346 |
| **Current assets** | | |
| Cash and cash equivalents | 15,263 | 7,379 |
| Cash held on deposit in margin account | 66,666 | — |
| Accounts receivable, net | 124,046 | 77,264 |
| Inventories | 6,041 | 6,456 |
| Gas stored underground | 89,555 | 64,222 |
| Assets from risk management activities | 95,968 | — |
| Deferred gas cost | 10,999 | 37,184 |
| Other current assets and prepayments | 15,713 | 8,101 |
| Total current assets | 424,251 | 200,606 |
| **Intangible assets** | 12,125 | 878 |
| **Goodwill** | 64,745 | 3,110 |
| **Noncurrent assets from risk management activities** | 29,771 | — |
| **Deferred charges and other assets** | 169,890 | 161,818 |
| | $2,036,180 | $1,348,758 |
| **CAPITALIZATION AND LIABILITIES** | | |
| **Shareholders' equity** | | |
| Common stock, no par value (stated at $.005 per share); 100,000,000 shares authorized; issued and outstanding: 2001 – 40,791,501 shares, 2000 – 31,952,340 shares | $ 204 | $ 160 |
| Additional paid-in capital | 489,948 | 306,887 |
| Retained earnings | 95,132 | 83,154 |
| Accumulated other comprehensive income (loss) | (1,420) | 2,265 |
| Shareholders' equity | 583,864 | 392,466 |
| **Long-term debt** | 692,399 | 363,198 |
| Total capitalization | 1,276,263 | 755,664 |
| **Current liabilities** | | |
| Current maturities of long-term debt | 20,695 | 17,566 |
| Short-term debt | 201,247 | 250,047 |
| Accounts payable and accrued liabilities | 84,471 | 73,031 |
| Taxes payable | 11,620 | 10,844 |
| Customers' deposits | 32,351 | 9,923 |
| Liabilities from risk management activities | 119,484 | — |
| Other current liabilities | 41,161 | 21,085 |
| Total current liabilities | 511,029 | 382,496 |
| **Deferred income taxes** | 138,934 | 131,619 |
| **Noncurrent liabilities from risk management activities** | 7,412 | — |
| **Deferred credits and other liabilities** | 102,542 | 78,979 |
| | $2,036,180 | $1,348,758 |

# Condensed Consolidated Statements of Income

| | Year ended September 30 | | |
|---|---|---|---|
| | 2001 | 2000 | 1999 |
| | *(Dollars in thousands, except per share data)* | | |
| **Operating revenues** | $1,442,275 | $850,152 | $690,196 |
| **Purchased gas cost** | 1,067,555 | 524,446 | 390,402 |
| **Gross profit** | 374,720 | 325,706 | 299,794 |
| **Gas trading margin** | 488 | — | — |
| **Operating expenses** | | | |
| Operation | 133,240 | 140,249 | 148,065 |
| Maintenance | 6,368 | 7,648 | 9,141 |
| Depreciation and amortization | 67,664 | 63,855 | 56,874 |
| Taxes, other than income | 37,655 | 28,638 | 31,475 |
| Total operating expenses | 244,927 | 240,390 | 245,555 |
| **Operating income** | 130,281 | 85,316 | 54,239 |
| **Other income** | | | |
| Equity in earnings of Woodward Marketing, L.L.C. | 8,062 | 7,307 | 7,156 |
| Miscellaneous income (expense), net | (1,874) | 7,437 | 2,967 |
| *Total other income* | 6,188 | 14,744 | 10,123 |
| **Interest charges, net** | 47,011 | 43,823 | 37,063 |
| **Income before income taxes** | 89,458 | 56,237 | 27,299 |
| **Income taxes** | 33,368 | 20,319 | 9,555 |
| **Net income** | $ 56,090 | $ 35,918 | $ 17,744 |
| **Basic net income per share** | $1.47 | $1.14 | $.58 |
| **Diluted net income per share** | $1.47 | $1.14 | $.58 |
| **Cash dividends per share** | $1.16 | $1.14 | $1.10 |
| **Weighted average shares outstanding:** | | | |
| Basic | 38,156 | 31,461 | 30,566 |
| Diluted | 38,247 | 31,594 | 30,819 |

ATMOS ENERGY CORPORATION

## Condensed Consolidated Statements of Cash Flows

| | Year ended September 30 | | |
|---|---|---|---|
| | 2001 | 2000 | 1999 |
| | *(Dollars in thousands)* | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Net income** | $ 56,090 | $ 35,918 | $ 17,744 |
| **Adjustments to reconcile net income to net cash provided by operating activities:** | | | |
| Depreciation and amortization: | | | |
| Charged to depreciation and amortization | 67,664 | 63,855 | 56,874 |
| Charged to other accounts | 2,806 | 3,065 | 4,800 |
| Deferred income taxes | 18,501 | 18,251 | 31,874 |
| Deferred lease income | (979) | — | — |
| Net assets/liabilities from risk management activities | 13,881 | — | — |
| Gain on sale of nonregulated assets | — | (5,831) | — |
| Changes in assets and liabilities | (74,968) | (61,062) | (26,594) |
| Net cash provided by operating activities | 82,995 | 54,196 | 84,698 |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | | |
| Capital expenditures | (113,109) | (75,557) | (110,353) |
| Acquisitions | (363,399) | (32,000) | — |
| Retirements of property, plant and equipment, net | (1,460) | 957 | 757 |
| Assets for leasing activities | (5,377) | — | — |
| Increase in cash from acquisition | 8,644 | — | — |
| Proceeds from sale of assets, net | 6,625 | 6,467 | — |
| Net cash used in investing activities | (468,076) | (100,133) | (109,596) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net increase (decrease) in short-term debt | (48,800) | 81,743 | 101,904 |
| Net proceeds from issuance of long-term debt | 347,099 | — | — |
| Repayment of long-term debt | (17,670) | (14,567) | (61,000) |
| Cash dividends paid | (44,112) | (35,995) | (33,882) |
| Issuance of common stock | 14,405 | 13,550 | 21,726 |
| Net proceeds from equity offering | 142,043 | — | — |
| Net cash provided by financing activities | 392,965 | 44,731 | 28,748 |
| **Net increase (decrease) in cash and cash equivalents** | 7,884 | (1,206) | 3,850 |
| **Cash and cash equivalents at beginning of year** | 7,379 | 8,585 | 4,735 |
| **Cash and cash equivalents at end of year** | $ 15,263 | $ 7,379 | $ 8,585 |

# Report of Independent Auditors

To Shareholders of Atmos Energy Corporation:

We have audited the consolidated balance sheets of Atmos Energy Corporation at September 30, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 30, 2001 (not presented separately herein) and in our report dated November 2, 2001, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets and statements of income and cash flows are fairly stated in all material respects in relation to the basic consolidated financial statements from which they have been derived.

Ernst & Young LLP

Dallas, Texas
November 2, 2001

ATMOS ENERGY CORPORATION

# Consolidated Financial and Statistical Summary (2001-1997)

| | Year ended September 30 | | | | |
|---|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 | 1997* |
| **BALANCE SHEET DATA AT SEPTEMBER 30 (Dollars in thousands)** | | | | | |
| Capital expenditures | $ 113,109 | $ 75,557 | $ 110,353 | $ 134,989 | $ 122,312 |
| Net property, plant and equipment | 1,335,398 | 982,346 | 965,782 | 917,860 | 849,127 |
| Working capital | (86,778) | (181,890) | (151,622) | (116,679) | (169,518) |
| Total assets | 2,036,180 | 1,348,758 | 1,230,537 | 1,141,390 | 1,088,311 |
| Shareholders' equity | 583,864 | 392,466 | 377,663 | 371,158 | 327,260 |
| Long-term debt, excluding current maturities | 692,399 | 363,198 | 377,483 | 398,548 | 302,981 |
| Total capitalization | 1,276,263 | 755,664 | 755,146 | 769,706 | 630,241 |
| **INCOME STATEMENT DATA (Dollars in thousands, except per share data)** | | | | | |
| Operating revenues | $1,442,275 | $850,152 | $690,196 | $848,208 | $906,835 |
| Gross profit | 374,720 | 325,706 | 299,794 | 331,836 | 329,654 |
| Net income | 56,090 | 35,918 | 17,744 | 55,265 | 23,838 |
| Net income per share – diluted | 1.47 | 1.14 | .58 | 1.84 | .81 |
| **COMMON STOCK DATA** | | | | | |
| Shares outstanding (in thousands) | | | | | |
| End of year | 40,792 | 31,952 | 31,248 | 30,398 | 29,642 |
| Weighted average | 38,247 | 31,594 | 30,819 | 30,031 | 29,422 |
| Cash dividends per share | $1.16 | $1.14 | $1.10 | $1.06 | $1.01 |
| Shareholders of record | 30,524 | 32,394 | 35,179 | 36,949 | 29,867 |
| Market price – High | $26.25 | $25.00 | $32.69 | $31.06 | $27.88 |
| Low | $19.31 | $14.75 | $23.06 | $24.63 | $22.13 |
| End of year | $21.60 | $20.63 | $24.13 | $28.56 | $24.88 |
| Book value per share at end of year | $14.31 | $12.28 | $12.09 | $12.21 | $11.04 |
| Price/Earnings ratio at end of year | 14.69 | 18.09 | 41.59 | 15.52 | 30.71 |
| Market/Book ratio at end of year | 1.51 | 1.68 | 2.00 | 2.34 | 2.25 |
| Annualized dividend yield at end of year | 5.4% | 5.5% | 4.6% | 3.7% | 4.1% |
| **CUSTOMERS AND VOLUMES (As metered)** | | | | | |
| Gas sales volumes (MMcf) | 156,544 | 138,199 | 140,119 | 159,373 | 164,208 |
| Gas transportation volumes (MMcf) | 61,230 | 59,365 | 55,468 | 56,224 | 48,800 |
| Total throughput (MMcf) | 217,774 | 197,564 | 195,587 | 215,597 | 213,008 |
| Meters in service at end of year | 1,386,323 | 1,096,599 | 1,037,995 | 1,004,532 | 985,448 |
| Total meters and propane customers | 1,386,323 | 1,096,599 | 1,077,534 | 1,041,932 | 1,014,545 |
| Heating degree days# | 2,753 | 2,096 | 3,374 | 3,799 | 3,909 |
| Degree days as a percentage of normal | 107% | 82% | 85% | 95% | 98% |
| Average gas sales price per Mcf sold | $8.93 | $5.65 | $4.53 | $4.87 | $5.11 |
| Average purchased gas cost per Mcf sold | $6.83 | $3.79 | $2.79 | $3.24 | $3.51 |
| Average transportation fee per Mcf | $.47 | $.40 | $.42 | $.43 | $.41 |
| **STATISTICS** | | | | | |
| Return on average shareholders' equity | 10.4% | 9.3% | 4.7% | 15.8% | 7.3% |
| Number of employees | 2,361 | 1,885 | 2,062 | 2,193 | 2,679 |
| Net plant per meter | $963 | $896 | $930 | $914 | $862 |
| Operating, maintenance and administrative expense per meter | $130‡ | $135 | $146 | $136 | $183 |
| Customers per employee | 587 | 582 | 523 | 475 | 379 |
| Times interest earned before income taxes | 2.83 | 2.28 | 1.56 | 3.09 | 2.04 |

* Amounts for years before 1997 have been restated for pooling of interests with United Cities Gas Company in July 1997.

\# Heating degree days for 2001 and 2000 are presented excluding service areas with weather-normalized operations. Heating degree days for years prior to 2000 do not exclude service areas with weather-normalized operations, as that information was not available.

‡ Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

# Consolidated Financial and Statistical Summary (1996-1991)†

| | Year ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
| **BALANCE SHEET DATA AT SEPTEMBER 30 (Dollars in thousands)** | | | | | | |
| Capital expenditures | $ 117,589 | $103,904 | $ 85,471 | $ 74,110 | $ 71,056 | $ 69,247 |
| Net property, plant and equipment | 770,211 | 697,287 | 638,787 | 592,887 | 552,599 | 522,234 |
| Working capital | (102,764) | (41,980) | (32,340) | (31,830) | (16,398) | (39,349) |
| Total assets | 1,010,610 | 900,948 | 829,385 | 786,739 | 723,632 | 701,185 |
| Shareholders' equity | 329,582 | 304,349 | 267,584 | 251,317 | 223,984 | 197,582 |
| Long-term debt, excluding current maturities | 276,162 | 294,463 | 282,647 | 257,696 | 269,887 | 243,891 |
| Total capitalization | 605,744 | 598,812 | 550,231 | 509,013 | 493,871 | 441,473 |
| **INCOME STATEMENT DATA (Dollars in thousands, except per share data)** | | | | | | |
| Operating revenues | $886,691 | $749,555 | $826,302 | $794,893 | $708,968 | $672,265 |
| Gross profit | 324,412 | 300,158 | 297,020 | 289,394 | 264,098 | 243,211 |
| Net income | 41,151 | 28,808 | 26,772 | 29,694 | 21,216 | 17,487 |
| Net income per share – diluted | 1.42 | 1.06 | 1.05 | 1.21 | .91 | .81 |
| **COMMON STOCK DATA** | | | | | | |
| Shares outstanding (in thousands) | | | | | | |
| End of year | 29,242 | 28,246 | 25,911 | 25,183 | 24,100 | 22,277 |
| Weighted average | 28,994 | 27,208 | 25,604 | 24,535 | 23,324 | 21,582 |
| Cash dividends per share | $.98 | $.96 | $.91 | $.82 | $.79 | $.75 |
| Shareholders of record | 36,472 | 31,782 | 27,005 | 24,649 | 12,989 | 11,064 |
| Market price – High | $31.00 | $20.63 | $21.13 | $20.63 | $15.25 | $14.13 |
| Low | $18.00 | $15.88 | $16.38 | $13.50 | $12.63 | $10.38 |
| End of year | $23.38 | $19.38 | $17.75 | $20.25 | $14.88 | $14.00 |
| Book value per share at end of year | $11.27 | $10.77 | $10.33 | $9.98 | $9.29 | $8.87 |
| Price/Earnings ratio at end of year | 16.46 | 18.28 | 16.90 | 16.74 | 16.35 | 17.28 |
| Market/Book ratio at end of year | 2.07 | 1.80 | 1.72 | 2.03 | 1.60 | 1.58 |
| Annualized dividend yield at end of year | 4.2% | 5.0% | 5.1% | 4.1% | 5.3% | 5.4% |
| **CUSTOMERS AND VOLUMES (As metered)** | | | | | | |
| Gas sales volumes (MMcf) | 178,293 | 166,656 | 170,691 | 166,065 | 151,316 | 151,060 |
| Gas transportation volumes (MMcf) | 44,146 | 47,647 | 47,882 | 51,665 | 43,320 | 44,685 |
| Total throughput (MMcf) | 222,439 | 214,303 | 218,573 | 217,730 | 194,636 | 195,745 |
| Meters in service at end of year | 976,308 | 949,213 | 943,728 | 888,315 | 876,142 | 863,089 |
| Total meters and propane customers | 1,002,416 | 972,572 | 965,421 | 908,813 | 897,262 | 887,569 |
| Heating degree days# | 4,043 | 3,706 | 3,855 | 4,080 | 3,676 | 3,583 |
| Degree days as a percentage of normal | 101% | 93% | 97% | 102% | 92% | 90% |
| Average gas sales price per Mcf sold | $4.51 | $4.07 | $4.41 | $4.32 | $4.20 | $4.03 |
| Average purchased gas cost per Mcf sold | $3.15 | $2.70 | $3.10 | $3.04 | $2.94 | $2.84 |
| Average transportation fee per Mcf | $.43 | $.42 | $.45 | $.42 | $.50 | $.52 |
| **STATISTICS** | | | | | | |
| Return on average shareholders' equity | 13.0% | 10.1% | 10.3% | 12.5% | 10.1% | 9.4% |
| Number of employees | 2,863 | 2,944 | 3,052 | 3,105 | 3,102 | 3,139 |
| Net plant per meter | $789 | $735 | $677 | $645 | $611 | $589 |
| Operating, maintenance and administrative expense per meter | $160 | $163 | $169 | $169 | $163 | $152 |
| Customers per employee | 350 | 330 | 316 | 293 | 289 | 283 |
| Times interest earned before income taxes | 3.00 | 2.44 | 2.45 | 2.47 | 2.07 | 1.82 |

† Share data have been adjusted for a 3-for-2 stock split in May 1994, and amounts have been restated for pooling of interests with Greeley Gas Company in December 1993.

# Heating degree days for 2001 and 2000 are presented excluding service areas with weather-normalized operations. Heating degree days for years prior to 2000 do not exclude service areas with weather-normalized operations, as that information was not available.

# Forward-Looking Statements

The matters discussed or incorporated by reference in this Summary Annual Report may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this report are forward-looking statements made in good faith by the Company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this report or in any of the Company's other documents or oral presentations, the words "anticipate," "expect," "estimate," "plans," "believes," "objective," "forecast," "goal" 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 the Company's earnings per share projections, operations, markets, services, rates, recovery of costs, availability of gas supply and other factors. A discussion of these risks and uncertainties may be found in the Company's Form 10-K for the year ended September 30, 2001. Although the Company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. The Company undertakes no obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

## SENIOR MANAGEMENT TEAM

**Robert W. Best**
Chairman, President and Chief Executive Officer

**J. Patrick Reddy**
Senior Vice President and Chief Financial Officer

**R. Earl Fischer**
Senior Vice President, Utility Operations

**J. D. Woodward**
Senior Vice President, Nonutility Operations

**Louis P. Gregory**
Senior Vice President and General Counsel

**Wynn D. McGregor**
Vice President, Human Resources

## UTILITY BUSINESS UNITS

**Thomas R. Blose, Jr.**
President, United Cities Gas Company

**Conrad E. Gruber**
President, Atmos Energy Louisiana

**Tom S. Hawkins, Jr.**
President, Energas Company

**John A. Paris**
President, Western Kentucky Gas Company

**Gary L. Schlessman**
President, Greeley Gas Company

## NONUTILITY BUSINESS UNITS

**Robert E. Mattingly**
Vice President, New Business Ventures – Retail Services

**Ron W. McDowell**
Vice President, New Business Ventures

## SHARED SERVICES

**Leslie H. Duncan**
Vice President and Chief Information Officer

**Shirley A. Hines**
Corporate Secretary

**Lynn L. Hord**
Vice President, Investor Relations and Corporate Communications

**Fred E. Meisenheimer**
Vice President and Controller

**Gordon J. Roy**
Vice President, Gas Supply

**Laurie M. Sherwood**
Vice President, Corporate Development, and Treasurer

# Board of Directors

### Travis W. Bain II
Chairman, Texas Custom Pools, Inc
President, Bain Enterprises, Inc
Plano, Texas
Board member since 1988
Committees: Work Session/Annual Meeting (Chairman), Audit, Human Resources

### Robert W. Best
Chairman, President and Chief Executive Officer
Atmos Energy Corporation
Dallas, Texas
Board member since 1997
Committee: Executive

### Dan Busbee
Attorney
Dallas, Texas
Board member since 1988
Committees: Audit (Chairman), Human Resources

### Richard W. Cardin
Consultant, and retired partner
of Arthur Andersen LLP
Nashville, Tennessee
Board member since 1997
Committees: Audit, Nominating

### Thomas J. Garland
Chairman of the Tusculum Institute for
Public Leadership and Policy
Greeneville, Tennessee
Board member since 1997
Committees: Human Resources, Work Session/
Annual Meeting

### Richard K. Gordon
Vice Chairman, Investment Banking
Merrill Lynch & Company
Houston, Texas
Board member since 2001
Committee: Human Resources

### Gene C. Koonce
Formerly Chairman of the Board, President
and Chief Executive Officer
United Cities Gas Company
Nashville, Tennessee
Board member since 1997
Committees: Human Resources (Chairman), Executive, Work Session/Annual Meeting

### Dr. Thomas C. Meredith
Chancellor of The University of Alabama System
Tuscaloosa, Alabama
Board member since 1995
Committees: Audit, Nominating

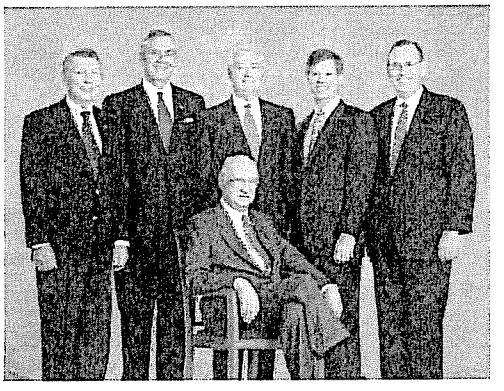
### Phillip E. Nichol
Senior Vice President of Central Division Staff
PaineWebber Incorporated
Dallas, Texas
Board member since 1985
Committees: Nominating (Chairman),
Human Resources, Work Session/Annual Meeting

### Carl S. Quinn
General Partner, Quinn Oil Company, Ltd.
East Hampton, New York
Board member since 1994
Committees: Executive, Nominating

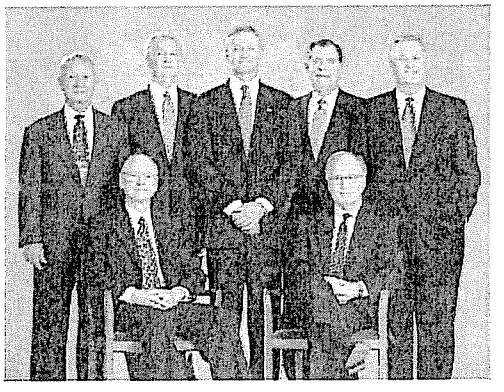
### Charles K. Vaughan
Formerly Chairman of the Board
Atmos Energy Corporation
Dallas, Texas
Board member since 1983
Committee: Executive (Chairman)

### Richard Ware II
President, Amarillo National Bank
Amarillo, Texas
Board member since 1994
Committees: Nominating, Work Session/Annual Meeting

### Lee E. Schlessman
Honorary Director
President, Dolo Investment Company
Denver, Colorado
Retired from Board in 1998



**Seated**
Lee Schlessman
(Honorary Board Member)
**Standing, from left**
Carl Quinn,
Thomas Meredith,
Richard Cardin,
Richard Ware,
Robert Best



**Seated, from left**
Thomas Garland, Dan Busbee
**Standing, from left**
Gene Koonce, Phillip Nichol,
Richard Gordon, Travis Bain,
Charles Vaughan

**Common Stock Listing**
New York Stock Exchange. Trading symbol: ATO

**Stock Transfer Agent and Registrar**
Shareholder inquiries on stock transfers may be directed to EquiServe Trust Company, N.A., P.O. Box 43010, Providence, RI 02940-3010. You may also call the interactive voice response system 24 hours a day at 1-800-543-3038. To speak to a customer service representative, call between 9 a.m. and 6 p.m. Eastern time, Monday through Friday. You may also send an e-mail through our agent's website at http://www.equiserve.com and reference Atmos in your e-mail.

**Independent Auditors**
Ernst & Young LLP
2121 San Jacinto, Suite 1500
Dallas, Texas 75201
(214) 969-8000

**Form 10-K**
Atmos Energy Corporation's Annual Report on Form 10-K is available upon request from Investor Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205 or by calling 1-800-38-ATMOS (382-8667) between 7:30 a.m. and 4:30 p.m. Central time. Atmos' Form 10-K may also be viewed on Atmos' website: http://www.atmosenergy.com.

**Annual Meeting of Shareholders**
The 2002 Annual Meeting of Shareholders will be held at RiverPark Center, 101 Daviess Street, Owensboro, Kentucky 42303 at 11 a.m. CST on February 13, 2002.

**Direct Stock Purchase Plan**
Atmos Energy Corporation has a Direct Stock Purchase Plan that is available to all investors.

For an Initial Investment Form or Enrollment Authorization Form and a Plan Prospectus, please call Atmos Shareholder Relations at 1-800-38-ATMOS (382-8667) between 7:30 a.m. and 4:30 p.m. Central time or EquiServe at 1-800-543-3038. The Prospectus is also available on the Internet at http://www.atmosenergy.com. You may also obtain information by writing to Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205.

This is not an offer to sell, nor a solicitation to buy, any securities of Atmos. Shares of Atmos common stock purchased through the Direct Stock Purchase Plan will be offered only by Prospectus.

**Atmos Information by Telephone**
Atmos Energy Corporation shareholder information is available by phone seven days a week, 24 hours a day through EquiServe's interactive voice response system. To transfer stock, listen to current company information and access daily stock quotes without the assistance of a customer service representative, call 1-800-543-3038 and have your Atmos Energy shareholder account number and your Social Security or federal taxpayer ID number.

**Atmos on the Internet**
Information about Atmos and its business units is available on the Internet at http://atmosenergy.com. Atmos' Web site includes news releases, current and historical financial reports and other Investor Information, management biographies, employment opportunities and information about Atmos' operations and utility service areas. Each Atmos business unit has its own home page, containing details about services and products. You can reach the business units directly at the following Internet addresses:

http://www.atmosenergylouisiana.com

http://www.energas.com

http://www.greeleygas.com

http://www.unitedcitiesgas.com

http://www.westernkentuckygas.com

http://www.woodwardmarketing.com

**Atmos Energy Corporation Contacts**
Shareholder and Direct Stock Purchase Plan Information:
1-800-38-ATMOS (382-8667) between 7:30 a.m. and 4:30 p.m. Central time.

InvestorRelations@atmosenergy.com

Financial Information for Securities Analysts, Investment Managers and General Information:

Lynn Hord
Vice President, Investor Relations and Corporate Communications

(972) 855-3729 (office)
(972) 855-3040 (fax)
lynn.hord@atmosenergy.com

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ATMOS

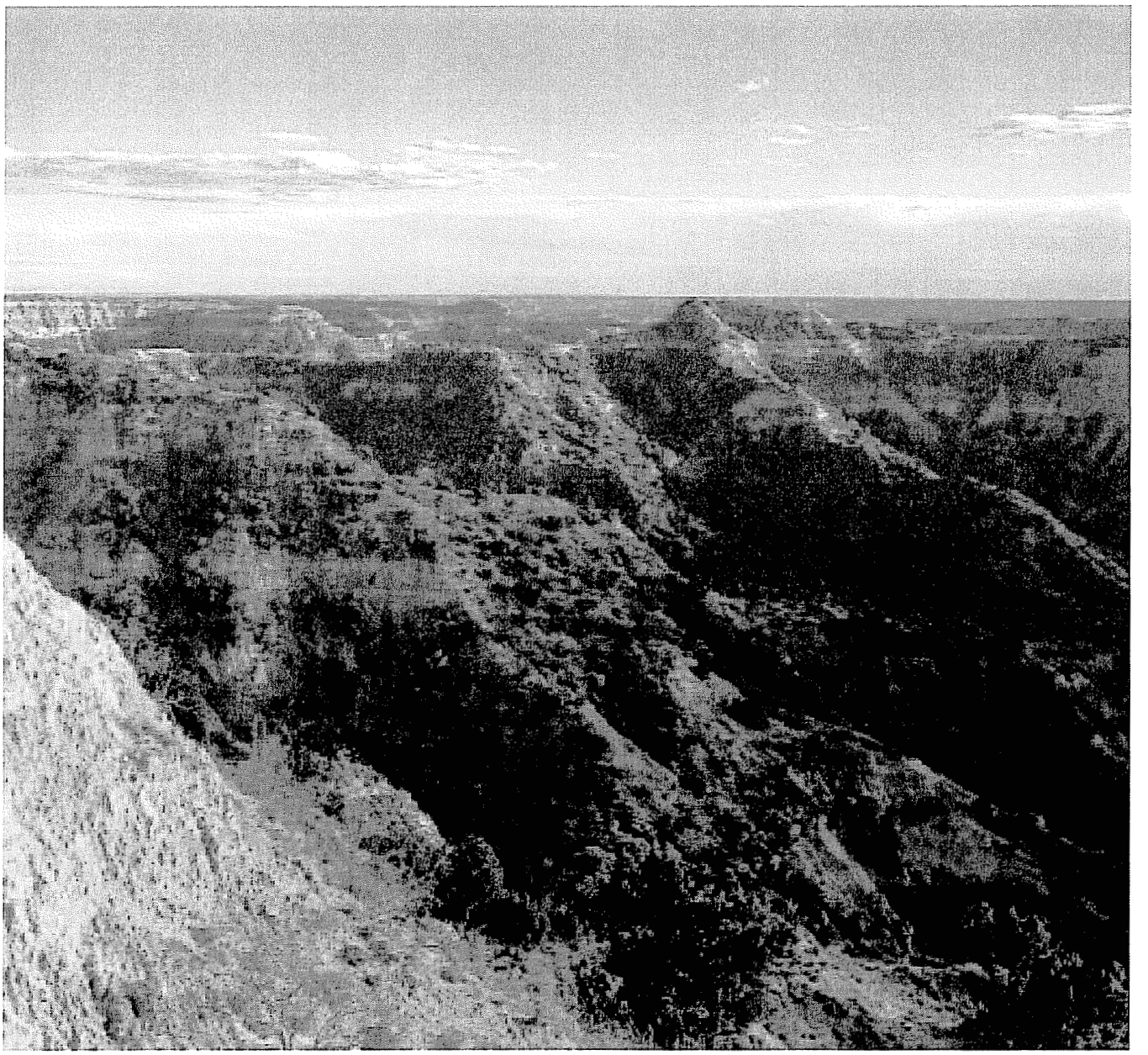
Atmos Energy Corporation
P.O. Box 650205
Dallas, Texas 75265-0205
(972) 934-9227
www.atmosenergy.com

3100-AR-2002

# Atmos Energy Corporation

**2002 Summary Annual Report**

Energy.



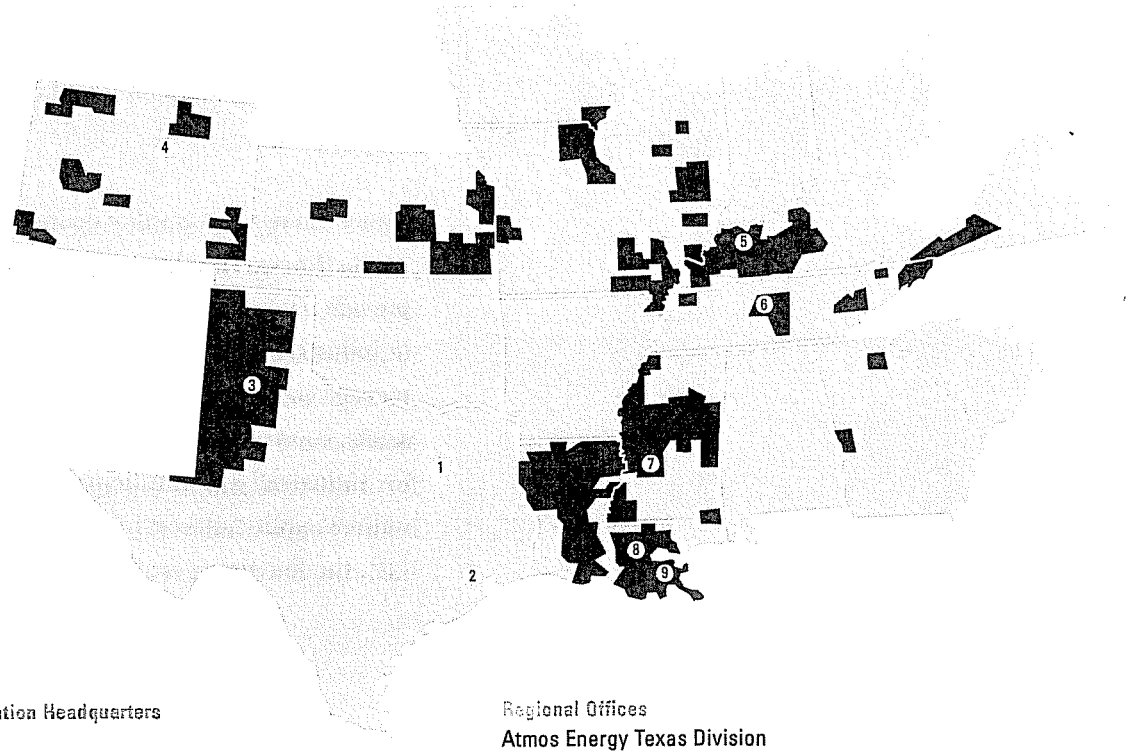
We're bringing more of it to everything we do.

Atmos Energy Corporation, headquartered in Dallas, Texas, is one of the largest pure natural gas distributors in the United States, serving about 1.7 million utility customers. Atmos Energy's utility operations serve more than 1,000 small and medium-size communities in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Tennessee, Texas and Virginia.

Atmos Energy's nonutility operations, organized under Atmos Energy Holdings, operate in 18 states. They provide natural gas marketing and procurement services to industrial, commercial and municipal customers, manage company-owned natural gas storage and pipeline assets, construct distributed electric generating plants for industrial and municipal customers and hold an indirect equity interest in Heritage Propane Partners, L.P., the fourth-largest U.S. propane marketer.

**Cover: To Anne and Tom Christian's Figure 3 Ranch at Claude, Texas, where the gas service is as reliable as any city-dweller's.** And to the local Atmos Energy office, which can read the meter remotely and accept their payment online.

# ATMOS ENERGY OPERATIONS




Atmos Energy Corporation Headquarters
Dallas, Texas

Atmos Energy Holdings Headquarters
Houston, Texas

Utility Operations
Nonutility Operations

Regional Offices
Atmos Energy Texas Division
Lubbock, Texas

Atmos Energy Colorado–Kansas Division
Denver, Colorado

Atmos Energy Kentucky Division
Atmos Energy Marketing
Owensboro, Kentucky

Atmos Energy Mid-States Division
Atmos Energy Marketing
Franklin, Tennessee

Recent Acquisition
Mississippi Valley Gas Division
Jackson, Mississippi

Atmos Energy Louisiana Division
Baton Rouge, Louisiana

Atmos Energy Marketing
New Orleans, Louisiana

Across a 2,000-mile expanse of the United States, six of America's great regional gas providers have come together as a single team, one of the nation's largest natural gas companies. They have long shared a spirit of service. Now they share a name. Atmos Energy. For our company and the nearly 1.7 million customers we serve, this change means more than just a new name. It means more capabilities. More potential. More Energy.

# FINANCIAL HIGHLIGHTS

| **Year ended September 30** (Dollars in thousands, except per share data) | 2002 | 2001 | Change |
|---|---|---|---|
| Operating revenues | $ 950,849 | $ 1,442,275 | -34.1% |
| Gross profit | $ 392,602 | $ 374,720 | 4.8% |
| Utility net income | $ 42,994 | $ 49,881 | -13.8% |
| Natural gas marketing net income | 12,614 | 2,551 | 394.5% |
| Other nonutility net income | 4,048 | 3,658 | 10.7% |
| Total | $ 59,656 | $ 56,090 | 6.4% |
| Total assets | $ 1,980,221 | $ 2,036,180 | -2.7% |
| Total capitalization | $ 1,243,698 | $ 1,276,263 | -2.6% |
| Net income per share – diluted | $ 1.45 | $ 1.47 | -1.4% |
| Cash dividends per share | $ 1.18 | $ 1.16 | 1.7% |
| Book value per share at end of year | $ 13.75 | $ 14.31 | -3.9% |
| Total throughput (MMcf) | 208,541 | 217,774 | -4.2% |
| Heating degree days | 3,368 | 4,124 | -18.3% |
| Degree days as a percentage of normal | 94% | 115% | -18.3% |
| Meters in service at end of year | 1,389,341 | 1,386,323 | .2% |
| Return on average shareholders' equity | 9.9% | 10.4% | -4.8% |
| Shareholders' equity as a percentage of total capitalization (including short-term debt) at end of year | 40.6% | 39.0% | 4.1% |
| Shareholders of record | 28,829 | 30,524 | -5.6% |
| Weighted average shares outstanding – diluted (000s) | 41,250 | 38,247 | 7.9% |

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| Inside Back Cover | Corporate Information |

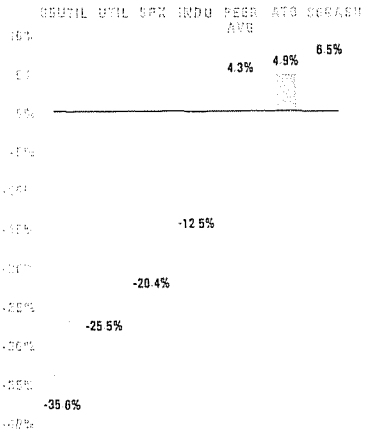
Atmos Energy turned in solid results in a year that was difficult for many natural gas utilities and for energy companies, in general. We finished all work to close our acquisition of Mississippi Valley Gas Company, launched our new nationwide brand as Atmos Energy,™ initiated a major program to raise our customer service to a new level of excellence, added $15.8 million in future annual revenues from a settled tariff adjustment, reduced our doubtful accounts by $26.2 million and achieved a significant increase in earnings from our nonutility operations.

Net income for the year was $59.7 million, a 6 percent increase over the $56.1 million earned in fiscal 2001. Earnings per diluted share of $1.45 were 2 cents lower than in fiscal 2001 because of a year-over-year increase of about 3.1 million average diluted shares outstanding. Return on average shareholders' equity was 9.9 percent.

Atmos Energy paid cash dividends in fiscal 2002 of $1.18 per share. On November 13, 2002, the Board of Directors increased the quarterly dividend rate by 2 percent to an annual indicated dividend of $1.20 per share – our 15th consecutive annual dividend increase.

Total return to shareholders in fiscal 2002 was 4.9 percent. That compares with an average total return for our industry peers of 4.3 percent and a negative return for most of the key stock indices.

**Total Return in Fiscal 2002**




Atmos Energy's 2002 total return to shareholders surpassed most major market indices as well as the peer average return.

Key: ATO - Atmos Energy UTIL - Dow Jones Utilities Index SPX - INDU - S5UTIL - S6GASU -

Operating revenues were $950.8 million, compared with $1,442.3 million in fiscal 2001. The decline resulted mainly from two factors. First, natural gas commodity prices, which are passed through directly to customers, fell from the record levels in fiscal 2001 when prices spiked at an all-time high. Second, the milder winter in fiscal 2002 reduced our throughput from 217.8 billion cubic feet in fiscal 2001 to 208.5 Bcf in 2002.

Gross profit went up 5 percent from $374.7 million in fiscal 2001 to $392.6 million. A major factor was the contribution from the Louisiana Gas Service assets and the 279,000 Louisiana customers we acquired in July 2001.

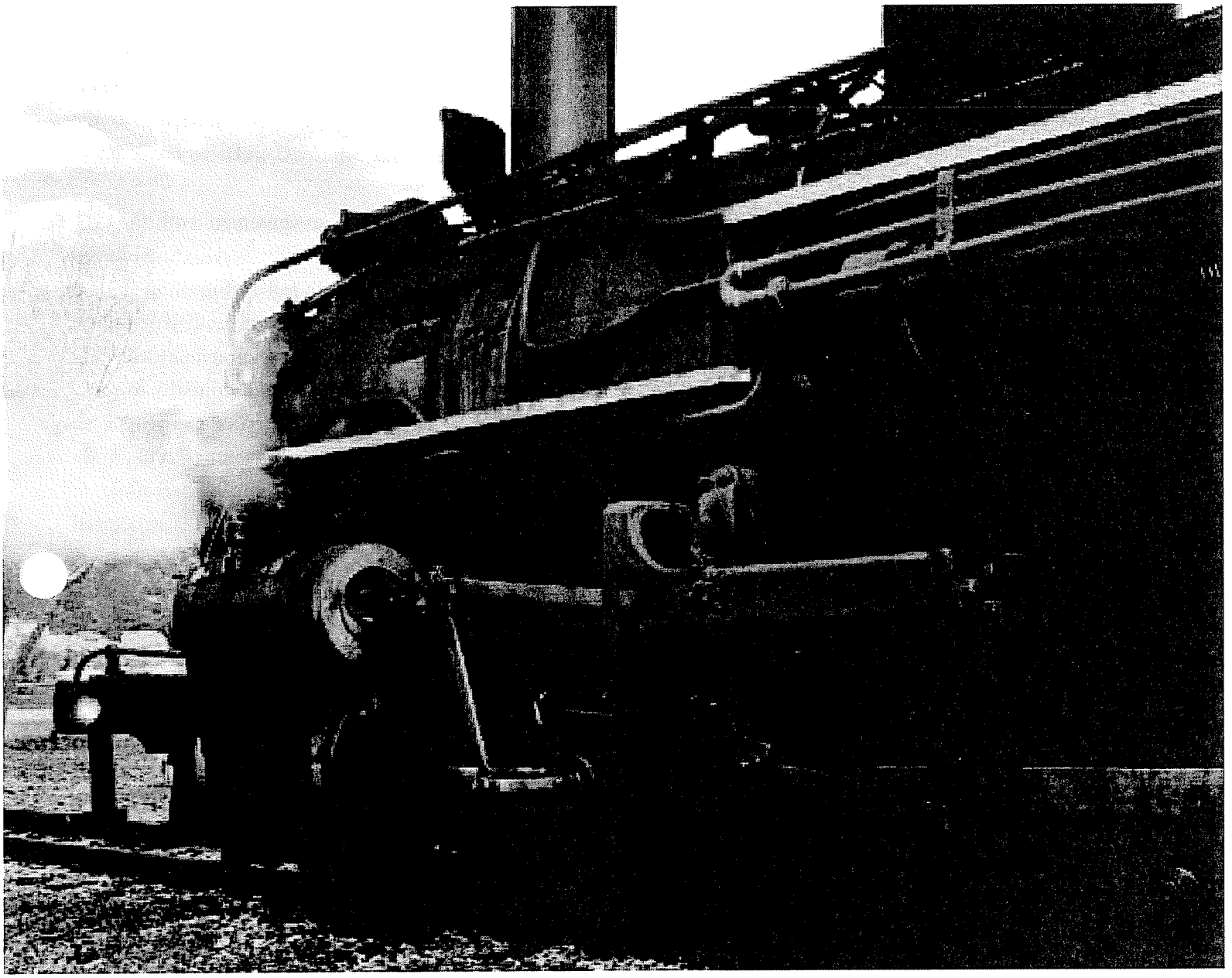
### Utility operations reduce costs

Our utility operations contributed 72 percent of our fiscal 2002 net income.

Utility operations benefited from much lower natural gas commodity prices. Our system's average gas cost in fiscal 2002 declined 44 percent to $3.81 per million cubic feet from our average gas cost in fiscal 2001 of $6.83 per Mcf.

We are particularly proud of the successful efforts by our utility employees to collect past-due accounts. Their efforts significantly lowered the provision for

Energy. To The Denver and Rio Grande Railroad connecting Durango and



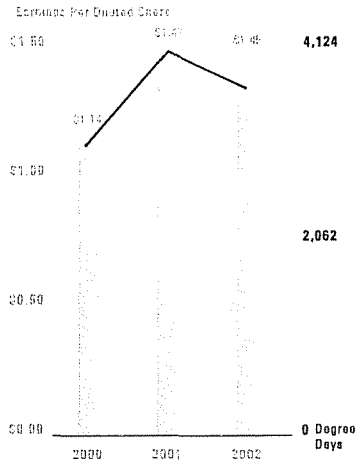
Silverton, Colorado.

And to the 1.7 million other customers across 12 states who rely on their connection to Atmos Energy.

doubtful accounts below its historic level of about four-tenths of 1 percent of revenues. Their efforts also contributed to a total year-over-year savings of $26.2 million.

It's gratifying to note that we achieved an earnings increase despite weather that was 6 percent warmer than normal and 18 percent warmer than in fiscal 2001. Weather continued to be a major factor underlying our earnings. During the winter heating season of 2001-2002, we had in place weather insurance to mitigate any severe effects of warm weather on earnings. This insurance will continue in force during the 2002-2003 heating season.

**Earnings per Diluted Share Compared with Winter Heating Degree Days**




Our goal is to make our consolidated earnings less sensitive to the effects of weather.

Our utility operations had many achievements in 2002, but three in particular will create long-lasting benefits.

One was the successful launch of our new Atmos Energy national brand. It reflects a major initiative we've undertaken to raise our customer service to new standards of excellence. We believe that our strengthened identity and service improvements will benefit us as we expand our utility business.

A second achievement was finishing all the regulatory and financing work to acquire Mississippi Valley Gas. On October 31, 2002, we received the Mississippi Public Service Commission's final order, the last of many state and federal regulatory approvals needed to close the transaction, which was completed on December 3, 2002.

A third achievement was an agreement with the Louisiana Public Service Commission regarding a rate stabilization adjustment for our Louisiana utility operations. The agreement will add $15.8 million annually to revenues during the first two years, beginning in November 2002, and $12.2 million annually thereafter. The way the agreement is structured also will help reduce our sensitivity to weather in Louisiana, where our largest utility division is located.

## Nonutility operations continue growing

Atmos Energy benefited in fiscal 2002 from improved results in nonutility operations. These operations contributed 28 percent of net income, with gains coming largely from the Woodward Marketing unit of Atmos Energy Marketing.

In 2001, Atmos Energy acquired the remaining 55 percent interest in Woodward Marketing that it did not already own. Woodward Marketing's business primarily is marketing natural gas and gas transportation services to wholesale industrial customers and municipalities. It also makes gas trades that have limited risks.

Woodward Marketing turned in impressive contributions from increased volumes due to acquisitions we made in 2001. These include the nonutility assets of LGS Natural Gas, a large natural gas storage field in Kentucky and two gas marketing companies. Woodward also realized increased sales of wholesale gas, favorable margins on gas trading and gains on sales of gas from inventory.

Woodward Marketing differs fundamentally from other gas marketing companies that have been experiencing difficulty. Five of its strengths stood out in 2002:

**Years of success** Woodward Marketing has grown steadily throughout its 17-year history. It is an established competitor in the natural gas marketing business, and its employees are highly experienced in this business.

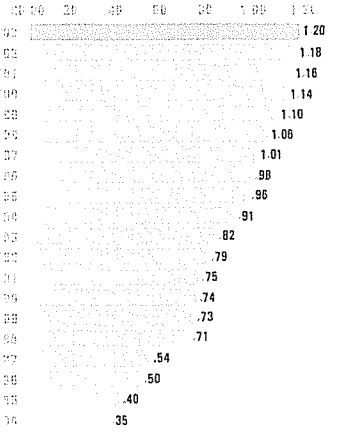
**Excellent service** Woodward Marketing knows natural gas marketing and how to serve its customers extremely well; in industry surveys, customers consistently rank it as one of the best in customer service.

**Continual contributions** Woodward Marketing's contribution to Atmos Energy's consolidated net income increased every quarter of fiscal 2002.

**Strategic acquisitions** Woodward Marketing's volumes have grown by making strategic acquisitions and by managing other Atmos Energy assets.

**Stable and growing book of business** The bulk of Woodward Marketing's business is built on long-term relationships and excellent customer service. Woodward has retained approximately 90 percent of its customers since it was founded in 1985. It has been ranked consistently among the top three mid-tier gas marketers in the United States. Its continuity of business and commitment to service have created stable and growing contributions to our earnings.

**Atmos Energy Dividend History**




*Atmos Energy paid dividends during fiscal 2002 of $1.18 per share. Our annual indicated dividend rate for fiscal 2003 is $1.20.*

For these reasons, we take great confidence in the outlook for our nonutility operations. This past July, others showed their confidence, too, when Woodward Marketing renegotiated its uncommitted demand credit facility and increased the facility's limit by $85 million to $210 million. This increased credit facility will be used to support our growing gas marketing business.

Our nonutility operations – gas marketing and trading, storage and transportation, and small distributed power generation – are vital and honorable businesses. We have great confidence in the future of Woodward Marketing and our other nonutility units.

Energy. To the Hazelton family of Chase County, Kansas, where hard work

and self-reliance are treasured values.

And to our many
other rural farm tap
customers who
read and report their
gas consumption
online or over the phone.

### Acquiring Mississippi Valley Gas

On October 31, 2002, we received the final regulatory approval needed to complete our acquisition of privately held Mississippi Valley Gas Company, the largest gas provider in Mississippi. We completed the transaction on December 3, 2002, paying $75 million cash and $75 million of Atmos Energy common stock for the company and repaying approximately $45 million of its long-term debt. We expect that Mississippi Valley Gas' operations will be slightly accretive to our fiscal 2003 earnings.

I have often referred to Atmos Energy as a "patient acquirer." We have not jumped at every opportunity and, as a result, we have not regretted the acquisitions we have made. Our Mississippi Valley Gas transaction took us 14 months to complete from the time we signed the agreement, largely because Mississippi is a new market for us. In other recent acquisitions, we were already operating in the states and had a track record for regulators to evaluate.

In that regard, we spent much time meeting with the Mississippi Public Utilities Staff to assure the Mississippi regulators that we will maintain Mississippi Valley Gas' high standards of customer service and will contribute many improvements of our own. Our information technologies, for instance, will add significant value over time.

Acquisitions like Mississippi Valley Gas have been the main engine of growth for Atmos Energy since 1986. Mississippi Valley Gas is our ninth major acquisition. We are gaining approximately 260,000 utility customers, and our expanded customer base will further spread our overhead and lower the costs for all our customers. Adding Mississippi customers will help us achieve greater synergies across our system.

Longer-range, we will benefit from entering a growing new market. We will increase our existing diversity of economic activity, weather patterns, classes of customers and ratemaking provisions. Mississippi Valley Gas' rates are weather-normalized and include provisions for monthly purchased gas cost adjustments and semi-annual rate adjustments. Its rate structure is designed to mitigate the effects of weather, provide predictable and stable earnings and cash flow, and reward the utility for its excellent customer service. We believe it will fit well into our system and will make long-term contributions to our earnings.

### Earnings expected to grow 5%–7%

Going forward, our five-year projections show an average annual growth rate in Atmos Energy's net income of 5 percent to 7 percent. We plan to achieve this growth – and help our stock price – primarily through two strategic goals.

One is additional revenue from our utility operations as a result of rate filings. We project adding up to $66 million in annual revenues during the next five years. These increases will tend to occur more in

the early years than in the later years. Already, our successful tariff case in Louisiana has contributed $15.8 million of the expected total. Fiscal 2003 will be a test year – which is what regulators use to determine our rate base and our allowed rate of return – in Texas, Kansas and possibly other states.

Part of our rate strategy is to seek a weather normalization adjustment (WNA) in rates to mitigate the effects of weather on our earnings and our customers' bills. Weather normalization adjusts gas bills downward when temperatures during the heating season are much colder than normal and WNA increases the bills when temperatures are warmer than normal.

Over time, the plus and minus weather normalization adjustments balance each other out statistically. But as a more practical matter, WNA helps consumers better budget their energy costs and allows utilities to earn a return closer to their authorized return. Many states in which Atmos Energy operates have approved WNA in our rates or in those of other gas utilities. Obtaining WNA in jurisdictions where we now do not have it will help protect our customers from large changes in their gas bills. Doing so also will allow us to cancel our weather insurance, saving us about $4 million a year in premiums.

A second major goal is to increase our nonutility earnings at an average annual rate of 10 percent. We intend to achieve this growth by making more nonutility acquisitions and by expanding our nonutility markets. Woodward Marketing's strong base of business numbers approximately 800 industrial and municipal customers today. Growing our nonutility customer base and retaining present customers will help us meet our earnings target.

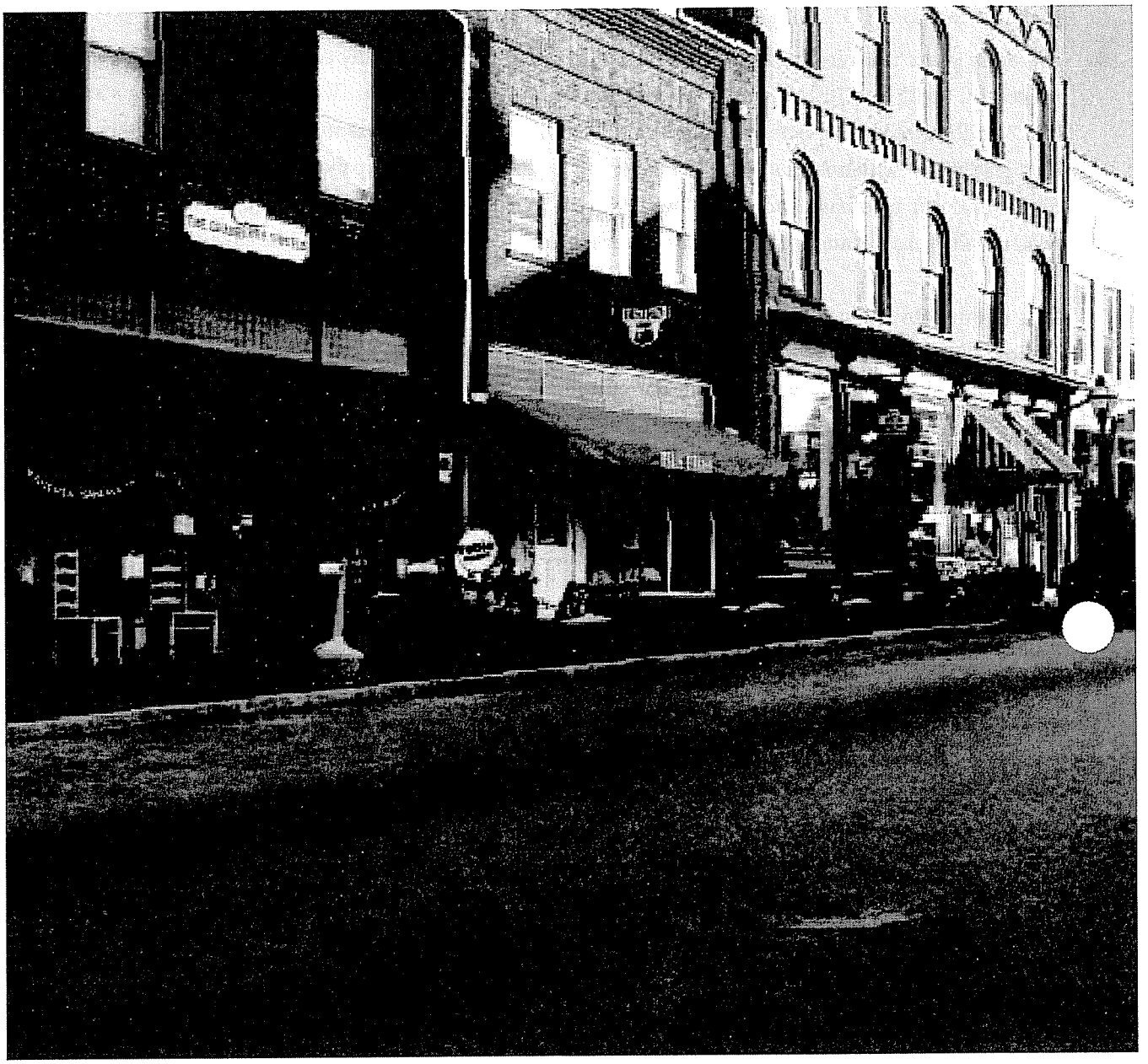
We also will continue to focus on controlling future operation and maintenance expenses. We are proud of our ranking as one of the most efficient pure natural gas providers in the industry. However, like all businesses today, we face higher pension, post-retirement and medical costs. As a company with a goal of being an employer of choice, we do not believe it is right to shift all the extra burdens onto our employees and retirees and their dependents. Therefore, Atmos Energy is absorbing a proportionate share of the increase while also asking our employees and retirees to pay a greater share.

**Atmos Energy's outlook**

**Increased utility revenues and nonutility growth** will drive our earnings at an expected growth rate of 5 percent to 7 percent a year during the next five years.

**Our utility earnings base** will grow with the acquisition of Mississippi Valley Gas and through future rate filings.

**Rate filings** during the next five years are projected to add up to $66 million in revenues; in many filings, we will ask for weather normalization to protect our investors and our customers from abnormal weather patterns.



Energy. To historic Jonesborough, Tennessee, where the citizens take pride

in their town's storied past.

And to the 2,338 employees of Atmos Energy, whose Spirit of Service™ is a cherished tradition.

**We will continue to control our costs.** We already are one of the most efficient pure gas utilities based on customers served per employee and operation and maintenance expense per customer.

**Our nonutility operations** will grow through new strategic acquisitions and will take advantage of market opportunities that become available.

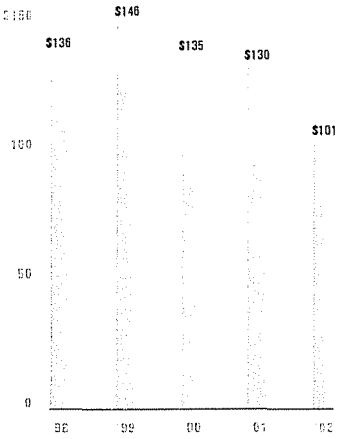
**We intend to remain faithful** to our strategy of running our utilities well, growing our nonutility business and making sound acquisitions.

**Capital spending rises**

Our capital expenditures during fiscal 2002 were $132.3 million, up from $113.1 million for the same period in 2001. The $19.2 million increase was primarily due to spending on the Louisiana Gas Service assets we acquired and full ownership of Woodward Marketing. Additionally, spending was elevated due to the purchase of additional billing software licenses and integration expenditures for Mississippi Valley Gas.

For fiscal 2003, we expect capital expenditures will increase primarily due to $8 million in higher capitalized employee benefits and an additional $18 million to $20 million for Mississippi Valley Gas operations.

**Operation and Maintenance Expense per Customer**




Controlling operation and maintenance expense has made Atmos Energy one of the most efficient pure gas distributors in the United States.

We intend to limit our nongrowth spending to remain at or below our overall depreciation levels and our growth spending to earn our cost of capital or better.

**National energy policy needed**

One disappointment to me in 2002 was the inability of Congress to agree upon a national energy policy. Although many bills were introduced in both the Senate and House of Representatives, a final compromise bill faltered. Congressional leaders promise a renewed effort next January.

The federal Energy Information Administration's Annual Energy Outlook for 2003, which was issued in November 2002, predicts our country's dependence on foreign oil and natural gas will continue to grow through 2025. The EIA report is the government's best forecast of future U.S. energy supply, demand and prices. Among other things, the report finds U.S. dependence on foreign oil will jump to 68 percent in 2025, up from 55 percent in 2001. Imported natural gas will account for 22 percent of U.S. demand by 2025, up from 16 percent in 2001.

Natural gas, in particular, should be the focus of new development by our country since it offers so many benefits. All but 1 percent of the gas consumed in the U.S. comes from North America, making it our most reliable fuel source. Gas is the

cleanest burning fuel, making it our most flexible fuel for direct use as well as for generating electricity. Potential gas reserves are abundant, with many areas in the lower 48 states, in Alaska and on the outer continental shelf still untapped. All that is needed to take greater advantage of the benefits of natural gas is a sound policy that promotes development, storage, transportation and wise use.

### Looking at 2003 and beyond

As we enter our 2003 fiscal year, we at Atmos Energy are mindful that this year marks the corporation's 20th anniversary. With roots dating back to 1906, the company has enjoyed a long and proud heritage.

During the past two decades, Atmos Energy has grown from a regional West Texas natural gas utility serving 300,000 customers into one of America's largest natural gas providers. Yet, as we have grown, we have respected our past and the values it represents – integrity, honesty, value and community service.

We have worked to maintain the warmth and spirit of a small company while achieving the savings and efficiencies of a large one. Of the more than 1,000 cities and towns we now serve, most have populations of less than 5,000. In all these communities, our employees are known and respected because they stand for Atmos Energy. By doing their jobs so well – serving customers safely, reliably, efficiently and courteously – they have built Atmos Energy's enviable reputation.

I thank them for all they do. And I would note, it was with complete confidence that Pat Reddy, our chief financial officer, and I signed and certified the accuracy and fairness of our financial statements and disclosures under the Sarbanes-Oxley Act of 2002. Atmos Energy's financial statements fully comply with all new and previous financial reporting requirements because of our employees' integrity.

Personally, I am more excited today than at any time during the past five years about the prospects for Atmos Energy. We have remained faithful to the strategy set in 1997, and that course has continued to reward our shareholders while serving our customers and providing for our employees. You should expect to see more of the same in the coming years.

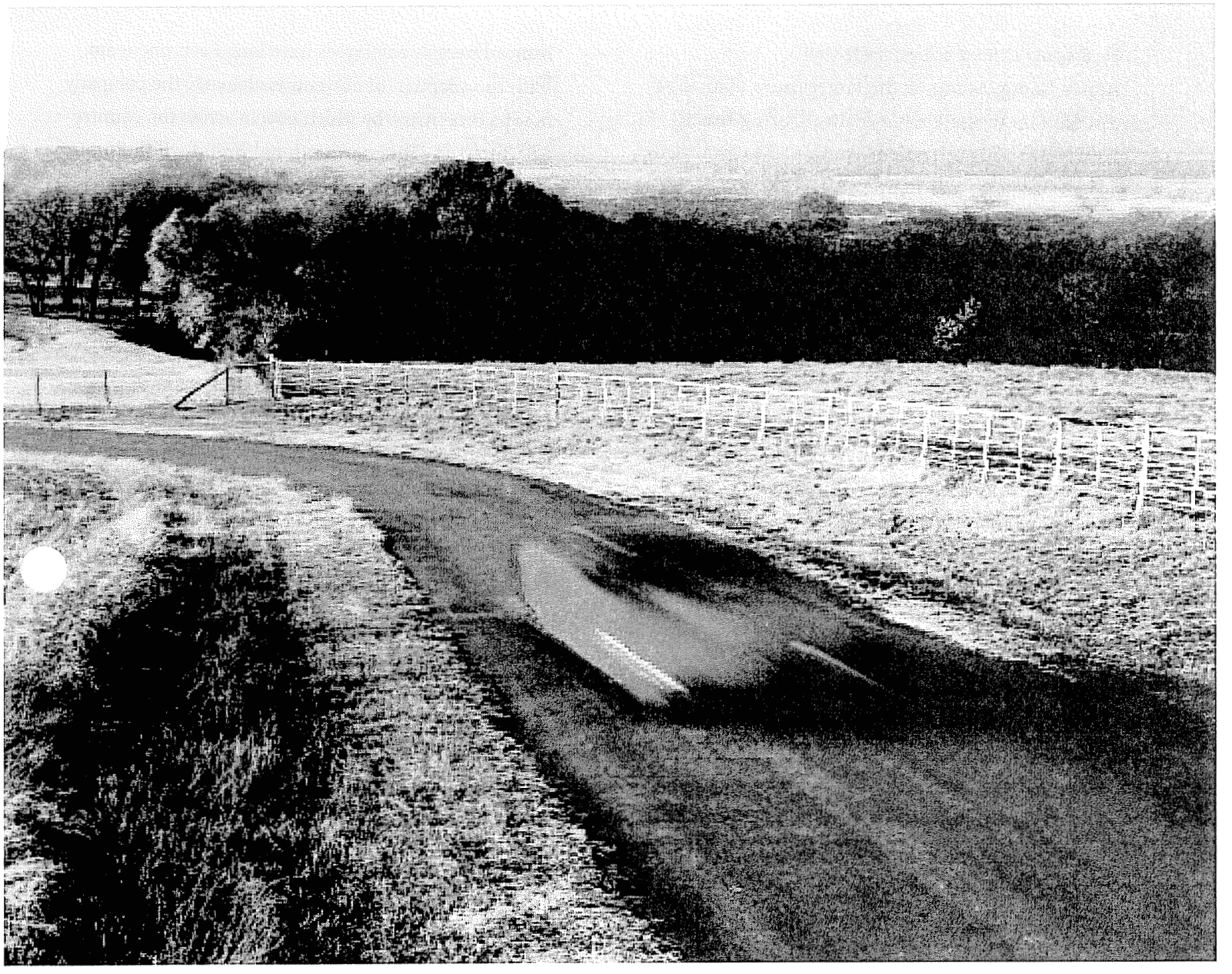
On behalf of the Board of Directors, management and employees, thank you for your investment in Atmos Energy and your continued trust in us.

Sincerely,

Robert W. Best

Robert W. Best
Chairman, President and Chief Executive Officer
December 6, 2002

Energy. To the Chevrolet Corvette assembly plant in Bowling Green, Kentucky,



where performance is everything.

And to the thousands of other commercial and industrial customers that Atmos Energy goes all out to serve.

**Running our utilities exceptionally well**

Atmos Energy is one of the largest pure natural gas distributors in the United States. During fiscal 2002, our utility operations continued to grow with added efficiency and improved service.

Gross profit benefited from an increase in sales volumes associated with the performance of the Louisiana Gas Service assets we purchased in July 2001. Our LGS acquisition added 279,000 new utility customers.

Utility operations contributed $43.0 million, or 72 percent, of consolidated net income. Earnings for the segment declined year-over-year primarily because of increased expenses for operation and maintenance associated with the LGS acquisition and for increased labor and employee benefits in all utility divisions.

However, our utility employees achieved impressive savings in many areas. In fiscal 2001, natural gas prices set all-time highs, causing an unprecedented run up in our bad-debt expense. Our employees reduced bad debts significantly in fiscal 2002 through consistent and innovative collection methods. As a result, the provision for doubtful accounts in fiscal 2002 decreased by $26.2 million for the entire company.

One team, one name

A major achievement during the year was the consolidation of our former regional trade names under one new national trademark – Atmos Energy.™ For upwards of 70 years, our divisions had operated under well-known names, which had reputations for reliable, safe and friendly service.

Atmos Energy's employees have long been one team. With the adoption of our new trademark, the company now has one name by which people across the country will know us. This new national brand will help our customers, investors and communities better recognize and understand the full scope of our operations and will help us attract industrial and economic development to our communities.

Excellence in customer service

Our new image results in more than just appearance. It symbolizes our strategy to raise our customer service to a new level of excellence. It also reflects a sizable commitment on our part to make doing business with us easier.

During 2002, we remodeled and updated more than 150 local offices and service centers, improved the telephone-response capabilities at our Texas and Louisiana call centers, added convenient bill-payment options and electronic payment over the Internet, and conducted seminars about service improvement for more than 2,000 employees to identify ways to better serve our customers.

We are raising our own already high expectations for customer service to set the mark for the gas industry as a whole. We expect our national brand to stand for a new level of service excellence and for Atmos Energy to be known, not just in the utility industry but across the country, as one of the best service providers.

As we pursue this initiative in 2003, we will be assessing new service guarantees, such as more flexible scheduling to better accommodate customers' needs. We will be adding innovative e-commerce features to our Web site to let customers start and stop service, pay bills and get help, and we will be working to better understand our customers' needs through research.

### Tariff adjustments

As a regulated utility, Atmos Energy is dedicated to controlling costs paid by its customers. Our employees do an extremely good job in this regard, as shown by key industry measures like operation and maintenance expense per customer.

However, some costs are beyond our control. This was true of the societal costs of bad debts owed by customers who could not pay for the record-high costs of natural gas during the winter of 2000-2001. Our employees worked with these customers and with agencies that provide energy-assistance funds to help lower the burden whenever possible. In addition, we gained special approval in four states to recover some of the extraordinary bad-debt expenses incurred.

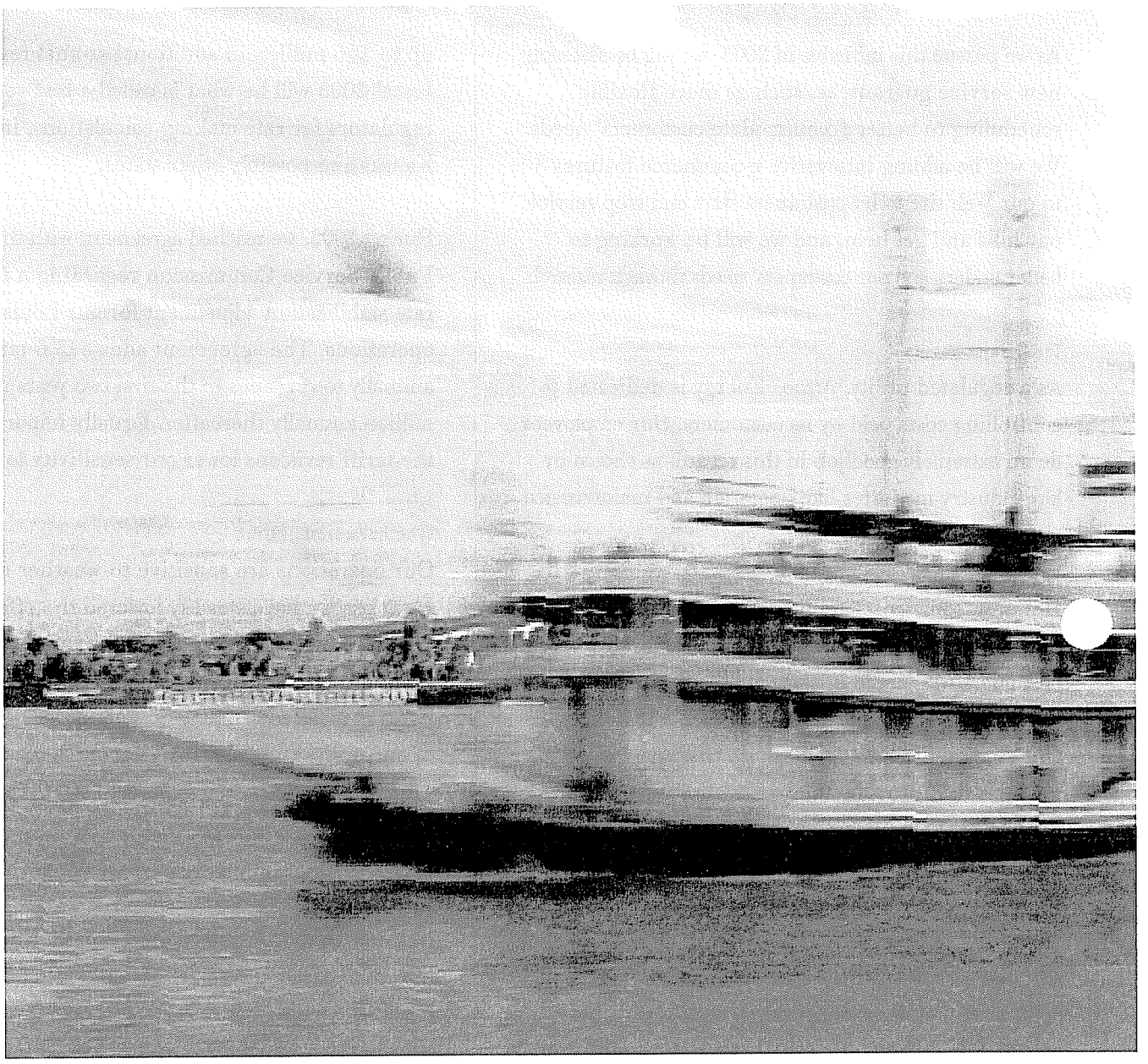
Atmos Energy monitors its actual rates of return compared with its authorized rates of return. In jurisdictions where our actual return does not keep up with our allowed return, we typically evaluate the need for a rate filing. During 2002, we made plans to file in a number of jurisdictions during the next five years. We expect these filings will produce up to $66 million in additional annual revenues. Fiscal 2003 will be what is called a test year, used by regulators for rate-making calculations, in Texas, Kansas and possibly other states.

During 2002, we reached agreement with the Louisiana Public Service Commission regarding a tariff rate stabilization adjustment for our Louisiana utility operations. The agreement adds $15.8 million annually to revenues in the first two years and $12.2 million annually thereafter. Equally important, the tariff revisions lower our sensitivity to weather.

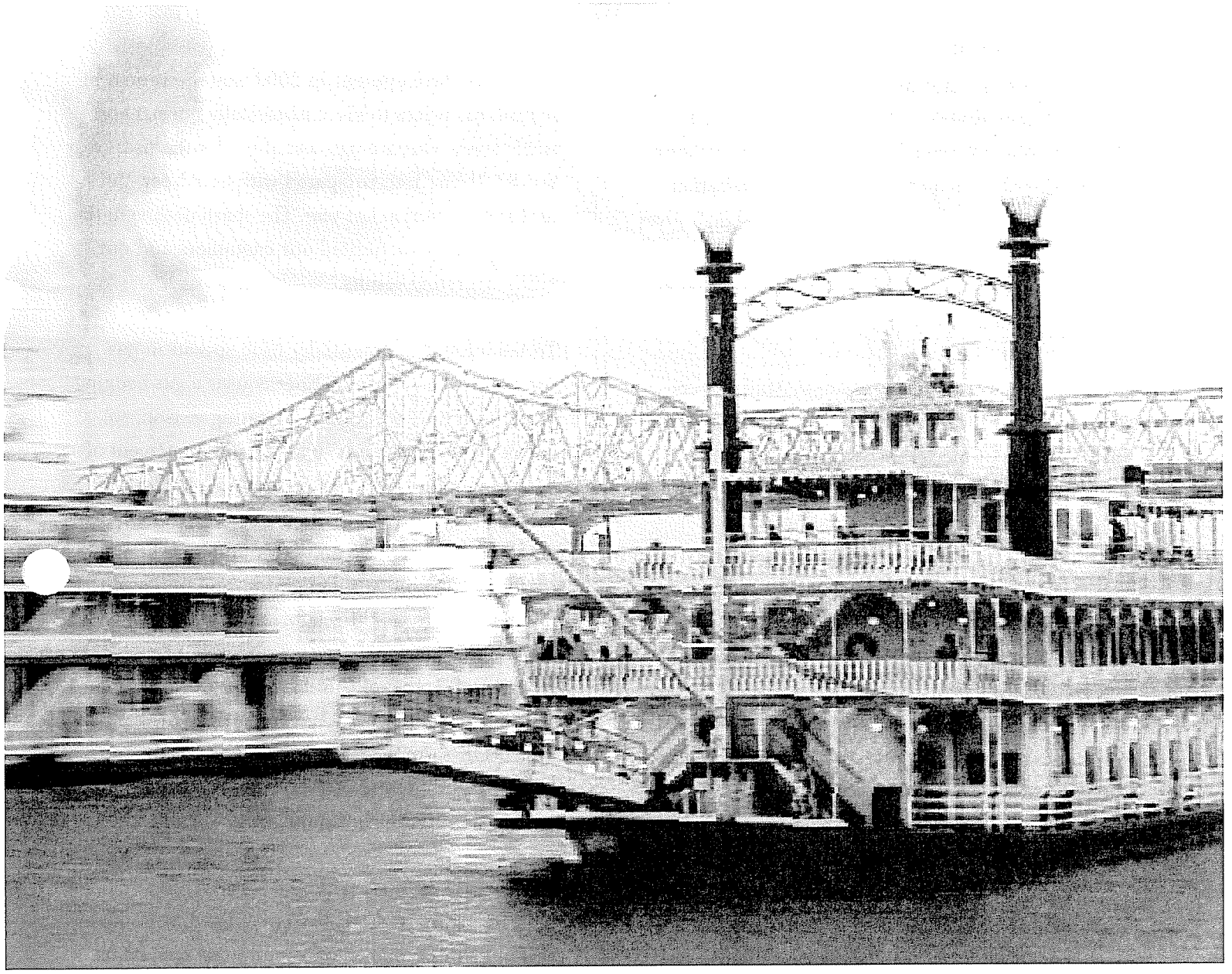
### Weather normalization

Our operations are sensitive to weather conditions. However, we have steadily lowered the effects that weather can have on our customers and investors using a number of methods. Our system had weather normalization adjustments in rates covering 27 percent of our utility customer base during 2002. With the acquisition of Mississippi Valley Gas, that percentage has increased to 38 percent.

If winter weather is abnormally warm – resulting in lower than normal income, weather normalization increases gas bills. It also reduces winter gas bills if the weather turns extremely cold, which usually generates above-normal income. Over time, these weather normalization adjustments generally balance out.



Energy. To Natchez, Mississippi, where the paddle wheelers still provide a



vital economic lifeline.

And to the 39,157 miles of underground pipeline by which Atmos Energy delivers vital supplies of natural gas.

In our future rate filings, we intend to seek weather normalization in rates in most jurisdictions both to protect Atmos Energy's income and to prevent shocks to our customers' budgets. Many state utility commissions have approved weather normalization because it provides consumer protection while it gives the gas utility adequate income to maintain its distribution system and make new improvements.

### Weather insurance

To limit the uncertainties of weather, Atmos Energy also uses various financial techniques, such as weather insurance. Adjusted for our weather-normalized jurisdictions, weather across our system for all of fiscal 2002 was 6 percent warmer than normal.

In fiscal 2002, we had in force the first year of a three-year weather policy. The policy pays a benefit when weather in Texas and Louisiana during the months of October through March averages 7 percent warmer than normal. Breakeven on the policy is weather that averages 11 percent warmer than normal. This policy will remain in force for the 2002-2003 heating season. We have an option for a third season in 2003-2004 if we continue to need the protection.

Because the weather in Texas and Louisiana was about 6 percent warmer than normal during the covered six-month heating season of fiscal 2002, we did not realize a benefit from the weather insurance. Having weather insurance provides protection against the effects on earnings of warm weather in Texas and Louisiana as has occurred in past years.

### Lower gas prices

A positive development in 2002 was the return of natural gas prices to more historically normal and stable levels. Our average cost of gas for the fiscal year was $3.81 per Mcf, compared with $6.83 per Mcf for the same period last year. The sharp decline in the year's gas costs benefited our customers and our utility operating results.

To moderate the potentially wide spread in gas commodity costs, Atmos Energy uses a gas-hedging program. For the 2002-2003 heating season, we have covered between 45 percent and 50 percent of our anticipated flowing gas requirements. We will use the "natural hedge" of our own gas storage fields for about 20 percent to 25 percent of our winter requirements and will hedge the remainder with financial hedges and fixed-forward contracts.

Hedging offers benefits to our utility customers and to Atmos Energy by avoiding severe price spikes. This is our second year for a formal gas-hedging program, and the response to it from our state utility commissions has been favorable.

### Making sound acquisitions

With the addition of Mississippi Valley Gas Company, beginning in December 2002, our utility operations now serve about 1.7 million customers in more than 1,000 communities across 12 states.

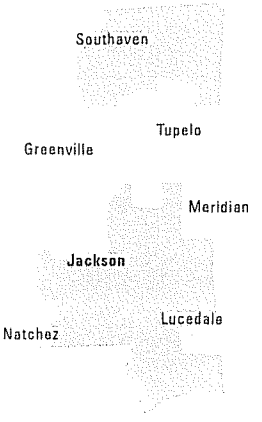
Atmos Energy announced in September 2001 that it would acquire Mississippi Valley Gas for approximately $150 million – $75 million cash and $75 million of Atmos Energy common stock. Atmos Energy also repaid about $45 million of Mississippi Valley Gas' long-term debt. We expect Mississippi Valley Gas' operations to be slightly accretive to fiscal 2003 earnings.

Mississippi Valley Gas is the largest natural gas local distribution company in Mississippi, serving 144 communities in 36 counties of the state. The major cities served are Jackson, the state capital; Greenville, a busy port on the Mississippi River; Tupelo, an industrial city; Meridian, home of two airbases; Southaven, a fast-growing suburb of Memphis, Tennessee; and historic Natchez.

Mississippi Valley Gas operates 5,500 miles of natural gas distribution system and 335 miles of transmission pipeline. It owns two underground storage facilities having a total working gas capacity of 2.05 Bcf.

Residential consumers make up about nine out of 10 of its customers and provide about half of its revenues. Industrial and commercial customers together account for about 40 percent of revenues. Its rates are weather-normalized and include provisions for monthly purchased gas cost adjustments and semi-annual rate adjustments.

**Mississippi Valley Gas Company**




Utility Operations

**Benefits of the acquisition**

Atmos Energy is fully committed to maintaining Mississippi Valley Gas' excellent service standards and adding innovations to benefit customers. Management of the utility will remain in Jackson, and local offices across the system will continue to be responsive to customers' needs.

Over the long-term, we expect Mississippi Valley Gas' cost of service will decline from levels it otherwise would have reached if the utility were to remain a stand-alone company. The savings are expected from new efficiencies and economies of scale that can be achieved by being part of Atmos Energy.

For Atmos Energy, the acquisition offers many potential benefits, too. We will benefit from serving 260,000 new gas utility customers. Our expanded base of customers will further spread our overhead, lowering the costs for all customers. More customers also will help us to achieve greater synergies, especially with new technologies. Longer-term, we will benefit from the diversity of economic activity, weather patterns, types of customers and rate-making provisions in the Mississippi market.

To finance the transaction, Atmos Energy used a $150 million bank-loan facility to provide initial financing for the $75 million cash portion of the acquisition and to repay Mississippi Valley Gas' long-term debt. In time, we will replace this short-term financing with long-term borrowings.

**Growing our nonutility operations**

Nonutility operations grew significantly in fiscal 2002, contributing $16.7 million to net income, or 28 percent. That compares to $6.2 million in fiscal 2001.

Nonutility operations benefited from our April 2001 acquisition of the remaining interest in Woodward Marketing, our acquisition of LGS Natural Gas assets in July 2001 and our purchases in 2001 and 2002 of other nonutility assets.

Our full ownership of Woodward Marketing increased the benefits Atmos Energy derives from Woodward's leading position in the domestic gas marketing and trading business. Woodward Marketing consistently has been ranked as one of the industry's best in customer service, and its reputation has ensured long and continuing relations with its customers.

**Mississippi Valley Gas Company**

| | |
|---|---|
| Customers served (approx.) | 260,000 |
| Communities served | 144 |
| Number of employees | 619 |
| Total assets at Sept. 30, 2002 ($000s) | $210,073 |
| Annual revenues for fiscal year ending Sept. 30, 2002 ($000s) | $219,126 |
| Net income for fiscal year ending Sept. 30, 2002 ($000s) | $9,639 |
| Total gas throughput (MMcf) during fiscal year 2002 | 36,705 |

Woodward Marketing's main business is procuring natural gas supplies and managing transportation and storage-capacity assets to provide citygate gas service for some 800 wholesale industrial customers and municipalities. It is primarily a physical trader.

Woodward also offers many specialized gas-management services. Through its affiliation with Atmos Pipeline and Storage, it manages nonutility storage and transportation assets owned by Atmos Energy. Woodward Marketing has a fundamentally sound business model, giving us great confidence in its future. This is particularly so today in light of the many gas marketing and trading companies that are experiencing difficulties.

**Strong results of operations**

Nonutility operations in fiscal 2002 had higher operating margins, largely due to Woodward Marketing's increased sales volumes from new and existing gas customers and its favorable margins on sales of gas from inventory.

Along with strong marketing and trading results, Woodward Marketing negotiated several strategic acquisitions that added to 2002 results.

It completed the acquisition of the East Diamond storage field in Kentucky, adding about 2.2 Bcf of working gas capacity.

It acquired two natural gas marketing companies based in Owensboro, Kentucky, to improve its competitive position within the region and to add to its customer base.

It also purchased gas procurement and management services contracts with a throughput of about 7.5 Bcf to serve 40 additional municipal customers in seven states.

Through acquisitions, Woodward is strategically growing its revenue base in its existing markets. As our nonutility operations grow, their need for credit will increase, too. In 2002, Woodward Marketing renegotiated its uncommitted demand credit facility to increase the limit by $85 million to $210 million.

Summary Annual Report

The financial information presented in this report about Atmos Energy Corporation is condensed. Our complete financial statements, including notes, as well as management's discussion and analysis of financial condition and results of operations are presented in our Annual Report on Form 10-K. Atmos Energy's chief executive officer and its chief financial officer have complied with, and have executed, all certifications of these financial statements required under the Sarbanes-Oxley Act of 2002 and all related rules of the Securities and Exchange Commission with respect to the financial statements contained within. Investors may request, without charge, our Annual Report on Form 10-K for the fiscal year ended September 30, 2002, by calling Investor Relations at 1-800-382-8667 between 8 a.m. and 5 p.m. Central time. Our Form 10-K also is available on Atmos Energy's Web site at http://www.atmosenergy.com. Additional investor information is presented inside the back cover of this report.


Atmos Energy at a Glance
Condensed Consolidated Balance Sheets
Condensed Consolidated Statements of Income
Condensed Consolidated Statements of Cash Flows
Report of Independent Auditors
Consolidated Financial and Statistical Summary 1992-2002
Forward-Looking Statements

| Year ended September 30 | 2002 | 2001 |
|---|---|---|
| **Meters in service** | | |
| Residential | 1,247,247 | 1,243,625 |
| Commercial | 122,156 | 122,274 |
| Industrial (including agricultural) | 12,694 | 13,020 |
| Public authority and other | 7,244 | 7,404 |
| Total meters | 1,389,341 | 1,386,323 |
| **Heating degree days** | | |
| Actual (weighted average) | 3,368 | 4,124 |
| Percent of normal | 94% | 115% |
| **Sales volumes (MMcf)** | | |
| Residential | 77,386 | 79,000 |
| Commercial | 35,796 | 36,922 |
| Industrial (including agricultural) | 26,431 | 33,730 |
| Public authority and other | 5,875 | 6,892 |
| Total | 145,488 | 156,544 |
| **Transportation volumes (MMcf)** | 63,053 | 61,230 |
| **Total throughput (MMcf)** | 208,541 | 217,774 |
| **Operating revenues (000s)** | | |
| Gas sales revenues | | |
| Residential | $ 535,981 | $ 788,902 |
| Commercial | 221,728 | 342,945 |
| Industrial (including agricultural) | 112,172 | 208,168 |
| Public authority and other | 31,731 | 58,539 |
| Total | 901,612 | 1,398,554 |
| Transportation revenues | 36,591 | 28,668 |
| Other gas revenues | 11,258 | 10,925 |
| Total gas revenues | 949,461 | 1,438,147 |
| Other revenues | 1,388 | 4,128 |
| **Total operating revenues (000s)** | $ 950,849 | $ 1,442,275 |
| **Other statistics** | | |
| Gross plant (000s) | $ 2,127,827 | $ 2,109,867 |
| Net plant (000s) | $ 1,300,320 | $ 1,335,398 |
| Miles of pipe | 39,157 | 38,938 |
| Employees | 2,338 | 2,361 |

## CONDENSED CONSOLIDATED BALANCE SHEETS

| **September 30** (Dollars in thousands, except share data) | 2002 | 2001 |
|---|---|---|
| Assets | | |
| **Property, plant and equipment** | $ 2,103,428 | $ 2,055,986 |
| **Construction in progress** | 24,399 | 53,881 |
| | 2,127,827 | 2,109,867 |
| **Less accumulated depreciation and amortization** | 827,507 | 774,469 |
| Net property, plant and equipment | 1,300,320 | 1,335,398 |
| **Current assets** | | |
| Cash and cash equivalents | 46,827 | 15,263 |
| Cash held on deposit in margin account | 10,192 | 66,666 |
| Accounts receivable, net | 136,227 | 124,046 |
| Inventories | 3,769 | 6,041 |
| Gas stored underground | 91,783 | 89,555 |
| Assets from risk management activities | 27,984 | 95,968 |
| Deferred gas cost | — | 10,999 |
| Other current assets and prepayments | 13,209 | 15,713 |
| Total current assets | 329,991 | 424,251 |
| **Intangible assets** | 5,365 | 12,125 |
| **Goodwill** | 185,015 | 64,745 |
| **Noncurrent assets from risk management activities** | 5,241 | 29,771 |
| **Deferred charges and other assets** | 154,289 | 169,890 |
| | $ 1,980,221 | $ 2,036,180 |
| Capitalization and Liabilities | | |
| **Shareholders' equity** | | |
| Common stock, no par value (stated at $.005 per share); 100,000,000 shares authorized; issued and outstanding: 2002 – 41,675,932 shares, 2001 – 40,791,501 shares | $ 208 | $ 204 |
| Additional paid-in capital | 508,265 | 489,948 |
| Retained earnings | 106,142 | 95,132 |
| Accumulated other comprehensive income (loss) | (41,380) | (1,420) |
| Shareholders' equity | 573,235 | 583,864 |
| **Long-term debt** | 670,463 | 692,399 |
| Total capitalization | 1,243,698 | 1,276,263 |
| **Current liabilities** | | |
| Current maturities of long-term debt | 21,980 | 20,695 |
| Short-term debt | 145,791 | 201,247 |
| Accounts payable and accrued liabilities | 135,609 | 84,471 |
| Taxes payable | 15,626 | 11,620 |
| Customers' deposits | 31,147 | 32,351 |
| Liabilities from risk management activities | 18,487 | 119,484 |
| Deferred gas cost | 21,947 | — |
| Other current liabilities | 72,520 | 41,161 |
| Total current liabilities | 463,107 | 511,029 |
| **Deferred income taxes** | 134,540 | 138,934 |
| **Noncurrent liabilities from risk management activities** | 3,663 | 7,412 |
| **Deferred credits and other liabilities** | 135,213 | 102,542 |
| | $ 1,980,221 | $ 2,036,180 |

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| **September 30** (Dollars in thousands, except per share data) | 2002 | 2001 | 2000 |
|---|---|---|---|
| **Operating revenues** | $ 950,849 | $ 1,442,275 | $ 850,152 |
| **Purchased gas cost** | 558,247 | 1,067,555 | 524,446 |
| **Gross profit** | 392,602 | 374,720 | 325,706 |
| **Gas trading margin** | 38,538 | 488 | — |
| **Operating expenses** | | | |
| Operation and maintenance | 158,119 | 139,608 | 147,897 |
| Depreciation and amortization | 81,469 | 67,664 | 63,855 |
| Taxes, other than income | 36,221 | 37,655 | 28,638 |
| Total operating expenses | 275,809 | 244,927 | 240,390 |
| **Operating income** | 155,331 | 130,281 | 85,316 |
| **Other income (expense)** | | | |
| Equity in earnings of Woodward Marketing, L.L.C. | — | 8,062 | 7,307 |
| Miscellaneous income (expense), net | (1,321) | (1,874) | 7,437 |
| Total other income (expense) | (1,321) | 6,188 | 14,744 |
| **Interest charges** | 59,174 | 47,011 | 43,823 |
| **Income before income taxes** | 94,836 | 89,458 | 56,237 |
| **Income taxes** | 35,180 | 33,368 | 20,319 |
| **Net income** | $ 59,656 | $ 56,090 | $ 35,918 |
| **Basic net income per share** | $ 1.45 | $ 1.47 | $ 1.14 |
| **Diluted net income per share** | $ 1.45 | $ 1.47 | $ 1.14 |
| **Cash dividends per share** | $ 1.18 | $ 1.16 | $ 1.14 |
| **Weighted average shares outstanding:** | | | |
| Basic | 41,171 | 38,156 | 31,461 |
| Diluted | 41,250 | 38,247 | 31,594 |

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| **Year ended September 30** (Dollars in thousands) | 2002 | 2001 | 2000 |
|---|---|---|---|
| Cash Flows from Operating Activities | | | |
| **Net income** | $ 59,656 | $ 56,090 | $ 35,918 |
| **Adjustments to reconcile net income to net cash provided by operating activities:** | | | |
| Depreciation and amortization: | | | |
| Charged to depreciation and amortization | 81,469 | 67,664 | 63,855 |
| Charged to other accounts | 2,452 | 2,806 | 3,065 |
| Deferred income taxes | 14,509 | 18,501 | 18,251 |
| Other | (3,371) | (979) | — |
| Net assets/liabilities from risk management activities | (9,576) | 13,881 | — |
| Gain on sale of non-regulated assets | — | — | (5,831) |
| Changes in assets and liabilities | 151,092 | (74,968) | (61,062) |
| Net cash provided by operating activities | 296,231 | 82,995 | 54,196 |
| Cash Flows Used in Investing Activities | | | |
| Capital expenditures | (132,252) | (113,109) | (75,557) |
| Acquisitions | (15,747) | (363,399) | (32,000) |
| Retirements of property, plant and equipment, net | (1,725) | (1,460) | 957 |
| Assets for leasing activities | (8,511) | (5,377) | — |
| Increase in cash from acquisition | — | 8,644 | — |
| Proceeds from sale of assets, net | — | 6,625 | 6,467 |
| Net cash used in investing activities | (158,235) | (468,076) | (100,133) |
| Cash Flows from Financing Activities | | | |
| Net increase (decrease) in short-term debt | (55,456) | (48,800) | 81,743 |
| Net proceeds from issuance of long-term debt | — | 347,099 | — |
| Repayment of long-term debt | (20,651) | (17,670) | (14,567) |
| Cash dividends paid | (48,646) | (44,112) | (35,995) |
| Issuance of common stock | 18,321 | 14,405 | 13,550 |
| Net proceeds from equity offering | — | 142,043 | — |
| Net cash provided (used) by financing activities | (106,432) | 392,965 | 44,731 |
| Net increase (decrease) in cash and cash equivalents | 31,564 | 7,884 | (1,206) |
| **Cash and cash equivalents at beginning of year** | 15,263 | 7,379 | 8,585 |
| **Cash and cash equivalents at end of year** | $ 46,827 | $ 15,263 | $ 7,379 |

To Shareholders of Atmos Energy Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated balance sheets of Atmos Energy Corporation at September 30, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 30, 2002 (not presented separately herein) and in our report dated November 8, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheets and statements of income and cash flows are fairly stated in all material respects in relation to the basic consolidated financial statements from which they have been derived.

Ernst & Young LLP

Dallas, Texas
November 8, 2002

## CONSOLIDATED FINANCIAL AND STATISTICAL SUMMARY (1992-2002)

| Year ended September 30 | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| **Balance Sheet Data at September 30** (Dollars in thousands) | | | | | |
| Capital expenditures | $ 132,252 | $ 113,109 | $ 75,557 | $ 110,353 | $ 134,989 |
| Net property, plant and equipment | 1,300,320 | 1,335,398 | 982,346 | 965,782 | 917,860 |
| Working capital | (133,116) | (86,778) | (181,890) | (151,622) | (116,679) |
| Total assets | 1,980,221 | 2,036,180 | 1,348,758 | 1,230,537 | 1,141,390 |
| Shareholders' equity | 573,235 | 583,864 | 392,466 | 377,663 | 371,158 |
| Long-term debt, excluding current maturities | 670,463 | 692,399 | 363,198 | 377,483 | 398,548 |
| Total capitalization | 1,243,698 | 1,276,263 | 755,664 | 755,146 | 769,706 |
| **Income Statement Data** (Dollars in thousands, except per share data) | | | | | |
| Operating revenues | $ 950,849 | $ 1,442,275 | $ 850,152 | $ 690,196 | $ 848,208 |
| Gross profit | 392,602 | 374,720 | 325,706 | 299,794 | 331,836 |
| Net income | 59,656 | 56,090 | 35,918 | 17,744 | 55,265 |
| Net income per share – diluted | 1.45 | 1.47 | 1.14 | .58 | 1.84 |
| **Common Stock Data** | | | | | |
| Shares outstanding (In thousands) | | | | | |
| End of year | 41,676 | 40,792 | 31,952 | 31,248 | 30,398 |
| Weighted average | 41,250 | 38,247 | 31,594 | 30,819 | 30,031 |
| Cash dividends per share | $ 1.18 | $ 1.16 | $ 1.14 | $ 1.10 | $ 1.06 |
| Shareholders of record | 28,829 | 30,524 | 32,394 | 35,179 | 36,949 |
| Market price – High | $ 24.46 | $ 26.25 | $ 25.00 | $ 32.69 | $ 31.06 |
| Low | $ 18.37 | $ 19.31 | $ 14.75 | $ 23.06 | $ 24.63 |
| End of year | $ 21.50 | $ 21.60 | $ 20.63 | $ 24.13 | $ 28.56 |
| Book value per share at end of year | $ 13.75 | $ 14.31 | $ 12.28 | $ 12.09 | $ 12.21 |
| Price/Earnings ratio at end of year | 14.83 | 14.69 | 18.09 | 41.59 | 15.52 |
| Market/Book ratio at end of year | 1.56 | 1.51 | 1.68 | 2.00 | 2.34 |
| Annualized dividend yield at end of year | 5.5% | 5.4% | 5.5% | 4.6% | 3.7% |
| **Customers and Volumes** (As metered) | | | | | |
| Gas sales volumes (MMcf) | 145,488 | 156,544 | 138,199 | 140,119 | 159,373 |
| Gas transportation volumes (MMcf) | 63,053 | 61,230 | 59,365 | 55,468 | 56,224 |
| Total throughput (MMcf) | 208,541 | 217,774 | 197,564 | 195,587 | 215,597 |
| Meters in service at end of year | 1,389,341 | 1,386,323 | 1,096,599 | 1,037,995 | 1,004,532 |
| Total meters and propane customers | 1,389,341 | 1,386,323 | 1,096,599 | 1,077,534 | 1,041,932 |
| Heating degree days# | 3,368 | 4,124 | 2,096 | 3,374 | 3,799 |
| Degree days as a percentage of normal | 94% | 115% | 82% | 85% | 95% |
| Average gas sales price per Mcf sold | $ 6.20 | $ 8.93 | $ 5.65 | $ 4.53 | $ 4.87 |
| Average purchased gas cost per Mcf sold | $ 3.81 | $ 6.83 | $ 3.79 | $ 2.79 | $ 3.24 |
| Average transportation fee per Mcf | $ .58 | $ .47 | $ .40 | $ .42 | $ .43 |
| **Statistics** | | | | | |
| Return on average shareholders' equity | 9.9% | 10.4% | 9.3% | 4.7% | 15.8% |
| Number of employees | 2,338 | 2,361 | 1,885 | 2,062 | 2,193 |
| Net plant per meter | $ 936 | $ 963 | $ 896 | $ 930 | $ 914 |
| Operating, maintenance and administrative expense per meter | $ 101 | $ 130‡ | $ 135 | $ 146 | $ 136 |
| Customers per employee | 594 | 587 | 582 | 523 | 475 |
| Times interest earned before income taxes | 2.55 | 2.83 | 2.28 | 1.56 | 3.09 |

| 1997* | 1996 | 1995 | 1994† | 1993† | 1992† |
|---|---|---|---|---|---|
| $ 122,312 | $ 117,589 | $ 103,904 | $ 85,471 | $ 74,110 | $ 71,056 |
| 849,127 | 770,211 | 697,287 | 638,787 | 592,887 | 552,599 |
| (169,518) | (102,764) | (41,980) | (32,340) | (31,830) | (16,398) |
| 1,088,311 | 1,010,610 | 900,948 | 829,385 | 786,739 | 723,632 |
| 327,260 | 329,582 | 304,349 | 267,584 | 251,317 | 223,984 |
| 302,981 | 276,162 | 294,463 | 282,647 | 257,696 | 269,887 |
| 630,241 | 605,744 | 598,812 | 550,231 | 509,013 | 493,871 |
| $ 906,835 | $ 886,691 | $ 749,555 | $ 826,302 | $ 794,893 | $ 708,968 |
| 329,654 | 324,412 | 300,158 | 297,020 | 289,394 | 264,098 |
| 23,838 | 41,151 | 28,808 | 26,772 | 29,694 | 21,216 |
| .81 | 1.42 | 1.06 | 1.05 | 1.21 | .91 |
| 29,642 | 29,242 | 28,246 | 25,911 | 25,183 | 24,100 |
| 29,422 | 28,994 | 27,208 | 25,604 | 24,535 | 23,324 |
| $ 1.01 | $ .98 | $ .96 | $ .91 | $ .82 | $ .79 |
| 29,867 | 36,472 | 31,782 | 27,005 | 24,649 | 12,989 |
| $ 27.88 | $ 31.00 | $ 20.63 | $ 21.13 | $ 20.63 | $ 15.25 |
| $ 22.13 | $ 18.00 | $ 15.88 | $ 16.38 | $ 13.50 | $ 12.63 |
| $ 24.88 | $ 23.38 | $ 19.38 | $ 17.75 | $ 20.25 | $ 14.88 |
| $ 11.04 | $ 11.27 | $ 10.77 | $ 10.33 | $ 9.98 | $ 9.29 |
| 30.71 | 16.46 | 18.28 | 16.90 | 16.74 | 16.35 |
| 2.25 | 2.07 | 1.80 | 1.72 | 2.03 | 1.60 |
| 4.1% | 4.2% | 5.0% | 5.1% | 4.1% | 5.3% |
| 164,208 | 178,293 | 166,656 | 170,691 | 166,065 | 151,316 |
| 48,800 | 44,146 | 47,647 | 47,882 | 51,665 | 43,320 |
| 213,008 | 222,439 | 214,303 | 218,573 | 217,730 | 194,636 |
| 985,448 | 976,308 | 949,213 | 943,728 | 888,315 | 876,142 |
| 1,014,545 | 1,002,416 | 972,572 | 965,421 | 908,813 | 897,262 |
| 3,909 | 4,043 | 3,706 | 3,855 | 4,080 | 3,676 |
| 98% | 101% | 93% | 97% | 102% | 92% |
| $ 5.11 | $ 4.51 | $ 4.07 | $ 4.41 | $ 4.32 | $ 4.20 |
| $ 3.51 | $ 3.15 | $ 2.70 | $ 3.10 | $ 3.04 | $ 2.94 |
| $ .41 | $ .43 | $ .42 | $ .45 | $ .42 | $ .50 |
| 7.3% | 13.0% | 10.1% | 10.3% | 12.5% | 10.1% |
| 2,679 | 2,863 | 2,944 | 3,052 | 3,105 | 3,102 |
| $ 862 | $ 789 | $ 735 | $ 677 | $ 645 | $ 611 |
| $ 183 | $ 160 | $ 163 | $ 169 | $ 169 | $ 163 |
| 379 | 350 | 330 | 316 | 293 | 289 |
| 2.04 | 3.00 | 2.44 | 2.45 | 2.47 | 2.07 |

* Amounts for years before 1997 have been restated for pooling of interests with United Cities Gas Company in July 1997.
† Share data have been adjusted for a 3-for-2 stock split in May 1994, and amounts have been restated for pooling of interests with Greeley Gas Company in December 1993.
# Heating degree days for 2002 and 2001 are adjusted for service areas with weather-normalized operations. Heating degree days for years prior to 2001 are not adjusted for service areas with weather-normalized operations, as that information was not available.
‡ *Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.*

The matters discussed or incorporated by reference in this Summary Annual Report may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 or 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 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 report or in any of the Company's other documents or oral presentations, the words "anticipate," "expect," "estimate," "plans," "believes," "objective," "forecast," "goal" 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 the Company's strategy, earnings per share projections, operations, markets, services, rates, recovery of costs, availability of gas supply and other factors. A discussion of these risks and uncertainties may be found in the Company's Form 10-K for the year ended September 30, 2002.

Although the Company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. Further, the Company undertakes no obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

**Senior Management Team**

Robert W. Best
Chairman, President and Chief Executive Officer

J. Patrick Reddy
Senior Vice President and Chief Financial Officer

R. Earl Fischer
Senior Vice President, Utility Operations

JD Woodward
Senior Vice President, Nonutility Operations

Louis P. Gregory
Senior Vice President and General Counsel

Wynn D. McGregor
Vice President, Human Resources

**Utility Divisions**

J. Kevin Akers
President, Mississippi Valley Gas Division

Thomas R. Blose, Jr.
President, Mid-States Division

Conrad E. Gruber
President, Louisiana Division

Tom S. Hawkins, Jr.
President, Texas Division

John A. Paris
President, Kentucky Division

Gary L. Schlessman
President, Colorado–Kansas Division

**Nonutility Business**

Ron W. McDowell
Vice President, New Business Ventures

**Shared Services**

Leslie H. Duncan
Vice President and Chief Information Officer

Shirley A. Hines
Corporate Secretary

Susan C. Kappes
Vice President, Investor Relations and Corporate Communications

Robert E. Mattingly
Vice President, Gas Supply

Fred E. Meisenheimer
Vice President and Controller

Gordon J. Ray
Vice President, Security and Compliance

Laurie M. Sherwood
Vice President, Corporate Development, and Treasurer

## BOARD OF DIRECTORS

Travis W. Bain II
Chairman, Texas Custom Pools, Inc.
Plano, Texas
Board member since 1988
Committees: Work Session/Annual Meeting (Chairman), Audit, Human Resources

Robert W. Best
Chairman, President and Chief Executive Officer
Atmos Energy Corporation
Dallas, Texas
Board member since 1997
Committee: Executive

Dan Busbee
Attorney
Dallas, Texas
Board member since 1988
Committees: Audit (Chairman), Human Resources

Richard W. Cardin
Consultant, and retired partner of Arthur Andersen LLP
Nashville, Tennessee
Board member since 1997
Committees: Audit, Nominating

Thomas J. Garland
Chairman of the Tusculum Institute for Public Leadership and Policy
Greeneville, Tennessee
Board member since 1997
Committees: Human Resources, Work Session/Annual Meeting

Richard K. Gordon
Vice Chairman, Investment Banking
Merrill Lynch & Company
Houston, Texas
Board member since 2001
Committee: Human Resources

Gene C. Koonce
Formerly Chairman of the Board, President and Chief Executive Officer
United Cities Gas Company
Nashville, Tennessee
Board member since 1997
Committees: Human Resources (Chairman), Executive, Work Session/Annual Meeting

Dr. Thomas C. Meredith
Chancellor of the University System of Georgia
Atlanta, Georgia
Board member since 1995
Committees: Audit, Nominating

Phillip E. Nichol
Senior Vice President of Central Division Staff
UBS PaineWebber Incorporated
Dallas, Texas
Board member since 1985
Committees: Nominating (Chairman), Human Resources, Work Session/Annual Meeting

Carl S. Quinn
General Partner, Quinn Oil Company, Ltd.
East Hampton, New York
Board member since 1994
Committees: Audit, Executive, Nominating

Charles K. Vaughan
Formerly Chairman of the Board
Atmos Energy Corporation
Dallas, Texas
Board member since 1983
Committee: Executive (Chairman)

Richard Ware II
President, Amarillo National Bank
Amarillo, Texas
Board member since 1994
Committees: Nominating, Work Session/Annual Meeting

Lee E. Schlessman
Honorary Director
President, Dolo Investment Company
Denver, Colorado
Retired from Board in 1998

### Common Stock Listing
New York Stock Exchange. Trading symbol: ATO

### Stock Transfer Agent and Registrar
Shareholder inquiries on stock transfers may be directed to EquiServe Trust Company, N.A., P.O. Box 43010, Providence, RI 02940-3010. You may also call the interactive voice response system 24 hours a day at 1-800-543-3038. To speak to a customer service representative, call between 9 a.m. and 6 p.m. Eastern time, Monday through Friday. You may also send an e-mail through our agent's Web site at http://www.equiserve.com and refer to Atmos Energy in your e-mail.

### Independent Auditors
Ernst & Young LLP
2121 San Jacinto, Suite 1500
Dallas, Texas 75201
(214) 969-8000

### Form 10-K
Atmos Energy Corporation's Annual Report on Form 10-K is available upon request from Investor Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205 or by calling 1-800-38-ATMOS (382-8667) between 8 a.m. and 5 p.m. Central time. Atmos Energy's Form 10-K may also be viewed on Atmos Energy's Web site: http://www.atmosenergy.com.

### Annual Meeting of Shareholders
The Annual Meeting of Shareholders will be held at the Crowne Plaza Hotel, 200 E. Amite Street, Jackson, Mississippi 39201 on Wednesday, February 12, 2003, at 11 a.m. Central Standard Time.

### Direct Stock Purchase Plan
Atmos Energy Corporation has a Direct Stock Purchase Plan that is available to all investors.

For an initial Investment Form or Enrollment Authorization Form and a Plan Prospectus, please call Atmos Energy's Shareholder Relations at 1-800-38-ATMOS (382-8667) between 8 a.m. and 5 p.m. Central time or EquiServe at 1-800-543-3038. The Prospectus is also available on the Internet at http://www.atmosenergy.com. You may also obtain information by writing to Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205.

This is not an offer to sell, or a solicitation to buy, any securities of Atmos Energy. Shares of Atmos Energy common stock purchased through the Direct Stock Purchase Plan will be offered only by Prospectus.

### Atmos Energy Information by Telephone
Atmos Energy Corporation shareholder information is available by phone seven days a week, 24 hours a day through EquiServe's interactive voice response system. To transfer stock, listen to current company information and access daily stock quotes without the assistance of a customer service representative, call 1-800-543-3038 and have your Atmos Energy shareholder account number and your Social Security or federal taxpayer ID number.

### Atmos Energy on the Internet
Information about Atmos Energy is available on the Internet at http://www.atmosenergy.com. Our Web site includes news releases, current and historical financial reports and other investor information, management biographies, customer information and information about Atmos Energy's operations and utility service areas.

### Atmos Energy Corporation Contacts
Shareholder and Direct Stock Purchase Plan Information:
1-800-38-ATMOS (382-8667) between 8 a.m. and 5 p.m. Central time.

InvestorRelations@atmosenergy.com

Financial Information for Securities Analysts, Investment Managers and General Information:
Susan C. Kappes
Vice President, Investor Relations and Corporate Communications
(972) 855-3729 (office)
(972) 855-3040 (fax)
susan.kappes@atmosenergy.com

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Atmos Energy Corporation
P.O. Box 650205
Dallas, Texas 75265-0205
atmosenergy.com

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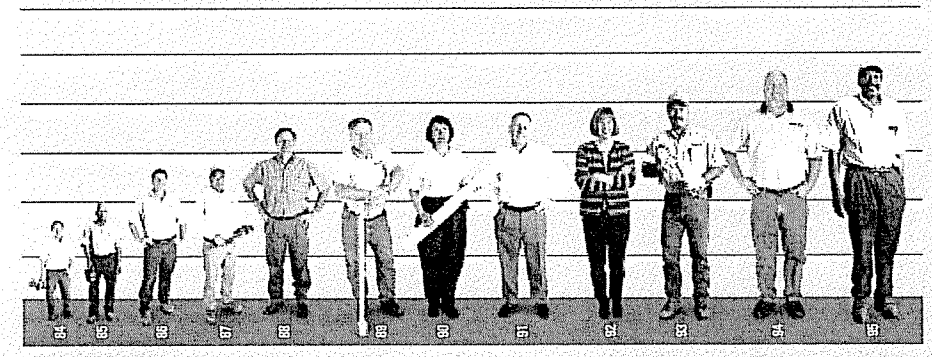
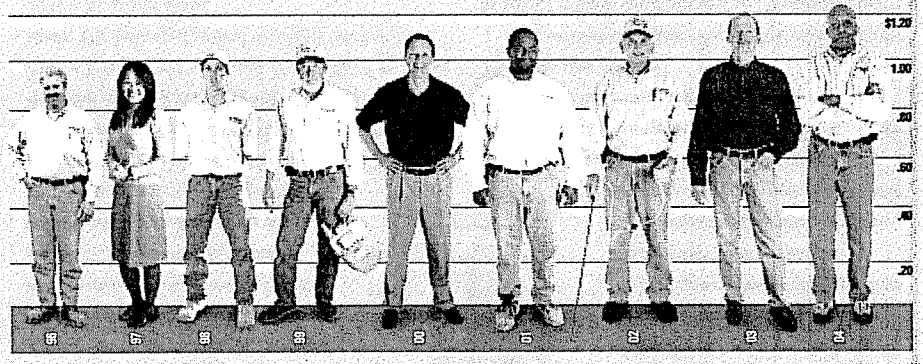
ANNIVERSARY
atmos energy

# A Company that Works.




Dividends in dollars per share




Twenty years of consecutive annual increases in dividends (adjusted for mergers and acquisitions) rank Atmos Energy as one of only 284 corporations that have paid higher consecutive dividends for 10 years or longer, according to Mergent, Inc. Our indicated annual dividend rate for fiscal 2004 is $1.22 per share.

| Year ended September 30 (Dollars in thousands, except per share data) | 2003 | 2002 | Change |
|---|---|---|---|
| Operating revenues | $ 2,799,916 | $ 1,650,964 | 69.6% |
| Gross profit | $ 534,976 | $ 431,140 | 24.1% |
| Utility net income | $ 62,137 | $ 42,994 | 44.5% |
| Natural gas marketing net income (loss) | (970) | 12,614 | -107.7% |
| Other nonutility net income | 10,521 | 4,048 | 159.9% |
| Total | $ 71,688 | $ 59,656 | 20.2% |
| Total assets | $ 2,518,508 | $ 1,981,385 | 27.1% |
| Total capitalization | $ 1,721,435 | $ 1,243,698 | 38.4% |
| Net income per share – diluted | $ 1.54 | $ 1.45 | 6.2% |
| Cash dividends per share | $ 1.20 | $ 1.18 | 1.7% |
| Book value per share at end of year | $ 16.66 | $ 13.75 | 21.2% |
| Consolidated utility segment throughput (MMcf) | 247,965 | 208,541 | 18.9% |
| Consolidated natural gas marketing segment throughput (MMcf) | 225,961 | 204,027 | 10.8% |
| Heating degree days | 3,473 | 3,368 | 3.1% |
| Degree days as a percentage of normal | 101% | 94% | 7.4% |
| Meters in service at end of year | 1,672,798 | 1,389,341 | 20.4% |
| Return on average shareholders' equity | 9.9% | 9.9% | — |
| Shareholders' equity as a percentage of total capitalization (including short-term debt) at end of year | 46.4% | 40.6% | 14.3% |
| Shareholders of record | 28,510 | 28,829 | -1.1% |
| Weighted average shares outstanding – diluted (000s) | 46,496 | 41,250 | 12.7% |


5 Letter to Shareholders

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ATMOS energy

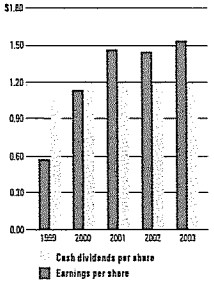
## Dear fellow shareholders:

I am extremely proud of all the work by Atmos Energy's employees who made our 20th anniversary year such a success.

Atmos Energy is *a company that works.* Our 2,905 employees work hard to serve our customers and to deliver strong financial results. For the past two decades, their efforts have produced consistent growth and above-average returns for our 70,000 owners.

That was true again in fiscal 2003. We achieved a 20 percent increase in net income and a 6 percent rise in earnings per diluted share.

In fiscal 2003, Atmos Energy earned $71.7 million. Earnings per diluted share were $1.54 and were within our stated guidance of $1.52 to $1.58 per diluted share. Moreover, we exceeded our industry peer group's average total return of 16.4 percent, delivering a solid 17.2 percent total return to our shareholders. Return on average shareholders' equity was 9.9 percent.




Recognizing these successful results, the Board of Directors in November 2003 increased the annual dividend rate by 2 cents per share. In fiscal 2003, Atmos Energy paid total cash dividends of $1.20 per share. The indicated annual dividend rate for fiscal 2004 is $1.22 per share.

Paying cash dividends consistently is one of the best measures of a company's financial strength. Atmos Energy's record of consecutive annual dividend increases ranks it among the top 2.5 percent of corporations that pay dividends.

Our consistent dividend increases, along with recent cuts in the federal income tax on dividends, have made our stock more attractive to investors seeking value and growth. To the extent our operating results and financial condition permit, the Board of Directors remains committed to raising the dividend annually and to lowering the payout ratio in the future to around 65 percent of earnings.

## 2003 in review

Fiscal 2003 was not without challenges. One of the major hurdles we had to overcome was natural gas prices that were both high and volatile. Zig-zagging gas prices put additional demands on our collection efforts and cut into both our utility and nonutility earnings. Like other corporations, we also faced the added challenge of controlling rapidly rising costs for our employee pension plan, medical coverage and liability insurance.

Through the dedicated determination of our employees, we not only managed those matters, but also achieved other successes. Ten achievements stand out because they will contribute to our long-term success.

## 10 major achievements

First, we took advantage of a window of opportunity to sell 4.1 million common shares. The sale strengthened our balance sheet by improving our debt-to-equity ratio and bolstered our high credit ratings.

Second, we made a $77 million contribution to our pension plan to adequately fund the plan. This should help to protect our employees and retirees and to reduce our future pension funding requirements.

Third, we closed our acquisition of Mississippi Valley Gas Company and welcomed some 260,000 new utility customers and 600 employees of Valley Gas into Atmos Energy. The transaction was the company's ninth major acquisition.

Fourth, we renewed our credit facilities in both our utility and nonutility operations. These credit agreements have allowed us to finance all of our operations in an orderly and disciplined fashion.

Fifth, we received rate increases in Louisiana and in Amarillo, Texas, and we achieved weather normalization adjustments in Kansas and Amarillo. Our ability to grow our earnings relies on our continual success in achieving fair rate designs and keeping rates current.

**These 10 achievements reflect many of the characteristics that differentiate Atmos Energy in the business of delivering natural gas.**

Sixth, by using our 49.4 billion cubic feet of usable and contracted natural gas storage and fixed-forward supply contracts, we hedged about half of our winter gas supply to save our utility customers more than $67 million last year in gas costs.

Seventh, we took steps to enhance the profitability of our nonutility operations by contracting for an additional 1.25 billion cubic feet of natural gas storage, installing a new billing system and renegotiating contracts to reduce the risk of price volatility.

Eighth, we pursued our passion for customer service. Excellence in customer service is an attitude and it starts with each employee. During 2003, we launched a systemwide customer service training program.

Ninth, our investments in technology yielded increasing dividends. Our Enterprise Asset Management Project, as described on page 18, is the latest in a long list of information and telecommunications advances we've made. With our highly automated Customer Support Center and Internet site, we're serving customers better and at lower costs.

Tenth, we continued to manage our total spending in strategic ways. Both our capital outlays and operation and maintenance expense were under budget. Capital expenditures during fiscal 2003 were $159 million. Our O&M expense per customer of $122 continues to compare favorably to our peer group's average expense of $195. Closely managing capital and O&M expenditures helps us stay highly competitive.

These 10 achievements reflect many of the characteristics that differentiate Atmos Energy in the business of delivering natural gas. This summary annual report discusses those characteristics that during the past 20 years have made Atmos Energy a company that works.

## 2004 OUTLOOK

We expect fiscal 2004 will be a challenging year. High gas costs will make collecting customer bills more difficult and will require us to make higher cash outlays for gas supplies. We have targeted annual earnings growth of 3 percent to 5 percent, with our earnings per diluted share expected to range from $1.55 to $1.60.

As Atmos Energy enters its third decade, the company is well positioned for long-term growth and continued success. Our balance sheet is strong; our credit ratings are high; our rate filings have added to revenues and have reduced the effects of weather on profitability; and our earnings have grown at a steady pace, enabling us to pay higher dividends each year.

## FOUNDATION OF SUCCESS

The foundation of Atmos Energy's success has been built on our utility operations, which provide about 80 percent of our net income. Through acquisitions, we have evolved from a regional Texas gas utility to one of the country's largest natural gas distribution companies. We are known for making responsible, disciplined and accretive acquisitions.

To strengthen the company's foundation, we have added opportunities for long-term growth through our nonutility operations. Our natural gas marketing business, for instance, ranks as one of the best in the industry based on independent customer satisfaction surveys.

We have pursued a consistent strategy of running our utilities well, of making sound acquisitions and of expanding our nonutility business. Our reputation has grown not from our size, but from the neighborliness, mettle and strength of character of Atmos Energy's employees.

Our commitment to strong ethics and integrity has been part of the company since its founding, long before the Sarbanes-Oxley Act was passed. To reiterate that commitment, the Board of Directors this past year reviewed and revised its committee charters and our code of conduct for all directors, officers and employees.

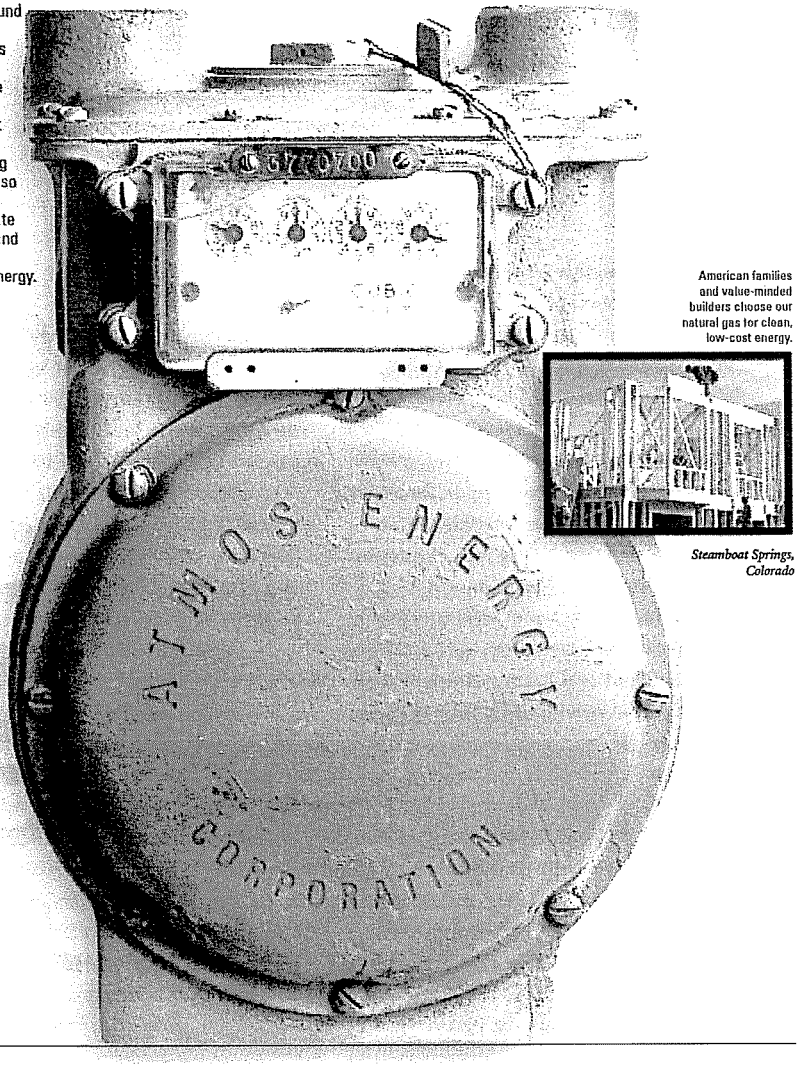
We pledge to continue to manage Atmos Energy for long-term success, not for immediate or personal gains. Our goals remain to grow and prosper financially, to foster great customer service, to be a safe and rewarding place to work and to benefit all those who associate with Atmos Energy—our shareholders, customers, communities and employees. I thank you, our owners, and all of our employees for supporting these goals.

Consistency in purpose, financial results and ethical conduct stands as Atmos Energy's foremost strength as we observe our 20th year.

Robert W. Best

Robert W. Best
Chairman, President and Chief Executive Officer
December 1, 2003

**Since 1983, our annual customer growth rate has averaged over 9%.** By making sound acquisitions and adding customers within existing operations, we've become one of America's largest pure natural gas distributors. Along the way, we've also learned how to efficiently integrate new operations and customers into a growing Atmos Energy.

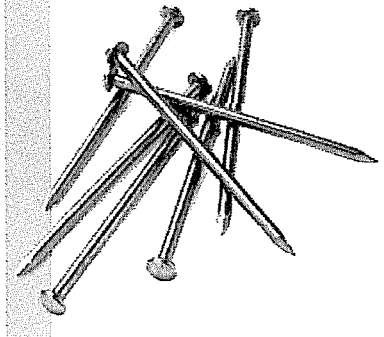



American families and value-minded builders choose our natural gas for clean, low-cost energy.

*Steamboat Springs, Colorado*

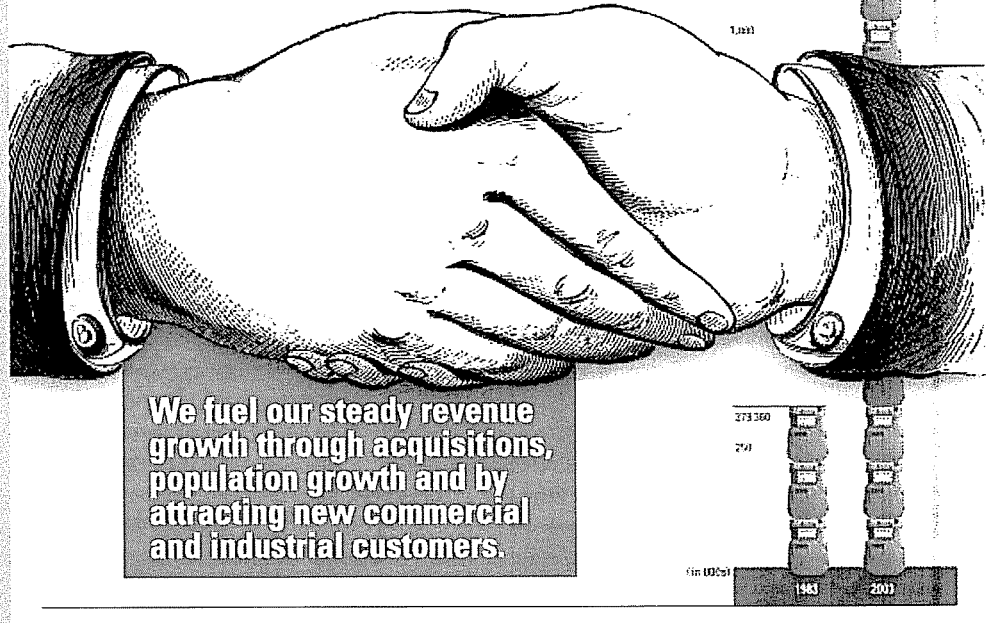
Atmos Energy has a long history of being a company that works. Since 1983, we have been delivering value to our investors, energy to our customers, improvements to our communities and investments in our employees. Over this time, a number of characteristics have evolved that set us apart from others in the natural gas delivery industry—giving us not only a distinctive personality, but also the strengths on which our success has been formed. In particular, our commitment to hard work and sound acquisitions has helped us grow from 279,000 customers in 1983 to nearly 1.7 million today, making us one of the country's largest natural gas distributors.

Commercial and industrial customers like Unilever Bestfoods account for almost two-fifths of our utility gas revenues with high-volume meters that run almost nonstop.



We serve mainly small to medium-size communities. Nine major acquisitions have enabled us to grow from 279,000 customers in 1983 to nearly 1.7 million in 2003.

Growth through acquisitions is one of our key strategies and a way to leverage our technology and purchasing power to better serve customers.



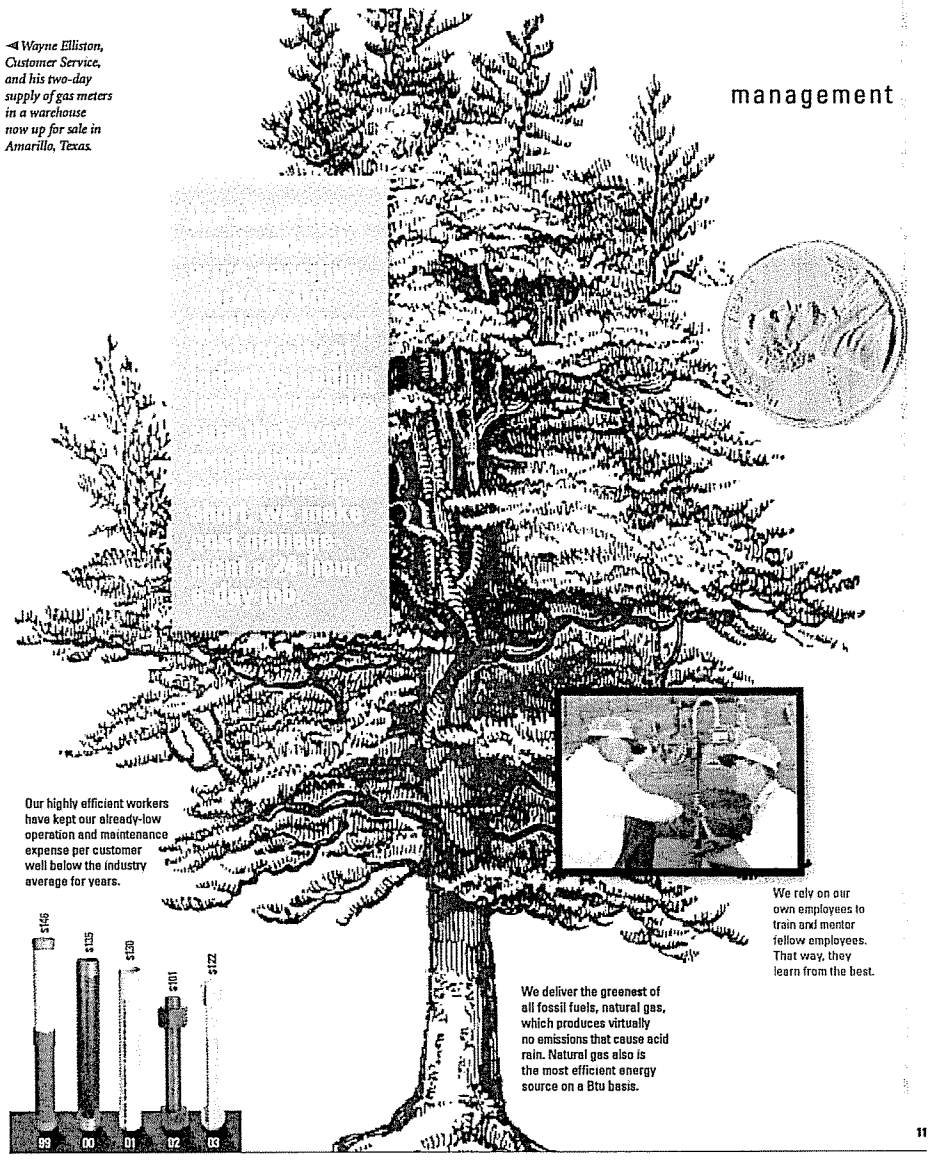

**We fuel our steady revenue growth through acquisitions, population growth and by attracting new commercial and industrial customers.**

We have remained steadfast to our clear three-part strategy: running our utilities exceptionally well, making sound acquisitions and expanding our nonutility operations. Our business model is unlike virtually any other natural gas distributor's. It's based on our focus on gas operations, tight cost control, geographic diversity and growth by acquisitions. Moreover, our record of consecutive annual dividend increases ranks us as one of only 284 corporations that have paid higher consecutive dividends for 10 years or longer, according to Mergent's list of Dividend Achievers. Our dividend has grown at a 20-year average annual compound rate of 6.44 percent.

Empty warehouses mean lower costs. Just-in-time delivery has cut our parts inventory to so few items that storage and retrieval take us man-minutes, not man-hours. Labeling parts with employees' names saves even more time and money. And that's how we work for you.

◄ *Wayne Elliston, Customer Service, and his two-day supply of gas meters in a warehouse now up for sale in Amarillo, Texas.*

# management



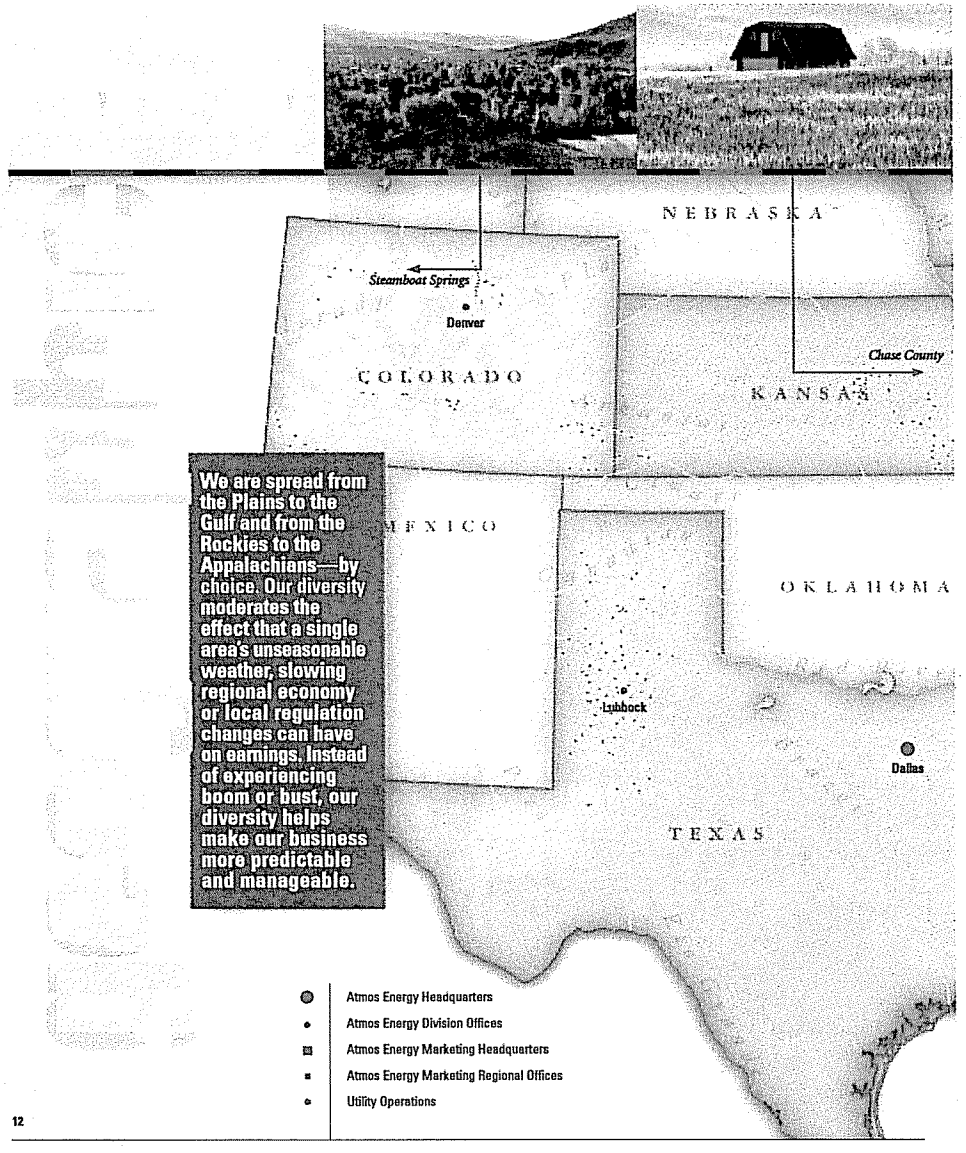

Our highly efficient workers have kept our already-low operation and maintenance expense per customer well below the industry average for years.

We rely on our own employees to train and mentor fellow employees. That way, they learn from the best.

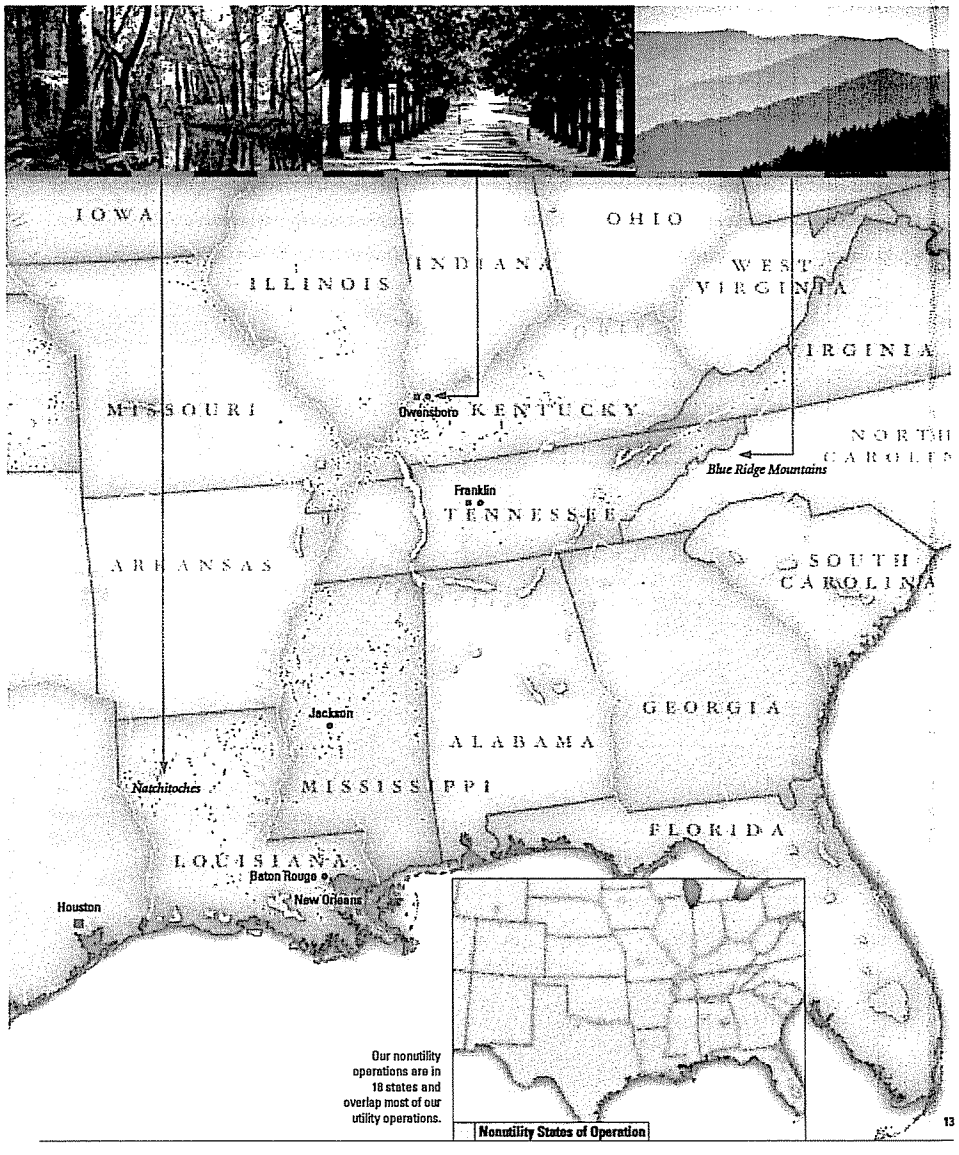
We deliver the greenest of all fossil fuels, natural gas, which produces virtually no emissions that cause acid rain. Natural gas also is the most efficient energy source on a Btu basis.



Our employees set the mark for the industry in productivity. Even spread over 12 states and lacking the economies of scale of large metropolitan operations, Atmos Energy has maintained its leadership among peers through its low operation and maintenance expense per customer and its high number of customers served per employee. Cost management is a way of life for company employees, who benefit from incentive bonus programs by keeping costs down and contributing to earnings. Cost control, however, is never at the expense of safety or service. Atmos Energy's top priority is always to serve customers safely, reliably and courteously—as well as efficiently.



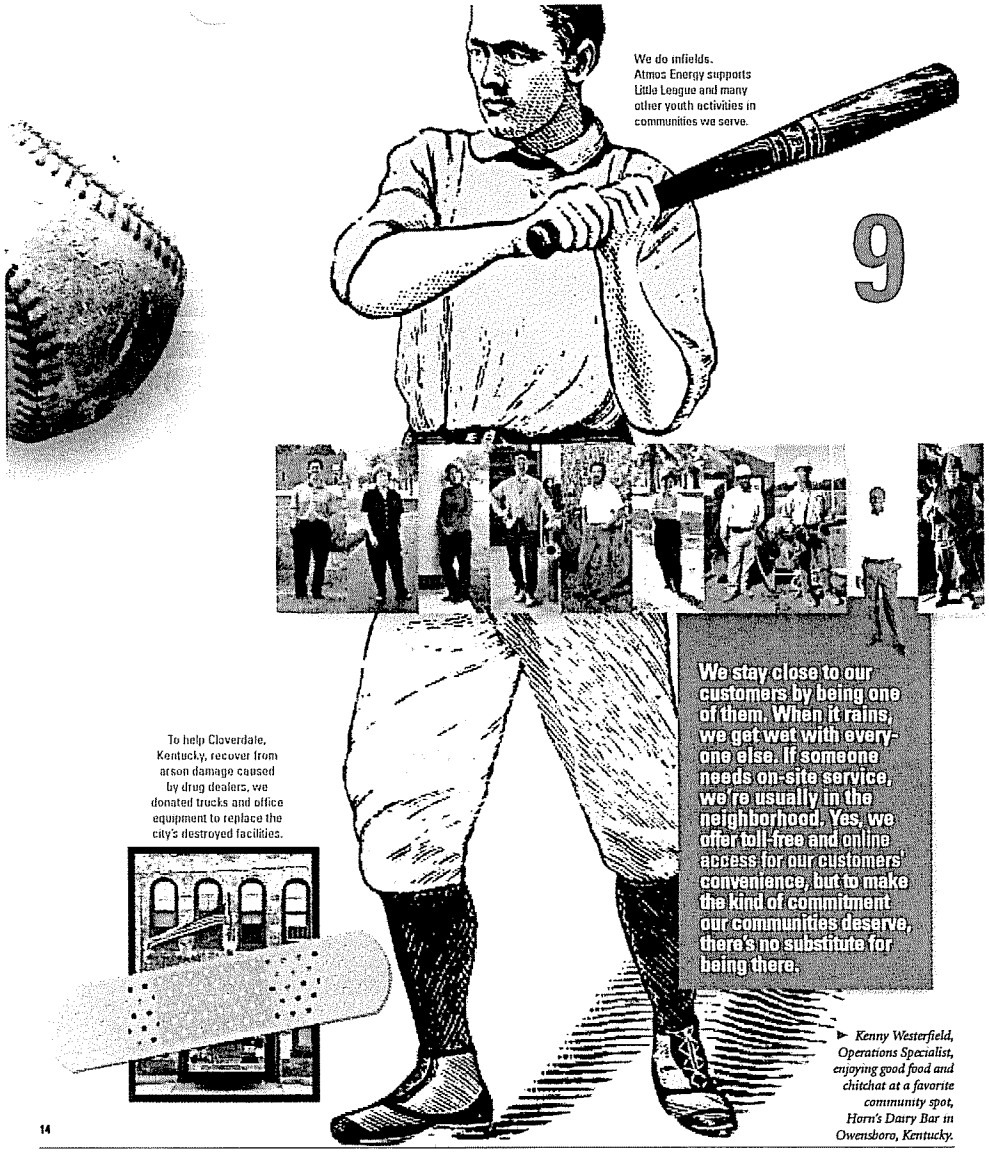





Diversity of territory, weather, customers, regional economies and regulatory policies makes us the country's most geographically diverse natural gas utility. We serve a broad range of people whose varied ethnic backgrounds, regional customs, language patterns and family heritages truly represent the heartland of America. From the rugged Rocky Mountains, across the vast Great Plains, through the bountiful Midwest, deep into the storied South of the Mississippi Valley to the beautiful Blue Ridge Mountains, we deliver America's natural gas to the homes and businesses of our nation, all as one team with one name—Atmos Energy.

Nearly 1.7 million utility customers live in more than 1,000 communities where we have franchises to deliver natural gas service. We also serve another 1,000 or so municipalities, industrial customers and governmental entities that buy wholesale natural gas or gas transportation services from us. Excellent customer service is our passion. We are committed to being the best in our industry. And we prove that by our low costs and our high dedication to community affairs, economic development and civic pride. Even in our highly competitive nonutility operations, we consistently rank among the top three mid-tier gas marketers for excellence in customer service.




We do infields.
Atmos Energy supports Little League and many other youth activities in communities we serve.

To help Cloverdale, Kentucky, recover from arson damage caused by drug dealers, we donated trucks and office equipment to replace the city's destroyed facilities.

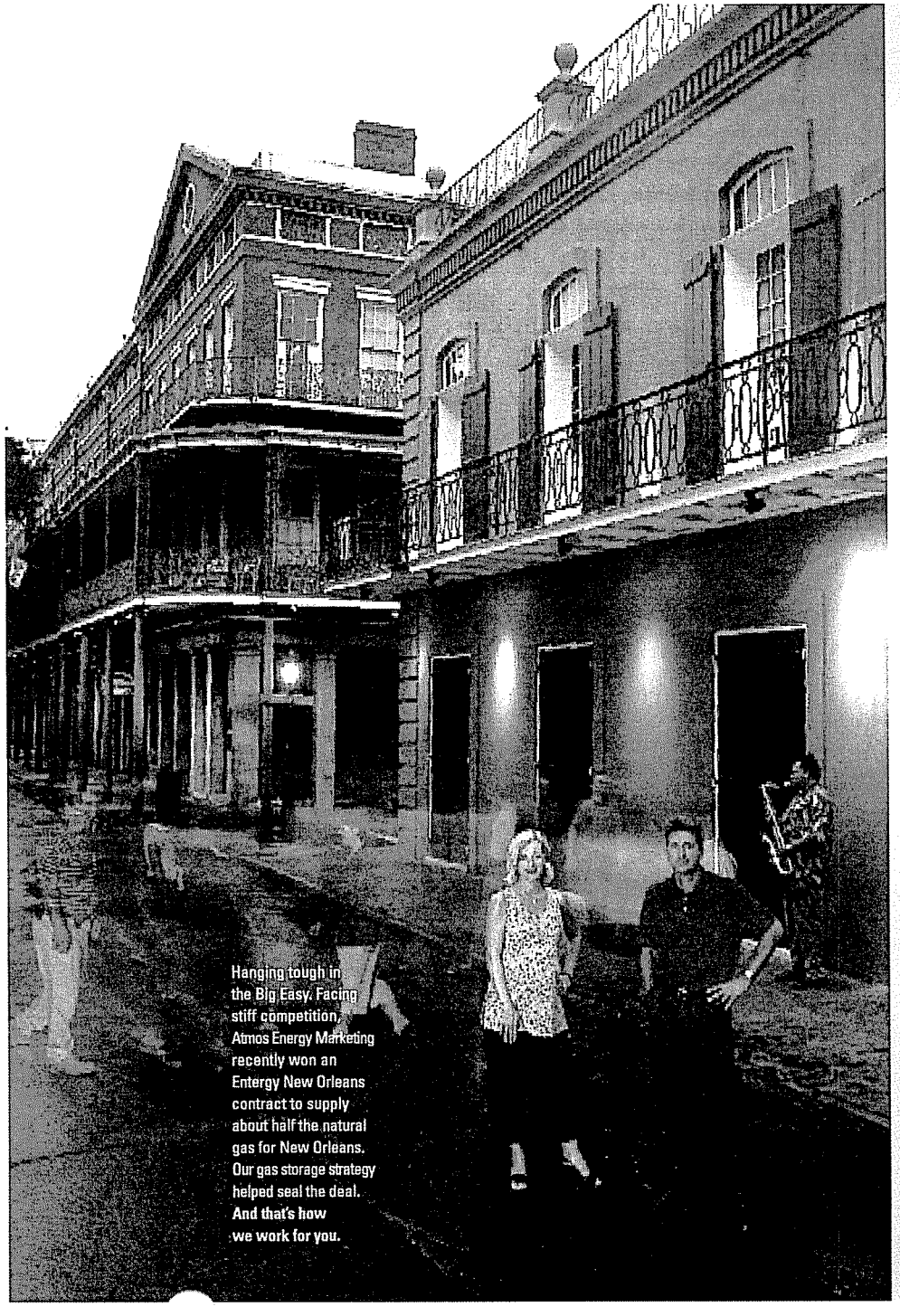
**We stay close to our customers by being one of them. When it rains, we get wet with everyone else. If someone needs on-site service, we're usually in the neighborhood. Yes, we offer toll-free and online access for our customers' convenience, but to make the kind of commitment our communities deserve, there's no substitute for being there.**

► *Kenny Westerfield, Operations Specialist, enjoying good food and chitchat at a favorite community spot, Horn's Dairy Bar in Owensboro, Kentucky.*



Commitment to our communities is a strong tradition at Atmos Energy. By being close to our customers, we know them both personally and professionally. Our employees give their time and leadership to many excellent programs, such as United Way, chambers of commerce, regional economic development groups, school boards and city councils, Scouting, Girls Inc., Little League, blood drives and fundraisers, Habitat for Humanity homes, university trusteeships, environmental and wildlife protection, Crime Watch—and hundreds more worthy causes.

**Great places to live. Nine of ten Atmos Energy employees make their homes, raise their families and take great pride in the communities we serve.**



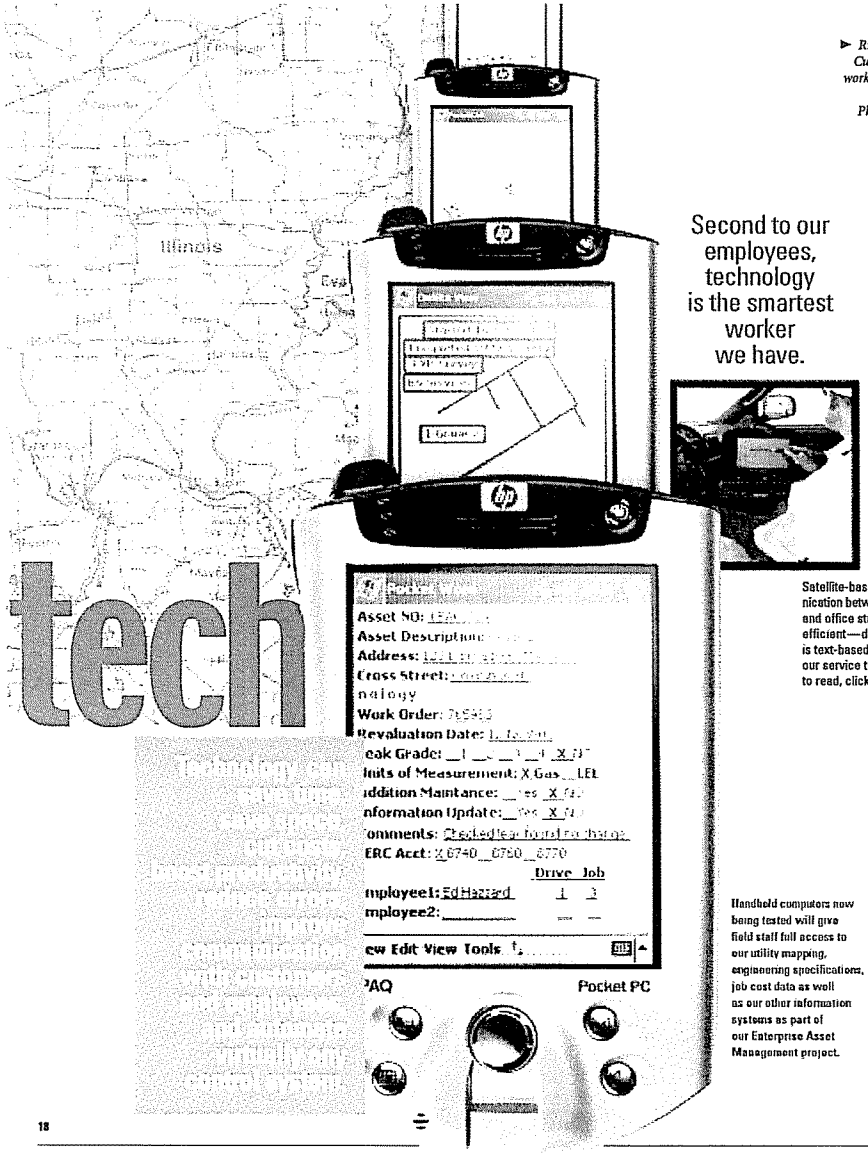
Hanging tough in the Big Easy. Facing stiff competition, Atmos Energy Marketing recently won an Entergy New Orleans contract to supply about half the natural gas for New Orleans. Our gas storage strategy helped seal the deal. **And that's how we work for you.**

◄ *Dawn McManus, Regional Marketing Manager, and Brian Felger, Regional Marketing Director, on St. Peter Street in the French Quarter of New Orleans.*

*We supply natural gas to many small municipal utilities, helping them deliver gas at low costs.*

# users

Gas deregulation has given large gas consumers choices for their gas supplier and for other gas services. Our strategy of expanding our nonutility operations to serve industrial and municipal customers complements our core business as a regulated local distribution company. Our nonutility operations in 18 states are in close proximity to our utility operations. This provides advantages for natural gas purchasing, transportation and storage. Our nonutility operations sold 226 billion cubic feet of natural gas in 2003 to municipalities, industrials and governmental entities. We also develop distributed electric generation plants for municipalities and companies.




► *Richard Herrera, Customer Service, works in waist-deep sorghum near Plainview, Texas.*

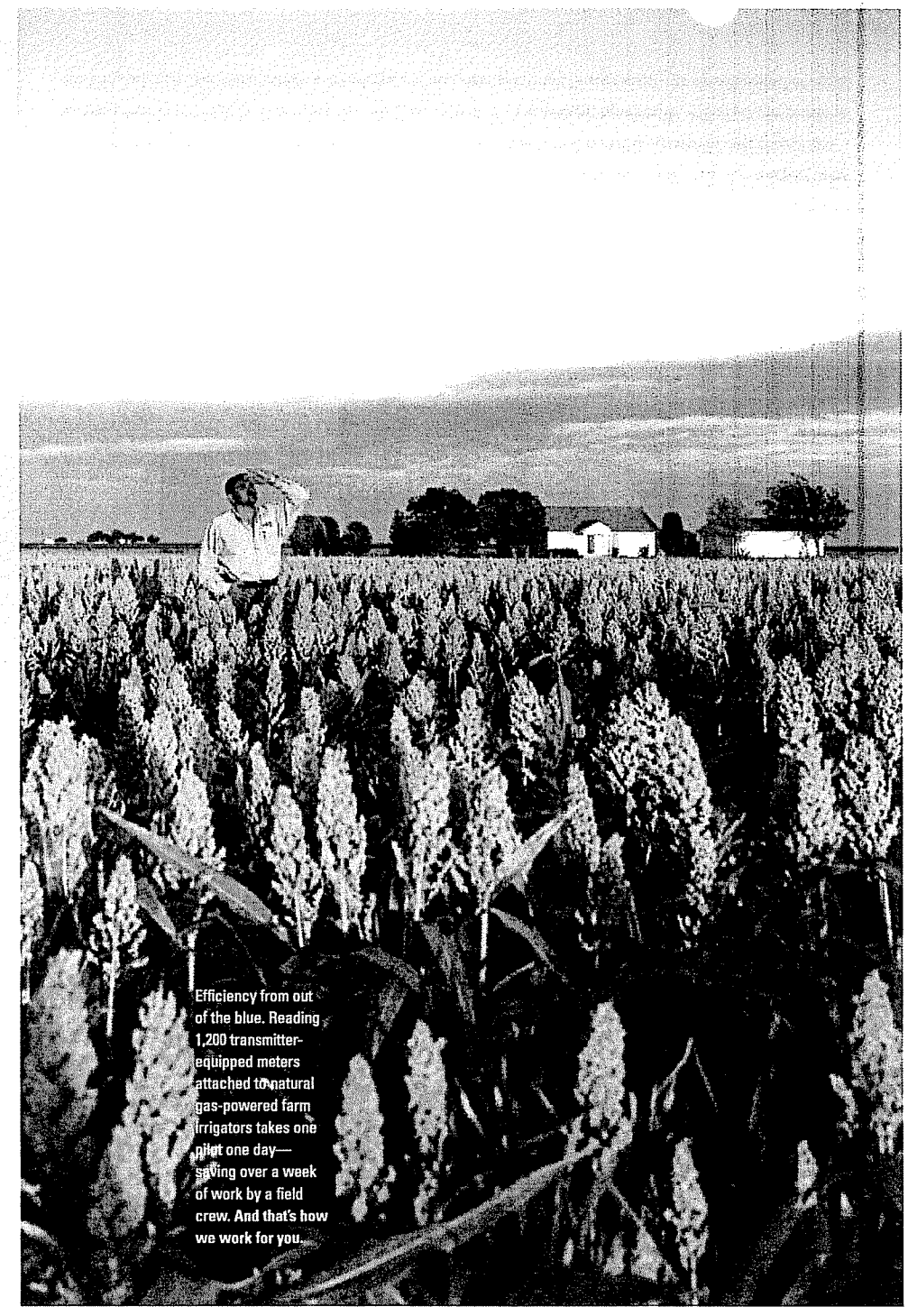
Second to our employees, technology is the smartest worker we have.

Satellite-based communication between field and office staff is very efficient—dispatching is text-based, allowing our service technicians to read, click and go.

Handheld computers now being tested will give field staff full access to our utility mapping, engineering specifications, job cost data as well as our other information systems as part of our Enterprise Asset Management project.



Our substantial investment in information and telecommunications technology helps us continually improve our customer service while it lowers our operating costs. Starting in 1997, Atmos Energy undertook a massive conversion to advanced data processing technology. Today, information is accessible from mobile computers in our service trucks. Our telecommunications systems support one of the best customer call centers in the industry. Meters on remote farms are read from an airplane. Service routing will soon be handled by a satellite network. And new field technologies will enhance the safety and efficiency of our construction and maintenance work.



Efficiency from out of the blue. Reading 1,200 transmitter-equipped meters attached to natural gas-powered farm irrigators takes one pilot one day—saving over a week of work by a field crew. And that's how we work for you.

Immediate, silent and environmentally friendly snow removal, thanks to thousands of feet of tubing pulsing with water heated by natural gas, means snow won't stick where people walk and drive. And that's how we work for you.

◄ *Rob Mosher, Sales Representative, standing where 25 feet of yearly snow won't, in Steamboat Springs, Colorado.*

When natural gas producers are busy pumping gas out of the ground and selling it for less, we buy it and pump it back into underground storage. Why? Storing gas in the summer that our customers can buy later in the winter helps keep our customers' bills low.

Never underestimate the power of an idea. Even an innovation that seems nuts in the beginning can make our customers' bodies look smart in the end. Some of our best ideas help customers use gas in new ways or help us deliver gas at lower prices. Who'd have thought that melting snow in a country would be a good idea? But it's

Management by councils made up of staff who lead and perform the work helps us adopt common practices that maximize effectiveness and efficiency.

We develop distributed generation electric plants so that businesses and municipalities can generate electricity at a savings.



Innovation has been at the heart of Atmos Energy from the start. As a small regional gas utility, our company's leaders knew they must innovate to survive and prosper. So early on, Atmos Energy sought new markets for natural gas, new ways to help customers use gas and new assets, such as storage fields, to lower customers' costs. The company grew by adding operations outside its traditional market. And the new employees who joined our system were encouraged to share their knowledge in what today has become a system of management by councils, which set our common operating practices. The combination of knowledge and new ideas sets Atmos Energy apart—as the company that works.

**Summary Annual Report**

The financial information presented in this report about Atmos Energy Corporation is condensed. Our complete financial statements, including notes as well as management's discussion and analysis of financial condition and results of operations, are presented in our Annual Report on Form 10-K. Atmos Energy's chief executive officer and its chief financial officer have complied with, and have executed, all certifications of these financial statements required under the Sarbanes-Oxley Act of 2002 and all related rules of the Securities and Exchange Commission with respect to the financial statements contained within. Investors may request, without charge, our Annual Report on Form 10-K for the fiscal year ended September 30, 2003, by calling Shareholder Relations at (972) 855-3729 between 8 a.m. and 5 p.m. Central time. Our Form 10-K also is available on Atmos Energy's Web site at www.atmosenergy.com. Additional investor information is presented on page 32 of this report.


| 23 | 24 | 25 | 26 | 27 | 28 | 29 |
|---|---|---|---|---|---|---|
| Atmos Energy at a Glance | Condensed Consolidated Balance Sheets | Condensed Consolidated Statements of Income | Condensed Consolidated Statements of Cash Flows | Report of Independent Auditors | Consolidated Financial and Statistical Summary 1999-2003 | Forward-Looking Statements |




| Year ended September 30 | 2003 | 2002 |
|---|---|---|
| **Meters in service** | | |
| Residential | 1,498,586 | 1,247,247 |
| Commercial | 151,008 | 122,156 |
| Industrial | 3,799 | 2,118 |
| Agricultural | 9,514 | 10,576 |
| Public authority and other | 9,891 | 7,244 |
| Total meters | 1,672,798 | 1,389,341 |
| **Heating degree days** | | |
| Actual (weighted average) | 3,473 | 3,368 |
| Percent of normal | 101% | 94% |
| **Utility sales volumes (MMcf)** | | |
| Residential | 97,953 | 77,386 |
| Commercial | 45,611 | 35,796 |
| Industrial | 23,738 | 14,499 |
| Agricultural | 7,884 | 10,988 |
| Public authority and other | 9,326 | 5,875 |
| Total | 184,512 | 144,544 |
| **Utility transportation volumes (MMcf)** | 70,159 | 69,589 |
| **Total utility throughput (MMcf)** | 254,671 | 214,133 |
| **Intersegment activity (MMcf)** | (6,706) | (5,592) |
| **Consolidated utility throughput (MMcf)** | **247,965** | **208,541** |
| **Consolidated natural gas marketing throughput (MMcf)** | **225,961** | **204,027** |
| **Operating revenues (000s)** | | |
| Gas utility sales revenues | | |
| Residential | $ 873,375 | $ 535,981 |
| Commercial | 367,961 | 221,728 |
| Industrial (including agricultural) | 192,676 | 98,765 |
| Public authority and other | 65,921 | 31,731 |
| Total gas sales revenues | 1,499,933 | 888,205 |
| Transportation revenues | 29,583 | 36,591 |
| Other gas revenues | 23,341 | 11,258 |
| Total utility revenues | 1,552,857 | 936,054 |
| Natural gas marketing revenues | 1,234,447 | 700,519 |
| Other nonutility revenues | 12,612 | 14,391 |
| **Total operating revenues (000s)** | **$ 2,799,916** | **$ 1,650,964** |
| **Other statistics** | | |
| Gross plant (000s) | $ 2,480,139 | $ 2,127,827 |
| Net plant (000s) | $ 1,515,989 | $ 1,300,320 |
| Miles of pipe | 45,267 | 39,157 |
| Employees | 2,905 | 2,338 |

| September 30 (Dollars in thousands, except share data) | 2003 | 2002 |
|---|---|---|
| **Assets** | | |
| **Property, plant and equipment** | $ 2,463,992 | $ 2,103,428 |
| **Construction in progress** | 16,147 | 24,399 |
| | 2,480,139 | 2,127,827 |
| **Less accumulated depreciation and amortization** | 964,150 | 827,507 |
| Net property, plant and equipment | **1,515,989** | **1,300,320** |
| **Current assets** | | |
| Cash and cash equivalents | 15,683 | 47,991 |
| Cash held on deposit in margin account | 17,903 | 10,192 |
| Accounts receivable, less allowance for doubtful accounts of $13,051 in 2003 and $10,509 in 2002 | 216,783 | 136,227 |
| Gas stored underground | 168,765 | 91,783 |
| Other current assets | 38,863 | 44,962 |
| Total current assets | 457,997 | 331,155 |
| **Goodwill and intangible assets** | 273,499 | 190,380 |
| **Deferred charges and other assets** | 271,023 | 159,530 |
| | **$ 2,518,508** | **$ 1,981,385** |
| **Capitalization and Liabilities** | | |
| **Shareholders' equity** | | |
| Common stock, no par value (stated at $.005 per share); 100,000,000 shares authorized; issued and outstanding: 2003 – 51,475,785 shares, 2002 – 41,675,932 shares | $ 257 | $ 208 |
| Additional paid-in capital | 736,180 | 508,265 |
| Retained earnings | 122,539 | 106,142 |
| Accumulated other comprehensive loss | (1,459) | (41,380) |
| Shareholders' equity | 857,517 | 573,235 |
| **Long-term debt** | 863,918 | 670,463 |
| Total capitalization | **1,721,435** | **1,243,698** |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 179,852 | 136,773 |
| Other current liabilities | 127,923 | 159,727 |
| Short-term debt | 118,595 | 145,791 |
| Current maturities of long-term debt | 9,345 | 21,980 |
| Total current liabilities | 435,715 | 464,271 |
| **Deferred income taxes** | 223,350 | 134,540 |
| **Deferred credits and other liabilities** | 138,008 | 138,876 |
| | **$ 2,518,508** | **$ 1,981,385** |



## Condensed Consolidated Balance Sheets

| September 30 (Dollars in thousands, except per share data) | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Operating revenues** | | | |
| Utility segment | $ 1,554,082 | $ 937,526 | $ 1,380,148 |
| Natural gas marketing segment | 1,668,493 | 1,031,874 | 447,096 |
| Other nonutility segment | 21,630 | 24,705 | 59,436 |
| Intersegment eliminations | (444,289) | (343,141) | (161,199) |
| | 2,799,916 | 1,650,964 | 1,725,481 |
| **Purchased gas cost** | | | |
| Utility segment | 1,062,679 | 559,891 | 1,017,363 |
| Natural gas marketing segment | 1,644,328 | 994,318 | 445,504 |
| Other nonutility segment | 1,540 | 8,022 | 48,605 |
| Intersegment eliminations | (443,607) | (342,407) | (161,199) |
| | 2,264,940 | 1,219,824 | 1,350,273 |
| **Gross profit** | 534,976 | 431,140 | 375,208 |
| **Operating expenses** | | | |
| Operation and maintenance | 205,090 | 158,119 | 139,608 |
| Depreciation and amortization | 87,001 | 81,469 | 67,664 |
| Taxes, other than income | 55,045 | 36,221 | 37,655 |
| Total operating expenses | 347,136 | 275,809 | 244,927 |
| **Operating income** | 187,840 | 155,331 | 130,281 |
| **Other income (expense)** | | | |
| Equity in earnings of Woodward Marketing, L.L.C. | — | — | 8,062 |
| Miscellaneous income (expense) | 2,191 | (1,321) | (1,874) |
| Total other income (expense) | 2,191 | (1,321) | 6,188 |
| **Interest charges** | 63,660 | 59,174 | 47,011 |
| Income before income taxes and cumulative effect of accounting change | 126,371 | 94,836 | 89,458 |
| **Income tax expense** | 46,910 | 35,180 | 33,368 |
| Income before cumulative effect of accounting change | 79,461 | 59,656 | 56,090 |
| Cumulative effect of accounting change, net of income tax benefit | (7,773) | — | — |
| **Net income** | **$ 71,688** | **$ 59,656** | **$ 56,090** |
| **Per share data** | | | |
| **Basic income per share:** | | | |
| Income before cumulative effect of accounting change | $ 1.72 | $ 1.45 | $ 1.47 |
| Cumulative effect of accounting change, net of income tax benefit | (.17) | — | — |
| Net income | $ 1.55 | $ 1.45 | $ 1.47 |
| **Diluted income per share:** | | | |
| Income before cumulative effect of accounting change | $ 1.71 | $ 1.45 | $ 1.47 |
| Cumulative effect of accounting change, net of income tax benefit | (.17) | — | — |
| **Net income** | **$ 1.54** | **$ 1.45** | **$ 1.47** |
| **Weighted average shares outstanding:** | | | |
| Basic | 46,319 | 41,171 | 38,156 |
| Diluted | 46,496 | 41,250 | 38,247 |



## Condensed Consolidated Statements of Income

| Year ended September 30 (Dollars in thousands) | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| **Net income** | $ 71,688 | $ 59,656 | $ 56,090 |
| **Adjustments to reconcile net income to net cash provided by operating activities:** | | | |
| Cumulative effect of accounting change, net of income tax benefit | 7,773 | — | — |
| Depreciation and amortization: | | | |
| Charged to depreciation and amortization | 87,001 | 81,469 | 67,664 |
| Charged to other accounts | 2,193 | 2,452 | 2,806 |
| Deferred income taxes | 53,867 | 14,509 | 18,501 |
| Other | (5,885) | (3,371) | (979) |
| Changes in assets and liabilities | (167,186) | 142,680 | (61,087) |
| Net cash provided by operating activities | 49,451 | 297,395 | 82,995 |
| **Cash Flows Used in Investing Activities** | | | |
| Capital expenditures | (159,439) | (132,252) | (113,109) |
| Acquisitions, net of cash received | (74,650) | (15,747) | (354,755) |
| Retirements of property, plant and equipment, net | 704 | (1,725) | (1,460) |
| Assets for leasing activities | — | (8,511) | (5,377) |
| Proceeds from sale of assets, net | — | — | 6,625 |
| Net cash used in investing activities | (233,385) | (158,235) | (468,076) |
| **Cash Flows from Financing Activities** | | | |
| Net decrease in short-term debt | (27,196) | (55,456) | (48,800) |
| Net proceeds from issuance of long-term debt | 253,267 | — | 347,099 |
| Proceeds from bridge loan | 147,000 | — | — |
| Repayment of bridge loan | (147,000) | — | — |
| Repayment of long-term debt | (73,165) | (20,651) | (17,670) |
| Repayment of Mississippi Valley Gas debt | (70,938) | — | — |
| Cash dividends paid | (55,291) | (48,646) | (44,112) |
| Issuance of common stock | 25,720 | 18,321 | 14,405 |
| Net proceeds from equity offering | 99,229 | — | 142,043 |
| Net cash provided (used) by financing activities | 151,626 | (106,432) | 392,965 |
| Net increase (decrease) in cash and cash equivalents | (32,308) | 32,728 | 7,884 |
| **Cash and cash equivalents at beginning of year** | 47,991 | 15,263 | 7,379 |
| **Cash and cash equivalents at end of year** | $ 15,683 | $ 47,991 | $ 15,263 |



## Condensed Consolidated Statements of Cash Flows

To Shareholders of Atmos Energy Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated balance sheets of Atmos Energy Corporation at September 30, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 30, 2003 (not presented separately herein) and in our report dated November 10, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheets and statements of income and cash flows are fairly stated in all material respects in relation to the basic consolidated financial statements from which they have been derived.

Ernst + Young LLP

Dallas, Texas
November 10, 2003



## Report of Independent Auditors

| Year ended September 30 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| **Balance Sheet Data at September 30** (000s) | | | | | |
| Capital expenditures | $ 159,439 | $ 132,252 | $ 113,109 | $ 75,557 | $ 110,353 |
| Net property, plant and equipment | 1,515,989 | 1,300,320 | 1,335,398 | 982,346 | 965,782 |
| Working capital | 22,282 | (133,116) | (86,778) | (181,890) | (151,622) |
| Total assets | 2,518,508 | 1,981,385 | 2,036,180 | 1,348,758 | 1,230,537 |
| Shareholders' equity | 857,517 | 573,235 | 583,864 | 392,466 | 377,663 |
| Long-term debt, excluding current maturities | 863,918 | 670,463 | 692,399 | 363,198 | 377,483 |
| Total capitalization | 1,721,435 | 1,243,698 | 1,276,253 | 755,664 | 755,146 |
| **Income Statement Data** | | | | | |
| Operating revenues* (000s) | $ 2,799,916 | $ 1,650,964 | $ 1,725,481 | $ 850,152 | $ 690,196 |
| Gross profit* (000s) | 534,976 | 431.140 | 375,208 | 325,706 | 299,794 |
| Net income (000s) | 71,688 | 59,656 | 56,090 | 35,918 | 17,744 |
| Net income per diluted share | 1.54 | 1.45 | 1.47 | 1.14 | .58 |
| **Common Stock Data** | | | | | |
| Shares outstanding (000s) | | | | | |
| End of year | 51,476 | 41,676 | 40,792 | 31,952 | 31,248 |
| Weighted average | 46,496 | 41,250 | 38,247 | 31,594 | 30,819 |
| Cash dividends per share | $ 1.20 | $ 1.18 | $ 1.16 | $ 1.14 | $ 1.10 |
| Shareholders of record | 28,510 | 28,829 | 30,524 | 32,394 | 35,179 |
| Market price – High | $ 25.45 | $ 24.46 | $ 26.25 | $ 25.00 | $ 32.69 |
| Low | $ 20.70 | $ 18.37 | $ 19.31 | $ 14.75 | $ 23.06 |
| End of year | $ 23.94 | $ 21.50 | $ 21.60 | $ 20.63 | $ 24.13 |
| Book value per share at end of year | $ 16.66 | $ 13.75 | $ 14.31 | $ 12.28 | $ 12.09 |
| Price/Earnings ratio at end of year | 15.55 | 14.83 | 14.69 | 18.09 | 41.59 |
| Market/Book ratio at end of year | 1.44 | 1.56 | 1.51 | 1.68 | 2.00 |
| Annualized dividend yield at end of year | 5.0% | 5.5% | 5.4% | 5.5% | 4.6% |
| **Customers and Volumes** (As metered) | | | | | |
| Consolidated utility gas sales volumes (MMcf) | 184,512 | 145,488 | 156,544 | 119,470 | 125,279 |
| Consolidated utility gas transportation volumes (MMcf) | 63,453 | 63,053 | 61,230 | 59,365 | 55,468 |
| Consolidated utility throughput (MMcf) | 247,965 | 208,541 | 217,774 | 178,835 | 180,747 |
| Consolidated natural gas marketing throughput (MMcf) | 225,961 | 204,027 | 55,469 | — | — |
| Meters in service at end of year | 1,672,798 | 1,389,341 | 1,386,323 | 1,096,599 | 1,037,995 |
| Heating degree days# | 3,473 | 3,368 | 4,124 | 2,096 | 3,374 |
| Degree days as a percentage of normal | 101% | 94% | 115% | 82% | 85% |
| Utility average gas sales price per Mcf sold | $ 8.17 | $ 6.21 | $ 8.99 | $ 5.91 | $ 4.71 |
| Utility average cost of gas per Mcf sold | $ 5.76 | $ 3.87 | $ 6.82 | $ 3.67 | $ 2.74 |
| Utility average transportation fee per Mcf | $ .43 | $ .41 | $ .41 | $ .37 | $ .39 |
| **Statistics** | | | | | |
| Return on average shareholders' equity | 9.9% | 9.9% | 10.4% | 9.3% | 4.7% |
| Number of employees | 2,905 | 2,338 | 2,361 | 1,885 | 2,062 |
| Net utility plant per meter | $ 865 | $ 881 | $ 924 | $ 874 | $ 884 |
| Utility operation, maintenance and administrative expense per meter | $ 115 | $ 101 | $ 130† | $ 135 | $ 146 |
| Customers per employee – utility | 594 | 616 | 603 | 591 | 547 |
| Times interest earned before income taxes | 2.75 | 2.55 | 2.83 | 2.28 | 1.56 |



* In conjunction with the adoption of EITF 02-03, energy trading contracts resulting in delivery of a commodity where we are the principal in the transaction are included as operating revenues or purchased gas cost. All prior periods have been reclassified to conform with this new presentation.
# Heating degree days for 2003, 2002 and 2001 are adjusted for service areas with weather-normalized operations. Heating degree days for years prior to 2001 are not adjusted for service areas with weather-normalized operations, as that information was not available.
† Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

## Consolidated Financial and Statistical Summary (1999-2003)

The matters discussed or incorporated by reference in this Summary Annual Report may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 or 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 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 report or in any of the Company's other documents or oral presentations, the words "anticipate," "expect," "estimate," "plans," "believes," "objective," "forecast," "goal" 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 the Company's strategy, operations, markets, services, rates, recovery of costs, availability of gas supply and other factors. A discussion of these risks and uncertainties may be found in the Company's Form 10-K for the year ended September 30, 2003. Although the Company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. Further, the Company undertakes no obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.



## Forward-Looking Statements

## Senior Management Team

Robert W. Best
Chairman, President and Chief Executive Officer

J. Patrick Reddy
Senior Vice President and Chief Financial Officer

R. Earl Fischer
Senior Vice President, Utility Operations

JD Woodward
Senior Vice President, Nonutility Operations

Louis P. Gregory
Senior Vice President and General Counsel

Wynn D. McGregor
Vice President, Human Resources

## Utility Divisions

J. Kevin Akers
President, Mississippi Valley Gas Division

Thomas R. Blose, Jr.
President, Mid-States Division

Conrad E. Gruber
President, Louisiana Division

Tom S. Hawkins, Jr.
President, Texas Division

John A. Paris
President, Kentucky Division

Gary L. Schlessman
President, Colorado-Kansas Division

## Nonutility Business

Ron W. McDowell
Vice President, New Business Ventures

## Shared Services

Verlon R. Aston, Jr.
Vice President, Governmental Affairs

Leslie H. Duncan
Vice President and Chief Information Officer

Susan C. Kappes
Vice President, Investor Relations and Corporate Communications

Dwain J. Kuhn
Corporate Secretary

Robert E. Mattingly
Vice President, Gas Supply

Fred E. Meisenheimer
Vice President and Controller

Gordon J. Roy
Vice President, Security and Compliance

Laurie M. Sherwood
Vice President, Corporate Development, and Treasurer



# Atmos Energy Officers

**Travis W. Bain II**
Chairman, Texas Custom Pools, Inc.
Plano, Texas
Board member since 1988
Committees: Work Session/Annual Meeting (Chairman), Audit, Human Resources

**Robert W. Best**
Chairman, President and Chief Executive Officer
Atmos Energy Corporation
Dallas, Texas
Board member since 1997
Committee: Executive

**Dan Busbee**
Adjunct Professor, Dedman School of Law, Southern Methodist University; Visiting Senior Fellow, Centre for Commercial Law Studies, University of London
Dallas, Texas
Board member since 1988
Committees: Audit (Chairman), Human Resources

**Richard W. Cardin**
Retired partner of Arthur Andersen LLP
Nashville, Tennessee
Board member since 1997
Committees: Audit, Nominating and Corporate Governance

**Thomas J. Garland**
Chairman of the Tusculum Institute for Public Leadership and Policy
Greeneville, Tennessee
Board member since 1997
Committees: Human Resources, Work Session/Annual Meeting

**Richard K. Gordon**
General Partner
Juniper Capital LP and HSF Capital LP
Houston, Texas
Board member since 2001
Committees: Human Resources, Nominating and Corporate Governance

**Gene C. Koonce**
Formerly Chairman of the Board, President and Chief Executive Officer
United Cities Gas Company
Nashville, Tennessee
Board member since 1997
Committees: Human Resources (Chairman), Executive, Work Session/Annual Meeting

**Dr. Thomas C. Meredith**
Chancellor of the University System of Georgia
Atlanta, Georgia
Board member since 1995
Committees: Audit, Nominating and Corporate Governance

**Phillip E. Nichol**
Formerly Senior Vice President of Central Division Staff
UBS PaineWebber Incorporated
Dallas, Texas
Board member since 1985
Committees: Nominating and Corporate Governance (Chairman), Human Resources, Work Session/Annual Meeting

**Carl S. Quinn**
General Partner, Quinn Oil Company, Ltd.
East Hampton, New York
Board member since 1994
Committees: Audit, Executive, Nominating and Corporate Governance

**Charles K. Vaughan**
Formerly Chairman of the Board
Atmos Energy Corporation
Dallas, Texas
Board member since 1983
Committee: Executive (Chairman)

**Richard Ware II**
President, Amarillo National Bank
Amarillo, Texas
Board member since 1994
Committees: Nominating and Corporate Governance, Work Session/Annual Meeting

**Leo E. Schlessman**
Honorary Director
President, Dolo Investment Company
Denver, Colorado
Retired from Board in 1998



# Board of Directors

### Common Stock Listing
New York Stock Exchange. Trading symbol: ATO

### Stock Transfer Agent and Registrar
EquiServe Trust Company, N.A.
P.O. Box 43010
Providence, Rhode Island 02940-3010
1-800-543-3038

To inquire about your Atmos Energy stock, please call EquiServe at the telephone number above. You may use the agent's interactive voice response system 24 hours a day to learn about transferring stock, to listen to current company information, to obtain daily stock quotes or to check your recent account activity—all without the assistance of a customer service representative. Please have available your Atmos Energy shareholder account number and your Social Security or federal taxpayer ID number.

To speak to an EquiServe customer service representative, call the same number between 9 a.m. and 6 p.m. Eastern time, Monday through Friday.

You also may send an e-mail message to our agent's Web site at http://www.equiserve.com. Please refer to Atmos Energy in your e-mail and include your Atmos Energy shareholder account number and your Social Security or federal taxpayer ID number.

### Independent Auditors
Ernst & Young LLP
2121 San Jacinto, Suite 1500
Dallas, Texas 75201
(214) 969-8000

### Form 10-K
Atmos Energy Corporation's Annual Report on Form 10-K is available upon request from Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205 or by calling (972) 855-3729 between 8 a.m. and 5 p.m. Central time. Atmos Energy's Form 10-K may also be viewed on Atmos Energy's Web site at http://www.atmosenergy.com.

### Annual Meeting of Shareholders
The Annual Meeting of Shareholders will be held at the Ritz Carlton Hotel, 921 Canal Street, New Orleans, Louisiana 70112 on Wednesday, February 11, 2004, at 11 a.m. Central time.

### Direct Stock Purchase Plan
Atmos Energy Corporation has a Direct Stock Purchase Plan that is available to all investors. For an initial Investment Form or Enrollment Authorization Form and a Plan Prospectus, please call EquiServe at 1-800-543-3038. The Prospectus is also available on the Internet at http://www.atmosenergy.com. You may also obtain information by writing to Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205.

This is not an offer to sell, or a solicitation to buy, any securities of Atmos Energy. Shares of Atmos Energy common stock purchased through the Direct Stock Purchase Plan will be offered only by Prospectus.

### Atmos Energy on the Internet
Information about Atmos Energy is available on the Internet at http://www.atmosenergy.com. Our Web site includes news releases, current and historical financial reports and other investor data, corporate governance documents, management biographies, customer information and information about Atmos Energy's operations.

### Atmos Energy Corporation Contacts
To contact Atmos Energy's Shareholder Relations, call (972) 855-3729 between 8 a.m. and 5 p.m. Central time or send an e-mail message to InvestorRelations@atmosenergy.com.

For financial information for securities analysts and investment managers, contact:
Susan C. Kappes
Vice President, Investor Relations and Corporate Communications
(972) 855-3729
(972) 855-3040 (fax)
InvestorRelations@atmosenergy.com

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Ragú® is a registered trademark of Unilever Bestfoods affiliated companies.
Saturn is a registered trademark of General Motors Corporation.



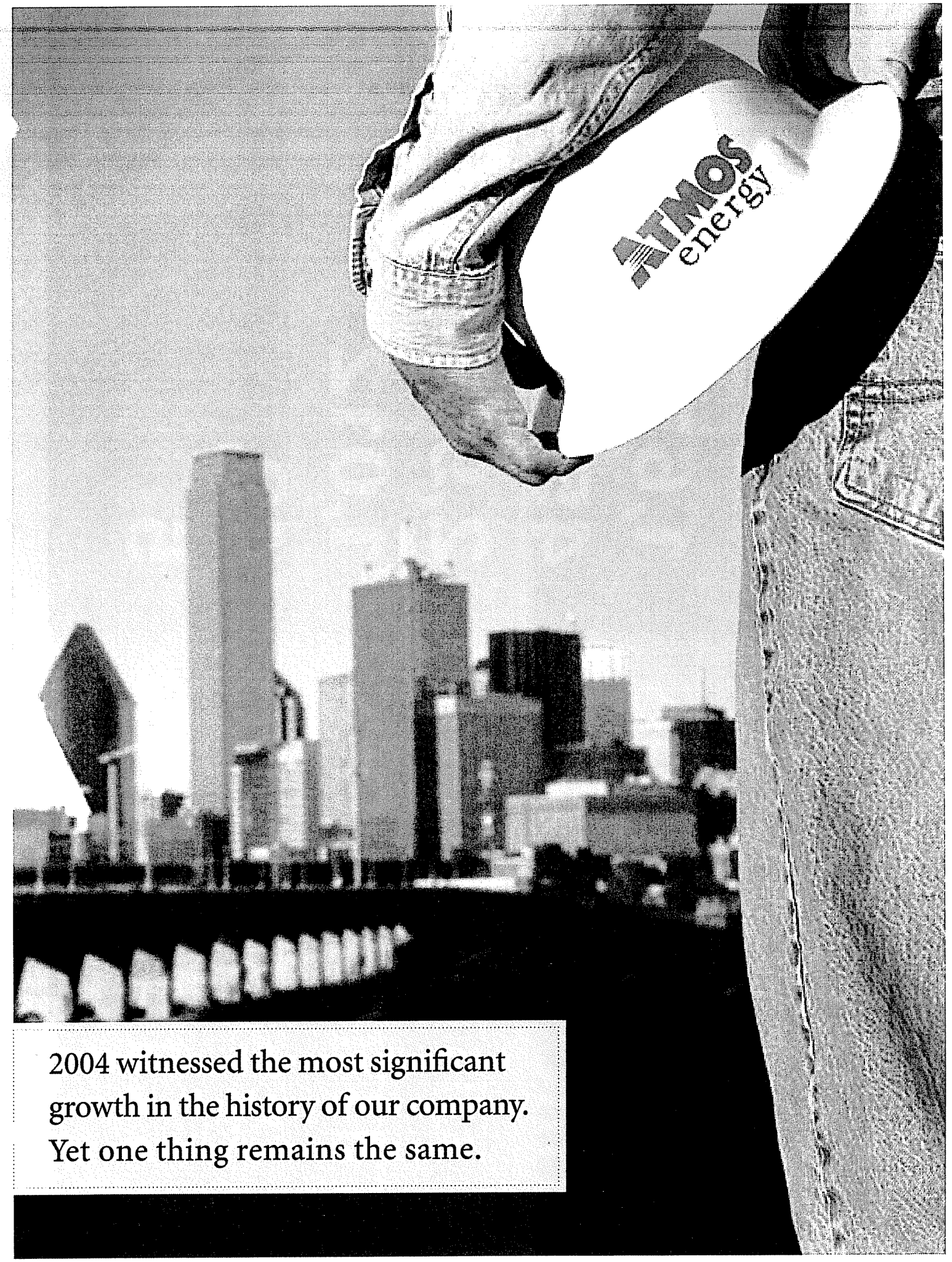
# Corporate Information

ATMOS ENERGY CORPORATION 2003 SUMMARY ANNUAL REPORT

ATMOS energy

3100-AR-2004

Atmos Energy Corporation P.O. Box 650205 Dallas, Texas 75265-0205 atmosenergy.com




2004 witnessed the most significant growth in the history of our company. Yet one thing remains the same.

Atmos Energy

at the beginning of 2004

| | |
|---|---|
| customers | 1,672,798 |
| miles of pipe | 45,267 |
| employees | 2,905 |
| communities | 1,012 |
| gas storage | 49 Bcf |
| core values | 5 |

Atmos Energy

| | at the beginning of 2005 |
|---|---|
| customers | 3,161,136 |
| miles of pipe | 80,209 |
| employees | 4,208 |
| communities | 1,565 |
| gas storage | 84 Bcf |
| core values | 5* |

*By any measure, it's been a year of incredible growth. But we believe the most important number, by far, is the one that did not change—our *five* core values of customer focus, employee focus, enterprise thinking, value creation, and honesty and integrity.

In fact, we believe our values made such growth possible. And that's why, in this year's summary annual report, we illustrate how each of these values shines in our employees and in our way of doing business. Since these core values are a constant, they help us—even in times of incredible growth and change—to maintain our focus and stability. After all, a company must fully understand where it comes from in order to know where it is going.

The acquisition of TXU Gas was measured carefully against each of these core values. That's because, while growth is important, it's counterproductive if it's haphazard or unmanaged. In our case, TXU Gas was not only a good fit, but also an evolution—one that increases our resources and better prepares us for continued growth and strength.

Atmos Energy embraces growth, knowing that it helps us better serve our customers and our investors in the coming years. But rest assured, we never will undertake growth just for the sake of achieving bigger numbers.

| YEAR ENDED SEPTEMBER 30 (Dollars in thousands, except per share data) | 2004 | 2003 | Change |
|---|---|---|---|
| Operating revenues | $ 2,920,037 | $ 2,799,916 | 4.3% |
| Gross profit | $ 562,191 | $ 534,976 | 5.1% |
| Utility net income | $ 63,096 | $ 62,137 | 1.5% |
| Natural gas marketing net income (loss) | 16,633 | (970) | 1814.7% |
| Other nonutility net income | 6,498 | 10,521 | -38.2% |
| Total | $ 86,227 | $ 71,688 | 20.3% |
| Total assets | $ 2,869,883 | $ 2,625,495 | 9.3% |
| Total capitalization | $ 1,994,770 | $ 1,720,017 | 16.0% |
| Net income per share – diluted | $ 1.58 | $ 1.54 | 2.6% |
| Cash dividends per share | $ 1.22 | $ 1.20 | 1.7% |
| Book value per share at end of year | $ 18.05 | $ 16.66 | 8.3% |
| Consolidated utility segment throughput (MMcf) | 246,033 | 247,965 | -0.8% |
| Consolidated natural gas marketing segment throughput (MMcf) | 222,572 | 225,961 | -1.5% |
| Heating degree days | 3,271 | 3,473 | -5.8% |
| Degree days as a percentage of normal | 96% | 101% | -5.0% |
| Meters in service at end of year | 1,679,136 | 1,672,798 | 0.4% |
| Return on average shareholders' equity | 9.1% | 9.9% | -8.1% |
| Shareholders' equity as a percentage of total capitalization (including short-term debt) at end of year | 56.7% | 46.4% | 22.2% |
| Shareholders of record | 27,555 | 28,510 | -3.3% |
| Weighted average shares outstanding – diluted (000s) | 54,416 | 46,496 | 17.0% |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## DEAR FELLOW SHAREHOLDER:

Our 2004 fiscal year will stand as one of the biggest years in Atmos Energy's history. Not only did we do well financially, we virtually doubled in size to become the largest pure-gas utility in America. However, size is only important if it is accompanied by performance, and Atmos Energy performed exceptionally well in 2004.

Consolidated net income rose to $86.2 million, or $1.58 per diluted share, compared with $71.7 million, or $1.54 per diluted share, in 2003. Our total return to shareholders was an enviable 10.4 percent, including cash dividends of $1.22 paid during fiscal 2004. Return on average shareholders' equity was 9.1 percent.

Based on these strong results and our positive forecast for 2005, the Board of Directors increased the annual indicated dividend rate by 2 cents to $1.24 per share. The increase marked our 17th consecutive annual dividend increase. When adjusted for mergers and acquisitions, Atmos Energy has paid higher dividends every year since its founding in 1983. Fewer than 2.5 percent of American corporations can match our dividend history.

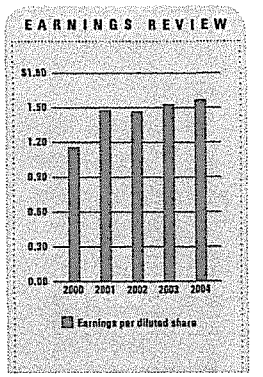
## TXU GAS ACQUISITION

Our 2004 results were exceeded only by the leap we made in our regulated operations. On October 1, 2004, we completed our acquisition of the natural gas distribution and pipeline operations of TXU Gas Company. This acquisition added 1.5 million utility customers in one of the more dynamic American growth markets. It also placed us in an excellent position to benefit in the future for the following reasons:

**Immediate contribution to 2005 earnings.** We expect that the operations of our new Mid-Tex Division will contribute from 5 cents to 10 cents to earnings per share in 2005. We are forecasting our earnings per diluted share in fiscal 2005 to be between $1.65 and $1.75.

**Above-average residential and commercial growth.** Our new division serves rapidly growing communities in the Dallas-Fort Worth Metroplex and northern suburbs of Austin. The division's net growth in customers is approximately 2 percent a year, almost double our former growth rate.

**Added value from new gas pipeline operations.** The intrastate pipeline we acquired as part of the TXU Gas operations runs from one end of Texas to the other. It interconnects at three of the state's major hubs, or gas transfer points, with dozens of other intrastate and interstate gas pipelines. The 6,162-mile pipeline system delivers gas to the 550 cities served by the new division. Owning this asset gives us expansion opportunities to transport more natural gas for others besides our own utility operations.



**Dedicated and experienced employees.** Our new division already was a well-run natural gas system. Its 1,344 gas professionals who transferred to Atmos Energy are working to integrate the operations as soon as possible and are contributing their "knowledge capital" to benefit our entire system.

**Prompt recovery of new capital investment.** Texas law permits a utility to make annual adjustments for additions to net plant, using its most recent return on investment, depreciation rate and tax rates. The law lets us recover our capital investment in new pipelines and other facilities much faster without having to file a general rate case. As we invest in our expanding Texas markets, we will be able to earn a return on our investment faster than in most of our other jurisdictions.

**About 90 percent of earnings from regulated operations.** Adding the TXU Gas properties has increased the proportion of our assets regulated by state commissions. Many investors see this increase as positive because, although it does not guarantee our profitability, it increases our opportunity for consistent, long-term earnings growth.

> Excellence in customer service stands as a key part of our corporate vision—we call it our Spirit of Service.℠

### SUCCESSFUL FINANCINGS

Atmos Energy paid approximately $1.905 billion in cash for the TXU Gas operations. To finance the acquisition, we sold 9.9 million shares of common stock through a public offering in July. Because of strong interest, the offering raised approximately $235.7 million in net proceeds, with the purchasers mainly being retail holders.

In October 2004, we made another public offering, selling 16.1 million common shares to raise approximately $382.5 million in net proceeds before other offering costs. The purchasers were mainly large institutional holders. In a separate offering at the same time, we also sold four series of senior unsecured notes to raise net proceeds of approximately $1.39 billion.

We are gratified by the success of all three offerings. We believe the prices that investors bid indicate the market's confidence in our ability to integrate and operate the TXU Gas operations successfully. Within the next three to five years, we expect to apply some of the additional cash flow from the new operations to return to a 50 percent to 55 percent debt-to-capitalization ratio, as we have done consistently after completing our nine previous major acquisitions.



### COMPLEMENTARY NONUTILITY OPERATIONS

Our nonutility operations achieved impressive results in fiscal 2004, building on initiatives begun in 2003 to reduce the risk from volatile natural gas prices. The contribution to net income from our nonutility operations in 2004 was 27 percent. We expect these contributions to remain strong during the next five years.

One of the keys to our nonutility growth will be managing the pipeline and storage assets acquired with TXU Gas. Although these assets remain regulated, we expect to operate them to deliver more volumes to wholesale customers. We also are working on optimizing our nonutility natural gas marketing and storage operations. During 2004, for example, we made changes in the way we procure the billions of cubic feet of natural gas for our utility system to take better advantage of our nonutility operations' expertise.

### CONCENTRATION ON PERFORMANCE

Our goal has been to provide an attractive rate of return through both capital appreciation and dividends. We expect earnings per share to grow between 3 percent and 6 percent a year and our dividend yield to remain an attractive 4 percent to 5 percent.

We expect to provide investors with a total annual return between 8 percent and 11 percent. We have done this consistently in the past and expect to continue to do so in the future. We have accomplished this through an intense focus on improving efficiency and managing costs, mitigating the effects of weather on our utility operations and fostering productive relationships with the regulators in our operating jurisdictions.

We also have been successful because of our focus on the basics. While many in the industry are claiming a return to the basics, we can confidently say we never left the basics. We always have been dedicated to natural gas distribution as our core business.

### KEEPING RATES CURRENT

In 2004, we added $16.2 million in net revenues through rate increases. During the next five years, we expect to receive approximately $15 million to $20 million in average annual rate increases. One of our goals is to monitor our rates of return in all jurisdictions to keep our actual returns as close as possible to our allowed rates of return.

In states that have warmer winters, we have sought to adjust our rates using a weather normalization adjustment. We now have WNA or higher base rates in our eight largest states. Only about 17 percent of our margins are exposed to weather in the 2004–2005 heating season.

We have proposed other rate adjustments to offset the effects of declining natural gas consumption. Nationally, gas consumption has been going down about 2 percent a year during the past decade. We also have sought to recoup higher collection expenses and to recover bad debt expense incurred during winter cutoff moratoriums.

In addition, we have advocated that states adopt a measure similar to a Texas law that allows for faster recognition in rates of essential capital investment needed to maintain the system and serve new customers. The Gas Reliability Infrastructure Program in Texas reduces the effects of regulatory lag on cash flow and earnings.

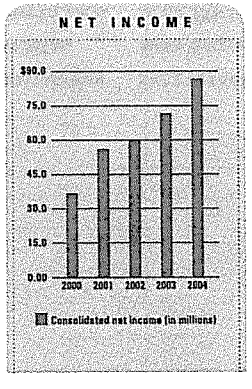
### CUSTOMER SERVICE EXCELLENCE

Excellence in customer service stands as a key part of our corporate vision—we call it our Spirit of Service.℠ Our reputation in the community is directly influenced by how we perform. During the past two years, we have conducted extensive training efforts and intend to expand the programs further in 2005. We also are organizing programs to help our employees better understand the dynamics of our business as it grows.

### INVESTMENT IN A STRONG CORPORATE CULTURE

Another intangible, but essential, investment that we are pursuing is to build a strong corporate culture. In 2004, we took additional steps to invest in our employees through expanded training, improved benefits programs and increased communications.

Instilling our core values throughout the organization is essential to our future success. As we have integrated major acquisitions into our operations, we have found that our values make a tangible difference. Having the right corporate culture guides us in dealing appropriately with business issues. Moreover, the right corporate culture emphasizes to our employees the values and integrity on which we will continue to grow.




### NEED FOR A NATIONAL ENERGY POLICY

With the contentious 2004 elections now past, we trust that Congress and the Administration can focus on one of the most pressing national issues that received almost no attention during the campaign—the need for a comprehensive national energy policy.

Natural gas prices have continued to rise during the past five years. In the 2004–2005 heating season, home heating bills will likely go up from 10 percent to 15 percent above bills of last winter. These price increases are the result of normal market responses. Yet, that response is prompted by our nation's lack of a national energy policy.

We need a policy that permits additional drilling for natural gas in the United States and incentives to build new pipeline capacity, such as a pipeline to transport abundant natural gas supplies from the North Slope of Alaska to the contiguous 48 states.

Industry experts estimate that large resources of natural gas remain to be tapped. However, only when additional supplies come to market will gas commodity prices moderate and reduce the volatility of gas price spikes that are hurting consumers, businesses and utilities alike.

### BOARD CHANGES

Two significant milestones in our corporate governance occurred during 2004. The first was the retirement of one of our longtime directors, Carl S. Quinn. Carl's service to Atmos Energy was matched only by his legacy in the natural gas industry as one of its leading statesmen. We shall miss his wise counsel, steady direction and solid integrity.

However, we were pleased in August when we marked a second milestone, the addition of our first woman director, Nancy K. Quinn. Ms. Quinn brings a wealth of experience in investment banking and energy industry financing. She also is a respected woman entrepreneur and benefactor of the arts. We feel honored that she agreed to join our board.

### FUTURE EXPECTATIONS

As we look to 2005, we are excited about the tremendous potential that we foresee. Our acquisition of TXU Gas has given us greater size and scale. Our existing utility operations continue to achieve exceptional results. Our non-utility operations are positioned to make complementary contributions in the future.

We remain committed to keeping Atmos Energy a financially successful company by showing respect for all who deal with us and by expecting the highest ethical behavior of all who work for us. We anticipate growing earnings at 3 percent to 6 percent a year and continuing to pay higher annual dividends. Being financially successful is the best way we can reward our investors, serve our customers, invest in our employees and contribute to our 1,500 communities.

We intend to continue to operate the business through a dedication to a strong financial foundation, a disciplined attitude to operations, a successful approach to making and integrating acquisitions, a devotion to serve our customers exceptionally well and an adherence to our core values.

Robert W. Best

Robert W. Best
Chairman, President and Chief Executive Officer
November 19, 2004

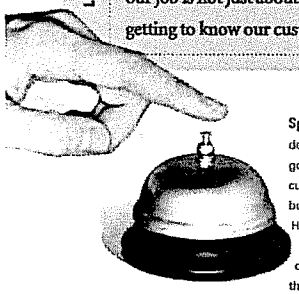
VALUE

# customer focus

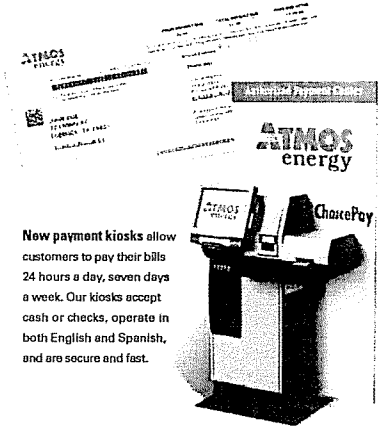
LAFAYETTE, LOUISIANA

**Anthony Ponter, Ph.D.** *University of Louisiana, Lafayette*

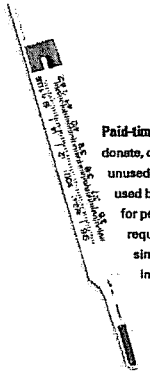
When you focus on your customers, right away you realize no two are exactly the same. That's how we know our job is not just about supplying energy, it's about helping our customers do their jobs better. Natural gas supplied by Atmos Energy is used by the University of Louisiana, Lafayette, to dehumidify the air so that Dean Ponter's engineering students can conduct more precise science experiments. At Atmos Energy, our job is not just about getting more customers, it's about getting to know our customers' needs.



**Spirit of Service™ Training** is designed to help our employees go beyond simply what our customers "expect" and focus on building customer relationships. Highly interactive and participative, Spirit of Service Training gives our employees the approach they need to effectively address customer needs.




**New payment kiosks** allow customers to pay their bills 24 hours a day, seven days a week. Our kiosks accept cash or checks, operate in both English and Spanish, and are secure and fast.



**Paid-time-off pools** let employees donate, on a strictly voluntary basis, unused paid time off to a donation bank used by other Atmos Energy employees for personal or family illnesses that require extended time off work. It's a simple way for all of us to help others in their time of need.

VALUE

# employee focus

TUPELO, MISSISSIPPI

**Jack Britton** *Atmos Energy Customer Service Agent*

When Jack Britton was called upon to serve his country in Iraq, he and his family were facing enough uncertainty. At Atmos Energy, we felt it was our responsibility not to add to that. So, even as he joined his engineering battalion in Fallujah, Jack knew he would have his job and full benefits. In fact, Jack's fellow employees took care of the lawn and invited his wife to company functions. Now safely back in Mississippi, Jack says, "I was okay. Uncle Sam was going to take care of me. But Atmos Energy took care of my wife." It was just our way of thanking Jack for his teamwork, with a little teamwork of our own. We're proud of the many Atmos Energy employees who've served bravely and of all our employees at home who volunteered to help these soldiers' families.

**Rising Spirit Award.** Each year, Atmos Energy recognizes employees who've gone above and beyond in offering superior service to our customers. This past May, 13 employees were recognized for their commitment both to our customers and to our core values.

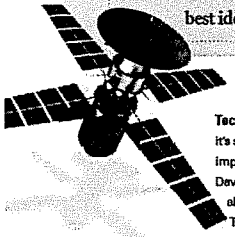
# enterprise thinking

VALUE 3

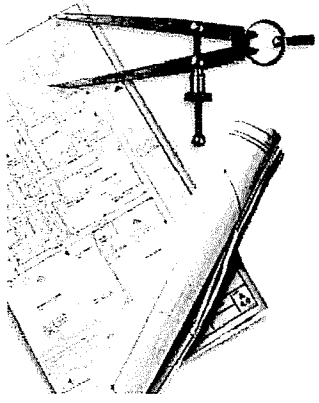
CRAIG, COLORADO

**David Anglin** *Vice President of Operations—Colorado*

David Anglin had this crazy idea. Portunately, David works for a company that encourages original thinking. He works for us. In his travels throughout Colorado, David kept seeing outdated satellite dishes just sitting in people's yards. David suggested we offer to remove them and put them to good use once again as part of the company's satellite network for training and employee broadcasts. Turns out, it wasn't such a crazy idea after all. It makes us a lot more efficient, saves us a lot of money and forever made us believe that sometimes the best ideas are the craziest ideas.



**Technology** isn't just a buzz word with us: it's something we're constantly seeking to improve upon. In addition to the big dishes David suggested we put to good use, you'll also see small domes on our service trucks. They keep us in contact with cell towers or satellite dishes when cell coverage is intermittent. This allows us to update service orders to our trucks en route, saving time and money.



**Our Blueprint Program.** A while back, we created a benchmark for staffing in our utility divisions. This helps us keep a handle on staffing needs without layoffs or understaffing. Not only is it a job protection program, it's an incentive program to move employees from overstaffed to understaffed locations.

# value creation

**Bob Davison** *Project Manager for New Construction*

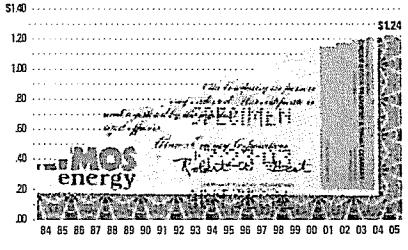
Where some see wide open spaces, others see wide open opportunities. Bob Davison is one of the latter. As a manager of new construction in the Dallas-Fort Worth area, Bob helps guide the growth brought about by our acquisition of TXU Gas. At Sendera Ranch, a planned development of more than 20,000 lots, Atmos Energy will supply natural gas to a booming community. By adding natural gas appliances, builders increase the value and energy efficiency of their new homes. Growing by acquisitions is just one of the ways we assure our shareholders of growth in their investment for years to come.

FORT WORTH, TEXAS

Courtesy of CNBC

Atmos Energy's commitment to value creation has been recognized all over the world, such as when CEO Bob Best appeared live on CNBC's "Squawk Box" to announce the acquisition of TXU Gas on June 17, 2004.

**Increasing dividends** is one of Atmos Energy's commitments to value creation that has yielded tangible and consistent results over the years. We're proud to have provided our shareholders 21 consecutive years of annual increases in dividends (adjusted for mergers and acquisitions).



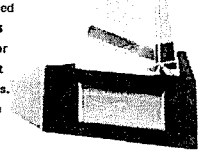
**West Texas Rate Cases.** In both 1999 and 2003, Atmos Energy was able to reach agreements with the City of Amarillo without litigation on rate increases. Settling without hearings saved time and money for the city and, ultimately, for our customers and shareholders.

# VALUE 5 honesty & integrity

LEBANON, TENNESSEE

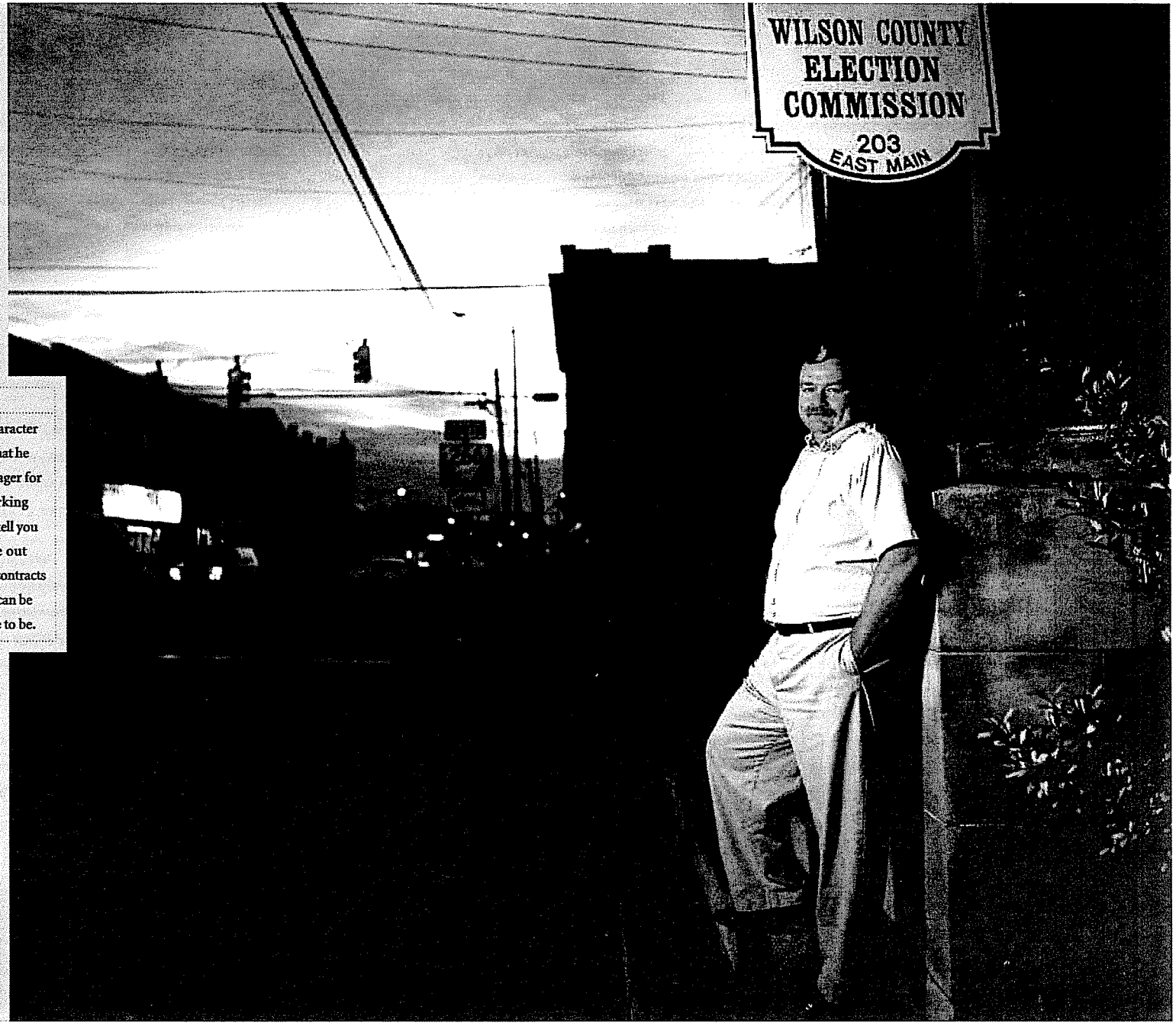
**Don Cozart** *City of Lebanon Gas Manager*

Prices fluctuate. Markets constantly change. Your character shouldn't. That's how Don Cozart sees it. And that's what he looks for in suppliers and associates. As the gas manager for the City of Lebanon, Tennessee, Don has been working with Atmos Energy since 1986. Ask him why, and he'll tell you how in 1989, when cold weather in the Gulf froze out many gas wells, Atmos Energy was there honoring $3 contracts when prices had jumped to $28 per Mcf. Yes, markets can be erratic. Which is all the more reason why we refuse to be.



In 2001, Atmos Energy received the inaugural **Greater Dallas Business Ethics Award** for demonstrating a commitment to ethical business practices. Our value system isn't just a statement. It's a way of life.

"OUR COMMITMENT TO ETHICAL BEHAVIOR IS NOT DRIVEN BY THE LETTER OF THE LAW BUT, MORE IMPORTANTLY, BY THE SPIRIT OF THE LAW." -BOB BEST, CHAIRMAN, PRESIDENT AND CEO

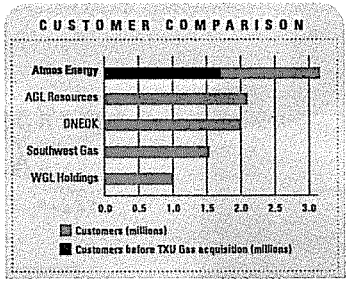


## RESULTS OF OPERATIONS

Atmos Energy's consolidated net income for fiscal 2004 was $86.2 million, or $1.58 per diluted share. That compares with $71.7 million, or $1.54 per diluted share, in fiscal 2003. Utility operations contributed 73 percent of earnings, and nonutility operations provided 27 percent. Return on average shareholders' equity was 9.1 percent, and total return to our shareholders was 10.4 percent. We paid cash dividends in 2004 of $1.22 per share for an annualized dividend yield at year-end of 4.8 percent.

## TXU GAS ACQUISITION

On June 17, Atmos Energy announced it would acquire the natural gas distribution and pipeline operations of TXU Gas Company, the largest gas utility in Texas. After receiving the required approvals from three state utility regulatory commissions, we completed the transaction on October 1, 2004, paying an adjusted cash price of $1.905 billion.




Adding TXU Gas' 1.5 million utility customers made Atmos Energy the largest natural-gas-only utility in the United States. The operations also provide us above-average annual growth in customer accounts, the ability to earn a return on capital investments promptly through automatic rate adjustments and the opportunity to deliver more gas to wholesale customers through one of the largest intrastate gas pipeline systems in Texas.

Because of these factors, we estimate that the TXU Gas operations, since renamed our Mid-Tex Division, will contribute from 5 cents to 10 cents to earnings per diluted share in fiscal 2005. Adding the TXU Gas operations increased Atmos Energy's proportion of operating income from regulated operations to about 90 percent.

## OTHER ACQUISITIONS AND DIVESTITURES

In February, we acquired the natural gas distribution assets of ComFurT Gas, Inc., a privately held gas utility system in Buena Vista, Colorado. We paid $1.95 million cash for a 49-mile distribution system, serving approximately 1,800 utility customers.

During 2004, we and three other utility partners completed the sale of our interests in the general partnership and limited partnerships of Heritage Propane Partners, L.P. We received cash proceeds of approximately $26.6 million and recorded a $5.9 million pretax book gain, ending our interest in the propane business.

## WEATHER AND THROUGHPUT

Weather during fiscal 2004 was 6 percent warmer than in fiscal 2003 and 4 percent warmer than normal, as adjusted for jurisdictions with weather-normalized operations.

Primarily because of lower consumption, our utility gas throughput in 2004 declined about 1 percent from that in 2003 to 246.0 billion cubic feet (Bcf). Of this total, utility gas transportation volumes were 72.8 Bcf. In our nonutility segment, natural gas marketing sales volumes declined 1.5 percent from those in 2003 to 222.6 Bcf.

> Adding TXU Gas' 1.5 million customers made Atmos Energy the largest natural-gas-only utility in the United States.

In states with warmer winter weather, we have sought weather-normalization adjustments in our rates. Weather normalization protects our customers from steep increases in their winter gas bills when the weather turns unusually cold and it protects our earnings when the winter is unseasonably warm.

We now have weather normalization or higher base rates in eight of our largest states. About 17 percent of our margins are exposed to weather in the 2004–2005 heating season, an increase from 10 percent due to the addition of the Mid-Tex operations.

## RATE ADJUSTMENTS

During 2004, we added $16.2 million in net revenues from rate filings in Kansas, Texas and Mississippi. We expect to add $15 million to $20 million a year in average annual rate increases over the next five years. To keep our actual rates of return as close as possible to our allowed returns, we are seeking other rate adjustments, as well.

We are proposing weather normalization in jurisdictions with warmer weather, shifting more revenue from the gas commodity charge to base rates, improving our rate design to mitigate the effects of declining usage per customer, recovering the gas cost portion of bad debt expense and working to eliminate regulatory lag for capital spending on gas utility infrastructure improvements.

## NATURAL GAS PRICES

Natural gas prices continued to rise during fiscal 2004. Our utility system's average cost of gas purchased for customers was $6.55 per thousand cubic feet (Mcf), an increase of 13.7 percent over the $5.76 per Mcf we paid in fiscal 2003. The increase was largely due to a tightening of natural gas supply and demand. Although gas resources

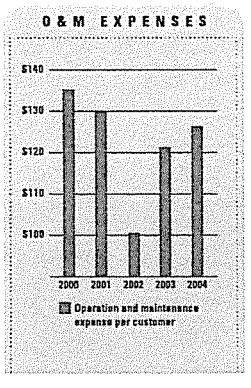
remain abundant in North America, gas production has not kept pace with the steady rise in demand.

During the 2004–2005 heating season, residential heating bills will likely increase 10 percent to 15 percent above bills of the previous heating season, according to the federal Energy Information Administration. Tight supplies also are causing greater volatility in natural gas prices.

To help protect our customers, we offer budget billing plans, assistance for low-income customers and information about lowering energy costs. We also have advocated vigorously for federal energy legislation to offer incentives for more natural gas production and for increased energy assistance to aid indigent and low-income customers.

### CONTROLLING KEY EXPENSES

To control our purchased gas costs, we use a combination of gas storage, fixed physical contracts and fixed financial contracts. We have fixed the price for about 50 percent of our expected 2004–2005 winter gas supply requirements. Of the total amount hedged, about 45 percent is a combination of our underground storage assets and contracted pipeline storage; this storage provides a natural hedge for our gas supply purchases. The other 55 percent of the quantity hedged is through financial contracts.




Hedging is good financial management because it protects our capital and cash flow. It also cushions the effects of higher gas prices on our customers' winter bills, on our receivables and, ultimately, on our collections.

Despite rising natural gas prices, we have continued to keep our utility bad-debt expense low. Our collection efforts, coupled with credit qualification before reconnecting customers and expanded customer payment options, helped us maintain our allowance for doubtful accounts in 2004 at just 0.29 percent of residential and commercial revenues, which is considerably lower than our historical accrual rate.

### OPERATING EFFICIENCY

Atmos Energy has earned a reputation for being one of the most efficient natural gas utilities in the country. We continue to be an industry leader in two key indicators: operation and maintenance expense per customer and customers served per employee.

We benchmark our performance each year against our industry peer group. Since 1997, we have reduced operating costs and expenses by about $57 per customer, or 31 percent. For fiscal 2004, our O&M-per-customer expense was $126, compared to our peer group's average of $193, which is 53 percent higher than ours. We served 566 customers per employee, compared to the industry peer group's average of 546 customers.

Our control of operating expenses is even more remarkable, considering that we have operated primarily in rural and smaller communities across 12 states. The structure of our operations has made it more difficult to achieve efficiencies, compared with a company serving a large customer base in a metropolitan area or limited geographical area.

### CUSTOMER SATISFACTION

Customer service excellence is one of our major goals. The most recent independent survey of our customers' attitudes, conducted in the fall of 2004, found an overall satisfaction rating among residential and commercial customers of 94 percent. Compared with other utility service providers, Atmos Energy ranked among the industry's leaders in overall satisfaction.

### NONUTILITY OPERATIONS

Our nonutility operations during 2004 achieved major improvements in margins and in reduced exposure to risks from volatile gas commodity prices. Our natural gas marketing business expanded into the Mobile Bay area of Alabama. In Kansas, nonutility gas storage facilities were transferred to our Colorado-Kansas Division for utility operations.

A major development was the acquisition of the natural gas pipeline and storage assets of TXU Gas. Although regulated, these assets will be managed under our nonutility operations.

The 6,162-mile pipeline extends across Texas to transport natural gas to third parties. It has extensive connections in nine major gas-producing basins and three interconnection hubs to other major producing areas and many interstate pipelines. Five underground gas storage reservoirs contain 39 Bcf of working storage, including one salt-dome facility with higher delivery capabilities.

We believe this pipeline and storage system is well situated to transport larger volumes of natural gas. Its operations create additional gas marketing and other opportunities for our nonutility businesses.

### FISCAL 2005 FORECAST

We anticipate our earnings will increase at 3 percent to 6 percent a year, on average, during the next five years. We also expect to continue paying higher annual dividends.

In fiscal 2005, we expect to earn between $1.65 and $1.75 per diluted share and to pay an indicated dividend rate of $1.24 per share. Our capital expenditures are expected to approximate $340 million to $350 million, with about 60 percent of that total being spent on projects in our new Mid-Tex Division.

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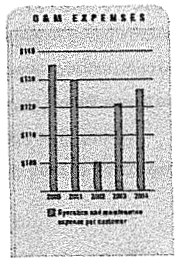


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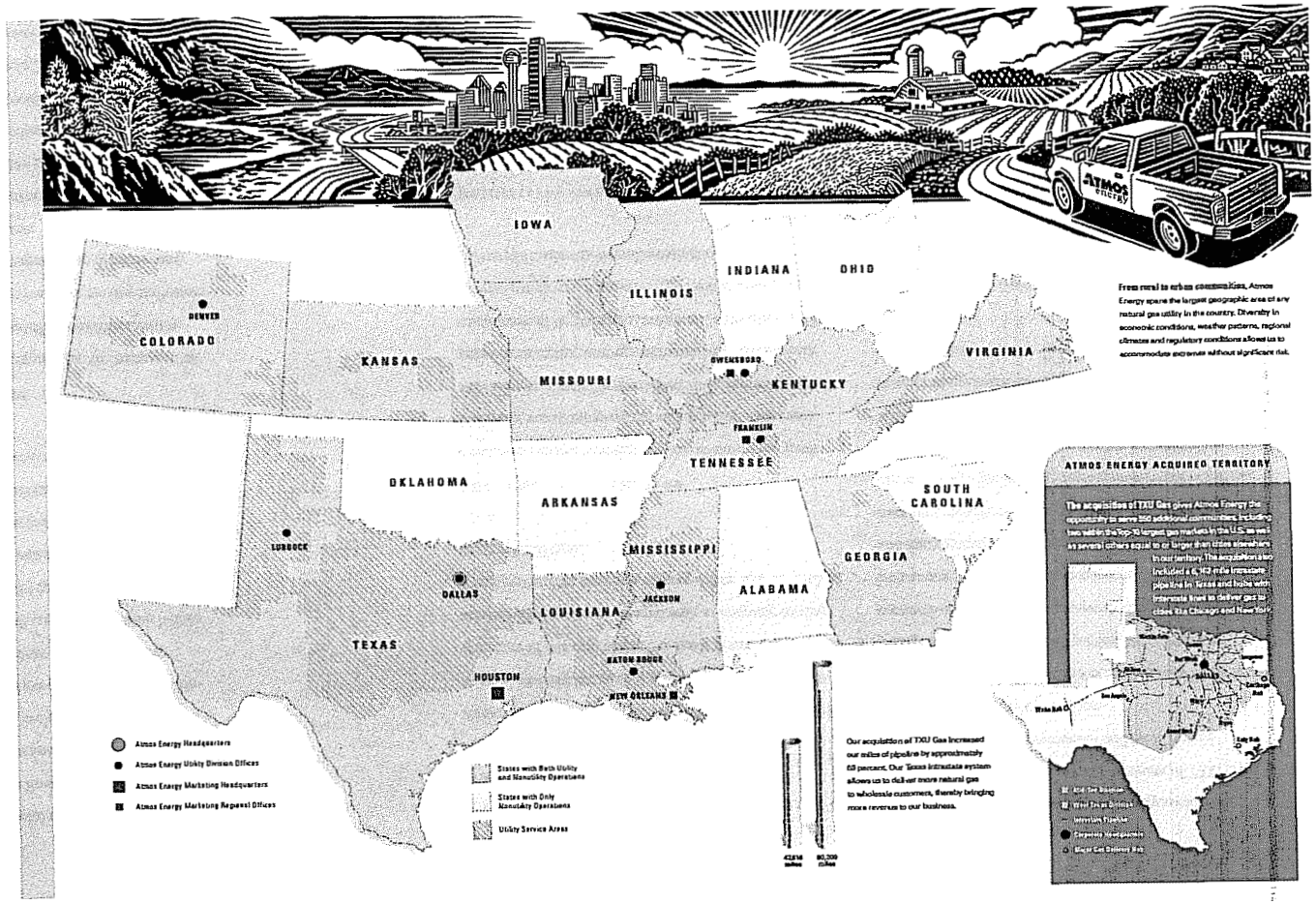


From rural to urban communities, Atmos Energy spans the largest geographic area of any natural gas utility in the country. Diversity in economic conditions, weather patterns, regional climates and regulatory conditions allows us to accommodate expansion without significant risk.

The acquisitions of TXU Gas gives Atmos Energy the opportunity to serve 550 additional communities, including two larger, top-10 largest gas markets in the U.S. as well as several others equal to or larger than cities currently in our territory. The acquisition also included a 6,143-mile intrastate pipeline in Texas and both gas interconnects that we deliver gas to, cities like Chicago and New York.

## SUMMARY ANNUAL REPORT

The financial information presented in this report about Atmos Energy Corporation is condensed. Our complete financial statements, including notes as well as management's discussion and analysis of financial condition and results of operations, are presented in our Annual Report on Form 10-K. Atmos Energy's chief executive officer and its chief financial officer have complied with, and have executed, all certifications of these financial statements required under the Sarbanes-Oxley Act of 2002 and all related rules of the Securities and Exchange Commission with respect to the financial statements contained therein. Investors may request, without charge, our Annual Report on Form 10-K for the fiscal year ended September 30, 2004, by calling Shareholder Relations at (972) 855-3729 between 8 a.m. and 5 p.m. Central time. Our Form 10-K also is available on Atmos Energy's Web site at www.atmosenergy.com. Additional investor information is presented on page 32 of this report.


23 Atmos Energy at a Glance
24 Condensed Consolidated Balance Sheets
25 Condensed Consolidated Statements of Income
26 Condensed Consolidated Statements of Cash Flows
27 Report of Independent Registered Public Accounting Firm
28 Consolidated Financial and Statistical Summary (2000-2004)
29 Forward-Looking Statements




| YEAR ENDED SEPTEMBER 30 | 2004 | 2003 |
|---|---|---|
| **Meters in service** | | |
| Residential | 1,506,777 | 1,498,586 |
| Commercial | 151,381 | 151,008 |
| Industrial | 2,436 | 3,799 |
| Agricultural | 8,397 | 9,514 |
| Public authority and other | 10,145 | 9,891 |
| Total meters | 1,679,136 | 1,672,798 |
| **Heating degree days** | | |
| Actual (weighted average) | 3,271 | 3,473 |
| Percent of normal | 96% | 101% |
| **Utility sales volumes (MMcf)** | | |
| Residential | 92,208 | 97,953 |
| Commercial | 44,226 | 45,611 |
| Industrial | 22,338 | 23,738 |
| Agricultural | 4,642 | 7,884 |
| Public authority and other | 9,813 | 9,326 |
| Total | 173,219 | 184,512 |
| **Utility transportation volumes (MMcf)** | 87,746 | 70,159 |
| **Total utility throughput (MMcf)** | 260,965 | 254,671 |
| **Intersegment activity (MMcf)** | (14,932) | (6,706) |
| **Consolidated utility throughput (MMcf)** | 246,033 | 247,965 |
| **Consolidated natural gas marketing throughput (MMcf)** | 222,572 | 225,961 |
| **Operating revenues (000s)** | | |
| Gas utility sales revenues | | |
| Residential | $ 923,773 | $ 873,375 |
| Commercial | 400,704 | 367,961 |
| Industrial (including agricultural) | 187,187 | 192,676 |
| Public authority and other | 77,178 | 65,921 |
| Total gas sales revenues | 1,588,842 | 1,499,933 |
| Transportation revenues | 30,622 | 29,583 |
| Other gas revenues | 17,172 | 23,341 |
| Total utility revenues | 1,636,636 | 1,552,857 |
| Natural gas marketing revenues | 1,279,424 | 1,234,447 |
| Other nonutility revenues | 3,977 | 12,612 |
| **Total operating revenues (000s)** | $ 2,920,037 | $ 2,799,916 |
| **Other statistics** | | |
| Gross plant (000s) | $ 2,633,651 | $ 2,480,139 |
| Net plant (000s) | $ 1,722,521 | $ 1,624,394 |
| Miles of pipe | 47,616 | 45,257 |
| Employees | 2,864 | 2,905 |

| SEPTEMBER 30 (Dollars in thousands, except share data) | 2004 | 2003 |
|---|---|---|
| **Assets** | | |
| **Property, plant and equipment** | $ 2,595,374 | $ 2,463,992 |
| **Construction in progress** | 38,277 | 16,147 |
| | 2,633,651 | 2,480,139 |
| **Less accumulated depreciation and amortization** | 911,130 | 855,745 |
| Net property, plant and equipment | 1,722,521 | 1,624,394 |
| **Current assets** | | |
| Cash and cash equivalents | 201,932 | 15,683 |
| Cash held on deposit in margin account | — | 17,903 |
| Accounts receivable, less allowance for doubtful accounts of $7,214 in 2004 and $13,051 in 2003 | 211,810 | 216,783 |
| Gas stored underground | 200,134 | 168,765 |
| Other current assets | 63,236 | 38,863 |
| Total current assets | 677,112 | 457,997 |
| **Goodwill and intangible assets** | 238,272 | 273,499 |
| **Deferred charges and other assets** | 231,978 | 269,605 |
| | $ 2,869,883 | $ 2,625,495 |
| **Capitalization and Liabilities** | | |
| **Shareholders' equity** | | |
| Common stock, no par value (stated at $.005 per share); 100,000,000 shares authorized, issued and outstanding: 2004 – 62,799,710 shares, 2003 – 51,475,785 shares | $ 314 | $ 257 |
| Additional paid-in capital | 1,005,644 | 736,180 |
| Retained earnings | 142,030 | 122,539 |
| Accumulated other comprehensive loss | (14,529) | (1,459) |
| Shareholders' equity | 1,133,459 | 857,517 |
| **Long-term debt** | 861,311 | 862,500 |
| Total capitalization | 1,994,770 | 1,720,017 |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 185,295 | 179,852 |
| Other current liabilities | 223,265 | 133,957 |
| Short-term debt | — | 118,595 |
| Current maturities of long-term debt | 5,908 | 9,345 |
| Total current liabilities | 414,468 | 441,749 |
| **Deferred income taxes** | 213,930 | 223,350 |
| **Regulatory cost of removal obligation** | 103,579 | 102,371 |
| **Deferred credits and other liabilities** | 143,136 | 138,008 |
| | $ 2,869,883 | $ 2,625,495 |



| SEPTEMBER 30 (Dollars in thousands, except per share data) | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Operating revenues** | | | |
| Utility segment | $ 1,637,728 | $ 1,554,082 | $ 937,526 |
| Natural gas marketing segment | 1,618,602 | 1,668,493 | 1,031,874 |
| Other nonutility segment | 23,151 | 21,630 | 24,705 |
| Intersegment eliminations | (359,444) | (444,289) | (343,141) |
| | 2,920,037 | 2,799,916 | 1,650,964 |
| **Purchased gas cost** | | | |
| Utility segment | 1,134,594 | 1,062,679 | 559,891 |
| Natural gas marketing segment | 1,571,971 | 1,644,328 | 994,318 |
| Other nonutility segment | 9,383 | 1,540 | 8,022 |
| Intersegment eliminations | (358,102) | (443,607) | (342,407) |
| | 2,357,846 | 2,264,940 | 1,219,824 |
| **Gross profit** | 562,191 | 534,976 | 431,140 |
| **Operating expenses** | | | |
| Operation and maintenance | 214,470 | 205,090 | 158,119 |
| Depreciation and amortization | 96,647 | 87,001 | 81,469 |
| Taxes, other than income | 57,379 | 55,045 | 36,221 |
| Total operating expenses | 368,496 | 347,136 | 275,809 |
| **Operating income** | 193,695 | 187,840 | 155,331 |
| **Miscellaneous income (expense)** | 9,507 | 2,191 | (1,321) |
| **Interest charges** | 65,437 | 63,660 | 59,174 |
| Income before income taxes and cumulative effect of accounting change | 137,765 | 126,371 | 94,836 |
| **Income tax expense** | 51,538 | 46,910 | 35,180 |
| Income before cumulative effect of accounting change | 86,227 | 79,461 | 59,656 |
| Cumulative effect of accounting change, net of income tax benefit | — | (7,773) | — |
| **Net income** | $ 86,227 | $ 71,688 | $ 59,656 |
| **Per share data** | | | |
| **Basic income per share:** | | | |
| Income before cumulative effect of accounting change | $ 1.60 | $ 1.72 | $ 1.45 |
| Cumulative effect of accounting change, net of income tax benefit | — | (.17) | — |
| **Net income** | $ 1.60 | $ 1.55 | $ 1.45 |
| **Diluted income per share:** | | | |
| Income before cumulative effect of accounting change | $ 1.58 | $ 1.71 | $ 1.45 |
| Cumulative effect of accounting change, net of income tax benefit | — | (.17) | — |
| **Net income** | $ 1.58 | $ 1.54 | $ 1.45 |
| **Weighted average shares outstanding:** | | | |
| Basic | 54,021 | 46,319 | 41,171 |
| Diluted | 54,416 | 46,496 | 41,250 |

| YEAR ENDED SEPTEMBER 30 (Dollars in thousands) | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| **Net income** | $ 86,227 | $ 71,688 | $ 59,656 |
| **Adjustments to reconcile net income to net cash provided by operating activities:** | | | |
| Cumulative effect of accounting change, net of income tax benefit | — | 7,773 | — |
| Gain on sales of assets | (6,700) | — | — |
| Depreciation and amortization: | | | |
| Charged to depreciation and amortization | 96,647 | 87,001 | 81,469 |
| Charged to other accounts | 1,465 | 2,193 | 2,452 |
| Deferred income taxes | 36,997 | 53,867 | 14,509 |
| Other | (1,772) | (5,885) | (3,371) |
| Changes in assets and liabilities | 57,870 | (167,186) | 142,680 |
| Net cash provided by operating activities | 270,734 | 49,451 | 297,395 |
| **Cash Flows Used in Investing Activities** | | | |
| Capital expenditures | (190,285) | (159,439) | (132,252) |
| Acquisitions, net of cash received | (1,957) | (74,650) | (15,747) |
| Retirements of property, plant and equipment, net | (570) | 704 | (1,725) |
| Assets for leasing activities | — | — | (8,511) |
| Proceeds from sale of assets | 27,919 | — | — |
| Net cash used in investing activities | (164,893) | (233,385) | (158,235) |
| **Cash Flows from Financing Activities** | | | |
| Net decrease in short-term debt | (118,595) | (27,196) | (55,456) |
| Net proceeds from issuance of long-term debt | 5,000 | 253,267 | — |
| Proceeds from bridge loan | — | 147,000 | — |
| Repayment of bridge loan | — | (147,000) | — |
| Repayment of long-term debt | (9,713) | (73,165) | (20,651) |
| Repayment of Mississippi Valley Gas debt | — | (70,938) | — |
| Cash dividends paid | (66,736) | (55,291) | (48,646) |
| Issuance of common stock | 34,715 | 25,720 | 18,321 |
| Net proceeds from equity offering | 235,737 | 99,229 | — |
| Net cash provided (used) by financing activities | 80,408 | 151,626 | (106,432) |
| Net increase (decrease) in cash and cash equivalents | 186,249 | (32,308) | 32,728 |
| **Cash and cash equivalents at beginning of year** | 15,683 | 47,991 | 15,263 |
| **Cash and cash equivalents at end of year** | $ 201,932 | $ 15,683 | $ 47,991 |



**BOARD OF DIRECTORS**
**ATMOS ENERGY CORPORATION**

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Atmos Energy Corporation at September 30, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 30, 2004 (not presented herein) and in our report dated November 9, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheets and statements of income and cash flows are fairly stated in all material respects in relation to the basic consolidated financial statements from which they have been derived.

Ernst + Young LLP

Dallas, Texas
November 9, 2004

| YEAR ENDED SEPTEMBER 30 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|
| **Balance Sheet Data at September 30 (000s)** | | | | | |
| Capital expenditures | $ 190,285 | $ 159,439 | $ 132,252 | $ 113,109 | $ 75,557 |
| Net property, plant and equipment | 1,722,521 | 1,624,394 | 1,380,070 | 1,409,432 | 1,045,484 |
| Working capital | 262,644 | 16,248 | (139,150) | (90,968) | (185,267) |
| Total assets | 2,869,883 | 2,625,495 | 2,059,631 | 2,108,841 | 1,410,668 |
| Shareholders' equity | 1,133,459 | 857,517 | 573,235 | 583,864 | 392,466 |
| Long-term debt, excluding current maturities | 861,311 | 862,500 | 668,959 | 691,026 | 361,970 |
| Total capitalization | 1,994,770 | 1,720,017 | 1,242,194 | 1,274,890 | 754,436 |
| **Income Statement Data** | | | | | |
| Operating revenues* (000s) | $ 2,920,037 | $ 2,799,916 | $ 1,650,964 | $ 1,725,481 | $ 850,152 |
| Gross profit* (000s) | 562,191 | 534,976 | 431,140 | 375,208 | 325,706 |
| Net income (000s) | 86,227 | 71,688 | 59,656 | 56,090 | 35,918 |
| Net income per diluted share | 1.58 | 1.54 | 1.45 | 1.47 | 1.14 |
| **Common Stock Data** | | | | | |
| Shares outstanding (000s) | | | | | |
| End of year | 62,800 | 51,476 | 41,676 | 40,792 | 31,952 |
| Weighted average | 54,416 | 46,496 | 41,250 | 38,247 | 31,594 |
| Cash dividends per share | $ 1.22 | $ 1.20 | $ 1.18 | $ 1.16 | $ 1.14 |
| Shareholders of record | 27,555 | 28,510 | 28,829 | 30,524 | 32,394 |
| Market price – High | $ 26.86 | $ 25.45 | $ 24.46 | $ 26.25 | $ 25.00 |
| Low | $ 23.68 | $ 20.70 | $ 18.37 | $ 19.31 | $ 14.75 |
| End of year | $ 25.19 | $ 23.94 | $ 21.50 | $ 21.60 | $ 20.63 |
| Book value per share at end of year | $ 18.05 | $ 16.66 | $ 13.75 | $ 14.31 | $ 12.28 |
| Price/Earnings ratio at end of year | 15.94 | 15.55 | 14.83 | 14.69 | 18.09 |
| Market/Book ratio at end of year | 1.40 | 1.44 | 1.56 | 1.51 | 1.68 |
| Annualized dividend yield at end of year | 4.8% | 5.0% | 5.5% | 5.4% | 5.5% |
| **Customers and Volumes** (As metered) | | | | | |
| Consolidated utility gas sales volumes (MMcf) | 173,219 | 184,512 | 145,488 | 156,544 | 119,470 |
| Consolidated utility gas transportation volumes (MMcf) | 72,814 | 63,453 | 63,053 | 61,230 | 59,365 |
| Consolidated utility throughput (MMcf) | 246,033 | 247,965 | 208,541 | 217,774 | 178,835 |
| Consolidated natural gas marketing throughput (MMcf) | 222,572 | 225,961 | 204,027 | 55,469 | — |
| Meters in service at end of year | 1,679,136 | 1,672,798 | 1,389,341 | 1,386,323 | 1,096,599 |
| Heating degree days# | 3,271 | 3,473 | 3,368 | 4,124 | 2,096 |
| Degree days as a percentage of normal | 96% | 101% | 94% | 115% | 82% |
| Utility average cost of gas per Mcf sold | $ 6.55 | $ 5.76 | $ 3.87 | $ 6.82 | $ 3.67 |
| Utility average transportation fee per Mcf | $ .36 | $ .43 | $ .41 | $ .41 | $ .37 |
| **Statistics** | | | | | |
| Return on average shareholders' equity | 9.1% | 9.9% | 9.9% | 10.4% | 9.3% |
| Number of employees | 2,864 | 2,905 | 2,338 | 2,361 | 1,885 |
| Net utility plant per meter | $ 994 | $ 930 | $ 939 | $ 977 | $ 931 |
| Utility operation, maintenance and administrative expense per meter | $ 116 | $ 115 | $ 101 | $ 130† | $ 135 |
| Meters per employee – utility | 612 | 594 | 616 | 603 | 591 |
| Times interest earned before income taxes | 3.05 | 2.75 | 2.55 | 2.83 | 2.28 |

* In conjunction with the adoption of EITF 02-03 in fiscal 2003, energy trading contracts resulting in delivery of a commodity where we are the principal in the transaction are included as operating revenues or purchased gas cost. Fiscal years 2000-2002 have been reclassified to conform with this new presentation.

# Heating degree days for fiscal years 2001-2004 are adjusted for service areas with weather-normalized operations. Heating degree days for 2000 are not adjusted for service areas with weather-normalized operations, as that information was not available.

† Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.



The matters discussed or incorporated by reference in this Summary Annual Report may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 or 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 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 report or in any of the Company's other documents or oral presentations, the words "anticipate," "believes," "estimate," "expect," "forecast," "goal," "intends," "objective," "plans," "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 report, including the successful integration of the Company's acquisition of the operations of TXU Gas, the Company's ability to continue to access the capital markets and other factors discussed in the Company's SEC filings. These factors include the risks and uncertainties discussed in the Company's Form 10-K for the fiscal year ended September 30, 2004. Although the Company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. Further, the Company undertakes no obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

## SENIOR MANAGEMENT TEAM

**Robert W. Best**
Chairman, President and Chief Executive Officer

**J. Patrick Reddy**
Senior Vice President and Chief Financial Officer

**R. Earl Fischer**
Senior Vice President, Utility Operations, and President, Mid-Tex Division

**JD Woodward**
Senior Vice President, Nonutility Operations

**Louis P. Gregory**
Senior Vice President and General Counsel

**Wynn D. McGregor**
Vice President, Human Resources

## UTILITY DIVISIONS

**J. Kevin Akers**
President, Mississippi Valley Gas Division

**Thomas R. Blose, Jr.**
President, Mid-States Division

**Gary W. Gregory**
President, West Texas Division

**Tom S. Hawkins, Jr.**
President, Louisiana Division

**John A. Paris**
President, Kentucky Division

**Gary L. Schlessman**
President, Colorado-Kansas Division

## NONUTILITY BUSINESS

**Richard A. Erskine**
President, Atmos Pipeline and Storage, LLC

**Ron W. McDowell**
Vice President, New Business Ventures

## SHARED SERVICES

**Verlon R. Aston, Jr.**
Vice President, Governmental Affairs

**Leslie H. Duncan**
Vice President and Chief Information Officer

**Conrad E. Gruber**
Vice President, Strategic Planning

**Susan C. Kappes**
Vice President, Investor Relations and Corporate Communications

**Dwala J. Kuhn**
Corporate Secretary

**Robert E. Mattingly**
Vice President, Gas Supply

**Fred E. Meisenheimer**
Vice President and Controller

**Gordon J. Roy**
Vice President, Security and Compliance

**Laurie M. Sherwood**
Vice President, Corporate Development, and Treasurer

**Travis W. Bain II**
Chairman, Texas Custom Pools, Inc.
Plano, Texas
Board member since 1988
Committees: Work Session/Annual Meeting (Chairman), Audit, Human Resources

**Robert W. Best**
Chairman, President and Chief Executive Officer
Atmos Energy Corporation
Dallas, Texas
Board member since 1997
Committee: Executive

**Dan Busbee**
Adjunct Professor, Dedman School of Law, Southern Methodist University; Senior Visiting Fellow, Centre for Commercial Law Studies, University of London
Dallas, Texas
Board member since 1988
Committees: Audit (Chairman), Human Resources

**Richard W. Cardin**
Retired partner of Arthur Andersen LLP
Nashville, Tennessee
Board member since 1997
Committees: Audit, Nominating and Corporate Governance

**Thomas J. Garland**
Chairman of the Tusculum Institute for Public Leadership and Policy
Greeneville, Tennessee
Board member since 1997
Committees: Human Resources, Work Session/Annual Meeting

**Richard K. Gordon**
General Partner
Juniper Capital LP and Juniper Advisory LP
Houston, Texas
Board member since 2001
Committees: Human Resources, Nominating and Corporate Governance

**Gene C. Koonce**
Formerly Chairman of the Board, President and Chief Executive Officer, United Cities Gas Company
Nashville, Tennessee
Board member since 1997
Committees: Human Resources (Chairman), Executive, Work Session/Annual Meeting

**Dr. Thomas C. Meredith**
Chancellor of the University System of Georgia
Atlanta, Georgia
Board member since 1995
Committees: Audit, Nominating and Corporate Governance

**Phillip E. Nichol**
Formerly Senior Vice President of Central Division Staff
UBS PaineWebber Incorporated
Dallas, Texas
Board member since 1985
Committees: Nominating and Corporate Governance (Chairman), Human Resources, Work Session/Annual Meeting

**Nancy K. Quinn**
Principal, Hanover Capital, LLC
East Hampton, New York
Board member since 2004
Committees: Audit, Nominating and Corporate Governance

**Charles K. Vaughan**
Formerly Chairman of the Board
Atmos Energy Corporation
Dallas, Texas
Board member since 1983
Committee: Executive (Chairman)

**Richard Ware II**
President, Amarillo National Bank
Amarillo, Texas
Board member since 1994
Committees: Nominating and Corporate Governance, Work Session/Annual Meeting

**Leo E. Schlessman**
Honorary Director
President, Dolo Investment Company
Denver, Colorado
Retired from Board in 1998

## COMMON STOCK LISTING

New York Stock Exchange. Trading symbol: ATO

## STOCK TRANSFER AGENT AND REGISTRAR

American Stock Transfer and Trust Company
59 Maiden Lane
Plaza Level
New York, New York 10038
(800) 543-3038

To inquire about your Atmos Energy stock, please call AST at the telephone number above. You may use the agent's interactive voice response system 24 hours a day to learn about transferring stock or to check your recent account activity—all without the assistance of a customer service representative. Please have available your Atmos Energy shareholder account number and your Social Security or federal taxpayer ID number.

To speak to an AST customer service representative, please call the same number between 8 a.m. and 7 p.m. Eastern time, Monday through Thursday, and 8 a.m. to 5 p.m. Eastern time on Friday.

You also may send an e-mail message on our agent's Web site at http://www.amstock.com. Please refer to Atmos Energy in your e-mail and include your Atmos Energy shareholder account number and your Social Security or federal taxpayer ID number.

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
2121 San Jacinto, Suite 1500
Dallas, Texas 75201
(214) 969-8000

## FORM 10-K

Atmos Energy Corporation's Annual Report on Form 10-K is available upon request from Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205 or by calling (972) 855-3729 between 8 a.m. and 5 p.m. Central time. Atmos Energy's Form 10-K may also be viewed on Atmos Energy's Web site at http://www.atmosenergy.com.

## ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held in the Lincoln West Ballroom at the Hilton Hotel Lincoln Centre, 5410 Lyndon B. Johnson Freeway, Dallas, Texas 75240 on Wednesday, February 9, 2005, at 11 a.m. Central time.

## DIRECT STOCK PURCHASE PLAN

Atmos Energy Corporation has a Direct Stock Purchase Plan that is available to all investors. For an Enrollment Application Form and a Plan Prospectus, please call AST at (800) 543-3038. The Prospectus is also available on the Internet at http://www.atmosenergy.com. You may also obtain information by writing to Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205.

This is not an offer to sell, or a solicitation to buy, any securities of Atmos Energy Corporation. Shares of Atmos Energy common stock purchased through the Direct Stock Purchase Plan will be offered only by Prospectus.

## ATMOS ENERGY ON THE INTERNET

Information about Atmos Energy is available on the Internet at http://www.atmosenergy.com. Our Web site includes news releases, current and historical financial reports, other investor data, corporate governance documents, management biographies, customer information and facts about Atmos Energy's operations.

## ATMOS ENERGY CORPORATION CONTACTS

To contact Atmos Energy's Shareholder Relations, call (972) 855-3729 between 8 a.m. and 5 p.m. Central time or send an e-mail message to InvestorRelations@atmosenergy.com.

For financial information for securities analysts and investment managers, contact:
Susan C. Kappes
Vice President, Investor Relations and Corporate Communications
(972) 855-3729 (972) 855-3040 (fax)
InvestorRelations@atmosenergy.com

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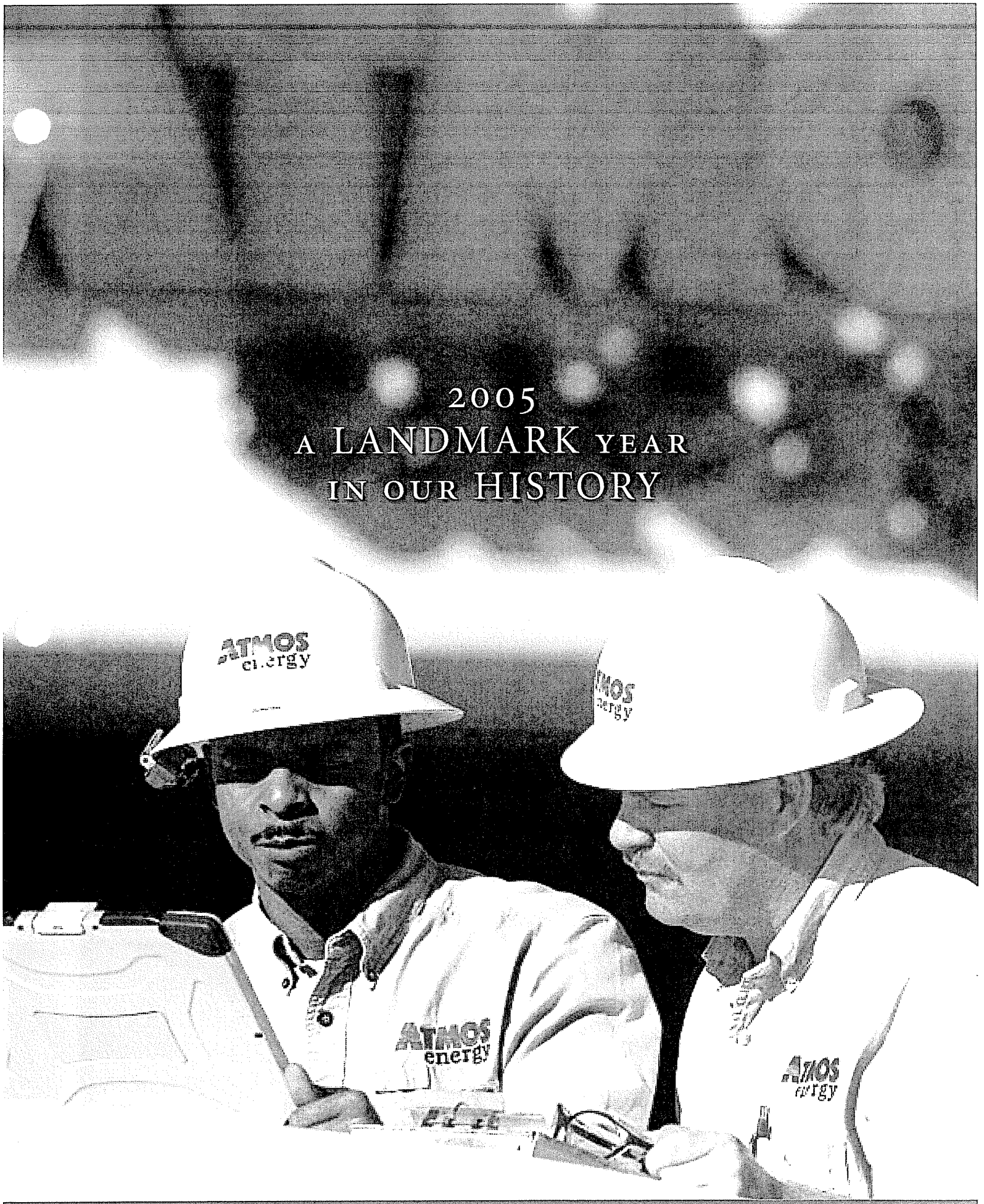
ATMOS energy

Atmos Energy Corporation P.O. Box 650205 Dallas, Texas 75265-0205 atmosenergy.com

# 2005
# A LANDMARK YEAR IN OUR HISTORY



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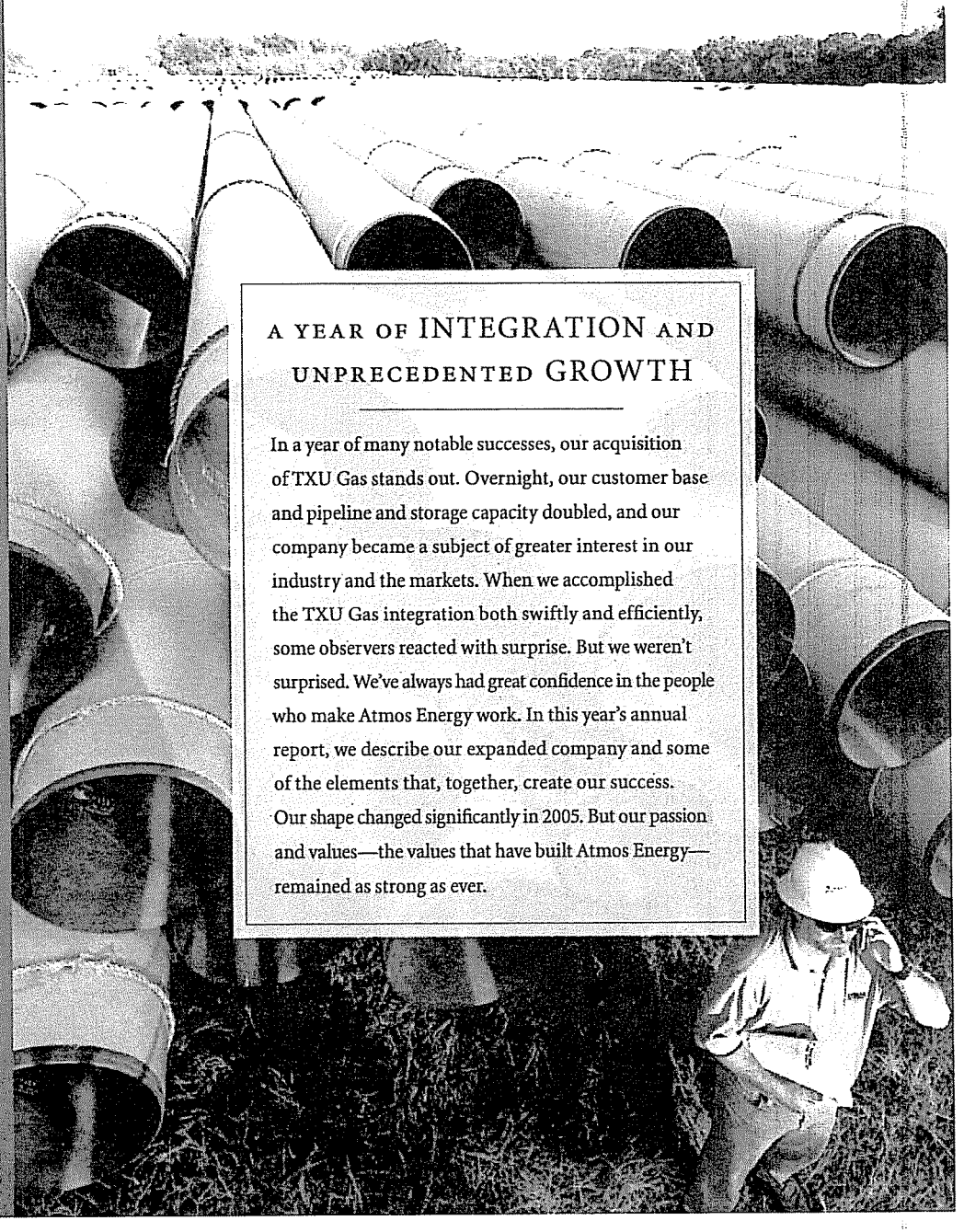
30 BOARD OF DIRECTORS

IBC CORPORATE INFORMATION


*On the cover:* Working together, Troy Duncan, Mike McCann and their fellow employees made fiscal 2005 a year of unprecedented growth and success for Atmos Energy.

*At right:* Overseen by Project Manager Mark Patterson, the North Side Loop project is stockpiled with 36-inch pipe on a 10-acre site in Denton County, Texas. The loop's initial capacity of 220,000 million Btu per day can be more than doubled to 500,000 million Btu per day.



## A YEAR OF INTEGRATION AND UNPRECEDENTED GROWTH

In a year of many notable successes, our acquisition of TXU Gas stands out. Overnight, our customer base and pipeline and storage capacity doubled, and our company became a subject of greater interest in our industry and the markets. When we accomplished the TXU Gas integration both swiftly and efficiently, some observers reacted with surprise. But we weren't surprised. We've always had great confidence in the people who make Atmos Energy work. In this year's annual report, we describe our expanded company and some of the elements that, together, create our success. Our shape changed significantly in 2005. But our passion and values—the values that have built Atmos Energy—remained as strong as ever.

| YEAR ENDED SEPTEMBER 30 (Dollars in thousands, except per share data) | 2005 | 2004 | Change |
|---|---|---|---|
| Operating revenues | $ 4,973,326 | $ 2,920,037 | 70.3% |
| Gross profit | $ 1,129,090 | $ 562,191 | 100.8% |
| Utility net income | $ 81,117 | $ 63,096 | 28.6% |
| Natural gas marketing net income | 23,404 | 16,633 | 40.7% |
| Pipeline and storage net income | 30,599 | 2,767 | 1,005.9% |
| Other nonutility net income | 665 | 3,731 | -82.2% |
| Total | $ 135,785 | $ 86,227 | 57.5% |
| Total assets | $ 5,653,527 | $ 2,912,627 | 94.1% |
| Total capitalization* | $ 3,785,526 | $ 1,994,770 | 89.8% |
| Net income per share – diluted | $ 1.72 | $ 1.58 | 8.9% |
| Cash dividends per share | $ 1.24 | $ 1.22 | 1.6% |
| Book value per share at end of year | $ 19.90 | $ 18.05 | 10.2% |
| Consolidated utility segment throughput (MMcf) | 411,134 | 246,033 | 67.1% |
| Consolidated natural gas marketing segment throughput (MMcf) | 238,097 | 222,572 | 7.0% |
| Consolidated pipeline and storage segment transportation volumes (MMcf) | 375,604 | — | — |
| Heating degree days | 2,587 | 3,271 | -20.9% |
| Degree days as a percentage of normal | 89% | 96% | -7.3% |
| Meters in service at end of year | 3,157,840 | 1,679,136 | 88.1% |
| Return on average shareholders' equity | 9.0% | 9.1% | -1.1% |
| Shareholders' equity as a percentage of total capitalization (including short-term debt) at end of year | 40.7% | 56.7% | -28.2% |
| Shareholders of record | 26,242 | 27,555 | -4.8% |
| Weighted average shares outstanding – diluted (000s) | 79,012 | 54,416 | 45.2% |

*Total capitalization represents the sum of shareholders' equity and long-term debt (excluding current maturities).





DEAR FELLOW SHAREHOLDER:

Our acquisition of the distribution and pipeline operations of TXU Gas has created a powerful union—which is the subject of much of this year's report.

The acquisition, which closed on October 1, 2004, has exceeded our best expectations, as measured on several dimensions. It contributed to Atmos Energy's extraordinary financial results in fiscal 2005. It transformed Atmos Energy into the largest all-natural-gas distribution company in the country, and it created major opportunities for future growth.

Atmos Energy's gross profit in fiscal 2005 doubled to exceed $1 billion for the first time in our company's history. Net income increased 58 percent to a record $135.8 million, and earnings per diluted share grew by 14 cents to $1.72.

Fiscal 2005 marked our fifth year of consistently improved performance. Our total return to shareholders was 17.2 percent, and our return on average shareholders' equity was 9.0 percent.

Recognizing these accomplishments, the Board of Directors raised the dividend by 2 cents to an indicated annual rate of $1.26 per share. This marked our 18th consecutive annual increase. Moreover, when adjusted for mergers and acquisitions, Atmos Energy's dividend has gone up every year since it was formed in 1983.

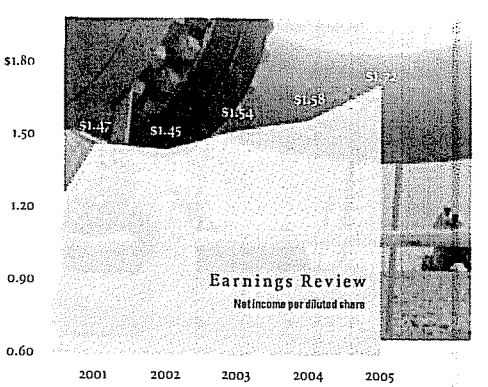
EXCEPTIONAL PERFORMANCE

Atmos Energy's employees did more than just deliver on the company's promise of $1.65 to $1.75 in earnings per diluted share for fiscal 2005. They overcame warmer-than-normal weather that reduced earnings by 29 cents per diluted share, dilution from a year-over-year increase of 24.6 million more shares outstanding and the ravages of two hurricanes that affected two-thirds of our Louisiana operations and a portion of our Mississippi territory.

The TXU Gas acquisition was a major contributor to earnings. It was accretive in the first year—adding 18 cents to earnings per diluted share. That result far surpassed our original estimate of a contribution from 5 cents to 10 cents per diluted share.

The acquisition has nearly doubled the size of our utility operations by adding 1.5 million gas utility customers in Texas. Overall, the additional territory exceeds national averages for customer growth. In particular, the Dallas and Fort Worth metropolitan areas as well as the northern suburbs of Austin are experiencing strong residential and commercial development.

Integrating the former TXU Gas employees and operations has gone exceptionally well. Our integration teams have exceeded goals and completed work well ahead of deadlines. In particular, we are proud of the conversion of all the former back-office and information technology systems. We no longer are using any outsourced services for meter reading, customer billing or telephone call centers. We expect that using our own state-of-the-art systems will lead to improved customer satisfaction and lower long-term operating costs.



## HURRICANES PROVE THE METTLE OF THE ATMOS ENERGY TEAM

Across Louisiana to the Mississippi Delta, Atmos Energy employees responded courageously to Hurricanes Katrina and Rita. After Katrina devastated southern Louisiana on August 29, Atmos Energy was the first utility back into hard-hit Jefferson Parish. There and elsewhere, employees—many of whom had lost their own homes—worked tirelessly, some living for weeks at company service centers in order to respond to customers' needs. Atmos Energy mobilized supplies and manpower to aid its crews, displaced employees, customers and neighbors. The second storm, Rita, delivered a lesser blow to Atmos Energy's operations in western Louisiana. Disruption was further minimized thanks to wise preparedness and fast response.

PIPELINE AND STORAGE

An especially noteworthy part of the acquisition was our addition of one of the largest intrastate natural gas pipelines in Texas, which became the Atmos Pipeline–Texas Division. This expansive pipeline system, shown on page 9, supports our regulated utility operations by carrying natural gas from producers and storage fields to our local distribution system. It crisscrosses the state, with terminals at three major gas transportation hubs where we can buy gas from other intrastate lines and major interstate pipelines. It also transports volumes from the state's nine major gas-producing basins, which hold a substantial portion of our country's onshore natural gas reserves.

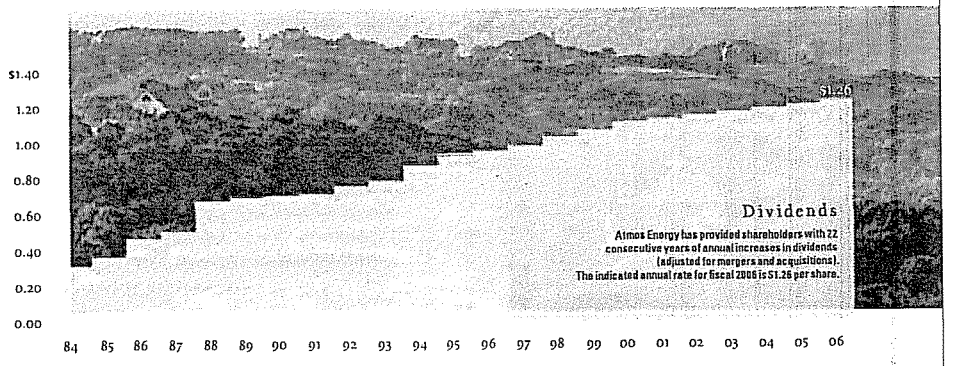
Atmos Pipeline–Texas gives us new opportunities to transport gas for producers to wider markets. In fiscal 2005, the pipeline added transportation volumes of 375.6 billion cubic feet (Bcf). It contributed $149.5 million, or 95 percent, of the $157.9 million in gross profit from our pipeline and storage segment. By comparison, the segment's gross profit last year before the acquisition was just $10.4 million.

We are continuing to unlock added value from the Texas pipeline. We currently have four pipeline projects under way that we expect will add to earnings starting in fiscal 2006. The largest of these is a joint-venture project to install 45 miles of 30-inch pipeline to serve the northern suburbs of the Dallas-Fort Worth Metroplex. This new pipeline will help Atmos Energy deliver reliable natural gas supplies to one of the fastest-growing consumer markets in the country. It also will provide needed gas transmission capacity to serve natural gas producers and shippers in the Texas intrastate wholesale gas market.

NATURAL GAS MARKETING

Our natural gas marketing segment produced exceptional results in fiscal 2005, contributing 30 cents per diluted share. The improvement largely was due to achieving more favorable arbitrage spreads using our underground natural gas storage facilities. It also came from our marketing efforts that added customers in new areas.






**Dividends**

Atmos Energy has provided shareholders with 22 consecutive years of annual increases in dividends (adjusted for mergers and acquisitions). The indicated annual rate for fiscal 2006 is $1.26 per share.

The TXU Gas acquisition opened up a large gas marketing area in Texas with hundreds of prospective customers, providing further confirmation that the acquisition is a good fit with all segments of our business.

During fiscal 2005, our nonutility operations contracted for 9.0 Bcf of additional working gas storage capacity and expanded our marketing efforts into four more states. Altogether, our natural gas marketing operations now serve more than 800 industrial, municipal and other customers in 22 states.

RATE STRATEGY

We continue to be successful in maintaining our rates, with $15 million to $25 million in average annual additions to our utility revenues. Part of the increase in fiscal 2005 came from our GRIP filings in Texas. GRIP, the Gas Reliability Infrastructure Program, is a Texas law that permits natural gas utilities to earn a timely return of and on their basic investments. Without filing a lengthy rate case, a utility can raise rates annually to pay for investments in pipelines and other facilities to maintain reliability and safety and to meet customer growth. The utility must file a complete rate case at least every five years to justify its GRIP expenditures.

Higher natural gas costs have intensified public scrutiny of all utilities' rates. As a result, regulatory bodies in three of our states have been asked to review our rate structures. We are cooperating fully in these inquiries and believe our rates in all jurisdictions remain fair and reasonable.

In our rate filings, we are seeking to decouple the recovery of our approved margins from customer usage patterns that are affected by weather, declining use and conservation. Because gas volumes fluctuate, our earnings depend on consumption factors over which we have little control. We are seeking to put more of our costs into our basic monthly customer charge and to add adjustments that help moderate the effects of the rise and fall in our gas sales volumes.

Our most recent rate agreement in Mississippi, for example, reflects our decoupling goals. The state's Public Service Commission allowed us to shift $10 million in annual margins from volume-based charges to fixed customer charges. We also were granted an improved weather normalization adjustment (WNA), which adjusts our rates when winter weather turns either unseasonably warm or cool, and we obtained a GRIP-like mechanism in Mississippi to reduce the regulatory lag for the investments we make on behalf of our customers.

We have been successful in obtaining weather normalization adjustments for about one-third of our customer base. In our two largest jurisdictions, our Mid-Tex and Louisiana Divisions, we do not have WNA. In those areas, other rate-design features help offset the lack of weather protection—up to a point. In fiscal 2005, our Mid-Tex Division had weather that was 20 percent warmer than normal, and our Louisiana Division had weather that was 22 percent warmer than normal. Overall, weather was 11 percent warmer than normal in fiscal 2005, reducing our net income by $22.8 million, or 29 cents per diluted share.

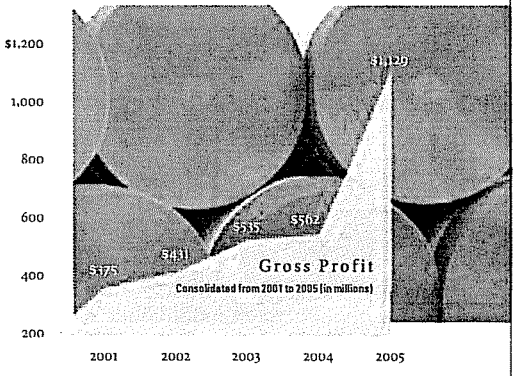
In our rate filings, we also are seeking to recover the gas-cost portion of bad debt expense. As a public utility that is obligated to serve everyone in the community, we work to help the less-fortunate and other customers who have difficulty paying their energy bills. In return for supporting the community's social needs by not disconnecting those who do not pay during the winter, we are asking regulators to let us recover the sizable costs we incur for gas supplies used by our indigent customers.

### PAYING DOWN DEBT

We financed our TXU Gas acquisition with two successful equity offerings, which raised about $618 million in net proceeds, and with a sale of $1.39 billion of senior notes. Not unexpectedly, our debt level went up, which has occurred in the past to finance earlier transactions, yet we maintained investment-grade ratings with all of the major rating agencies.

We issued approximately 26 million new common shares in connection with the acquisition. Our weighted average number of common shares outstanding increased, year over year, by 24.6 million shares, causing dilution in our per-share earnings.

Our total debt as a percentage of total capitalization, including short-term debt, was 59.3 percent at year-end. We are committed to paying down debt to return to the range of 50 percent to 55 percent during the next three to five years. We are confident we can do so to continue our reliable record of reducing our debt-to-equity ratio after major acquisitions.




In fiscal 2005, we generated operating cash flow of $386.9 million, compared with $270.7 million in fiscal 2004. Our capital expenditures increased to $333.2 million from $190.3 million in fiscal 2004, with virtually all the increase being spent on our Mid-Tex and Atmos Pipeline–Texas Divisions.

### OUTLOOK FOR 2006

For fiscal 2006, we see more opportunities than ever before, largely because of the size and growth of our added operations in Texas. Our goal is to continue to grow our earnings at 4 percent to 6 percent a year on average. We estimate that earnings per diluted share in fiscal 2006 will reach $1.80 to $1.90, assuming normal weather and no material effect from marking to market our storage and related financial hedges.

We are especially mindful of the effects that volatile, high natural gas prices are having on our customers everywhere. More of our customers could have difficulty paying their bills this winter, and our bad debt expense could go up.



We have stepped up a broad range of programs to help our customers as well as to seek increased natural gas supplies. Actions by Congress are sorely needed—to permit more gas exploration in coastal waters and on Western public lands, to build a pipeline from the abundant gas fields in Alaska and to permit liquefied natural gas terminals on domestic shores. These actions would help provide more natural gas and, in turn, would help lower gas prices.

In 2006, we also must deal with the lingering aftermath of Hurricanes Katrina and Rita. The hurricanes affected up to 230,000 of our customers and reduced our fiscal 2005 net income by $3.8 million, or 5 cents per diluted share. To aid in the recovery, Atmos Energy and its employees donated nearly $1.5 million to the hurricane relief efforts.

Today we estimate a semi-permanent loss of about 40,000 meters in the four hardest hit parishes where we serve. Our lost margins in fiscal 2006 will be between $10 million and $12 million. Nevertheless, in surveying the region just days after the destruction, I became convinced that the resilient spirit of Louisiana residents and business owners will triumph over the storms' fury. Their desire to rebuild is evident everywhere. It will just take time.

We estimate our capital expenditures in fiscal 2006 will total $400 million to $415 million. Of that total, about 60 percent will be spent on our growing Mid-Tex and Atmos Pipeline–Texas Divisions. Our spending reinforces our goal of investing growth capital to seek the best returns. Although one of our key strategies is to continue to grow through sound acquisitions, our immediate goal is to reduce our debt with longer-term plans for future acquisitions.

### LEADERSHIP CHANGES

It was my pleasure this year to announce the addition to the Board of Directors of Stephen R. Springer. I have known Steve for nearly three decades and have worked closely with him in the past. He brings an extensive background in the natural gas industry and a steadfast commitment to integrity and honesty. We are pleased he agreed to join our board.

On April 1, 2006, JD Woodward will retire as senior vice president, nonutility operations. He will be succeeded by Mark H. Johnson, who recently was named vice president, nonutility operations, and who also serves as president of our natural gas marketing subsidiary. JD founded Woodward Marketing, which became the core of our natural gas marketing segment. He has led all our nonutility operations since joining Atmos Energy in 2001. I deeply thank him for his friendship, his leadership and all he has done to serve our customers and employees and to produce results that have rewarded our shareholders.

We expect 2006 to be another prosperous year for Atmos Energy. All of us appreciate your continuing support as investors. We pledge to protect your investment and to use it wisely to provide exceptional service to our 3.2 million customers and 1,500 communities. That is the best way we can ensure future financial success.

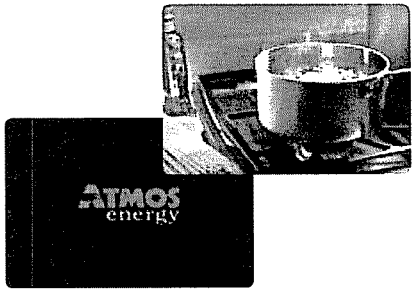
Robert W Best

Robert W. Best
CHAIRMAN, PRESIDENT AND CEO
NOVEMBER 18, 2005

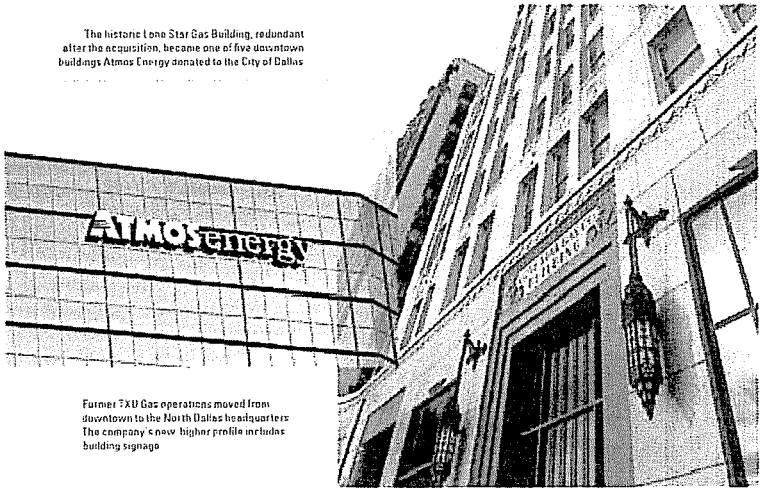
## SEAMLESS INTEGRATION CREATES THE NATION'S LARGEST ALL-NATURAL-GAS UTILITY

The October 1, 2004, completion of our TXU Gas acquisition doubled the size of Atmos Energy and made it the nation's largest all-natural-gas utility. It also marked one of the swiftest major utility acquisitions in recent history. An innovative transition agreement helped to cement the rapid integration and secure regulatory approvals from utility commissions in five states. Financial markets were enthusiastic, with investors subscribing to Atmos Energy's two offerings of common stock and a $1.39 billion debt offering at highly competitive rates. Analysts also applauded the company's higher proportion of regulated customers, delivering greater stability of earnings.

As part of the successful rebranding, TV commercials assured the 1.5 million former TXU Gas customers they would have the same great gas service they ve always counted on.



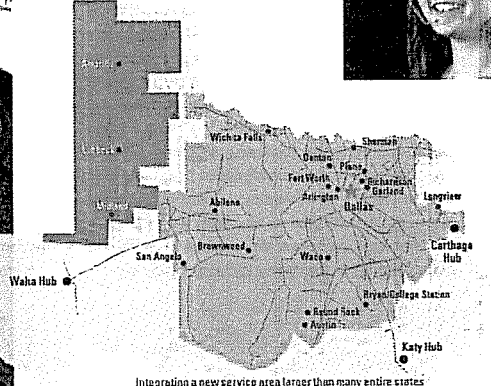

The historic Lone Star Gas Building, redundant after the acquisition, became one of five downtown buildings Atmos Energy donated to the City of Dallas



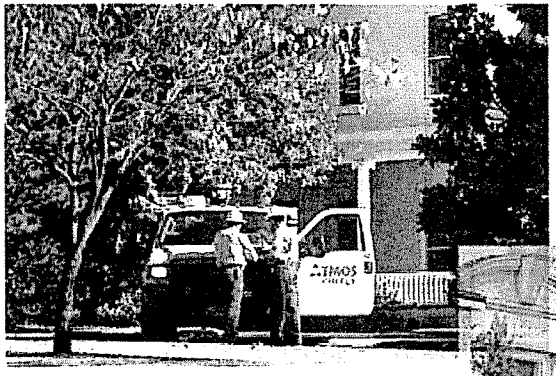

Former TXU Gas operations moved from downtown to the North Dallas headquarters. The company's new higher profile includes building signage

Sunrise in Dallas, and Senior Construction Manager Andre Brown and Crew Foreman Clayton Hunter are already lining out the day's work. Dallas-Fort Worth alone added more than one million new customers to the Atmos Energy System.

Maria Chavez serves customers from the new Atmos Energy call center in Waco, Texas. The center added 240 new jobs to the local economy. Keeping service personnel close to the customers being served is a crucial ingredient in the company's success



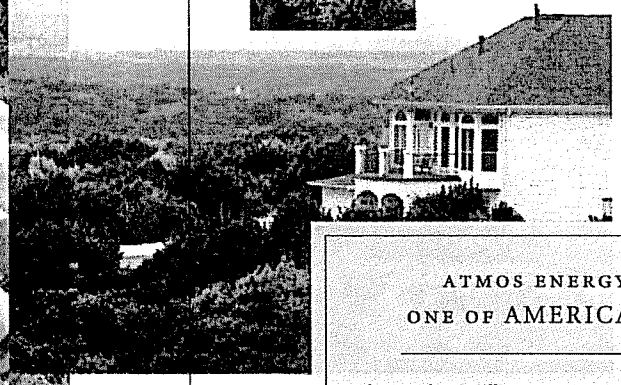

Integrating a new service area larger than many entire states required a massive conversion of customer billing and back-office systems. The Atmos Energy team won accolades for their deft accomplishment of the task.



Atmos Energy has earned national attention – and customer kudos – for its investment in service. East Texas customers benefit from the new Palestine service center, one of nine new facilities the company has opened across the state.

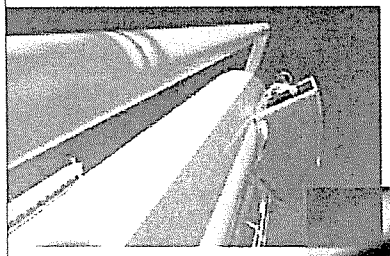
Innovative thinking solved a rocky problem for Central Texas developers. Atmos Energy engineers found ways to run pipeline through the area's terrain of hills, cliffs and solid rock to serve homebuyers' demand for natural gas.

Technician Doyce Wilson exemplifies the long tenure of much of the workforce. He joined Lone Star Gas in 1972 and stayed through the transitions to TXU Gas and to Atmos Energy. Such continuity helped make the change from TXU Gas to Atmos Energy worry-free for customers.

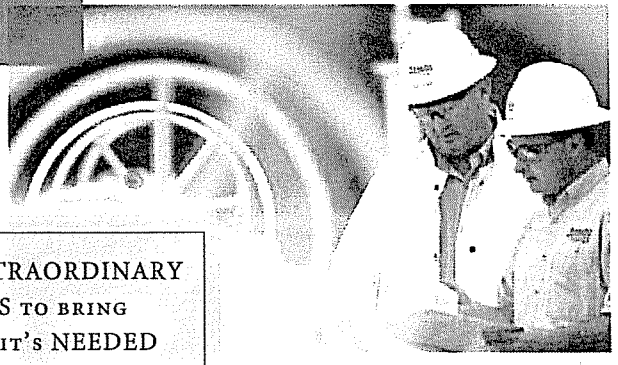


## ATMOS ENERGY FUELS THE GROWTH OF ONE OF AMERICA'S MOST VIBRANT REGIONS

Along with 1.5 million new customers for Atmos Energy, the TXU Gas acquisition added momentum to the growth of a region that includes the nation's eighth largest metropolitan area, Dallas-Fort Worth, as well as Austin suburbs that rank among the country's fastest-growing communities in housing and commercial expansion. To support its highly experienced workforce, Atmos Energy has added nine new service centers to better serve its customers, who already register high satisfaction in surveys. As Atmos Energy invested in the region's growth, the company made the first filing under Texas' Gas Reliability Infrastructure Program (GRIP), which reduces the lag time on recovery of basic service investments.



Eddie Ortowski supervises compression and storage of natural gas at the company's Lake Dallas storage facility. Such facilities, strategically placed, help stabilize supply during peak periods.

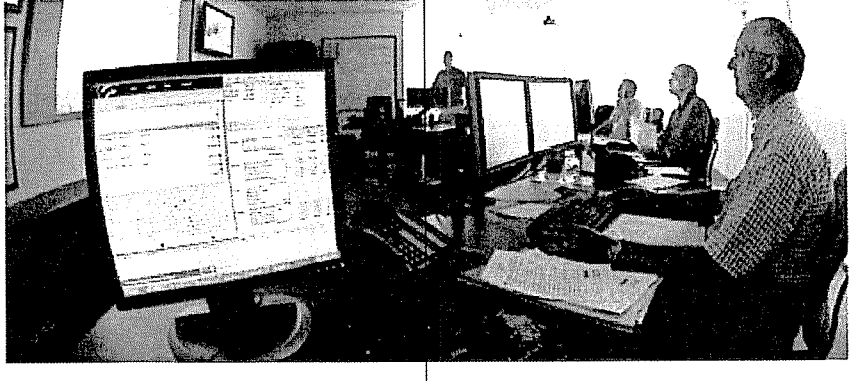


At City Gate Distribution Center in Mesquite, Texas, Danny Bowman and Gerald Armstrong help supply customers from Sherman, near the Red River, to Katy, near Houston. A major hub, City Gate provides energy to six power plants. Soon it will tie in to the company's new North Side Loop

## GOING TO EXTRAORDINARY LENGTHS TO BRING GAS WHERE IT'S NEEDED

Atmos Energy operates one of the largest intrastate gas pipeline systems in Texas. This system is growing significantly with construction of the 45-mile North Side Loop and related compressor stations in the D-FW Metroplex. Jointly owned with Energy Transfer Partners, L.P., the new pipeline will ensure ample natural gas supplies for the rapid residential and commercial growth of Collin, Denton and northern Tarrant Counties. It also will add transmission capacity to help natural gas producers and shippers bring more Texas natural gas to market, particularly gas from the expanding production in the Fort Worth Basin. In May, Atmos Energy entered an agreement with Enbridge Energy Partners to transport up to 100,000 million Btu per day through the Atmos Energy system.

Staff members at this Atmos Energy gas control center in Dallas monitor weather, news events, next-day prices and gas futures, advising buyers who trade gas to serve 1.5 million Texas customers.



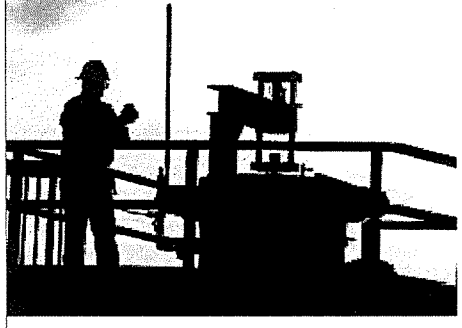
Pipe for the new North Side Loop awaits welding outside Krum, Texas. Pipeline crews took advantage of unusually dry fall weather to build at a faster than expected pace.

Atmos Energy fuels production at GM's 3 million-square-foot Arlington assembly plant. Other major customers in North Texas include Texas Instruments, Coca-Cola, Pepsi and two Frito-Lay plants.

## ATMOS ENERGY MARKETING FINDS LARGE-SCALE OPPORTUNITIES

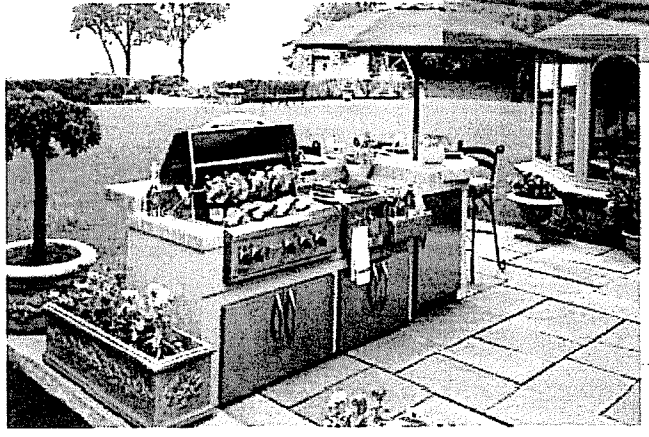
The new territory added with the TXU Gas acquisition represents a vast field of opportunity for Atmos Energy Marketing, which develops relationships with industrial and municipal customers, such as manufacturing facilities, hospitals and electric generation plants. Developers of new residential communities in fast-growing Central and North Texas represent another significant opportunity for growth. Atmos Energy has ample capacity for projected customer needs. Large gas hubs in three major market centers—Waha in West Texas, Carthage in East Texas and Katy, near Houston—connect with Texas intrastate pipelines and interstate pipelines at more than 100 points.

Among the new industrial customers Atmos Energy has gained are high-tech companies such as Dell and Samsung in the Austin area.



Louis Moya takes measurements at the company's Katy distribution hub, part of Atmos Pipeline–Texas, one of the largest intrastate gas pipeline networks in Texas.

As new neighborhoods expand across Atmos Energy's territory, the company markets to homebuilders and developers, promoting the benefits of natural gas for builder and homebuyer alike.



The humble patio has evolved into a full outdoor room. Outdoor kitchens, living areas and sleeping rooms are among the new features most requested by homeowners. How do you fuel and heat an outdoor room? Natural gas, of course.

### RESULTS OF OPERATIONS

In fiscal 2005, consolidated net income increased 58 percent to $135.8 million from $86.2 million in fiscal 2004. Earnings per diluted share were $1.72, compared with $1.58 in the previous year. Gross profit was $1.1 billion on operating revenues of $5.0 billion. Return on average shareholders' equity was 9.0 percent. The company paid total cash dividends of $1.24 per share and provided a total return to shareholders of 17.2 percent.

Utility operations contributed 60 percent of consolidated net income in fiscal 2005. Natural gas marketing operations contributed 17 percent, and pipeline and storage operations contributed 23 percent.

### TXU GAS ACQUISITION

A major factor supporting Atmos Energy's record-setting results in fiscal 2005 was the full year of contributions from the acquired distribution and pipeline operations of TXU Gas Company. As we forecast, the acquisition proved accretive to earnings in its first year, contributing $52.7 million to consolidated net income, or 18 cents per diluted share. We paid approximately $1.9 billion in cash and financed the acquisition with two public offerings of common stock, yielding net proceeds of approximately $618 million, and a $1.39 billion public offering of senior debt.

The acquisition added 1.5 million gas utility customers in the north-central, eastern and western regions of Texas to nearly double our size. The acquired operations also included one of the largest intrastate natural gas pipelines in Texas and five connected gas storage fields. As part of the new Atmos Pipeline–Texas Division, the 6,162-mile pipeline system delivers natural gas to more than 550 cities served by our new Mid-Tex Division. It also transports natural gas from nine producing basins across Texas and interconnects with several intrastate and interstate gas pipelines at three major transportation hubs in West Texas, East Texas and the Houston area.

To better serve our Mid-Tex Division's customers, Atmos Energy took over the operation of a large customer call center in Waco, Texas, and hired about 240 employees to staff the center. We also assumed responsibility for other services that had been outsourced by TXU Gas, such as information technology, customer billing and meter reading. By the beginning of the 2006 fiscal year, we had completed the conversion of the former systems to our own systems—nearly a year in advance of the time typically needed for such conversions. We believe these changes will provide long-term savings and help us be more responsive to our customers' needs.

### WEATHER AND THROUGHPUT

Weather, overall, during fiscal 2005 was 11 percent warmer than the 30-year normal averages, as adjusted for our operations that have weather-normalized rates. The warm winter heating season reduced our net income by $22.8 million, or 29 cents per diluted share.

Consolidated utility throughput increased to 411.1 billion cubic feet (Bcf) in fiscal 2005 from 246.0 Bcf in fiscal 2004. The increase was largely due to operations of the Mid-Tex Division, which added 174.3 Bcf in throughput for the year. Natural gas marketing sales volumes increased about 15.5 Bcf to 238.1 Bcf, and pipeline transportation volumes were 375.6 Bcf during fiscal 2005.

### NATURAL GAS PRICES

Wholesale natural gas prices continued rising during fiscal 2005, following a five-year trend. Domestic natural gas production barely kept pace with the growing demand largely because clean-burning natural gas is being used to fuel most new electric power plants. In addition, Hurricanes Katrina and Rita damaged more than 15 percent of the natural gas production capacity in the Gulf of Mexico. Damage to offshore drilling and producing platforms and the pipelines and processing facilities needed to transport the gas to shore caused natural gas prices to reach record levels during the summer, when we typically inject large gas volumes into storage to withdraw during the winter heating season.

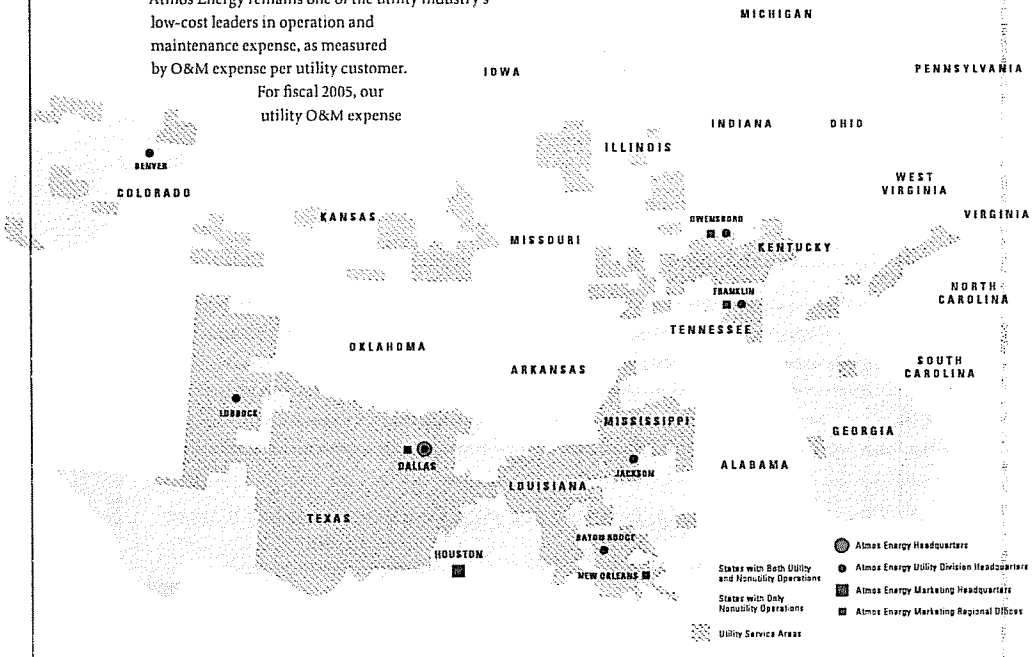


Our average utility cost of natural gas for the 2005 fiscal year was $7.41 per thousand cubic feet (Mcf), compared with $6.55 per Mcf for the 2004 fiscal year. To help protect our customers from the volatility in wholesale natural gas markets, we continue to hedge gas prices for our customers in jurisdictions that allow hedging programs. For the 2005–2006 heating season, we have hedged approximately 46 percent of our expected winter supply, using a combination of underground storage and financial contracts. We project that our weighted average cost for storage gas and financial contracts will be about $9.11 per Mcf, which is 46 percent more than we paid in the winter of 2004–2005.

### OPERATING EFFICIENCY

Atmos Energy remains one of the utility industry's low-cost leaders in operation and maintenance expense, as measured by O&M expense per utility customer. For fiscal 2005, our utility O&M expense was $110 per customer, compared to our peer-group average of $209 per customer. Another indicator, customers per employee, also demonstrates Atmos Energy's leadership in productivity. In fiscal 2005, we served 730 utility customers per utility employee, compared with our peer-group average of 511 customers per employee.

A significant achievement during fiscal 2005 was our ability to accelerate $12.4 million (net of tax) of cost savings from the TXU Gas acquisition. These savings originally were forecast for fiscal 2006.



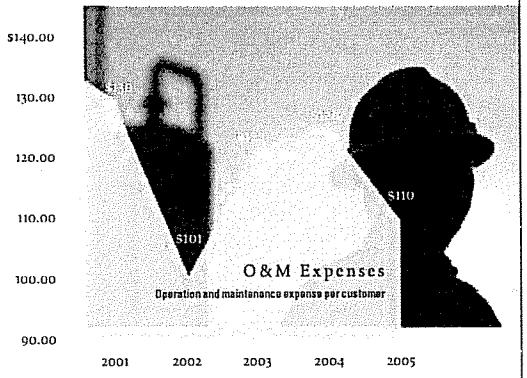
Our consolidated operation and maintenance expense for fiscal 2005 totaled $427.7 million, nearly double our O&M expense for fiscal 2004 of $214.5 million. The increase was largely due to $206.6 million in added O&M expense for the Mid-Tex and Atmos Pipeline–Texas Divisions.

The provision for doubtful accounts also increased by $14.9 million over the previous year's amount to $20.3 million in fiscal 2005. The large increase was due to the added operations of the Mid-Tex Division and to our decision to raise our provision to cover collection risks caused by higher natural gas costs. Our utility collection efforts have produced exceptional results, keeping our actual bad-debt write-offs below our target rate of 0.75 percent of utility revenues. Our actual rate in fiscal 2005 was 0.58 percent.

Excluding increases in O&M expense due to the acquired TXU Gas operations and the provision for doubtful accounts, our O&M expense went up about $2.0 million over the same period in fiscal 2004. The increase resulted mainly from $2.3 million of expenses from Hurricanes Katrina and Rita, partially offset by cost-control efforts in our utility operations.

Hurricanes Katrina and Rita affected about 230,000 of our customers in Louisiana and Mississippi. Service in Mississippi was restored promptly, but restoration has been delayed in areas of Louisiana that were under water or that sustained severe damage. We estimate that the damages to our system are between $13 million and $15 million. After discussions with the Louisiana Public Service Commission and our insurance carriers, we expect that we will recoup most of our losses although the timing is uncertain.

The financial effect of the hurricanes in fiscal 2005 was about $3.9 million in lost margin. We estimate a semi-permanent loss of some 40,000 customers in four Louisiana parishes that suffered the worst damages. We expect our lost margin in fiscal 2006 will be approximately $10 million to $12 million, or about 8 cents to 10 cents per diluted share.




RATE ADJUSTMENTS

Our utility rate strategy is to minimize regulatory lag and to provide stable, predictable margins by eliminating the effects of weather and consumption on the recovery of our margins. We also are seeking to recover the gas-cost portion of our bad debt expense.

To reduce the sensitivity of our earnings to weather, we have obtained weather-normalized rates in nine jurisdictions, covering approximately one million customers. Rates in our two largest jurisdictions, the Mid-Tex and Louisiana Divisions, provide limited protection from unseasonably warm winter weather, which occurred in both jurisdictions in fiscal 2005. We are pursuing rate-design alternatives in both divisions to better safeguard margins.

During the 2004–2005 winter heating season, approximately 48 percent of our margins were not sensitive to weather or consumption fluctuations; 35 percent were weather-normalized; and 17 percent were weather-sensitive. We expect similar margin percentages during the winter heating season of 2005–2006.

We benefited in fiscal 2005 from rate increases that had been approved in West Texas and in Mississippi in the latter half of 2004. We also completed filings for 2003 made under Texas' Gas Reliability Infrastructure Program and initiated our 2004 GRIP filings. GRIP reduces regulatory lag by allowing Texas natural gas utilities to earn a timely return on, and return of, their basic investments needed to serve utility customers.

We forecast that rate requests will add, on average, $15 million to $25 million annually to our utility revenues. We project that most of our rate increases in fiscal 2006 will result from our Texas GRIP filings.

NONUTILITY OPERATIONS

Our natural gas marketing segment set a new company record by contributing 30 cents per diluted share to earnings. We benefited from additional storage capacity and greater market volatility. We also added new customers in a number of areas and expanded into four new states—Michigan, North Carolina, Pennsylvania and West Virginia—all states close to our existing operations with good prospects for new business. In addition, we expanded our gas marketing activities in Texas as a result of the TXU Gas acquisition.

Our new pipeline and storage segment combines the regulated utility operations of our Atmos Pipeline–Texas Division with those of our nonregulated pipeline and storage operations. For fiscal 2005, Atmos Pipeline–Texas contributed $149.5 million of the segment's gross profit of $157.9 million. Our pipeline and storage segment contributed 39 cents per diluted share to earnings, due primarily to the operations of Atmos Pipeline–Texas.

In a 50-50 joint venture with Energy Transfer Partners, L.P., we began constructing a new pipeline to better serve the northern counties of the Dallas-Fort Worth Metroplex. We are building 45 miles of 30-inch pipeline that will improve utility distribution reliability and will transport more natural gas from Texas gas fields to market. Called the North Side Loop, the first phase of this project should begin operations in December 2005, and the second phase should be completed by March 2006.

We also entered into three other major pipeline and storage projects in fiscal 2005. They include

- an agreement to transport up to 100,000 million British thermal units (Btu) per day of natural gas from the Fort Worth Basin producing area to a major interstate pipeline company's system using new compression equipment that Atmos Energy is installing;
- an agreement leveraging this added compression to transport an additional 50,000 million Btu per day of natural gas under a contract with another third-party shipper;
- an agreement with three other shippers to transport an additional 50,000 million Btu per day to the Katy hub near Houston.

FISCAL 2006 FORECAST

We forecast that our earnings in fiscal 2006 will continue to grow at our stated goal of 4 percent to 6 percent a year, on average. We expect that earnings per diluted share will be between $1.80 and $1.90, assuming normal weather and no material effect from marking to market our storage and related financial hedges.

We project that our capital expenditures in fiscal 2006 will range between $400 million and $415 million, compared with $333 million expended in fiscal 2005. About 60 percent of our capital spending in fiscal 2006 will be invested in our Mid-Tex and Atmos Pipeline–Texas Divisions, reflecting our goal to invest in higher-growth prospects.

A key goal is to lower the proportion of debt in our capital structure to between 50 percent and 55 percent within three to five years.

Atmos Energy's Board of Directors approved an increase in the annual dividend rate in November 2005 for the 18th consecutive year. The new indicated annual rate is $1.26 per share, providing shareholders a yield of approximately 5 percent. Adjusted for mergers and acquisitions, our dividend has increased every year since Atmos Energy's founding.

## SUMMARY ANNUAL REPORT

The financial information presented in this report about Atmos Energy Corporation is condensed. Our complete financial statements, including notes as well as management's discussion and analysis of financial condition and results of operations, are presented in our *Annual Report on Form 10-K*. Atmos Energy's chief executive officer and its chief financial officer have executed all certifications with respect to the financial statements contained therein and have completed management's report on internal control over financial reporting, which are required under the Sarbanes-Oxley Act of 2002 and all related rules and regulations of the Securities and Exchange Commission. Investors may request, without charge, our *Annual Report on Form 10-K* for the fiscal year ended September 30, 2005, by calling Shareholder Relations at (972) 855-3729 between 8 a.m. and 5 p.m. Central time. Our Form 10-K also is available on Atmos Energy's Web site at www.atmosenergy.com. Additional investor information is presented inside the back cover of this report.





| YEAR ENDED SEPTEMBER 30 | 2005 | 2004 |
|---|---|---|
| **Meters in service** | | |
| Residential | 2,862,822 | 1,506,777 |
| Commercial | 274,536 | 151,381 |
| Industrial | 2,715 | 2,436 |
| Agricultural | 9,639 | 8,397 |
| Public authority and other | 8,128 | 10,145 |
| Total meters | 3,157,840 | 1,679,136 |
| **Heating degree days** | | |
| Actual (weighted average) | 2,587 | 3,271 |
| Percent of normal | 89% | 96% |
| **Utility sales volumes (MMcf)** | | |
| Residential | 162,016 | 92,208 |
| Commercial | 92,401 | 44,226 |
| Industrial | 29,434 | 22,330 |
| Agricultural | 3,348 | 4,642 |
| Public authority and other | 9,084 | 9,813 |
| Total | 296,283 | 173,219 |
| **Utility transportation volumes (MMcf)** | 122,098 | 87,746 |
| **Total utility throughput (MMcf)** | 418,381 | 260,965 |
| **Intersegment activity (MMcf)** | (7,247) | (14,932) |
| **Consolidated utility throughput (MMcf)** | 411,134 | 246,033 |
| **Consolidated natural gas marketing throughput (MMcf)** | 238,097 | 222,572 |
| **Consolidated pipeline transportation volumes (MMcf)** | 375,604 | — |
| **Operating revenues (000s)** | | |
| Gas utility sales revenues | | |
| Residential | $ 1,791,172 | $ 923,773 |
| Commercial | 869,722 | 400,704 |
| Industrial | 229,649 | 155,336 |
| Agricultural | 27,889 | 31,851 |
| Public authority and other | 86,853 | 77,178 |
| Total gas sales revenues | 3,005,285 | 1,588,842 |
| Transportation revenues | 58,897 | 30,622 |
| Other gas revenues | 37,859 | 17,172 |
| Total utility revenues | 3,102,041 | 1,636,636 |
| Natural gas marketing revenues | 1,783,926 | 1,279,424 |
| Pipeline and storage revenues | 85,333 | 1,617 |
| Other nonutility revenues | 2,026 | 2,360 |
| **Total operating revenues (000s)** | $ 4,973,326 | $ 2,920,037 |
| **Other statistics** | | |
| Gross plant (000s) | $ 4,765,610 | $ 2,633,651 |
| Net plant (000s) | $ 3,374,367 | $ 1,722,521 |
| Miles of pipe | 81,604 | 47,616 |
| Employees | 4,543 | 2,864 |

## CONDENSED CONSOLIDATED BALANCE SHEETS

| SEPTEMBER 30 (Dollars in thousands, except share data) | 2005 | 2004 |
|---|---|---|
| **Assets** | | |
| **Property, plant and equipment** | $ 4,631,684 | $ 2,595,374 |
| **Construction in progress** | 133,926 | 38,277 |
| | 4,765,610 | 2,633,651 |
| **Less accumulated depreciation and amortization** | 1,391,243 | 911,130 |
| Net property, plant and equipment | 3,374,367 | 1,722,521 |
| **Current assets** | | |
| Cash and cash equivalents | 40,116 | 201,932 |
| Cash held on deposit in margin account | 80,956 | — |
| Accounts receivable, less allowance for doubtful accounts of $15,613 in 2005 and $7,214 in 2004 | 454,313 | 211,810 |
| Gas stored underground | 450,807 | 200,134 |
| Other current assets | 238,238 | 99,319 |
| Total current assets | 1,264,430 | 713,195 |
| **Goodwill and intangible assets** | 737,787 | 245,528 |
| **Deferred charges and other assets** | 276,943 | 231,383 |
| | $ 5,653,527 | $ 2,912,627 |
| **Capitalization and Liabilities** | | |
| **Shareholders' equity** | | |
| Common stock, no par value (stated at $.005 per share); 200,000,000 shares authorized, issued and outstanding: 2005 – 80,539,401 shares, 2004 – 62,799,710 shares | $ 403 | $ 314 |
| Additional paid-in capital | 1,426,523 | 1,005,644 |
| Accumulated other comprehensive loss | (3,341) | (14,529) |
| Retained earnings | 178,837 | 142,030 |
| Shareholders' equity | 1,602,422 | 1,133,459 |
| **Long-term debt** | 2,183,104 | 861,311 |
| Total capitalization | 3,785,526 | 1,994,770 |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 461,314 | 185,295 |
| Other current liabilities | 503,368 | 238,682 |
| Short-term debt | 144,809 | — |
| Current maturities of long-term debt | 3,264 | 5,908 |
| Total current liabilities | 1,112,755 | 429,885 |
| **Deferred income taxes** | 292,207 | 241,257 |
| **Regulatory cost of removal obligation** | 263,424 | 103,579 |
| **Deferred credits and other liabilities** | 199,615 | 143,136 |
| | $ 5,653,527 | $ 2,912,627 |



## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| YEAR ENDED SEPTEMBER 30 (Dollars in thousands, except per share data) | 2005 | 2004 | 2003 |
|---|---|---|---|
| **Operating revenues** | | | |
| Utility segment | $ 3,103,140 | $ 1,637,728 | $ 1,554,082 |
| Natural gas marketing segment | 2,106,278 | 1,618,602 | 1,668,493 |
| Pipeline and storage segment | 164,742 | 19,758 | 20,298 |
| Other nonutility segment | 5,302 | 3,393 | 2,853 |
| Intersegment eliminations | (406,136) | (359,444) | (445,810) |
| | 4,973,326 | 2,920,037 | 2,799,916 |
| **Purchased gas cost** | | | |
| Utility segment | 2,195,774 | 1,134,594 | 1,062,679 |
| Natural gas marketing segment | 2,044,305 | 1,571,971 | 1,644,328 |
| Pipeline and storage segment | 6,811 | 9,383 | 3,061 |
| Other nonutility segment | — | — | — |
| Intersegment eliminations | (402,654) | (358,102) | (445,128) |
| | 3,844,236 | 2,357,846 | 2,264,940 |
| **Gross profit** | 1,129,090 | 562,191 | 534,976 |
| **Operating expenses** | | | |
| Operation and maintenance | 427,734 | 214,470 | 205,090 |
| Depreciation and amortization | 178,005 | 96,647 | 87,001 |
| Taxes, other than income | 174,696 | 57,379 | 55,045 |
| Total operating expenses | 780,435 | 368,496 | 347,136 |
| **Operating income** | 348,655 | 193,695 | 187,840 |
| **Miscellaneous income** | 2,021 | 9,507 | 2,191 |
| **Interest charges** | 132,658 | 65,437 | 63,660 |
| Income before income taxes and cumulative effect of accounting change | 218,018 | 137,765 | 126,371 |
| **Income tax expense** | 82,233 | 51,538 | 46,910 |
| Income before cumulative effect of accounting change | 135,785 | 86,227 | 79,461 |
| Cumulative effect of accounting change, net of income tax benefit | — | — | (7,773) |
| **Net income** | $ 135,785 | $ 86,227 | $ 71,688 |
| **Per share data** | | | |
| **Basic income per share:** | | | |
| Income before cumulative effect of accounting change | $ 1.73 | $ 1.60 | $ 1.72 |
| Cumulative effect of accounting change, net of income tax benefit | — | — | (.17) |
| **Net income** | $ 1.73 | $ 1.60 | $ 1.55 |
| **Diluted income per share:** | | | |
| Income before cumulative effect of accounting change | $ 1.72 | $ 1.58 | $ 1.71 |
| Cumulative effect of accounting change, net of income tax benefit | — | — | (.17) |
| **Net income** | $ 1.72 | $ 1.58 | $ 1.54 |
| **Weighted average shares outstanding:** | | | |
| Basic | 78,508 | 54,021 | 46,319 |
| Diluted | 79,012 | 54,416 | 46,496 |

| YEAR ENDED SEPTEMBER 30 (Dollars in thousands) | 2005 | 2004 | 2003 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| **Net income** | $ 135,785 | $ 86,227 | $ 71,688 |
| **Adjustments to reconcile net income to net cash provided by operating activities:** | | | |
| Cumulative effect of accounting change, net of income tax benefit | — | — | 7,773 |
| Gain on sales of assets | — | (6,700) | — |
| Depreciation and amortization: | | | |
| Charged to depreciation and amortization | 178,005 | 96,647 | 87,001 |
| Charged to other accounts | 791 | 1,465 | 2,193 |
| Deferred income taxes | 12,669 | 36,997 | 53,867 |
| Other | 11,522 | (1,772) | (5,885) |
| Changes in assets and liabilities | 48,172 | 57,870 | (167,186) |
| Net cash provided by operating activities | 386,944 | 270,734 | 49,451 |
| **Cash Flows Used in Investing Activities** | | | |
| Capital expenditures | (333,183) | (190,285) | (159,439) |
| Acquisitions, net of cash received | (1,916,696) | (1,957) | (74,650) |
| Other, net | (2,131) | (570) | 704 |
| Proceeds from sale of assets | — | 27,919 | — |
| Net cash used in investing activities | (2,252,010) | (164,893) | (233,385) |
| **Cash Flows from Financing Activities** | | | |
| Net increase (decrease) in short-term debt | 144,809 | (118,595) | (27,196) |
| Net proceeds from issuance of long-term debt | 1,385,847 | 5,000 | 253,267 |
| Settlement of Treasury lock agreements | (43,770) | — | — |
| Proceeds from bridge loan | — | — | 147,000 |
| Repayment of bridge loan | — | — | (147,000) |
| Repayment of long-term debt | (103,425) | (9,713) | (73,165) |
| Repayment of Mississippi Valley Gas debt | — | — | (70,938) |
| Cash dividends paid | (98,978) | (66,736) | (55,291) |
| Issuance of common stock | 37,183 | 34,715 | 25,720 |
| Net proceeds from equity offering | 381,584 | 235,737 | 99,229 |
| Net cash provided by financing activities | 1,703,250 | 80,408 | 151,626 |
| Net increase (decrease) in cash and cash equivalents | (161,816) | 186,249 | (32,308) |
| **Cash and cash equivalents at beginning of year** | 201,932 | 15,683 | 47,991 |
| **Cash and cash equivalents at end of year** | $ 40,116 | $ 201,932 | $ 15,683 |





THE BOARD OF DIRECTORS
ATMOS ENERGY CORPORATION

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Atmos Energy Corporation at September 30, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2005 (not presented herein); and in our report dated November 16, 2005, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Ernst + Young LLP

Dallas, Texas
November 16, 2005

| YEAR ENDED SEPTEMBER 30 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|
| **Balance Sheet Data at September 30 (000s)** | | | | | |
| Capital expenditures | $ 333,183 | $ 190,285 | $ 159,439 | $ 132,252 | $ 113,109 |
| Net property, plant and equipment | 3,374,367 | 1,722,521 | 1,624,394 | 1,380,070 | 1,409,432 |
| Working capital | 151,675 | 283,310 | 16,248 | (139,150) | (90,968) |
| Total assets | 5,653,527 | 2,912,627 | 2,625,495 | 2,059,631 | 2,108,841 |
| Shareholders' equity | 1,602,422 | 1,133,459 | 857,517 | 573,235 | 583,864 |
| Long-term debt, excluding current maturities | 2,183,104 | 861,311 | 862,500 | 668,959 | 691,026 |
| Total capitalization | 3,785,526 | 1,994,770 | 1,720,017 | 1,242,194 | 1,274,890 |
| **Income Statement Data** | | | | | |
| Operating revenues* (000s) | $ 4,973,326 | $ 2,920,037 | $ 2,799,916 | $ 1,650,964 | $ 1,725,481 |
| Gross profit* (000s) | 1,129,090 | 562,191 | 534,976 | 431,140 | 375,208 |
| Net income (000s) | 135,785 | 86,227 | 71,688 | 59,656 | 56,090 |
| Net income per diluted share | 1.72 | 1.58 | 1.54 | 1.45 | 1.47 |
| **Common Stock Data** | | | | | |
| Shares outstanding (000s) | | | | | |
| End of year | 80,539 | 62,800 | 51,476 | 41,676 | 40,792 |
| Weighted average | 79,012 | 54,416 | 46,496 | 41,250 | 38,247 |
| Cash dividends per share | $ 1.24 | $ 1.22 | $ 1.20 | $ 1.18 | $ 1.16 |
| Shareholders of record | 26,242 | 27,555 | 28,510 | 28,829 | 30,524 |
| Market price – High | $ 29.76 | $ 26.86 | $ 25.45 | $ 24.46 | $ 26.25 |
| Low | $ 24.85 | $ 23.68 | $ 20.70 | $ 18.37 | $ 19.31 |
| End of year | $ 28.25 | $ 25.19 | $ 23.94 | $ 21.50 | $ 21.60 |
| Book value per share at end of year | $ 19.90 | $ 18.05 | $ 16.66 | $ 13.75 | $ 14.31 |
| Price/Earnings ratio at end of year | 16.42 | 15.94 | 15.55 | 14.83 | 14.69 |
| Market/Book ratio at end of year | 1.42 | 1.40 | 1.44 | 1.56 | 1.51 |
| Annualized dividend yield at end of year | 4.4% | 4.8% | 5.0% | 5.5% | 5.4% |
| **Customers and Volumes (As metered)** | | | | | |
| Consolidated utility gas sales volumes (MMcf) | 296,283 | 173,219 | 184,512 | 145,488 | 156,544 |
| Consolidated utility gas transportation volumes (MMcf) | 114,851 | 72,814 | 63,453 | 63,053 | 61,230 |
| Consolidated utility throughput (MMcf) | 411,134 | 246,033 | 247,965 | 208,541 | 217,774 |
| Consolidated natural gas marketing throughput (MMcf) | 238,097 | 222,572 | 225,961 | 204,027 | 55,469 |
| Consolidated pipeline transportation volumes (MMcf) | 375,604 | — | — | — | — |
| Meters in service at end of year | 3,157,840 | 1,679,136 | 1,672,798 | 1,389,341 | 1,386,323 |
| Heating degree days# | 2,587 | 3,271 | 3,473 | 3,368 | 4,124 |
| Degree days as a percentage of normal | 89% | 96% | 101% | 94% | 115% |
| Utility average cost of gas per Mcf sold | $ 7.41 | $ 6.55 | $ 5.76 | $ 3.87 | $ 6.82 |
| Utility average transportation fee per Mcf | $ .49 | $ .36 | $ .43 | $ .41 | $ .41 |
| **Statistics** | | | | | |
| Return on average shareholders' equity | 9.0% | 9.1% | 9.9% | 9.9% | 10.4% |
| Number of employees | 4,543 | 2,864 | 2,905 | 2,338 | 2,361 |
| Net utility plant per meter | $ 927 | $ 994 | $ 930 | $ 939 | $ 977 |
| Utility operation, maintenance and administrative expense per meter | $ 110 | $ 116 | $ 115 | $ 101 | $ 130 |
| Meters per employee – utility | 730 | 612 | 594 | 616 | 603 |
| Times interest earned before income taxes | 2.59 | 3.05 | 2.75 | 2.55 | 2.83 |

*In conjunction with the adoption of EITF 02-03 in fiscal 2003, energy trading contracts resulting in delivery of a commodity where we are the principal in the transaction are included as operating revenues or purchased gas cost. Fiscal years 2001-2002 have been reclassified to conform with this new presentation.
#Heating degree days are adjusted for service areas with weather-normalized operations.
*Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.





The matters discussed or incorporated by reference in this Summary Annual Report 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 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 report or any other of the Company's 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 report. These risks and uncertainties are discussed in the Company's Form 10-K for the fiscal year ended September 30, 2005. Although the Company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. Further, the Company undertakes no obligation to update or revise any of its forward-looking statements, whether as a result of new information, future events or otherwise.

## SENIOR MANAGEMENT TEAM

**Robert W. Best**
Chairman, President and
Chief Executive Officer

**J. Patrick Reddy**
Senior Vice President and
Chief Financial Officer

**R. Earl Fischer**
Senior Vice President,
Utility Operations

**JD Woodward**
Senior Vice President,
Nonutility Operations

**Louis P. Gregory**
Senior Vice President and
General Counsel

**Wynn D. McGregor**
Senior Vice President,
Human Resources

## UTILITY DIVISIONS

**J. Kevin Akers**
President, Mississippi Division

**Richard A. Erskine**
President, Mid-Tex Division
President, Atmos Pipeline–Texas Division

**Gary W. Gregory**
President, West Texas Division

**Tom S. Hawkins, Jr.**
President, Louisiana Division

**John A. Paris**
President, Kentucky Division
President, Mid-States Division

**Gary L. Schlessman**
President, Colorado-Kansas Division





## NONUTILITY BUSINESS

**Mark H. Johnson**
Vice President, Nonutility Operations
President, Atmos Energy Marketing, LLC

**Ron W. McDowell**
Vice President, New Business Ventures

**Verlon R. Aston, Jr.**
Vice President, Governmental Affairs

**Leslie H. Duncan**
Vice President and Chief Information Officer

**Cindy A. Foor**
Vice President, Corporate Communications

**Conrad E. Gruber**
Vice President, Strategic Planning

**Susan C. Kappes**
Vice President, Investor Relations

**Dwala J. Kuhn**
Corporate Secretary

## SHARED SERVICES

**Fred E. Meisenheimer**
Vice President and Controller

**Laurie M. Sherwood**
Vice President, Corporate Development,
and Treasurer

**Travis W. Bain II**
Chairman, Texas Custom Pools, Inc.
Plano, Texas
Board member since 1988
Committees: Work Session/Annual Meeting (Chairman), Audit, Human Resources

**Robert W. Best**
Chairman, President and Chief Executive Officer
Atmos Energy Corporation
Dallas, Texas
Board member since 1997
Committee: Executive

**Dan Busbee**
Adjunct Professor, Dedman School of Law, Southern Methodist University; Senior Visiting Fellow, Centre for Commercial Law Studies, University of London
Dallas, Texas
Board member since 1988
Committees: Audit (Chairman), Human Resources

**Richard W. Cardin**
Retired partner of Arthur Andersen LLP
Nashville, Tennessee
Board member since 1997
Committees: Audit, Nominating and Corporate Governance

**Thomas J. Garland**
Chairman of the Tusculum Institute for Public Leadership and Policy
Greeneville, Tennessee
Board member since 1997
Committees: Human Resources, Work Session/Annual Meeting

**Richard K. Gordon**
General Partner
Juniper Capital LP and Juniper Advisory LP
Houston, Texas
Board member since 2001
Committees: Human Resources, Nominating and Corporate Governance

**Gene C. Koonce**
Retired Chairman of the Board, President and Chief Executive Officer, United Cities Gas Company
Nashville, Tennessee
Board member since 1997
Committees: Human Resources (Chairman), Executive, Work Session/Annual Meeting

**Dr. Thomas C. Meredith**
Commissioner of Mississippi Institutions of Higher Learning
Jackson, Mississippi
Board member since 1995
Committees: Audit, Nominating and Corporate Governance

**Phillip E. Nichol**
Retired Senior Vice President of Central Division Staff
UBS PaineWebber Incorporated
Dallas, Texas
Board member since 1985
Committees: Nominating and Corporate Governance (Chairman), Human Resources, Work Session/Annual Meeting

**Nancy K. Quinn**
Principal, Hanover Capital, LLC
East Hampton, New York
Board member since 2004
Committees: Audit, Nominating and Corporate Governance

**Stephen R. Springer**
Retired Senior Vice President and General Manager, Mid-Stream Division
The Williams Companies, Inc.
Syracuse, Indiana
Board member since 2005
Committee: Work Session/Annual Meeting

**Charles K. Vaughan**
Retired Chairman of the Board
Atmos Energy Corporation
Dallas, Texas
Board member since 1983
Committee: Executive (Chairman)

**Richard Ware II**
President, Amarillo National Bank
Amarillo, Texas
Board member since 1994
Committees: Nominating and Corporate Governance, Work Session/Annual Meeting

**Lee E. Schlessman**
Honorary Director
President, Dolo Investment Company
Denver, Colorado
Retired from Board in 1998





### COMMON STOCK LISTING

New York Stock Exchange. Trading symbol: ATO

### STOCK TRANSFER AGENT AND REGISTRAR

American Stock Transfer and Trust Company
59 Maiden Lane
Plaza Level
New York, New York 10038
(800) 543-3038

To inquire about your Atmos Energy stock, please call AST at the telephone number above. You may use the agent's interactive voice response system 24 hours a day to learn about transferring stock or to check your recent account activity—all without the assistance of a customer service representative. *Please have available your Atmos Energy* shareholder account number and your Social Security or federal taxpayer ID number.

To speak to an AST customer service representative, please call the same number between 8 a.m. and 7 p.m. Eastern time, Monday through Thursday, or 8 a.m. to 5 p.m. Eastern time on Friday.

You also may send an e-mail message on our agent's Web site at http://www.amstock.com. Please refer to Atmos Energy in your e-mail and include your Atmos Energy shareholder account number and your Social Security or federal taxpayer ID number.

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
2100 Ross Avenue, Suite 1500
Dallas, Texas 75201
(214) 969-8000

### FORM 10-K

Atmos Energy Corporation's *Annual Report on Form 10-K* is available upon request from Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205 or by calling (972) 855-3729 between 8 a.m. and 5 p.m. Central time. Atmos Energy's Form 10-K may also be viewed on Atmos Energy's Web site at http://www.atmosenergy.com.

### ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held in the Rio Grande Ballroom at the Ambassador Hotel, 3100 I-40 West, Amarillo, Texas 79102 on Wednesday, February 8, 2006, at 11 a.m. Central time.

### DIRECT STOCK PURCHASE PLAN

Atmos Energy Corporation has a Direct Stock Purchase Plan that is available to all investors. For an Enrollment Application Form and a Plan Prospectus, please call AST at (800) 543-3038. The Prospectus is also available on the Internet at http://www.atmosenergy.com. You may also obtain information by writing to Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205.

This is not an offer to sell, or a solicitation to buy, any securities of Atmos Energy Corporation. Shares of Atmos Energy common stock purchased through the Direct Stock Purchase Plan will be offered only by Prospectus.

### ATMOS ENERGY ON THE INTERNET

Information about Atmos Energy is available on the Internet at http://www.atmosenergy.com. Our Web site includes news releases, current and historical financial reports, other investor data, corporate governance documents, management biographies, customer information and facts about Atmos Energy's operations.

### ATMOS ENERGY CORPORATION CONTACTS

To contact Atmos Energy's Shareholder Relations, call (972) 855-3729 between 8 a.m. and 5 p.m. Central time or send an e-mail message to InvestorRelations@atmosenergy.com.

Securities analysts and investment managers, please contact:
Susan C. Kappes
Vice President, Investor Relations
(972) 855-3729 (972) 855-3040 (fax)
InvestorRelations@atmosenergy.com

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You can view this *Summary Annual Report*, our *Annual Report on Form 10-K* and other financial documents for fiscal 2005 and previous years on our Web site at www.atmosenergy.com.

If you are a shareholder who would like to receive our *Summary Annual Report* and other company documents in the future electronically, please sign up for electronic distribution. It's convenient and easy and will save costs in producing and distributing these materials.

To receive these documents over the Internet next year, please visit www.amstock.com and access your account to give your consent. Please remember that accessing the *Summary Annual Report* and other company documents over the Internet may result in charges to you from your Internet service provider or telephone company.

ATMOS energy

Atmos Energy Corporation P.O. Box 650205 Dallas, Texas 75265-0205 www.atmosenergy.com (972) 934-9227

# 2001

# ATMOS ENERGY CORPORATION

# STATISTICAL SUMMARY

The purpose of this summary is to provide historical financial and statistical information and current facts about Atmos Energy Corporation (the "Company"). It should be used in conjunction with the Company's 2001 Annual Report on Form 10-K. It is not intended to be used in any way in conjunction with the sale or purchase of any securities of Atmos Energy Corporation or its subsidiaries. The financial and operating data in this summary are presented on a consolidated basis without extensive footnoting and are unaudited. All prior periods have been restated for the pooling of interests with United Cities Gas Company in July 1997.

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## COMPANY PROFILE AND SERVICE AREAS

Atmos Energy Corporation (the "Company") distributes and sells natural gas to approximately 1.4 million residential, commercial, industrial, agricultural and other customers in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, Tennessee, Texas, and Virginia. The Company also transports natural gas for others through its distribution system. Its Standard Industrial Classification (S.I.C.) Code is 4924.

The Company conducts its utility business in Texas under the name Energas Company, in Louisiana under the name Atmos Energy Louisiana Gas Company, in Kentucky under the name Western Kentucky Gas Company, in Colorado, Kansas and parts of Missouri under the name Greeley Gas Company, and in Illinois, Iowa, Georgia, Tennessee, Virginia and parts of Missouri under the name United Cities Gas Company.

The Company provides natural gas storage services and owns or holds an interest in natural gas storage fields in Kansas, Kentucky and Louisiana to supplement natural gas used by customers in Kansas, Kentucky, Tennessee, Louisiana and other states. The Company also provides energy management and gas marketing services to industrial customers, municipalities and other local distribution companies. The Company also provides electric power generation to meet peak load demands for a municipality regulated by the Tennessee Valley Authority. In addition, the Company markets natural gas to industrial and agricultural customers primarily in West Texas and to industrial customers in Louisiana.

The Company was organized under the laws of the State of Texas in 1983 as Energas Company, a subsidiary of Pioneer Corporation ("Pioneer"), for the purpose of owning and operating Pioneer's natural gas distribution business in Texas. Immediately following the transfer by Pioneer to Atmos of its gas distribution business, which Pioneer and its predecessors had operated since 1906, Pioneer distributed the outstanding stock of the Company to its shareholders. In September 1988, the Company changed its name from Energas Company to Atmos Energy Corporation. As a result of the merger with United Cities Company in July 1997, the Company also became incorporated in Virginia.

Since its organization, the Company has sought to expand its customer base and to diversify the effects of weather patterns, local economic conditions, and regulatory jurisdictions to which its operations are subject. As part of this strategy, the Company acquired Trans Louisiana Gas Company, Inc. ("Trans La") in January 1986, Western Kentucky Gas Utility Corporation ("WKG") in December 1987, merged with Greeley Gas Company ("GGC") in December 1993, merged with United Cities Gas Company ("United Cities") in July 1997, and purchased the Missouri natural gas distribution assets of Associated Natural Gas in May 2000.

In July 2001, the Company purchased from Citizens Communications Company the natural gas operations of its Louisiana Gas Service Company and its subsidiary LGS Natural Gas Company. With the acquisition from Citizens Communications Company, the Company changed its name in Louisiana from Trans La Gas Company to Atmos Energy Louisiana Gas Company.

The Company was formerly engaged in the retail and wholesale distribution of propane gas through United Cities Propane Gas, Inc. On February 15, 2000, the Company entered into an agreement to form a joint venture which combined its propane operations with the propane operations of three other unrelated companies. The combined joint venture was named U.S. Propane, L.P. On June 15, 2000, U.S. Propane, in which the Company is a 19 percent partner, entered into an agreement to combine its operations with Heritage Holdings, Inc. Upon closing of this transaction, which occurred in August 2000, U.S. Propane owns all of the general partnership interest and approximately 30 percent of the limited partnership interest in Heritage Propane Partners, a publicly traded master limited partnership. Through the Company's ownership in U.S. Propane, it now owns an approximate 6 percent interest in Heritage Propane Partners.

The Company acquired a 45 percent interest in Woodward Marketing, L.L.C. in 1997 as a result of the merger of Atmos and United Cities Gas Company, which had acquired that interest in 1995. In April 2001, the Company acquired the 55 percent interest in Woodward Marketing, L.L.C. that it did not already own in exchange for 1,423,193 restricted shares of its common stock. The consideration is subject to an upward adjustment, based on the Company's share price, of up to 232,547 shares plus an amount of shares to compensate for dividends paid after the completion of the acquisition.

In September 2001, the Company entered into an agreement to acquire Mississippi Valley Gas Company. This acquisition will add approximately 261,500 customers in 144 communities throughout 36 counties. For further information regarding acquisitions and mergers, please see the "Corporate Development" section on page 50.

The Company's principal executive offices are located at Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240, and the telephone number is (972) 934–9227.

# YEAR IN REVIEW

## Highlights for 2001

### Improved Earnings

The Company reported earnings of $56.1 million or $1.47 per diluted share for fiscal 2001 compared with $35.9 million or $1.14 per diluted share for fiscal 2000.

### Increased quarterly dividend 2% to $.295 per share

The indicated annual dividend is $1.18 per share for fiscal 2002, the Company's 14th consecutive annual dividend increase.

### Rate increases of $7.2 million annually

(In millions)

| | | |
|---|---|---|
| $1.4 | Illinois | Effective 10/23/00 |
| 3.0 | West Texas System | Effective 12/01/00 |
| 2.8 | Colorado | Effective 05/04/01 |
| $7.2 | | |

A rate case requesting an increase of $2.1 million brought before the Virginia State Corporation Commission resulted in a rate reduction of approximately $0.5 million. The effective date of the rate reduction was 04/01/01. In March 2001, the Company agreed to a rate reduction of approximately $0.3 million as a result of an agreement initiated by the Iowa Consumer Advocate Division of the Department of Justice.

### Weather Insurance

In June 2001, the Company purchased a three year weather insurance policy with an option to cancel in the third year if the Company obtains weather protection in its rate structures. The policy is for the Texas and Louisiana operations and covers the entire heating season of October to March beginning with the 2001-2002 heating season. The insurance is designed to protect against weather that is at least seven percent warmer than normal.

### Acquisitions

In April 2001, the Company completed the acquisition of the remaining 55% of Woodward Marketing L.L.C. that it did not already own in exchange for approximately 1.4 million restricted shares of Atmos common stock.

In July 2001, the Company acquired from Citizens Communications Company the natural gas operations of its Louisiana Gas Service Company division and its subsidiary LGS Natural Gas Company for $363.4 million in cash.

In September 2001, the Company entered into a definitive agreement to acquire Mississippi Valley Gas Company, a privately held natural gas utility, for $75.0 million in cash and $75.0 million of Atmos common stock. The Company will assume approximately $45.0 million of long-term debt.

Woodward Marketing completed the purchases of Southern Resources, Inc. and certain assets of Innovative Gas Services, Incorporated in the fourth quarter of fiscal year 2001 thereby expanding our gas marketing operations.

### Power Plant Transaction

In May 2001, our subsidiary, Atmos Power Systems, Inc., entered into a definitive agreement with the City of Bolivar, Tennessee Electric Department to construct a 20-megawatt electric generating plant and associated facilities.

## HIGHLIGHTS (1)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 |
| **Balance Sheet Data at September 30** (In thousands) | | | | |
| Capital expenditures | $ 113,109 | $ 75,557 | $ 110,353 | $ 134,989 |
| Net property, plant and equipment | 1,335,398 | 982,346 | 965,782 | 917,860 |
| Working capital | (86,778) | (181,890) | (151,622) | (116,679) |
| Total assets | 2,036,180 | 1,348,758 | 1,230,537 | 1,141,390 |
| Shareholders' equity | 583,864 | 392,466 | 377,663 | 371,158 |
| Long-term debt, excluding current maturities | 692,399 | 363,198 | 377,483 | 398,548 |
| Total capitalization | 1,276,263 | 755,664 | 755,146 | 769,706 |
| **Income Statement Data** (In thousands, except per share data) | | | | |
| Operating revenues | $ 1,442,275 | $ 850,152 | $ 690,196 | $ 848,208 |
| Gross profit | 374,720 | 325,706 | 299,794 | 331,836 |
| Net income | 56,090 | 35,918 | 17,744 | 55,265 |
| Net income per share - diluted | 1.47 | 1.14 | 0.58 | 1.84 |
| **Common Stock Data** | | | | |
| Shares outstanding (In thousands) | | | | |
| End of year | 40,792 | 31,952 | 31,248 | 30,398 |
| Weighted average | 38,247 | 31,594 | 30,819 | 30,031 |
| Cash dividends per share | $1.16 | $1.14 | $1.10 | $1.06 |
| Shareholders of record | 30,524 | 32,394 | 35,179 | 36,949 |
| Market price - High | $ 26 1/4 | $ 25 | $ 32 11/16 | $ 31 1/16 |
| Low | $ 19 22/71 | $ 14 3/4 | $ 23 1/16 | $ 24 5/8 |
| End of year | $ 21 3/5 | $ 20 5/8 | $ 24 1/8 | $ 28 9/16 |
| Book value per share at end of year | $14.31 | $12.28 | $12.09 | $12.21 |
| Price/Earnings ratio at end of year | 14.69 | 18.09 | 41.59 | 15.52 |
| Market/Book ratio at end of year | 1.51 | 1.68 | 2.00 | 2.34 |
| Annualized dividend yield at end of year | 5.4% | 5.5% | 4.6% | 3.7% |
| **Customers and Volumes (as metered)** | | | | |
| Gas sales volumes (MMcf) | 156,544 | 138,199 | 140,119 | 159,373 |
| Gas transportation volumes (MMcf) | 61,230 | 59,365 | 55,468 | 56,224 |
| Total throughput (MMcf) | 217,774 | 197,564 | 195,587 | 215,597 |
| Meters in service at end of year | 1,386,323 | 1,096,599 | 1,037,995 | 1,004,532 |
| Total meters and propane customers | 1,386,323 | 1,096,599 | 1,077,534 | 1,041,932 |
| Heating degree days (Excl. UCG before 1993) | 2,753 | 2,096 | 3,374 | 3,799 |
| Degree days as a % of normal (2) | 107% | 82% | 85% | 95% |
| Average gas sales price per Mcf sold | $8.93 | $5.65 | $4.53 | $4.87 |
| Average purchased gas cost per Mcf sold | $6.83 | $3.79 | $2.79 | $3.24 |
| Average transportation fee per Mcf | $0.47 | $0.40 | $0.42 | $0.43 |
| **Statistics** | | | | |
| Return on average shareholders' equity | 10.4% | 9.3% | 4.7% | 15.8% |
| Number of employees | 2,361 | 1,885 | 2,062 | 2,193 |
| Net plant per meter | $963 | $896 | $930 | $914 |
| Operating, maintenance and administrative expense per meter | $130 (3) | $135 | $146 | $136 |
| Customers per employee | 587 | 582 | 523 | 475 |
| Times interest earned before income taxes | 2.83 | 2.28 | 1.56 | 3.09 |

(1) Amounts have been restated for poolings of interests with United Cities in July 1997 and Greeley Gas Co. in Dec 1993, and share data have been adjusted for a 3-for-2 stock split in May 1994.

(2) Heating degree days for 2001 and 2000 are presented excluding service areas with weather-normalized operations. Heating degree days for years prior to 2000 do not exclude service areas with weather-normalized operations, as that information was not available.

(3) Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| $ 122,312 | $ 117,589 | $ 103,904 | $ 85,471 | $ 74,110 | $ 71,056 | $ 69,247 |
| 849,127 | 770,211 | 697,287 | 638,787 | 592,887 | 552,599 | 522,234 |
| (169,518) | (102,764) | (41,980) | (32,340) | (31,830) | (16,398) | (39,349) |
| 1,088,311 | 1,010,610 | 900,948 | 829,385 | 786,739 | 723,632 | 701,185 |
| 327,260 | 329,582 | 304,349 | 267,584 | 251,317 | 223,984 | 197,582 |
| 302,981 | 276,162 | 294,463 | 282,647 | 257,696 | 269,887 | 243,891 |
| 630,241 | 605,744 | 598,812 | 550,231 | 509,013 | 493,871 | 441,473 |
| $ 906,835 | $ 886,691 | $ 749,555 | $ 826,302 | $ 794,893 | $ 708,968 | $ 672,265 |
| 329,654 | 324,412 | 300,158 | 297,020 | 289,394 | 264,098 | 243,211 |
| 23,838 | 41,151 | 28,808 | 26,772 | 29,694 | 21,216 | 17,487 |
| 0.81 | 1.42 | 1.06 | 1.05 | 1.21 | 0.91 | 0.81 |
| 29,642 | 29,242 | 28,246 | 25,911 | 25,183 | 24,100 | 22,277 |
| 29,422 | 28,994 | 27,208 | 25,604 | 24,535 | 23,324 | 21,582 |
| $1.01 | $0.98 | $0.96 | $0.91 | $0.82 | $0.79 | $0.75 |
| 29,867 | 36,472 | 31,782 | 27,005 | 24,649 | 12,989 | 11,064 |
| $ 27 7/8 | $ 31 | $ 20 5/8 | $ 21 1/8 | $ 20 5/8 | $ 15 1/4 | $ 14 1/8 |
| $ 22 1/8 | $ 18 | $ 15 7/8 | $ 16 3/8 | $ 13 1/2 | $ 12 5/8 | $ 10 3/8 |
| $ 24 7/8 | $ 23 3/8 | $ 19 3/8 | $ 17 3/4 | $ 20 1/4 | $ 14 7/8 | $ 14 |
| $11.04 | $11.27 | $10.77 | $10.33 | $9.98 | $9.29 | $8.87 |
| 30.71 | 16.46 | 18.28 | 16.90 | 16.74 | 16.35 | 17.28 |
| 2.25 | 2.07 | 1.80 | 1.72 | 2.03 | 1.60 | 1.58 |
| 4.1% | 4.2% | 5.0% | 5.1% | 4.1% | 5.3% | 5.4% |
| 164,208 | 178,293 | 166,656 | 170,691 | 166,065 | 151,316 | 151,060 |
| 48,800 | 44,146 | 47,647 | 47,882 | 51,665 | 43,320 | 44,685 |
| 213,008 | 222,439 | 214,303 | 218,573 | 217,730 | 194,636 | 195,745 |
| 985,448 | 976,308 | 949,213 | 943,728 | 888,315 | 876,142 | 863,089 |
| 1,014,545 | 1,002,416 | 972,572 | 965,421 | 908,813 | 897,262 | 887,569 |
| 3,909 | 4,043 | 3,706 | 3,855 | 4,080 | 3,676 | 3,583 |
| 98% | 101% | 93% | 97% | 102% | 92% | 90% |
| $5.11 | $4.51 | $4.07 | $4.41 | $4.32 | $4.20 | $4.03 |
| $3.51 | $3.15 | $2.70 | $3.10 | $3.04 | $2.94 | $2.84 |
| $0.41 | $0.43 | $0.42 | $0.45 | $0.42 | $0.50 | $0.52 |
| 7.3% | 13.0% | 10.1% | 10.3% | 12.5% | 10.1% | 9.4% |
| 2,679 | 2,863 | 2,944 | 3,052 | 3,105 | 3,102 | 3,139 |
| $862 | $789 | $735 | $677 | $645 | $611 | $589 |
| $183 | $160 | $163 | $169 | $169 | $163 | $152 |
| 379 | 350 | 330 | 316 | 293 | 289 | 283 |
| 2.04 | 3.00 | 2.44 | 2.45 | 2.47 | 2.07 | 1.82 |

## CONSOLIDATED BALANCE SHEETS

| ASSETS | September 30 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Property, plant and equipment | | | | |
| Utility plant | $2,008,761 | $1,512,764 | $1,454,228 | $1,258,301 |
| Nonutility plant | 47,225 | 33,805 | 72,606 | 75,255 |
| Construction in progress | 53,881 | 33,234 | 22,424 | 112,864 |
| | 2,109,867 | 1,579,803 | 1,549,258 | 1,446,420 |
| Less accumulated depreciation and amortization | 774,469 | 597,457 | 583,476 | 528,560 |
| Net property, plant & equipment | 1,335,398 | 982,346 | 965,782 | 917,860 |
| Current assets | | | | |
| Cash and cash equivalents | 15,263 | 7,379 | 8,585 | 4,735 |
| Cash held on deposit in margin account | 66,666 | - | - | - |
| Accounts receivable, net | 124,046 | 77,264 | 70,564 | 34,887 |
| Inventories | 6,041 | 6,456 | 8,209 | 15,219 |
| Gas stored underground | 89,555 | 64,222 | 44,653 | 48,909 |
| Assets from risk management activities | 95,968 | - | - | - |
| Deferred gas cost | 10,999 | 37,184 | - | - |
| Other current assets and prepayments | 15,713 | 8,101 | 3,142 | 3,630 |
| Total current assets | 424,251 | 200,606 | 135,153 | 107,380 |
| Intangible assets | 12,125 | 878 | - | - |
| Goodwill | 64,745 | 3,110 | - | - |
| Noncurrent assets from risk management activities | 29,771 | - | - | - |
| Deferred charges and other assets | 169,890 | 161,818 | 129,602 | 116,150 |
| | $2,036,180 | $1,348,758 | $1,230,537 | $1,141,390 |

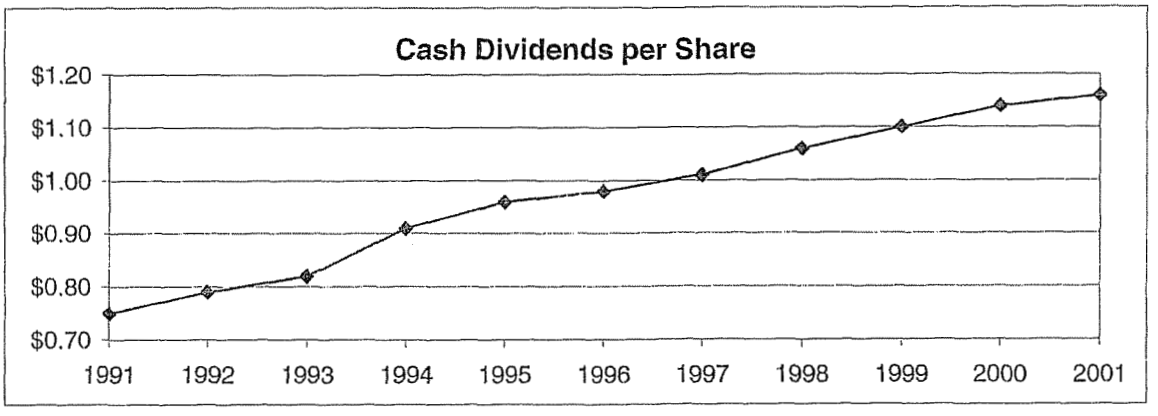
| CAPITALIZATION AND LIABILITIES | | | | |
|---|---|---|---|---|
| Shareholders' equity | | | | |
| Common stock | $ 204 | $ 160 | $ 156 | $ 152 |
| Additional paid-in capital | 489,948 | 306,887 | 293,359 | 271,637 |
| Retained earnings | 95,132 | 83,154 | 83,231 | 99,369 |
| Accum. other comprehensive income (loss) | (1,420) | 2,265 | 917 | - |
| Shareholders' equity | 583,864 | 392,466 | 377,663 | 371,158 |
| Long-term debt | 692,399 | 363,198 | 377,483 | 398,548 |
| Total capitalization | 1,276,263 | 755,664 | 755,146 | 769,706 |
| Current liabilities | | | | |
| Current maturities of long-term debt | 20,695 | 17,566 | 17,848 | 57,783 |
| Short-term debt | 201,247 | 250,047 | 168,304 | 66,400 |
| Accounts payable and accrued liabilities | 84,471 | 73,031 | 64,167 | 44,742 |
| Taxes payable | 11,620 | 10,844 | 848 | 12,736 |
| Customers' deposits | 32,351 | 9,923 | 9,657 | 12,029 |
| Liabilities from risk management activities | 119,484 | - | - | - |
| Other current liabilities | 41,161 | 21,085 | 25,951 | 30,369 |
| Total current liabilities | 511,029 | 382,496 | 286,775 | 224,059 |
| Deferred income taxes | 138,934 | 131,619 | 112,610 | 80,213 |
| Noncurrent liabilities from risk management activities | 7,412 | - | - | - |
| Deferred credits and other liabilities | 102,542 | 78,979 | 76,006 | 67,412 |
| | $2,036,180 | $1,348,758 | $1,230,537 | $1,141,390 |

| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| $1,218,372 | $1,123,758 | $1,028,836 | $933,886 | $864,911 | $802,922 | $746,188 |
| 82,632 | 74,799 | 69,157 | 73,496 | 70,171 | 64,629 | 60,072 |
| 31,668 | 21,217 | 8,871 | 9,678 | 7,741 | 6,662 | 5,595 |
| 1,332,672 | 1,219,774 | 1,106,864 | 1,017,060 | 942,823 | 874,213 | 811,855 |
| 483,545 | 449,563 | 409,577 | 378,273 | 349,936 | 321,614 | 289,621 |
| 849,127 | 770,211 | 697,287 | 638,787 | 592,887 | 552,599 | 522,234 |
| 6,016 | 11,134 | 9,296 | 5,511 | 3,084 | 12,341 | 11,592 |
| - | - | - | - | - | - | - |
| 71,217 | 103,415 | 90,718 | 81,519 | 82,116 | 82,649 | 86,213 |
| 12,333 | 13,895 | 12,657 | 11,830 | 11,888 | 12,902 | 13,178 |
| 48,122 | 43,350 | 27,401 | 39,108 | 43,586 | 18,769 | 20,290 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 6,017 | 2,809 | 4,775 | 4,356 | 7,293 | 8,622 | 9,247 |
| 143,705 | 174,603 | 144,847 | 142,324 | 147,967 | 135,283 | 140,520 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 95,479 | 65,796 | 58,814 | 48,274 | 45,885 | 35,750 | 38,431 |
| $1,088,311 | $1,010,610 | $900,948 | $829,385 | $786,739 | $723,632 | $701,185 |
| $ 148 | $ 146 | $ 141 | $ 130 | $ 126 | $ 121 | $ 111 |
| 251,174 | 241,658 | 230,630 | 196,487 | 183,795 | 164,979 | 141,491 |
| 75,938 | 87,778 | 73,578 | 70,967 | 67,396 | 58,884 | 55,980 |
| - | - | - | - | - | - | - |
| 327,260 | 329,582 | 304,349 | 267,584 | 251,317 | 223,984 | 197,582 |
| 302,981 | 276,162 | 294,463 | 282,647 | 257,696 | 269,887 | 243,891 |
| 630,241 | 605,744 | 598,812 | 550,231 | 509,013 | 493,871 | 441,473 |
| 15,201 | 16,679 | 16,155 | 10,068 | 12,702 | 10,075 | 8,804 |
| 167,300 | 128,488 | 65,813 | 64,288 | 58,563 | 33,137 | 53,456 |
| 62,626 | 80,321 | 56,525 | 53,110 | 67,568 | 57,191 | 71,319 |
| 416 | 11,201 | 4,083 | 9,278 | 5,527 | 13,403 | 9,216 |
| 15,098 | 16,812 | 16,220 | 14,985 | 19,846 | 14,461 | 14,331 |
| - | - | - | - | - | - | - |
| 52,582 | 23,866 | 28,031 | 22,935 | 15,591 | 23,414 | 22,743 |
| 313,223 | 277,367 | 186,827 | 174,664 | 179,797 | 151,681 | 179,869 |
| 87,828 | 72,073 | 64,719 | 54,755 | 55,756 | 52,130 | 49,991 |
| - | - | - | - | - | - | - |
| 57,019 | 55,426 | 50,590 | 49,735 | 42,173 | 25,950 | 29,852 |
| $1,088,311 | $1,010,610 | $900,948 | $829,385 | $786,739 | $723,632 | $701,185 |

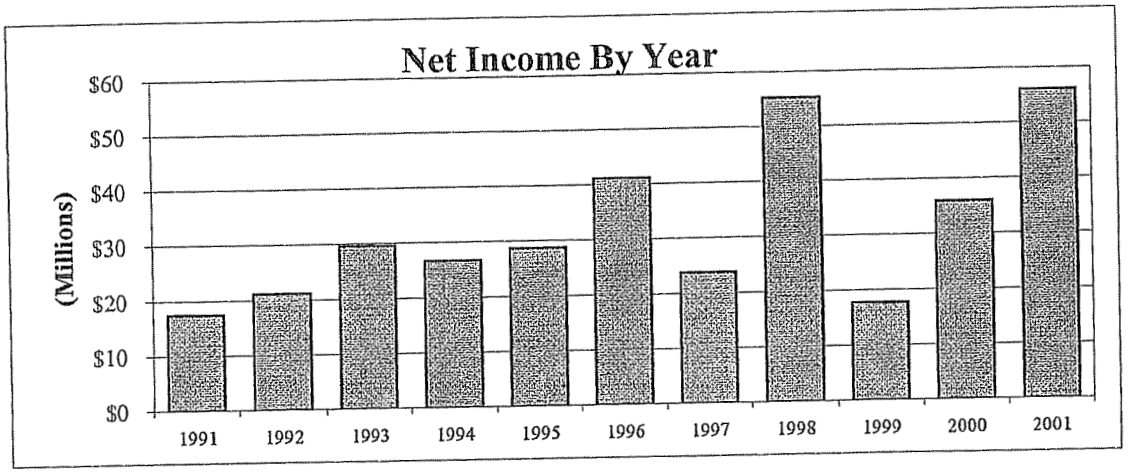
## CONSOLIDATED STATEMENTS OF INCOME (1)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 |
| | (In thousands, except per share data) | | | |
| Operating revenues | | | | |
| Utility | $1,378,159 | $734,835 | $617,313 | $738,445 |
| Nonutility | 64,116 | 115,317 | 72,883 | 109,763 |
| Total operating revenues | 1,442,275 | 850,152 | 690,196 | 848,208 |
| Purchased gas cost | 1,067,555 | 524,446 | 390,402 | 516,372 |
| Gross profit | 374,720 | 325,706 | 299,794 | 331,836 |
| Gas trading margin | 488 | - | - | - |
| Operating expenses | | | | |
| Operation | 133,240 | 140,249 | 148,065 | 131,336 |
| Maintenance | 6,368 | 7,648 | 9,141 | 10,278 |
| Depreciation and amortization | 67,664 | 63,855 | 56,874 | 47,555 |
| Taxes, other than income | 37,655 | 28,638 | 31,475 | 29,788 |
| Total operating expenses | 244,927 | 240,390 | 245,555 | 218,957 |
| Operating income | 130,281 | 85,316 | 54,239 | 112,879 |
| Other income (expense) | | | | |
| Equity in earnings of Woodward Marketing, L.L.C. | 8,062 | 7,307 | 7,156 | 3,920 |
| Interest income | 3,761 | 738 | 765 | 1,510 |
| Miscellaneous income (expense), net | (5,635) | 6,699 | 2,202 | 4,341 |
| Total other income | 6,188 | 14,744 | 10,123 | 9,771 |
| Interest charges, net | 47,011 | 43,823 | 37,063 | 35,579 |
| Income taxes | 33,368 | 20,319 | 9,555 | 31,806 |
| Reinstatement of deferred income taxes | - | - | - | - |
| Net income | $ 56,090 | $ 35,918 | $ 17,744 | $ 55,265 |
| Diluted net income per share | $1.47 | $1.14 | $0.58 | $1.84 |
| Cash dividends per share | $1.16 | $1.14 | $1.10 | $1.06 |
| Weighted average shares outstanding - diluted | 38,247 | 31,594 | 30,819 | 30,031 |

(1) Restated for poolings of interests with United Cities in July 1997 and Greeley Gas Co. in December 1993. Share data have been adjusted for a 3-for-2 stock split in May 1994.



| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| $805,252 | $778,217 | $707,680 | $780,791 | $747,057 | $662,164 | $636,010 |
| 101,583 | 108,474 | 41,875 | 45,511 | 47,836 | 46,804 | 36,255 |
| 906,835 | 886,691 | 749,555 | 826,302 | 794,893 | 708,968 | 672,265 |
| 577,181 | 562,279 | 449,397 | 529,282 | 505,499 | 444,870 | 429,054 |
| 329,654 | 324,412 | 300,158 | 297,020 | 289,394 | 264,098 | 243,211 |
| - | - | - | - | - | - | - |
| 173,683 | 148,196 | 146,624 | 150,984 | 140,703 | 133,600 | 125,054 |
| 11,974 | 11,719 | 11,350 | 12,483 | 12,928 | 12,891 | 9,580 |
| 45,257 | 41,666 | 40,597 | 36,712 | 34,560 | 32,639 | 31,802 |
| 32,131 | 30,254 | 29,626 | 28,346 | 27,505 | 26,968 | 25,105 |
| 263,045 | 231,835 | 228,197 | 228,525 | 215,696 | 206,098 | 191,541 |
| 66,609 | 92,577 | 71,961 | 68,495 | 73,698 | 58,000 | 51,670 |
| 3,254 | 1,997 | 1,354 | - | - | - | - |
| 2,156 | 1,870 | 1,936 | 1,018 | 2,327 | 376 | 542 |
| (288) | (300) | 287 | (164) | (59) | 1,546 | 1,307 |
| 5,122 | 3,567 | 3,577 | 854 | 2,268 | 1,922 | 1,849 |
| 33,595 | 31,677 | 30,186 | 28,107 | 30,393 | 28,554 | 28,470 |
| 14,298 | 23,316 | 16,544 | 14,470 | 15,879 | 10,152 | 6,481 |
| - | - | - | - | - | - | 1,081 |
| $ 23,838 | $ 41,151 | $ 28,808 | $ 26,772 | $ 29,694 | $ 21,216 | $ 17,487 |
| $0.81 | $1.42 | $1.06 | $1.05 | $1.21 | $0.91 | $0.81 |
| $1.01 | $0.98 | $0.96 | $0.91 | $0.82 | $0.79 | $0.75 |
| 29,422 | 28,994 | 27,208 | 25,604 | 24,535 | 23,324 | 21,582 |



## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | Common Stock | | Additional | Accumulated Other | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Stated Value | Paid-in Capital | Comprehensive Income (loss) | Retained Earnings | Total |
| | | | (In thousands, except share data) | | | |
| Balance, September 30, 1990 | 20,143,409 | $ 101 | $ 116,463 | $ - | $ 56,864 | $ 173,428 |
| Net income | - | - | - | - | 17,487 | 17,487 |
| Cash dividends and GGC distributions | - | - | - | - | (16,175) | (16,175) |
| Common stock issued | | | | | | |
| Restricted stock & stock options plans | 1,000 | - | 13 | - | - | 13 |
| Direct stock purchase and dividend reinvestment plans | 118,983 | - | 1,499 | - | - | 1,499 |
| Employee stock plan | 15,782 | - | 193 | - | - | 193 |
| Public offering | 2,095,750 | 10 | 23,429 | - | - | 23,439 |
| Common stock retirement | (97,534) | - | (106) | - | (2,196) | (2,302) |
| Balance, September 30, 1991 | 22,277,390 | 111 | 141,491 | - | 55,980 | 197,582 |
| Net income | - | - | - | - | 21,216 | 21,216 |
| Cash dividends and GGC distributions | - | - | - | - | (18,312) | (18,312) |
| Common stock issued | | | | | | |
| Restricted stock & stock options plans | 7,750 | - | 86 | - | - | 86 |
| Direct stock purchase and dividend reinvestment plans | 252,963 | 2 | 3,621 | - | - | 3,623 |
| Employee stock plan | 13,562 | - | 180 | - | - | 180 |
| ESOP | 167,881 | 1 | 2,288 | - | - | 2,289 |
| Public offering | 1,380,000 | 7 | 17,347 | - | - | 17,354 |
| Other | - | - | (34) | - | - | (34) |
| Balance, September 30, 1992 | 24,099,546 | 121 | 164,979 | - | 58,884 | 223,984 |
| Net income | - | - | - | - | 29,694 | 29,694 |
| Cash dividends and GGC distributions | - | - | - | - | (20,232) | (20,232) |
| Common stock issued | | | | | | |
| Restricted stock & stock options plans | 57,000 | - | 775 | - | - | 775 |
| Direct stock purchase and dividend reinvestment plans | 879,010 | 4 | 15,504 | - | - | 15,508 |
| Employee stock plan | 16,372 | - | 260 | - | - | 260 |
| ESOP | 131,000 | 1 | 2,277 | - | - | 2,278 |
| Less: GGC net income for qtr. ended 12/31/92 | - | - | - | - | (950) | (950) |
| Balance, September 30, 1993 | 25,182,928 | 126 | 183,795 | - | 67,396 | 251,317 |
| Net income | - | - | - | - | 26,772 | 26,772 |
| Cash dividends and GGC distributions | - | - | - | - | (23,201) | (23,201) |
| Common stock issued | | | | | | |
| Restricted stock & stock options plans | 108,000 | 1 | 2,175 | - | - | 2,176 |
| Direct stock purchase and dividend reinvestment plans | 449,716 | 2 | 7,201 | - | - | 7,203 |
| Employee stock plan | 20,500 | - | 310 | - | - | 310 |
| ESOP | 149,463 | 1 | 2,713 | - | - | 2,714 |
| Other | - | - | 293 | - | - | 293 |
| Balance, September 30, 1994 | 25,910,607 | 130 | 196,487 | - | 70,967 | 267,584 |
| Net income | - | - | - | - | 28,808 | 28,808 |
| Cash dividends | - | - | - | - | (26,197) | (26,197) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 13,000 | - | 202 | - | - | 202 |
| Direct stock purchase plan | 388,484 | 2 | 5,832 | - | - | 5,834 |
| ESOP/401(K) plans | 233,789 | 1 | 4,173 | - | - | 4,174 |
| Woodward Marketing investment | 320,512 | 2 | 4,998 | - | - | 5,000 |
| Public offering | 1,380,000 | 6 | 18,893 | - | - | 18,899 |
| Other | - | - | 45 | - | - | 45 |
| Balance, September 30, 1995 | 28,246,392 | 141 | 230,630 | - | 73,578 | 304,349 |
| Net income | - | - | - | - | 41,151 | 41,151 |
| Cash dividends | - | - | - | - | (28,478) | (28,478) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 41,700 | 1 | 733 | - | - | 734 |
| Direct stock purchase plan | 251,224 | 1 | 4,322 | - | - | 4,323 |
| Long term stock plan for United Cities | 16,900 | - | 241 | - | - | 241 |
| Outside directors stock-for-fee plan | 3,389 | - | 76 | - | - | 76 |
| ESOP | 161,477 | 1 | 3,641 | - | - | 3,642 |
| Monarch Gas Co. Acquisition | 207,366 | 1 | 1,499 | - | 933 | 2,433 |
| Oceana Heights Acquisition | 313,411 | 1 | 304 | - | 594 | 899 |
| Other | - | - | 212 | - | - | 212 |
| Balance, September 30, 1996 | 29,241,859 | $ 146 | $ 241,658 | $ - | $ 87,778 | $ 329,582 |

Shareholders' equity balances and share data have been restated for the poolings of interests with United Cities in July 1997 and Greeley Gas Co. in December 1993, and a 3-for-2 stock split in May 1994.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Continued)

| | Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income (loss) | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| | Number of Shares | Stated Value | (In thousands, except share data) | | | |
| Balance, September 30, 1996 | 29,241,859 | $ 146 | $ 241,658 | $ - | $ 87,778 | $ 329,582 |
| Net income | - | - | - | - | 23,838 | 23,838 |
| Cash dividends | - | - | - | - | (26,415) | (26,415) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 100,000 | 1 | 2,443 | - | - | 2,444 |
| Direct stock purchase plan | 85,243 | - | 1,888 | - | - | 1,888 |
| Outside directors stock-for-fee plan | 3,008 | - | 72 | - | - | 72 |
| ESOP | 212,327 | 1 | 5,113 | - | - | 5,114 |
| Less: UCGC net income for quarter ended 12/31/96 | - | - | - | - | (9,263) | (9,263) |
| Balance, September 30, 1997 | 29,642,437 | 148 | 251,174 | - | 75,938 | 327,260 |
| Net income | - | - | - | - | 55,265 | 55,265 |
| Cash dividends | - | - | - | - | (31,834) | (31,834) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 114,250 | 1 | 2,898 | - | - | 2,899 |
| Direct stock purchase plan | 531,353 | 3 | 14,482 | - | - | 14,485 |
| ESOP | 52,473 | - | 1,485 | - | - | 1,485 |
| Long-term stock plan for UCG | 55,500 | - | 1,533 | - | - | 1,533 |
| Outside directors stock-for-fee plan | 2,306 | - | 65 | - | - | 65 |
| Balance, September 30, 1998 | 30,398,319 | 152 | 271,637 | - | 99,369 | 371,158 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 17,744 | 17,744 |
| Unrealized holding gains on investments, net | - | - | - | 917 | - | 917 |
| Total comprehensive income | | | | | | 18,661 |
| Cash dividends | - | - | - | - | (33,882) | (33,882) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 56,850 | - | 1,732 | - | - | 1,732 |
| Direct stock purchase plan | 694,905 | 4 | 17,429 | - | - | 17,433 |
| ESOP | 89,435 | - | 2,362 | - | - | 2,362 |
| Long-term stock plan for UCG | 6,450 | - | 150 | - | - | 150 |
| Outside directors stock-for-fee plan | 1,841 | - | 49 | - | - | 49 |
| Balance, September 30, 1999 | 31,247,800 | 156 | 293,359 | 917 | 83,231 | 377,663 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 35,918 | 35,918 |
| Unrealized holding gains on investments, net | - | - | - | 1,348 | - | 1,348 |
| Total comprehensive income | | | | | | 37,266 |
| Cash dividends | - | - | - | - | (35,995) | (35,995) |
| Common stock issued | | | | | | |
| Restricted stock grant plan (cancelled) | (1,300) | - | (18) | - | - | (18) |
| Direct stock purchase plan | 440,990 | 2 | 8,588 | - | - | 8,590 |
| ESOP | 258,049 | 1 | 4,842 | - | - | 4,843 |
| Long-term stock plan for UCG | 4,200 | - | 66 | - | - | 66 |
| Outside directors stock-for-fee plan | 2,601 | 1 | 50 | - | - | 51 |
| Balance, September 30, 2000 | 31,952,340 | 160 | 306,887 | 2,265 | 83,154 | 392,466 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 56,090 | 56,090 |
| Unrealized holding losses on investments, net | - | - | - | (3,685) | - | (3,685) |
| Total comprehensive income | | | | | | 52,405 |
| Cash dividends | - | - | - | - | (44,112) | (44,112) |
| Common stock issued | | | | | | |
| Direct stock purchase plan | 411,159 | 2 | 8,682 | - | - | 8,684 |
| ESOP | 225,945 | 1 | 5,098 | - | - | 5,099 |
| Long-term stock plan for UCG | 15,300 | - | 240 | - | - | 240 |
| Long-term incentive plan | 17,172 | - | 272 | - | - | 272 |
| Directors equity incentive compensation plan | 2,740 | - | 60 | - | - | 60 |
| Outside directors stock-for-fee plan | 2,152 | - | 50 | - | - | 50 |
| Woodward Marketing, L.L.C. acquisition | 1,423,193 | 7 | 26,650 | - | - | 26,657 |
| Public offering | 6,741,500 | 34 | 142,009 | - | - | 142,043 |
| Balance, September 30, 2001 | 40,791,501 | $ 204 | $ 489,948 | $ (1,420) | $ 95,132 | $ 583,864 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 |
| | | (In thousands) | | |
| Cash flows from operating activities | | | | |
| Net income | $56,090 | $35,918 | $17,744 | $55,265 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | |
| Depreciation and amortization | | | | |
| Charged to depreciation and amortization | 67,664 | 63,855 | 56,874 | 47,555 |
| Charged to other accounts | 2,806 | 3,065 | 4,800 | 5,861 |
| Deferred income taxes | 18,501 | 18,251 | 31,874 | (3,968) |
| Deferred lease income | (979) | - | - | - |
| Net assets/liabilities from risk management activities | 13,881 | - | - | - |
| Loss (gain) on sale of non-utility assets | - | (5,831) | - | (3,335) |
| | 157,963 | 115,258 | 111,292 | 101,378 |
| Changes in assets and liabilities net of effect of acquisitions | | | | |
| Increase in cash held on deposit in margin account | (62,181) | - | - | - |
| (Increase) decrease in accounts receivable | 65,032 | (11,260) | (29,576) | 36,330 |
| (Increase) decrease in inventories | 374 | 2,037 | 7,010 | (2,886) |
| (Increase) decrease in gas stored underground | (3,376) | (17,518) | 4,256 | (787) |
| (Increase) decrease in deferred gas cost | 15,440 | (31,353) | (6,101) | - |
| (Increase) decrease in other current assets | (6,646) | (4,930) | 488 | 2,387 |
| (Increase) decrease in deferred charges and other assets | (12,143) | (13,053) | (12,012) | (20,671) |
| Increase (decrease) in accounts payable | (94,769) | 8,643 | 19,425 | (17,884) |
| Increase (decrease) in taxes payable | 791 | 9,607 | (11,888) | 8,673 |
| Increase (decrease) in customers' deposits | 6,078 | (909) | (2,372) | (3,069) |
| Increase (decrease) in other current liabilities | 9,019 | (4,866) | (4,418) | (22,213) |
| Increase (decrease) in deferred credits and other liabilities | 7,413 | 2,540 | 8,594 | 10,393 |
| Net cash provided by operating activities | 82,995 | 54,196 | 84,698 | 91,651 |
| Cash flows from investing activities | | | | |
| Capital expenditures | (113,109) | (75,557) | (110,353) | (134,989) |
| Acquisitions | (363,399) | (32,000) | - | - |
| Retirements of property, plant and equipment, net | (1,460) | 957 | 757 | 178 |
| Assets for leasing activities | (5,377) | - | - | - |
| Increase in cash from acquisition | 8,644 | - | - | - |
| Proceeds from sale of assets, net | 6,625 | 6,467 | - | 15,997 |
| Net cash used in investing activities | (468,076) | (100,133) | (109,596) | (118,814) |
| Cash flows from financing activities | | | | |
| Net increase (decrease) in short-term debt | (48,800) | 81,743 | 101,904 | (100,900) |
| Net proceeds from issuance of long-term debt | 347,099 | - | - | 154,445 |
| Repayment of long-term debt | (17,670) | (14,567) | (61,000) | (16,296) |
| Cash dividends paid | (44,112) | (35,995) | (33,882) | (31,834) |
| Issuance of common stock | 14,405 | 13,550 | 21,726 | 20,467 |
| Net proceeds from equity offering | 142,043 | - | - | - |
| Redemption / Retirement of stock | - | - | - | - |
| Net cash provided by financing activities | 392,965 | 44,731 | 28,748 | 25,882 |
| Net increase (decrease) in cash and cash equivalents | 7,884 | (1,206) | 3,850 | (1,281) |
| Cash and cash equivalents at beginning of year | 7,379 | 8,585 | 4,735 | 6,016 |
| Cash and cash equivalents at end of year | $15,263 | $7,379 | $8,585 | $4,735 |

(1) Includes UCGC operations only for the nine months ended September 30, 1997, because UCGC operations for the quarter ended December 31, 1996 are reflected in fiscal year 1996 results.

(2) Includes GGC operations only for the nine months ended September 30, 1993, because GGC operations for the quarter ended December 31, 1992 are reflected in fiscal year 1992 results.

| 1997 (1) | 1996 | 1995 | 1994 | 1993 (2) | 1992 | 1991 |
|---|---|---|---|---|---|---|
| $14,575 | $41,151 | $28,808 | $26,772 | $28,744 | $21,216 | $17,487 |
| 39,970 | 41,666 | 40,597 | 36,712 | 34,560 | 32,639 | 31,802 |
| 2,237 | 3,580 | 3,601 | 1,485 | 2,127 | 4,504 | 4,101 |
| 5,807 | 7,585 | 4,652 | 1,545 | 3,344 | 2,334 | 2,370 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | (1,866) | 293 | 1,716 | 270 | 680 | 211 |
| 62,589 | 92,116 | 77,951 | 68,230 | 69,045 | 61,373 | 55,971 |
| - | - | - | - | - | - | - |
| 32,198 | (12,697) | (9,199) | 597 | 533 | 3,564 | (11,259) |
| 1,562 | (1,238) | (827) | 58 | 1,014 | 276 | (616) |
| (4,772) | (15,949) | 11,707 | 4,478 | (24,817) | 1,521 | (642) |
| - | - | - | - | - | - | - |
| (3,208) | 1,966 | (419) | 2,937 | 1,329 | 625 | (89) |
| (29,683) | (4,623) | (10,832) | (4,105) | (10,405) | 2,001 | (3,908) |
| (17,695) | 23,796 | 3,415 | (14,458) | 10,377 | (14,128) | 2,973 |
| (837) | 7,099 | 162 | 1,206 | (7,595) | 3,992 | 1,905 |
| (1,714) | 592 | 1,235 | (4,861) | 5,385 | 130 | (127) |
| 28,716 | (4,165) | 5,096 | 7,343 | (7,822) | 671 | (4,580) |
| 1,593 | 4,836 | 854 | 7,562 | 16,223 | (3,902) | (1,687) |
| 68,749 | 91,733 | 79,143 | 68,987 | 53,267 | 56,123 | 37,941 |
| (122,312) | (117,589) | (103,904) | (85,471) | (74,110) | (71,056) | (69,247) |
| - | - | - | - | - | - | - |
| 1,189 | 5,708 | 2,456 | 1,374 | (2,865) | 3,548 | 7,070 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (121,123) | (111,881) | (101,448) | (84,097) | (76,975) | (67,508) | (62,177) |
| 38,812 | 62,675 | (38,475) | 45,725 | 24,790 | (19,723) | (39,253) |
| 40,000 | - | 67,000 | - | 150 | 53,750 | 71,700 |
| (14,659) | (20,734) | (10,347) | (17,683) | (9,078) | (27,079) | (18,344) |
| (26,415) | (28,478) | (26,197) | (23,201) | (20,232) | (18,312) | (16,175) |
| 9,518 | 8,523 | 34,109 | 12,696 | 18,821 | 23,498 | 25,144 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | (2,302) |
| 47,256 | 21,986 | 26,090 | 17,537 | 14,451 | 12,134 | 20,770 |
| (5,118) | 1,838 | 3,785 | 2,427 | (9,257) | 749 | (3,466) |
| 11,134 | 9,296 | 5,511 | 3,084 | 12,341 | 11,592 | 15,058 |
| $6,016 | $11,134 | $9,296 | $5,511 | $3,084 | $12,341 | $11,592 |

## PROPERTY, PLANT AND EQUIPMENT

| Year ended | Balance at beginning of period | Additions at cost (1) | Retirements or sales | Other | Balance at end of period |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| September 30, 1991 | $762,682 | $69,247 | $20,074 | $ - | $811,855 |
| September 30, 1992 | $811,855 | $71,056 | $8,698 | $ - | $874,213 |
| September 30, 1993 | $874,213 | $74,110 | $5,500 | $ - | $942,823 |
| Utility plant | $864,911 | $80,248 | $11,273 | $ - | $933,886 |
| Nonutility Plant | 70,171 | 2,974 | (351) | - | 73,496 |
| Construction in progress | 7,741 | 2,249 | 312 | - | 9,678 |
| September 30, 1994 | $942,823 | $85,471 | $11,234 | $ - | $1,017,060 |
| Utility plant | $933,886 | $108,745 | $13,795 | $ - | $1,028,836 |
| Nonutility Plant | 73,496 | (2,784) | 1,555 | - | 69,157 |
| Construction in progress | 9,678 | (807) | - | - | 8,871 |
| September 30, 1995 | $1,017,060 | $105,154 | $15,350 | $ - | $1,106,864 |
| Utility plant | $1,028,836 | $106,282 | $11,360 | $ - | $1,123,758 |
| Nonutility Plant | 69,157 | 6,630 | 988 | - | 74,799 |
| Construction in progress | 8,871 | 12,346 | - | - | 21,217 |
| September 30, 1996 | $1,106,864 | $125,258 | $12,348 | $ - | $1,219,774 |
| Utility plant | $1,123,758 | $102,231 | $7,618 | $ - | $1,218,371 |
| Nonutility Plant | 74,799 | 9,630 | 1,796 | - | 82,633 |
| Construction in progress | 21,217 | 10,451 | - | - | 31,668 |
| September 30, 1997 | $1,219,774 | $122,312 | $9,414 | $ - | $1,332,672 |
| Utility plant | $1,218,371 | $47,317 | $7,387 | $ - | $1,258,301 |
| Nonutility Plant | 82,633 | 7,452 | 14,830 | - | 75,255 |
| Construction in progress | 31,668 | 80,220 | (976) | - | 112,864 |
| September 30, 1998 | $1,332,672 | $134,989 | $21,241 | $ - | $1,446,420 |
| Utility plant | $1,258,301 | $199,127 | $3,200 | $ - | $1,454,228 |
| Nonutility Plant | 75,255 | 868 | 3,517 | - | 72,606 |
| Construction in progress | 112,864 | (89,642) | 798 | - | 22,424 |
| September 30, 1999 | $1,446,420 | $110,353 | $7,515 | $ - | $1,549,258 |
| Utility plant | $1,454,228 | $95,842 | $37,306 | $ - | $1,512,764 |
| Nonutility Plant | 72,606 | 1,128 | 39,929 | - | 33,805 |
| Construction in progress | 22,424 | 10,587 | (223) | - | 33,234 |
| September 30, 2000 | $1,549,258 | $107,557 | $77,012 | $ - | $1,579,803 |
| Utility plant | $1,512,764 | $563,857 | $67,860 | $ - | $2,008,761 |
| Nonutility Plant | 33,805 | 504 | 1,525 | 14,441 | 47,225 |
| Construction in progress | 33,234 | 20,995 | 348 | - | 53,881 |
| September 30, 2001 | $1,579,803 | $585,356 | $69,733 | $ 14,441 | $2,109,867 |

(1) Additions at cost include capital expenditures and acquisitions treated as a purchase.

## ACCUMULATED DEPRECIATION AND AMORTIZATION

| Year ended | Balance at beginning of period | Additions charged to costs and expenses | Deductions-retirements, renewals and replacements | Other | Balance at end of period |
|---|---|---|---|---|---|
| | | (In thousands) | | | |
| September 30, 1991 | $266,722 | $35,903 | $13,004 | $ - | $289,621 |
| September 30, 1992 | $289,621 | $37,143 | $5,150 | $ - | $321,614 |
| September 30, 1993 | $321,614 | $36,687 | $8,365 | $ - | $349,936 |
| September 30, 1994 | $349,936 | $38,197 | $9,860 | $ - | $378,273 |
| September 30, 1995 | $378,273 | $44,198 | $12,894 | $ - | $409,577 |
| September 30, 1996 | $409,577 | $45,246 | $6,640 | $ 1,380 | $449,563 |
| September 30, 1997 | $449,563 | $42,207 | $8,225 | $ - | $483,545 |
| September 30, 1998 | $483,545 | $53,416 | $8,401 | $ - | $528,560 |
| September 30, 1999 | $528,560 | $61,674 | $6,758 | $ - | $583,476 |
| September 30, 2000 | $583,476 | $66,920 | $52,939 | $ - | $597,457 |
| September 30, 2001 | $597,457 | $70,470 | $24,560 | $ 131,102 | $774,469 |

Depreciation is provided at various rates on a straight-line basis over the estimated useful lives of the assets.

## LONG-TERM AND SHORT-TERM DEBT

| | September 30 | | | |
|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 |
| | | (In thousands) | | |
| Long-term Debt | | | | |
| Unsecured 7.95% Senior Notes, payable in annual installments of $1,000,000 from 8/31/1997 thru 2006 | $5,000 | $6,000 | $7,000 | $8,000 |
| Unsecured 9.57% Senior Notes, payable in annual installments of $2,000,000 from 9/30/1997 thru 2006 | 10,000 | 12,000 | 14,000 | 16,000 |
| Unsecured 9.76% Senior Notes, payable in annual installments of $3,000,000 from 12/30/1995 thru 2004 | 12,000 | 15,000 | 18,000 | 21,000 |
| Unsecured 9 3/4% Senior Notes, payable in varying annual installments through 12/30/1996 | - | - | - | - |
| Unsecured 10% Notes, due 12/31/2011 | 2,303 | 2,303 | 2,303 | 2,303 |
| Unsecured 8.4% Note, due 6/30/1996 | - | - | - | - |
| Unsecured 7.375% Senior Notes due 5/15/2011 | 350,000 | - | - | - |
| Unsecured 11.2% Senior Notes due in annual installments of $2,000,000 from 12/30/1993 thru 12/30/2002 | 4,000 | 6,000 | 8,000 | 10,000 |
| First Mortgage Bonds Series I-13 3/4% | - | - | - | - |
| 13% series, due $300,000 annually, commencing in 1989 with a balance of $1,000,000 due in 1995 | - | - | - | - |
| Notes payable to banks refinanced with long-term debt | - | - | - | - |
| Unsecured 8.07% Senior Notes, payable in annual installments of $4,000,000 beginning October 31, 2002 through October 31, 2006 with semiannual interest payments | 20,000 | 20,000 | 20,000 | 20,000 |
| Unsecured 8.26% Senior Notes, payable in annual installments of $1,818,182 beginning October 31, 2004 through October 31, 2014 with semiannual interest payments | 20,000 | 20,000 | 20,000 | 20,000 |
| Unsecured Note, 6.09% due 11/25/1998 | - | - | - | 40,000 |
| Unsecured 6.75% Debentures due 7/15/2028 | 150,000 | 150,000 | 150,000 | 150,000 |
| Subtotal long-term debt this page | 573,303 | 231,303 | 239,303 | 287,303 |

| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| $9,000 | $10,000 | $10,000 | $10,000 | $10,000 | $10,000 | $ - |
| 18,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 24,000 | 27,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| - | 1,000 | 3,000 | 5,000 | 8,000 | 11,500 | 16,000 |
| 2,303 | 2,303 | 2,303 | 2,303 | 2,303 | 2,303 | 2,303 |
| - | - | - | - | - | - | 9,808 |
| - | - | - | - | - | - | - |
| 12,000 | 14,000 | 16,000 | 18,000 | 20,000 | 20,000 | 20,000 |
| - | - | - | - | 3,250 | 4,250 | 5,250 |
| - | - | - | - | 1,600 | 1,600 | 1,900 |
| - | - | - | 40,000 | - | - | - |
| 20,000 | 20,000 | 20,000 | - | - | - | - |
| 20,000 | 20,000 | 20,000 | - | - | - | - |
| 40,000 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 145,303 | 114,303 | 121,303 | 125,303 | 95,153 | 99,653 | 105,261 |

## LONG-TERM AND SHORT-TERM DEBT (CONTINUED)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 |
| | (In thousands, except percents) | | | |
| Long-term Debt (continued) | | | | |
| First Mortgage Bonds-- | | | | |
| Series J, 9.4%, due 2021 | $17,000 | $17,000 | $17,000 | $17,000 |
| Series N, 8.69%, due 2000 | - | - | 1,000 | 3,000 |
| Series P, 10.43%, due 2017 | 18,750 | 21,250 | 22,500 | 25,000 |
| Series Q, 9.75%, due 2020 | 19,000 | 20,000 | 20,000 | 20,000 |
| Series R, 11.32%, due 2004 | 6,440 | 8,580 | 10,720 | 12,860 |
| Series S, 8.71%, due 1997 | - | - | - | - |
| Series T, 9.32%, due 2021 | 18,000 | 18,000 | 18,000 | 18,000 |
| Series U, 8.77%, due 2022 | 20,000 | 20,000 | 20,000 | 20,000 |
| Series V, 7.50%, due 2007 | 10,000 | 10,000 | 10,000 | 10,000 |
| Other series, 8.45% to 8.75% | - | - | - | - |
| Medium term notes, 6.20% through 6.67%, due 2000 through 2025 | 20,000 | 22,000 | 22,000 | 22,000 |
| Senior secured storage term notes, 7.45%, due in installments through 2007 | 5,949 | 6,769 | 7,530 | 8,237 |
| Rental property adjustable rate term notes due in installments through 1997 | - | - | - | - |
| Rental property fixed rate term note 7.9%, due in installments through 2013 | 1,571 | 1,702 | 1,833 | 1,964 |
| Propane term note, 6.99% due in installments through 1998 | - | - | - | 3,750 |
| Other long-term obligations due in installments through 2004 | 3,081 | 4,160 | 5,445 | 7,217 |
| Subtotal long-term debt this page | 139,791 | 149,461 | 156,028 | 169,028 |
| Subtotal long-term debt previous page | 573,303 | 231,303 | 239,303 | 287,303 |
| Total face amount Long-term Debt | 713,094 | 380,764 | 395,331 | 456,331 |
| Less amounts classified as current | (20,695) | (17,566) | (17,848) | (57,783) |
| Total Net Long-term Debt | $692,399 | $363,198 | $377,483 | $398,548 |
| Short-term Debt | | | | |
| Current maturities of long-term debt | $ 20,695 | $ 17,566 | $ 17,848 | $ 57,783 |
| Short-term debt | 201,247 | 250,047 | 168,304 | 66,400 |
| Total short-term debt | $ 221,942 | $267,613 | $186,152 | $124,183 |
| Weighted Average Cost of Debt (1) | | | | |
| Long-term debt (including current maturities) | 7.8% | 8.1% | 8.2% | 8.1% |
| Short-term debt | 5.8% | 6.4% | 5.7% | 6.2% |
| Total | 7.4% | 7.4% | 7.5% | 7.9% |

(1) The calculation of the weighted average cost of debt does not include data for Greeley Gas Company prior to 1994 or United Cities prior to 1996.

| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 |
| 5,000 | 7,000 | 10,000 | 14,000 | 18,000 | 20,000 | 20,000 |
| 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| - | - | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | - |
| 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | - |
| - | - | - | - | 955 | 1,913 | 5,659 |
| 22,000 | 22,000 | 22,000 | - | - | - | - |
| 8,893 | 9,353 | 9,926 | 10,436 | 10,895 | 11,316 | 6,000 |
| 1,329 | 4,497 | 5,691 | 6,839 | 9,043 | 14,444 | 13,735 |
| 2,095 | 2,161 | 2,292 | 4,137 | 4,352 | - | - |
| 4,250 | 4,500 | 5,000 | - | - | - | - |
| 4,312 | 4,027 | 2,406 | - | - | 636 | 40 |
| 172,879 | 178,538 | 189,315 | 167,412 | 175,245 | 180,309 | 147,434 |
| 145,303 | 114,303 | 121,303 | 125,303 | 95,153 | 99,653 | 105,261 |
| 318,182 | 292,841 | 310,618 | 292,715 | 270,398 | 279,962 | 252,695 |
| (15,201) | (16,679) | (16,155) | (10,068) | (12,702) | (10,075) | (8,804) |
| $302,981 | $276,162 | $294,463 | $282,647 | $257,696 | $269,887 | $243,891 |
| $ 15,201 | $ 16,679 | $ 16,155 | $ 10,068 | $ 12,702 | $ 10,075 | $ 8,804 |
| 167,300 | 128,488 | 65,813 | 64,288 | 58,563 | 33,137 | 53,456 |
| $182,501 | $145,167 | $81,968 | $ 74,356 | $ 71,265 | $ 43,212 | $ 62,260 |
| 9.0% | 9.0% | 9.5% | 9.8% | 10.1% | 10.0% | 10.1% |
| 6.1% | 6.3% | 7.0% | 5.6% | 3.8% | 4.2% | 5.7% |
| 8.0% | 8.2% | 9.0% | 8.9% | 8.5% | 8.9% | 9.7% |

## SINKING FUND REQUIREMENTS

| Year ending September 30 | Long-term Debt Outstanding 9/30/2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|
| | | | (In thousands) | | | |
| 7.95% Sr. Notes | $5,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 |
| 11.2% Sr. Notes | 4,000 | 2,000 | 2,000 | - | - | - |
| 9.76% Sr. Notes | 12,000 | 3,000 | 3,000 | 3,000 | 3,000 | - |
| 9.57% Sr. Notes | 10,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| 10% Notes | 2,303 | - | - | - | - | - |
| 8.07% Sr. Notes | 20,000 | - | 4,000 | 4,000 | 4,000 | 4,000 |
| 8.26% Sr. Notes | 20,000 | - | - | - | 1,818 | 1,818 |
| 7.375% Sr. Notes | 350,000 | - | - | - | - | - |
| 6.75% Debentures | 150,000 | - | - | - | - | - |
| First Mortgage Bonds-- | | | | | | |
| Series J, 9.4%, due 2021 | 17,000 | - | - | - | - | - |
| Series P, 10.43%, due 2017 | 18,750 | 2,500 | 2,500 | 2,500 | 1,250 | 1,250 |
| Series Q, 9.75%, due 2020 | 19,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Series R, 11.32%, due 2004 | 6,440 | 2,140 | 2,140 | 2,160 | - | - |
| Series T, 9.32%, due 2021 | 18,000 | - | - | - | - | 1,125 |
| Series U, 8.77%, due 2022 | 20,000 | - | - | - | - | - |
| Series V, 7.50%, due 2007 | 10,000 | - | 1,667 | 1,667 | 1,667 | 1,667 |
| Medium term notes, 6.20% through 6.67% | 20,000 | - | - | - | - | - |
| Senior secured storage term notes, 7.45% | 5,949 | 5,949 | - | - | - | - |
| Rental property fixed rate term note | 1,571 | 131 | 131 | 131 | 131 | 131 |
| Murfreesboro - Harrel | 197 | 131 | 66 | - | - | - |
| Baxter, Ky. - Harlan LP | 438 | 125 | 125 | 125 | 63 | - |
| Other Propane Notes | 2,446 | 719 | 751 | 283 | 267 | 268 |
| | $713,094 | $20,695 | $20,380 | $17,866 | $16,196 | $14,259 |

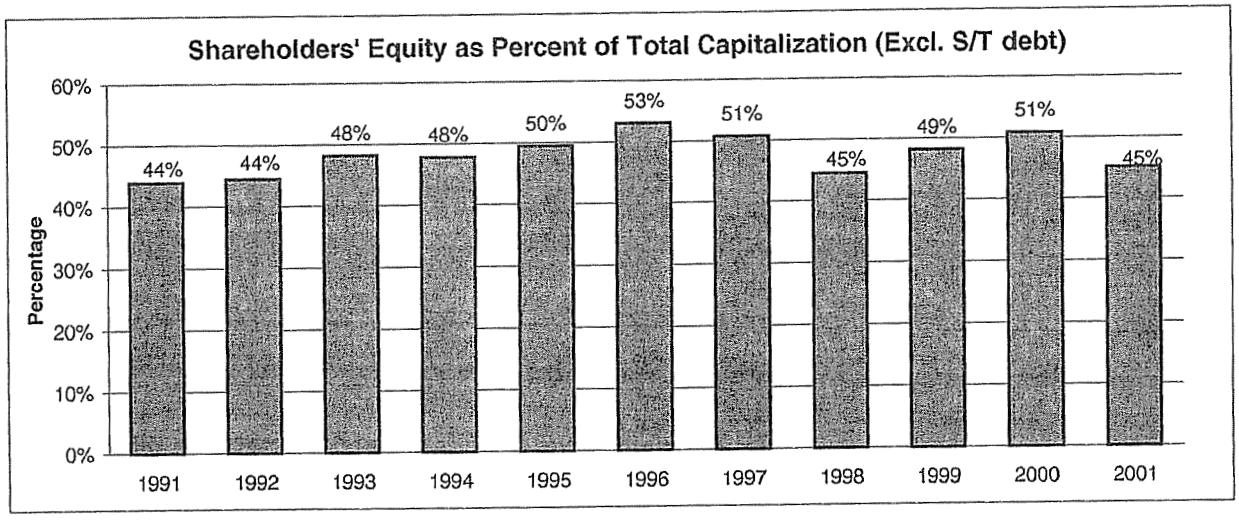
## SINKING FUND REQUIREMENTS (continued)

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 - 2028 |
|---|---|---|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 2,303 | - | - | - |
| 4,000 | - | - | - | - | - | - | - | - |
| 1,818 | 1,818 | 1,818 | 1,818 | 1,818 | 1,818 | 1,818 | 1,818 | 1,820 |
| - | - | - | - | 350,000 | - | - | - | - |
| - | - | - | - | - | - | - | - | 150,000 |
| - | - | - | - | - | - | - | - | 17,000 |
| 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | - | - |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 6,000 |
| - | - | - | - | - | - | - | - | - |
| 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 7,875 |
| 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 10,000 |
| 1,666 | 1,666 | - | - | - | - | - | - | - |
| - | - | - | 10,000 | - | - | - | - | 10,000 |
| - | - | - | - | - | - | - | - | - |
| 131 | 131 | 131 | 131 | 131 | 131 | 130 | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 100 | 58 | - | - | - | - | - | - | - |
| $12,340 | $8,298 | $6,574 | $16,574 | $356,574 | $8,877 | $6,573 | $5,193 | $202,695 |

## CAPITALIZATION AND RATIOS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 |
| Capitalization | (In thousands, except percents) | | | |
| Shareholders' equity | | | | |
| Common stock | $ 204 | $ 160 | $ 156 | $ 152 |
| Additional paid-in capital | 489,948 | 306,887 | 293,359 | 271,637 |
| Retained earnings | 95,132 | 83,154 | 83,231 | 99,369 |
| Accum. other comprehensive income (loss) | (1,420) | 2,265 | 917 | - |
| Shareholders' equity | 583,864 | 392,466 | 377,663 | 371,158 |
| Long-term debt (including current maturities) | 713,094 | 380,764 | 395,331 | 456,331 |
| Total capitalization (excluding short-term debt) | 1,296,958 | 773,230 | 772,994 | 827,489 |
| Short-term debt | 201,247 | 250,047 | 168,304 | 66,400 |
| Total capitalization (including short-term debt) | $1,498,205 | $1,023,277 | $941,298 | $893,889 |
| Capitalization Ratios | | | | |
| Shareholders' equity | 45.0% | 50.8% | 48.9% | 44.9% |
| Long-term debt (including current maturities) | 55.0% | 49.2% | 51.1% | 55.1% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| Including Short-term debt | | | | |
| Shareholders' equity | 39.0% | 38.4% | 40.1% | 41.5% |
| Long-term debt (including current maturities) | 47.6% | 37.2% | 42.0% | 51.1% |
| Short-term debt | 13.4% | 24.4% | 17.9% | 7.4% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| $ 148 | $ 146 | $ 141 | $ 130 | $ 126 | $ 121 | $ 111 |
| 251,174 | 241,658 | 230,630 | 196,487 | 183,795 | 164,979 | 141,491 |
| 75,938 | 87,778 | 73,578 | 70,967 | 67,396 | 58,884 | 55,980 |
| - | - | - | - | - | - | - |
| 327,260 | 329,582 | 304,349 | 267,584 | 251,317 | 223,984 | 197,582 |
| 318,182 | 292,841 | 310,618 | 292,715 | 270,398 | 279,962 | 252,695 |
| 645,442 | 622,423 | 614,967 | 560,299 | 521,715 | 503,946 | 450,277 |
| 167,300 | 128,488 | 65,813 | 64,288 | 58,563 | 33,137 | 53,456 |
| $812,742 | $750,911 | $ 680,780 | $624,587 | $580,278 | $537,083 | $503,733 |
| 50.7% | 53.0% | 49.5% | 47.8% | 48.2% | 44.4% | 43.9% |
| 49.3% | 47.0% | 50.5% | 52.2% | 51.8% | 55.6% | 56.1% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 40.3% | 43.9% | 44.7% | 42.8% | 43.3% | 41.7% | 39.2% |
| 39.1% | 39.0% | 45.6% | 46.9% | 46.6% | 52.1% | 50.2% |
| 20.6% | 17.1% | 9.7% | 10.3% | 10.1% | 6.2% | 10.6% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

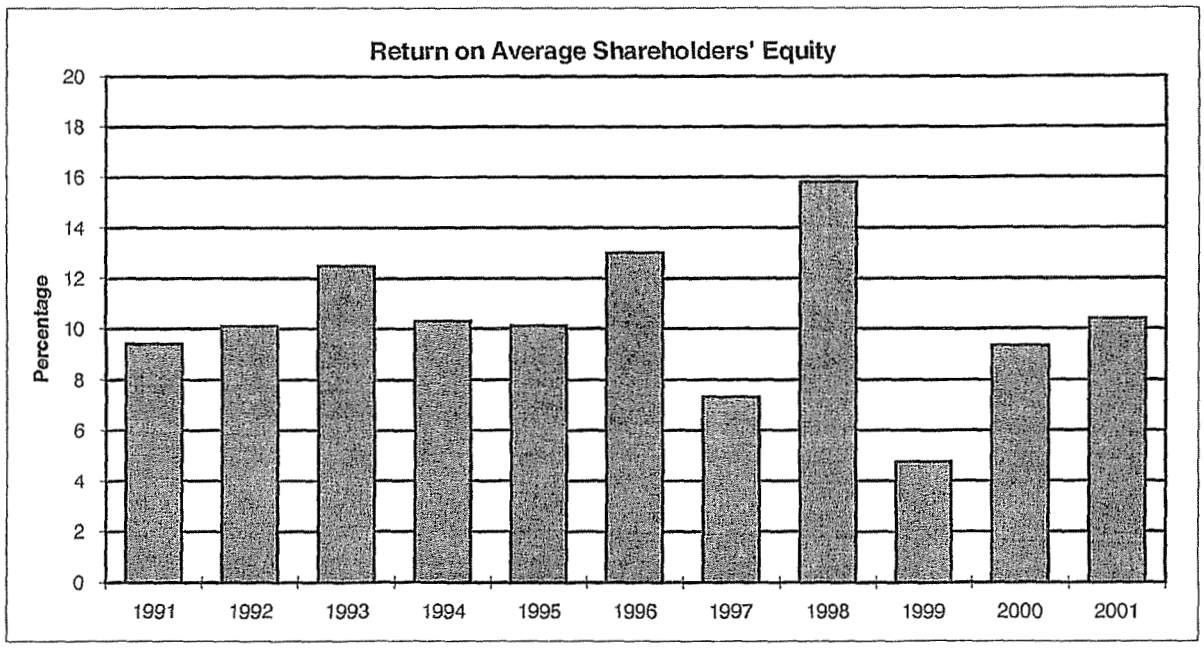


## FINANCIAL AND OPERATING STATISTICS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 |
| Property Statistics | | | | |
| Gross plant per meter | $ 1,522 | $ 1,441 | $ 1,493 | $ 1,440 |
| Net plant per meter | 963 | 896 | 930 | 914 |
| Expense Statistics | | | | |
| O & M expense per meter | | | | |
| Operation | $ 124 | $ 128 | $ 137 | $ 126 |
| Maintenance | 6 | 7 | 9 | 10 |
| Total | $ 130 (1) | $ 135 | $ 146 | $ 136 |
| Financial Statistics | | | | |
| Return on average shareholders' equity | 10.4 % | 9.3 % | 4.7 % | 15.8 % |
| Times interest earned before income taxes | 2.83 | 2.28 | 1.56 | 3.09 |
| Market price at year end | $ 21.60 | $ 20.63 | $ 24.13 | $ 28.56 |
| Book value per share at end of year | $ 14.31 | $ 12.28 | $ 12.09 | $ 12.21 |
| Price/Earnings ratio at end of year | 14.69 | 18.09 | 41.59 | 15.52 |
| Market/Book ratio at end of year | 1.51 | 1.68 | 2.00 | 2.34 |
| Annualized dividend yield at end of year | 5.4 % | 5.5 % | 4.6 % | 3.7 % |
| Payout ratio | 78.9 % | 100.0 % | 189.7 % | 57.6 % |
| Operating Statistics | | | | |
| Customers per employee | 587 | 582 | 523 | 475 |
| Number of employees | 2,361 | 1,885 | 2,062 | 2,193 |
| Miles of pipe | 38,938 | 30,029 | 30,670 | 30,108 |

(1) Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| $ 1,352 | $ 1,249 | $ 1,166 | $ 1,078 | $ 1,026 | $ 966 | $ 916 |
| 862 | 789 | 735 | 677 | 645 | 611 | 589 |
| $ 171 | $ 148 | $ 151 | $ 156 | $ 155 | $ 149 | $ 141 |
| 12 | 12 | 12 | 13 | 14 | 14 | 11 |
| $ 183 | $ 160 | $ 163 | $ 169 | $ 169 | $ 163 | $ 152 |
| 7.3 % | 13.0 % | 10.1 % | 10.3 % | 12.5 % | 10.1 % | 9.4 % |
| 2.04 | 3.00 | 2.44 | 2.45 | 2.47 | 2.07 | 1.82 |
| $ 24.88 | $ 23.38 | $ 19.38 | $ 17.75 | $ 20.25 | $ 14.88 | $ 14.00 |
| $ 11.04 | $ 11.27 | $ 10.77 | $ 10.33 | $ 9.98 | $ 9.29 | $ 8.87 |
| 30.71 | 16.46 | 18.28 | 16.90 | 16.74 | 16.35 | 17.28 |
| 2.25 | 2.07 | 1.80 | 1.72 | 2.03 | 1.60 | 1.58 |
| 4.1 % | 4.2 % | 5.0 % | 5.1 % | 4.1 % | 5.3 % | 5.4 % |
| 125.0 % | 69.2 % | 90.8 % | 86.3 % | 68.2 % | 86.3 % | 92.5 % |
| 379 | 350 | 330 | 309 | 296 | 292 | 282 |
| 2,679 | 2,863 | 2,944 | 3,052 | 3,105 | 3,102 | 3,139 |
| 30,902 | 30,163 | 29,474 | 28,991 | 28,390 | 28,001 | 27,205 |



## CUSTOMERS AND VOLUMES

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 |
| Meters in service (end of year) | | | | |
| Residential | 1,243,625 | 970,873 | 919,012 | 889,074 |
| Commercial | 122,274 | 104,019 | 98,268 | 94,302 |
| Industrial (including agricultural) | 13,020 | 14,259 | 14,329 | 16,322 |
| Public authority and other | 7,404 | 7,448 | 6,386 | 4,834 |
| Total Meters | 1,386,323 | 1,096,599 | 1,037,995 | 1,004,532 |
| Propane customers (2) | - | - | 39,539 | 37,400 |
| Total | 1,386,323 | 1,096,599 | 1,077,534 | 1,041,932 |
| Meters (% of total) | | | | |
| Residential | 89.7 % | 88.5 % | 85.3 % | 85.3 % |
| Commercial | 8.8 | 9.5 | 9.1 | 9.0 |
| Public authority and other | 0.6 | 0.7 | 0.6 | 0.5 |
| Weather sensitive customers | 99.1 | 98.7 | 95.0 | 94.8 |
| Industrial (including agricultural) | 0.9 | 1.3 | 1.3 | 1.6 |
| Propane (2) | 0.0 | 0.0 | 3.7 | 3.6 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Average Meters in Service | 1,381,365 | 1,061,066 | 1,020,971 | 1,004,369 |
| Heating degree days | | | | |
| (Excl. UCG prior to 1993) (3) | 2,753 | 2,096 | 3,374 | 3,799 |
| Degree days as a % of normal | 107 % | 82 % | 85 % | 95 % |
| Sales volumes for gas (MMcf) (1) | | | | |
| Residential | 79,000 | 63,285 | 67,128 | 73,472 |
| Commercial | 36,922 | 30,707 | 31,457 | 36,083 |
| Public authority and other | 6,892 | 5,520 | 5,793 | 4,937 |
| Weather sensitive customers | 122,814 | 99,512 | 104,378 | 114,492 |
| Industrial (including agricultural) | 33,730 | 38,687 | 35,741 | 44,881 |
| Total | 156,544 | 138,199 | 140,119 | 159,373 |
| Transportation volumes (MMcf) (1) | 61,230 | 59,365 | 55,468 | 56,224 |
| Total volumes delivered (MMcf)(1) | 217,774 | 197,564 | 195,587 | 215,597 |
| Propane Gallons (000's) (2) | - | 19,329 | 22,291 | 23,412 |
| Sales Volumes (% of total) | | | | |
| Residential | 50.5 % | 45.8 % | 47.9 % | 46.1 % |
| Commercial | 23.6 | 22.2 | 22.5 | 22.6 |
| Public authority and other | 4.4 | 4.0 | 4.1 | 3.1 |
| Weather sensitive customers | 78.5 | 72.0 | 74.5 | 71.8 |
| Industrial (including agricultural) | 21.5 | 28.0 | 25.5 | 28.2 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

(1) Volumes are reported as metered in million cubic feet ("MMcf").
(2) The propane business was exchanged for an indirect interest of 6.0% in Heritage Propane Partners in August 2000.
(3) Heating degree days for 2001 and 2000 are presented excluding service areas with weather-normalized operations. Heating degree days for years prior to 2000 do not exclude service areas with weather-normalized operations, as that information was not available.

| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| 870,747 | 860,229 | 834,376 | 825,310 | 789,360 | 777,752 | 765,713 |
| 92,703 | 91,960 | 90,093 | 93,250 | 86,124 | 86,686 | 85,196 |
| 17,217 | 19,403 | 19,762 | 20,219 | 9,564 | 9,959 | 10,392 |
| 4,781 | 4,716 | 4,982 | 4,949 | 3,267 | 1,745 | 1,788 |
| 985,448 | 976,308 | 949,213 | 943,728 | 888,315 | 876,142 | 863,089 |
| 29,097 | 26,108 | 23,359 | 21,693 | 20,498 | 21,120 | 24,480 |
| 1,014,545 | 1,002,416 | 972,572 | 965,421 | 908,813 | 897,262 | 887,569 |
| | | | | | | |
| 85.8 % | 85.8 % | 85.8 % | 85.5 % | 86.7 % | 86.6 % | 86.2 % |
| 9.1 | 9.2 | 9.3 | 9.7 | 9.5 | 9.7 | 9.6 |
| 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | 0.2 | 0.2 |
| 95.4 | 95.5 | 95.6 | 95.7 | 96.6 | 96.5 | 96.0 |
| 1.7 | 1.9 | 2.0 | 2.1 | 1.1 | 1.1 | 1.2 |
| 2.9 | 2.6 | 2.4 | 2.2 | 2.3 | 2.4 | 2.8 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| | | | | | | |
| 984,835 | 974,767 | 947,358 | 940,574 | 917,614 | 905,872 | 886,043 |
| | | | | | | |
| 3,909 | 4,043 | 3,706 | 3,855 | 4,080 | 3,676 | 3,583 |
| 98 % | 101 % | 93 % | 97 % | 102 % | 92 % | 90 % |
| | | | | | | |
| 75,215 | 77,001 | 69,666 | 72,561 | 74,818 | 68,704 | 67,163 |
| 37,382 | 38,247 | 34,921 | 35,250 | 36,307 | 33,999 | 33,351 |
| 5,195 | 5,182 | 4,779 | 5,242 | 4,403 | 3,333 | 3,385 |
| 117,792 | 120,430 | 109,366 | 113,053 | 115,528 | 106,036 | 103,899 |
| 46,416 | 57,863 | 57,290 | 57,638 | 50,537 | 45,280 | 47,161 |
| 164,208 | 178,293 | 166,656 | 170,691 | 166,065 | 151,316 | 151,060 |
| 48,800 | 44,146 | 47,647 | 47,882 | 51,665 | 43,320 | 44,685 |
| 213,008 | 222,439 | 214,303 | 218,573 | 217,730 | 194,636 | 195,745 |
| | | | | | | |
| 25,204 | 33,637 | 28,854 | 23,175 | 20,180 | 19,063 | 16,066 |
| | | | | | | |
| 45.7 % | 43.1 % | 41.8 % | 42.4 % | 45.0 % | 45.4 % | 44.5 % |
| 22.8 | 21.5 | 20.9 | 20.7 | 21.9 | 22.5 | 22.1 |
| 3.2 | 2.9 | 2.9 | 3.1 | 2.7 | 2.2 | 2.2 |
| 71.7 | 67.5 | 65.6 | 66.2 | 69.6 | 70.1 | 68.8 |
| 28.3 | 32.5 | 34.4 | 33.8 | 30.4 | 29.9 | 31.2 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

## UTILITY OPERATIONS SALES AND STATISTICAL DATA - 2001

The tables that follow provide key statistical characteristics about the Company's Business Units for utility operations and excludes non-regulated irrigation volumes.

| | Year ended September 30, 2001 | | | | | |
|---|---|---|---|---|---|---|
| | Atmos Energy Louisiana | Energas | Greeley | United Cities | Western Kentucky | Total Utility |
| **Meters in service** - at end of year | | | | | | |
| Residential | 344,870 | 273,850 | 192,056 | 271,233 | 161,616 | 1,243,625 |
| Commercial | 22,650 | 27,128 | 18,376 | 35,518 | 18,602 | 122,274 |
| Industrial | - | 11,498 | 414 | 711 | 397 | 13,020 |
| Public authority and other | 916 | 2,258 | 1,638 | 932 | 1,660 | 7,404 |
| Total | 368,436 | 314,734 | 212,484 | 308,394 | 182,275 | 1,386,323 |
| **Heating Degree Days (system average) (1)** | | | | | | |
| Actual | 2,076 | 3,782 | 6,041 | 1,315 | 4,534 | 2,753 |
| Normal | 1,771 | 3,531 | 5,696 | 1,264 | 4,340 | 2,576 |
| Percent of normal | 117% | 107% | 106% | 104% | 104% | 107% |
| **Sales Volumes - MMcf (2)** | | | | | | |
| Residential | 5,257 | 22,905 | 18,027 | 19,978 | 12,833 | 79,000 |
| Commercial | 2,448 | 7,992 | 6,845 | 13,968 | 5,669 | 36,922 |
| Industrial | - | 8,395 | 1,224 | 10,473 | 3,018 | 23,110 |
| Public authority and other | 919 | 2,618 | 1,497 | 339 | 1,519 | 6,892 |
| Total | 8,624 | 41,910 | 27,593 | 44,758 | 23,039 | 145,924 |
| **Transportation Volumes - MMcf (2)** | 3,954 | 11,676 | 10,204 | 20,166 | 23,491 | 69,491 |
| **Total Volumes Delivered - MMcf (2)** | 12,578 | 53,586 | 37,797 | 64,924 | 46,530 | 215,415 |
| **Other Statistics** | | | | | | |
| Operating revenues (000's) | $96,511 | $311,414 | $270,678 | $464,498 | $237,047 | $1,380,148 |
| Miles of pipe | 7,934 | 13,345 | 6,344 | 7,536 | 3,779 | 38,938 |
| Employees | 488 | 342 | 272 | 470 | 247 | 1,819 (3) |

(1) A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. See Glossary for further information. Heating degree day information is presented excluding service areas with weather normalized operations.

(2) Volumes are reported as metered in million cubic feet (MMcf).

(3) Does not include 480 shared employees in the shared services office and 62 employees in nonregulated operations.

## UTILITY OPERATIONS SALES AND STATISTICAL DATA - 2000

The tables that follow provide key statistical characteristics about the Company's Business Units for utility operations and excludes non-regulated irrigation volumes.

| | Year ended September 30, 2000 | | | | | |
|---|---|---|---|---|---|---|
| | Atmos Energy Louisiana | Energas | Greeley | United Cities | Western Kentucky | Total Utility |
| **Meters in service** - at end of year | | | | | | |
| Residential | 74,943 | 273,664 | 187,121 | 274,580 | 160,565 | 970,873 |
| Commercial | 5,568 | 26,231 | 17,946 | 35,808 | 18,466 | 104,019 |
| Industrial | - | 513 | 406 | 660 | 407 | 1,986 |
| Public authority and other | 908 | 2,254 | 1,688 | 970 | 1,628 | 7,448 |
| Total | 81,419 | 302,662 | 207,161 | 312,018 | 181,066 | 1,084,326 |
| **Heating Degree Days (system average) (1)** | | | | | | |
| Actual | 1,237 | 2,875 | 4,678 | 1,130 | 3,702 | 2,096 |
| Normal | 1,781 | 3,551 | 5,725 | 1,270 | 4,364 | 2,576 |
| Percent of normal | 69% | 81% | 82% | 89% | 85% | 82% |
| **Sales Volumes - MMcf (2)** | | | | | | |
| Residential | 3,070 | 19,201 | 14,727 | 14,703 | 11,584 | 63,285 |
| Commercial | 1,379 | 6,365 | 5,829 | 12,102 | 5,032 | 30,707 |
| Industrial | - | 1,651 | 1,927 | 13,191 | 3,189 | 19,958 |
| Public authority and other | 751 | 2,026 | 1,216 | 228 | 1,299 | 5,520 |
| Total | 5,200 | 29,243 | 23,699 | 40,224 | 21,104 | 119,470 |
| **Transportation Volumes - MMcf (2)** | 2,248 | 24,679 | 10,756 | 16,474 | 26,025 | 80,182 |
| **Total Volumes Delivered - MMcf (2)** | 7,448 | 53,922 | 34,455 | 56,698 | 47,129 | 199,652 |
| **Other Statistics** | | | | | | |
| Operating revenues (000's) | $45,469 | $146,100 | $147,116 | $280,029 | $121,237 | $739,951 |
| Miles of pipe | 2,283 | 13,169 | 6,000 | 5,140 | 3,437 | 30,029 |
| Employees | 123 | 350 | 271 | 495 | 249 | 1,488 (3) |

(1) A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. See Glossary for further information. Heating degree day information is presented excluding service areas with weather normalized operations.

(2) Volumes are reported as metered in million cubic feet (MMcf).

(3) Does not include 369 shared employees in the shared services office and 28 employees in nonregulated operations.

## GAS SALES AND TRANSPORTATION REVENUES

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 |
| Operating Revenues (000's) | | | | |
| Residential | $788,902 | $405,552 | $349,691 | $410,538 |
| Commercial | 342,945 | 176,712 | 144,836 | 184,046 |
| Industrial (including agricultural) | 208,168 | 171,447 | 117,382 | 161,382 |
| Public authority and other | 58,539 | 27,198 | 22,330 | 20,504 |
| Total gas sales revenues | 1,398,554 | 780,909 | 634,239 | 776,470 |
| Transportation revenues | 28,668 | 23,610 | 23,101 | 23,971 |
| Other gas revenues | 10,925 | 4,674 | 4,500 | 8,121 |
| Total gas revenues | 1,438,147 | 809,193 | 661,840 | 808,562 |
| Propane revenues (1) | - | 22,550 | 22,944 | 29,091 |
| Other revenues | 4,128 | 18,409 | 5,412 | 10,555 |
| Total operating revenues | $1,442,275 | $850,152 | $690,196 | $848,208 |
| Gas Sales Revenue Percent | | | | |
| Residential | 56.4 % | 51.9 % | 55.1 % | 52.9 % |
| Commercial | 24.5 | 22.6 | 22.8 | 23.7 |
| Industrial (including agricultural) | 14.9 | 22.0 | 18.6 | 20.8 |
| Public authority and other | 4.2 | 3.5 | 3.5 | 2.6 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Average Gas Revenues per Mcf | | | | |
| Residential | $9.99 | $6.41 | $5.21 | $5.59 |
| Commercial | $9.29 | $5.75 | $4.60 | $5.10 |
| Industrial (including agricultural) | $6.17 | $4.43 | $3.28 | $3.60 |
| Public authority and other | $8.49 | $4.93 | $3.85 | $4.15 |
| Total | $8.93 | $5.65 | $4.53 | $4.87 |
| Average Transportation Revenue per Mcf | $0.47 | $0.40 | $0.42 | $0.43 |
| Cost of Gas per Mcf Sold | $6.83 | $3.79 | $2.79 | $3.24 |

(1) Propane revenues represent only 10 months of operations for 2000 as it was combined with Heritage Propane Partners effective August 10, 2000.

| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| $452,864 | $409,039 | $337,768 | $375,450 | $372,770 | $331,012 | $311,567 |
| 193,302 | 186,032 | 150,949 | 165,883 | 165,611 | 151,758 | 143,466 |
| 168,386 | 187,693 | 171,591 | 188,791 | 160,410 | 139,630 | 140,320 |
| 23,898 | 21,738 | 18,185 | 22,463 | 18,315 | 13,232 | 13,290 |
| 838,450 | 804,502 | 678,493 | 752,587 | 717,106 | 635,632 | 608,643 |
| 19,885 | 18,872 | 19,913 | 21,325 | 21,937 | 21,500 | 23,104 |
| 6,385 | 13,751 | 9,374 | 6,879 | 8,014 | 5,032 | 4,263 |
| 864,720 | 837,125 | 707,780 | 780,791 | 747,057 | 662,164 | 636,010 |
| 33,194 | 38,372 | 24,651 | 18,510 | 16,506 | 15,194 | 14,727 |
| 8,921 | 11,194 | 17,224 | 27,001 | 31,330 | 31,610 | 21,528 |
| $906,835 | $886,691 | $749,655 | $826,302 | $794,893 | $708,968 | $672,265 |
| | | | | | | |
| 54.0 % | 50.8 % | 49.8 % | 49.9 % | 52.0 % | 52.1 % | 51.2 % |
| 23.1 | 23.1 | 22.2 | 22.0 | 23.1 | 23.9 | 23.6 |
| 20.0 | 23.4 | 25.3 | 25.1 | 22.3 | 21.9 | 23.0 |
| 2.9 | 2.7 | 2.7 | 3.0 | 2.6 | 2.1 | 2.2 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| | | | | | | |
| $6.02 | $5.31 | $4.85 | $5.17 | $4.98 | $4.82 | $4.64 |
| $5.17 | $4.86 | $4.32 | $4.71 | $4.56 | $4.46 | $4.30 |
| $3.63 | $3.24 | $3.00 | $3.28 | $3.17 | $3.08 | $2.98 |
| $4.60 | $4.19 | $3.81 | $4.29 | $4.16 | $3.97 | $3.93 |
| $5.11 | $4.51 | $4.07 | $4.41 | $4.32 | $4.20 | $4.03 |
| | | | | | | |
| $0.41 | $0.43 | $0.42 | $0.45 | $0.42 | $0.50 | $0.52 |
| | | | | | | |
| $3.51 | $3.15 | $2.70 | $3.10 | $3.04 | $2.94 | $2.84 |

## THE REVENUE DOLLAR

| | Weighted average 1991 - 2001 | Year ended September 30 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| Operating revenue | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ |
| Purchased gas cost | 63.95 | 74.02 | 61.69 | 56.56 | 60.88 |
| Gross profit | 36.05 | 25.98 | 38.31 | 43.44 | 39.12 |
| Gas trading margin | 0.01 | 0.03 | - | - | - |
| Operation and maintenance | 18.00 | 9.68 | 17.40 | 22.78 | 16.70 |
| Taxes (including other taxes) | 5.60 | 4.92 | 5.76 | 5.94 | 7.26 |
| Interest, net of other income | 3.35 | 2.83 | 3.42 | 3.90 | 3.04 |
| Subtotal | 9.11 | 8.58 | 11.73 | 10.82 | 12.12 |
| Depreciation and amortization | 5.32 | 4.69 | 7.51 | 8.24 | 5.61 |
| Net income | 3.79 | 3.89 | 4.22 | 2.58 | 6.51 |
| Dividends | 3.25 | 3.06 | 4.23 | 4.91 | 3.75 |
| Retained in business | 0.54 ¢ | 0.83 ¢ | (0.01) ¢ | (2.33) ¢ | 2.76 ¢ |

**Internally Generated Cash Flow Reinvested in Business Compared to Dividends Paid:**

| | | | | | |
|---|---|---|---|---|---|
| Depreciation and amortization | 5.32 ¢ | 4.69 ¢ | 7.51 ¢ | 8.24 ¢ | 5.61 ¢ |
| Retained in business | 0.54 | 0.83 | (0.01) | (2.33) | 2.76 |
| Reinvested in business | 5.86 | 5.52 | 7.50 | 5.91 | 8.37 |
| Dividends | 3.25 | 3.06 | 4.23 | 4.91 | 3.75 |
| Reinvested in business in excess of dividends | 2.61 ¢ | 2.46 ¢ | 3.27 ¢ | 1.00 ¢ | 4.62 ¢ |

| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ |
| 63.65 | 63.41 | 59.96 | 64.05 | 63.59 | 62.75 | 63.82 |
| 36.35 | 36.59 | 40.04 | 35.95 | 36.41 | 37.25 | 36.18 |
| - | - | - | - | - | - | - |
| 20.47 | 18.04 | 21.08 | 19.78 | 19.33 | 20.66 | 20.03 |
| 5.12 | 6.04 | 6.16 | 5.18 | 5.46 | 5.24 | 4.86 |
| 3.14 | 3.17 | 3.55 | 3.30 | 3.54 | 3.76 | 3.96 |
| 7.62 | 9.34 | 9.25 | 7.69 | 8.08 | 7.59 | 7.33 |
| 4.99 | 4.70 | 5.42 | 4.44 | 4.35 | 4.60 | 4.73 |
| 2.63 | 4.64 | 3.83 | 3.25 | 3.73 | 2.99 | 2.60 |
| 2.91 | 3.21 | 3.50 | 2.81 | 2.55 | 2.58 | 2.41 |
| (0.28) ¢ | 1.43 ¢ | 0.33 ¢ | 0.44 ¢ | 1.18 ¢ | 0.41 ¢ | 0.19 ¢ |

| | | | | | | |
|---|---|---|---|---|---|---|
| 4.99 ¢ | 4.70 ¢ | 5.42 ¢ | 4.44 ¢ | 4.35 ¢ | 4.60 ¢ | 4.73 ¢ |
| (0.28) | 1.43 | 0.33 | 0.44 | 1.18 | 0.41 | 0.19 |
| 4.71 | 6.13 | 5.75 | 4.88 | 5.53 | 5.01 | 4.92 |
| 2.91 | 3.21 | 3.50 | 2.81 | 2.55 | 2.58 | 2.41 |
| 1.80 ¢ | 2.92 ¢ | 2.25 ¢ | 2.07 ¢ | 2.98 ¢ | 2.43 ¢ | 2.51 ¢ |

## REGULATION AND RATES

### Regulation

In the Company's Texas distribution system, the governing body of each municipality served by the Company has original jurisdiction over all utility rates, operations and services within its city limits except with respect to sales of natural gas for vehicle fuel and agricultural use. The Company operates pursuant to non-exclusive franchises granted by the municipalities it serves, which are subject to renewal from time to time. The Railroad Commission of Texas has exclusive appellate jurisdiction over all rate and regulatory orders and ordinances of the municipalities and exclusive original jurisdiction over rates and services to customers not located within the limits of a municipality. Rates may be negotiated with industrial customers and are subject to review by the respective original jurisdiction regulatory authority. Agricultural sales in Texas are not regulated except that prices for agricultural sales cannot exceed the prices the Company charges the majority of its commercial or other similar large-volume users.

The Company's operations in Louisiana are under the jurisdiction of the Louisiana Public Service Commission which regulates utility services, rates and other matters. However, direct sales of natural gas to industrial customers in Louisiana who utilize the gas for fuel or in manufacturing processes are exempt from regulation.

The Company's operations in Kentucky, Colorado, Kansas, Georgia, Tennessee, Virginia, Illinois, Iowa and Missouri are under the jurisdiction of their respective state regulatory commissions which regulate utility services, rates, issuance of securities and other matters.

The Company is subject to regulation by the United States Department of Transportation with respect to safety requirements in the operation and maintenance of its gas distribution facilities. The Company's distribution operations are also subject to various state and federal laws regulating pipeline safety and environmental matters.

### Rates

Approximately 96% of the Company's revenues in fiscal 2001 were derived from sales at rates set by or subject to approval by local or state authorities. The method of determining regulated rates varies among the eleven states in which the Company has utility operations. As a general rule, the regulatory authority reviews the Company's rate request and establishes a rate structure intended to generate revenue sufficient to cover the Company's costs of doing business and provide a reasonable return on invested capital.

Substantially all of the sales rates charged by the Company to its customers fluctuate with the cost of gas purchased by the Company. Rates established by regulatory authorities are adjusted for increases and decreases in the Company's purchased gas cost through automatic purchased gas adjustment mechanisms. Therefore, while the Company's operating revenues may fluctuate, gross profit (which is defined as operating revenues less purchased gas cost) is generally not eroded or enhanced because of gas cost increases or decreases.

The Georgia Public Service Commission, the Tennessee Regulatory Authority and the Kentucky Public Service Commission have approved Weather Normalization Adjustments ("WNAs") that allow the Company to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal. The net effect of the WNAs was a decrease in revenues of $3.3 million for 2001 compared to an increase in revenues of $4.1 million and $4.4 million in 2000 and 1999. We also received approval to change our rate structure in our West Texas System of the Energas Division beginning in December 2000 to help offset some of the negative effects of weather.

## REGULATION AND RATES (Continued)

The following table sets forth the major rate requests (excluding industrial and agricultural) made by the Company during the most recent 10 fiscal years through September 30, 2001(in thousands):

| Jurisdiction | | Effective Date | Amount Requested | Amount Received (Reduced) |
|---|---|---|---|---|
| **Colorado** | | 5/01/94 | 4,527 | 3,246 |
| | | 1/21/98 | - | (1,600) (6) |
| | | 5/04/01 | 4,200 | 2,750 |
| **Georgia** | | 12/02/96 | 5,003 | 3,160 |
| **Illinois** | | 7/09/97 | 1,234 | 428 |
| | | 10/23/00 | 2,100 | 1,367 |
| **Iowa** | | 5/17/96 | 750 | 410 |
| | | 3/05/01 | - (5) | (326) (5) |
| **Kansas** | | 1/06/92 | 1,495 | 505 |
| | | 12/01/93 | 2,604 | 2,088 |
| | | 9/01/95 | 4,230 | 2,700 (10) |
| **Kentucky** | | 11/01/95 | 7,665 | 2,300 (4) |
| | | 3/01/96 | | 1,000 (4) |
| | | 12/21/99 | 14,127 | 9,900 (8) |
| **Louisiana** | | 9/03/92 | 3,409 | 974 (2,3) |
| | | 3/01/93 | | 730 (3) |
| | | 3/01/94 | | 1,058 (3) |
| | | 3/01/95 | | 1,071 (3) |
| | | 11/01/99 | - (11) | - (11) |
| **Missouri** | | 10/14/95 | 1,100 | 903 |
| **Tennessee** | | 11/15/95 | 3,951 | 2,227 |
| **Texas:** | West Texas System | 11/18/94 | 2,581 | 1,702 (1) |
| | | 11/01/96 | 7,676 | 5,800 (1) |
| | | 12/01/00 | 9,827 | 3,011 (7) |
| | Amarillo | 11/25/92 | 4,398 | 2,130 |
| | | 1/01/00 | 4,354 | 2,200 |
| **Virginia** | | 9/29/95 | 810 | 103 |
| | | 10/1/98 | | (248) (9) |
| | | 4/01/01 | 2,100 | (534) |

Notes

(1) The increases included $200,000 and $500,000 applicable to areas outside the city limits which became effective in January 1995 and April 1997, respectively.

(2) The September 1992 rate order provided for recovery of an additional $800,000 for franchise tax expense.

(3) The September 1992 rate order also approved a Rate Stabilization Clause ("RSC") for three years which provided for an annual adjustment of rates to reflect changes in expenses and investment. The RSC provided the Company the opportunity to earn a return on common equity between 11.75% and 12.25%.

(4) The Kentucky rate order provided an increase of $2,300,000, lowered depreciation rates effective November 1, 1995 and provided an additional $1,000,000 beginning March 1, 1996. The order also included a provision for a pilot demand side management program which could cost up to $450,000 annually.

(5) Rate reduction as a result of an agreement initiated by the Iowa Consumer Advocate Division of the Department of Justice.

(6) Rate reduction as a result of settlement in a case initiated by the Colorado Consumer Council.

(7) In addition to the revenue increase, the Railroad Commission approved a new rate design to mitigate the effect of warmer than normal weather.

(8) The Kentucky rate order also included a provision for a five-year pilot program for weather normalization beginning in November 2000.

(9) Rate reduction as a result of a settlement with the Virginia State Corporation Commission staff.

(10) This increase is applicable to the service area transferred from the United Cities Division to the Greeley Division in 1999.

(11) The Louisiana Public Service Commission approved a Rate Stabilization Clause ("RSC") for three years for our former Trans La Division with an allowed return on common equity between 10.5% and 11.5%. This decision increased the service charge amounts from about 20% to about 70% of actual costs, and increased the monthly customer charges from $6 to $9, both effective November 1, 1999.

## REGULATION AND RATES (Continued)

**Regulatory Commissions**

**Railroad Commission of Texas**

Three Commissioners who are elected by statewide general election for staggered six-year terms.

- Michael L. Williams, Chairman - Term expires 2002; appointed to serve the unexpired term of Carole Keeton Rylander, former attorney.
- Charles R. Matthews, - Won re-election to a second term; Businessman, former Mayor of Garland, TX.
- Tony Garza - Term expires 2004; former partner in Austin Office of Bracewell & Patterson, L.L.P.

**Kentucky Public Service Commission**

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- Martin J. Huelsmann, Chairman - Term expires 2004; former Special Deputy Liguidator for Delta Re
- Robert E. Spurlin - Term expires 2005; Former Director of the Coal Workers' Oneumoconiosis Fund.
- Gary W. Gillis - Term expires 2005; CPA, former Secretary of the Revenue Cabinet, Exec Dir., Ky. Workers Comp. Funding Com.

**Louisiana Public Service Commission**

Five Commissioners elected from single-member districts for staggered six-year terms.

- Jack A. "Jay" Blossman, Chairman, District 1 - Term expires 2003; former attorney.
- Jimmy Field, District 2 - Term expires 2007; former attorney in private practice.
- Irma Muse Dixon, District 3 - Term expires 2005; public administrator/social worker; former State Representative - New Orleans.
- C. Dale Sittig, District 4 - Term expires 2005; former State Representative.
- Don Owen, District 5 - Term expires 2003; former television news director .

**Kansas Corporation Commission**

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- John Wine, Chairperson - Term expires March 2004; attorney, former Securities Commissioner of Kansas, former attorney for Secretary of State.
- Cynthia L. Claus - Term expires March 2003; former attorney and Municipal Judge.
- Brian J. Moline - Term expires March 2002; former General Counsel to the KCC.

**Colorado Public Utilities Commission**

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- Raymond L. Gifford, Chairman - Term expires January 2003; former First Assistant Attorney General for the State of Colorado
- Jim Dryer, Commissioner - Term expires January 2005; served last 14 years in the Colorado legislature, 12 years as a state representative and the last two as senator.
- Polly Page - Commissioner, term expires January 2004; former Arapahoe County Commissioner (1995-2000) and former Aurora City Council Member (1987-1995).

**Missouri Public Service Commission**

Five Commissioners who are appointed by the Governor for staggered four-year terms.

- Kelvin L. Simmons, Chairman - Term expires April 2005; former member of the Kansas City Council.
- Sheila Lumpe - Term expires April 15, 2003; former Chairman of the House budget committee of the Missouri House of Representatives.
- Steve Gaw - Term expires January 4, 2007; former Speaker of the Missouri House
- Connie Murray, - Term expires April 15, 2003; former state representative.

**Regulatory Commissions (Continued)**

**Illinois Commerce Commission**

Five Commissioners who are appointed by the Governor and confirmed by the Senate for five year terms.

- Richard L. Mathias, Chairman - Term expires 2002; Private Law practice, former Dir. of the Ill. Dept. of Insurance.
- Ruth K. Kretschmer - Term expires 2003; Member of Commission since 1983, Real Estate broker.
- Terry S. Harvill - Term expires 2003; Former Sr. Policy Advisor of the ICC.
- Mary Frances Squires - Chairman, IL Commerce Commission Water Policy Committee.
- Edward C. Hurley - Term expires 2004; former General Counsel of Custom Coffee Service Corp.

**Georgia Public Service Commission**

Five Commissioners elected state wide by general public for seven year terms.

- Lauren McDonald, Jr., Chairman - Term expires 2003; Former state Representative and chairman of the House Appropriations Committee.
- Stan Wise, Vice-Chairman - Term expires 2006; Former Cobb County Commissioner and member of Board of Zoning Appeals; former President of the S.E. Assoc. of Regulatory Utility Commissioners.
- Bob Durden - Term expires 2002; Former attorney in private practice; Educator .
- David L. Burgess - Term expires 2006; the first former PSC staff member to hold a Commission seat.
- Bobby Baker, Jr. - Term expires 2004; Former Attorney with the Southeastern Legal Foundation.

**Virginia State Corporation Commission**

Three Commissioners elected by the General Assembly for staggered six year terms.

- Theodore V. Morrison, Jr., Chairman - Term expires 2007; Former Attorney and member of the Va. Code Commission.
- Hullihen Williams Moore - Term expires 2004; Former Attorney in private practice.
- Clinton Miller - Term expires 2002; Former Attorney and member of the Va. House of Delegates.

**Iowa Utilities Board**

Three Commissioners who are appointed by the Governor with Senate approval and minority party representation.

- Diane Munns, Chairperson - Term expires 2003; former General Counsel for the Iowa Utilities Board
- Mark Lambert - Term expires 2005; former executive director of the Iowa Environmental Council.

**Tennessee Regulatory Authority**

Three Directors who are appointed for 6 years by the Governor, Speaker of House, and Lieutenant Governor.

- Sara Kyle, Chairman - Term expires 2002; Former City Judge in Memphis, Tn.
- Melvin J. Malone - Term expires 2002; Former Deputy Legal Counsel for Governor.
- H. Lynn Greer, Jr. - Term expires 2002; President of Greer Investment Company.

## GAS SUPPLY

The Company receives gas deliveries through 35 pipeline transportation companies, both interstate and intrastate, to satisfy its sales market requirements. The pipeline transportation agreements are firm and many of them have pipeline no-notice storage service which provides for daily balancing between system requirements and nominated flowing supplies. These agreements have been negotiated with the shortest term necessary while still maintaining our right of first refusal.

The Western Kentucky Gas Division's gas supply is delivered primarily by the following pipelines: Williams Pipeline-Texas Gas, Tennessee Gas, Trunkline, Midwestern Pipeline and ANR. During 1998, the Western Kentucky Gas Division sought and was granted approval by the Kentucky Public Service Commission for a performance-based rate program which commenced in July 1998. Under the performance-based program, the Company and its customers jointly share in any actual gas cost savings achieved when compared to pre-determined benchmarks. The Company also has similar gas cost performance-based rate mechanisms in Georgia and Tennessee.

The United Cities Gas Division is served by 13 interstate pipelines. The majority of the volumes are transported through East Tennessee Pipeline, Southern Natural Gas, Tennessee Gas Pipeline and Columbia Gulf.

Colorado Interstate Gas Company, Williams Pipeline-Central, Public Service Company of Colorado and Northwest Pipeline are the principal transporters of the Greeley Gas Division's requirements. Additionally, the Greeley Gas Division purchases substantial volumes from producers that are connected directly to its distribution system.

Louisiana Intrastate Gas Company, Acadian Pipeline, Gulf South and Williams Pipeline-Texas Gas pipelines deliver most of the Atmos Energy Louisiana Gas Division's requirements.

The Energas Division receives sales and transportation service from various ONEOK pipeline affiliates. Also, the Energas Division purchases a significant portion of its supply from Pioneer Natural Resources which is connected directly to the Company's Amarillo, Texas distribution system.

In Texas, the Company has two major supply contracts. In Amarillo, Texas, the Energas Division has a contract with a major producer which serves more than 95% of the Amarillo service area. Gas provided under this contract is priced such that 50% of the volumes are at a fixed price and 50% are market sensitive. The other supply agreement is for the West Texas System and is a contract with a major intrastate pipeline which is subject to the jurisdiction of the Railroad Commission of Texas. Currently, this agreement is structured such that the Energas Division can both transport and purchase a portion of its requirements from the pipeline or third parties.

The Company also owns or holds an interest in and operates numerous natural gas storage facilities in Kentucky, Kansas and Louisiana which are used to help meet customer requirements during peak demand periods and to reduce the need to contract for additional pipeline capacity to meet such peak demand periods. Additionally, the Company operates one propane plant and a liquified natural gas plant for peak shaving purposes. The Company also contracts for storage service in underground storage facilities on many of the interstate pipelines serving them.

During fiscal 2001, the Company purchased the majority of its gas from the following suppliers:

1) Reliant Energy
2) Sonat Marketing
3) Cinergy
4) Pioneer Natural Resources
5) Texaco
6) Woodward Marketing
7) ONEOK Gas Marketing
8) Aquila
9) BP Energy
10) Enron
11) Enbridge
12) Anadarko
13) Tenaska Marketing

## UNDERGROUND STORAGE FACILITIES

The Company owns or operates six underground gas storage facilities in Kentucky and four in Kansas. The Company owns a 25 percent interest in a gas storage facility in Napoleonville, Louisiana. The Company's 25 percent usable capacity is 364,782 Mcf. The Company also has a contract with Bridgeline Gas Distribution LLC for 250,000 Mcf of usable storage capacity in a storage field in Sorrento, Louisiana. The Company's storage facilities have a total storage capacity of approximately 21.9 Bcf. However, approximately 10.3 Bcf of the gas in storage must be retained as cushion gas. The maximum daily delivery capability of the storage facilities is approximately 226 MMcf.

| Underground Storage | Storage Capacity (MCF) | Wells | Maximum daily Delivery (MCF) |
|---|---|---|---|
| Western Kentucky Gas | | | |
| Hickory | 1,301,600 | 18 | |
| Grandview | 655,400 | 11 | |
| Kirkwood Springs | 621,900 | 11 | 80,000 |
| Bon Harbor | 2,078,600 | 9 | |
| St. Charles | 6,006,338 | 15 | |
| Atmos Energy Louisiana | | | |
| Napoleonville | 697,699 | - | 56,000 |
| Sorrento | 250,000 | - | 25,000 |
| United Cities Gas | | | |
| Kentucky storage field | | | |
| Barnsley | 3,300,000 | 7 | 30,000 |
| Greeley Gas Company | | | |
| Kansas storage fields | | | |
| Fredonia | | | |
| North Liberty | 7,037,000 | 99 | 35,000 |
| Buffalo | | | |
| South Liberty | | | |
| | 21,948,537 | 170 | 226,000 |

The Company also utilizes pipeline storage from most of its interstate pipeline suppliers in the form of No Notice Service and has purchased pipeline inventory pursuant to implementation of FERC Order 636.

## DESCRIPTION OF COMMON STOCK

The authorized capital stock of the Company consists of 100,000,000 shares of common stock, no par value. Each share of common stock is entitled to one vote on all matters voted upon by shareholders. Holders of the common stock do not have cumulative voting rights. The shares of common stock issued and outstanding are fully paid and nonassessable. There are no redemption or sinking fund provisions applicable to the shares of common stock, and such shares are not entitled to any preemptive rights. Holders of shares of common stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors from the assets of the Company legally available therefor and, upon any liquidation of the Company, a pro rata share of all assets of the Company available for distribution to shareholders.

Under the provisions of its loan agreements, the Company has agreed to restrictions on the payment of cash dividends under certain circumstances. At September 30, 2001, under the most restrictive of such covenants, approximately $56.7 million of retained earnings was unrestricted.

On November 12, 1997, the Board of Directors approved a new Rights Agreement to become effective upon the expiration of the then existing Rights Agreement on May 10, 1998 which was subsequently amended on August 11, 1999. Under the Rights Agreement, each right ("Right") will entitle the holder thereof, until May 10, 2008 or the date of redemption the Rights, to buy one share of Common Stock of the Company at the exercise price of $80.00, subject to adjustment. At no time will the Rights have any voting rights. The exercise price payable and the number of shares of Common Stock or other securities or property issuable upon exercise of the Rights are subject to adjustment from time to time to prevent dilution. At the date upon which the rights become separate from the Company's Common Stock (the "Distribution Date"), the Company will issue one right with each share of Common Stock that becomes outstanding so that all shares of Common Stock will have attached Rights. After the Distribution Date, the Company may issue Rights when it issues Common Stock if the Board deems such issuance to be necessary or appropriate.

The Rights will separate from the Common Stock and a Distribution Date will occur upon the occurrence of certain events specified in the Agreement, including but not limited to, the acquisition by certain persons of at least 15% of the beneficial ownership of the Company's Common Stock. The Rights have certain anti-takeover effects and may cause substantial dilution to a person or entity that attempts to acquire the Company on terms not approved by the Board of Directors except pursuant to an offer conditioned upon a substantial number of Rights being acquired. The Rights should not interfere with any merger or other business combination approved by the Board of Directors because, prior to the time the Rights become exercisable or transferable, the Rights may be redeemed by the Company at $.01 per Right.

The Company's common stock is traded on the NYSE under the trading symbol ATO. Prior to October 1988, it was traded over-the-counter and was quoted on NASDAQ/NMS under the symbol EGAS. Trading in the over-the-counter market began December 28, 1983 and ended in October 1988 when the stock was listed on the NYSE.

The Company also has a Direct Stock Purchase Plan ("DSPP"). Participants in the DSPP may have all or part of their dividends reinvested at a 3% discount from market prices. DSPP participants may purchase additional shares of Company common stock as often as weekly with voluntary cash payments of at least $25, up to an annual maximum of $100,000.

The following table sets forth, for the periods indicated, the high and low closing prices as reported on the NYSE Composite Tape since the Company listed with the NYSE, dividends paid, record holders at fiscal year end, net income (loss) per share and average shares outstanding. Share and dividend data have been adjusted where appropriate to reflect a three-for-two split in May 1994. High and low share prices reflect actual Atmos closing stock quotes as adjusted for stock splits. Other amounts below have been restated under pooling of interests accounting for the mergers with Greeley Gas Company in December 1993 and United Cities in July 1997.

## COMMON STOCK DATA

| Quarter ended: | High | Low |
|---|---|---|
| Fiscal 1991 | | |
| Dec. 31, 1990 | $ 11 1/2 | $ 10 3/8 |
| Mar. 31, 1991 | 11 1/2 | 10 1/2 |
| Jun. 30, 1991 | 12 | 11 |
| Sep. 30, 1991 | 14 1/8 | 11 1/4 |
| Fiscal 1992 | | |
| Dec. 31, 1991 | $ 15 1/4 | $ 12 3/4 |
| Mar. 31, 1992 | 15 1/4 | 13 1/8 |
| Jun. 30, 1992 | 14 5/8 | 12 5/8 |
| Sep. 30, 1992 | 15 1/4 | 13 |
| Fiscal 1993 | | |
| Dec. 31, 1992 | $ 15 7/8 | $ 13 1/2 |
| Mar. 31, 1993 | 17 3/4 | 15 1/8 |
| Jun. 30, 1993 | 19 3/4 | 16 1/4 |
| Sep. 30, 1993 | 20 5/8 | 18 5/8 |
| Fiscal 1994 | | |
| Dec. 31, 1993 | $ 21 1/8 | $ 16 3/4 |
| Mar. 31, 1994 | 20 | 17 3/4 |
| Jun. 30, 1994 | 20 1/4 | 18 |
| Sep. 30, 1994 | 19 | 16 3/8 |
| Fiscal 1995 | | |
| Dec. 31, 1994 | $ 18 | $ 15 7/8 |
| Mar. 31, 1995 | 18 1/2 | 16 1/8 |
| Jun. 30, 1995 | 20 1/4 | 17 1/2 |
| Sep. 30, 1995 | 20 5/8 | 19 |

| Quarter ended: | High | Low |
|---|---|---|
| Fiscal 1996 | | |
| Dec. 31, 1995 | $ 23 | $ 18 |
| Mar. 31, 1996 | 23 | 21 |
| Jun. 30, 1996 | 31 | 22 3/4 |
| Sep. 30, 1996 | 30 5/8 | 20 7/8 |
| Fiscal 1997 | | |
| Dec. 31, 1996 | $ 24 3/4 | $ 22 5/8 |
| Mar. 31, 1997 | 26 1/4 | 22 1/8 |
| Jun. 30, 1997 | 25 1/2 | 22 1/2 |
| Sep. 30, 1997 | 27 7/8 | 24 1/2 |
| Fiscal 1998 | | |
| Dec. 31, 1997 | $30 7/16 | $24 5/8 |
| Mar. 31, 1998 | 30 5/16 | 26 5/16 |
| Jun. 30, 1998 | 31 1/16 | 28 13/16 |
| Sep. 30, 1998 | 30 7/8 | 25 3/4 |
| Fiscal 1999 | | |
| Dec. 31, 1998 | $32 1/4 | $28 3/8 |
| Mar. 31, 1999 | 32 11/16 | 23 1/16 |
| Jun. 30, 1999 | 26 5/16 | 24 |
| Sep. 30, 1999 | 26 3/8 | 23 7/8 |
| Fiscal 2000 | | |
| Dec. 31, 1999 | $25 | $20 |
| Mar. 31, 2000 | 20 3/16 | 15 9/16 |
| Jun. 30, 2000 | 20 9/16 | 14 3/4 |
| Sep. 30, 2000 | 23 1/4 | 18 1/2 |
| Fiscal 2001 | | |
| Dec. 31, 2000 | $26 1/4 | $19 22/71 |
| Mar. 31, 2001 | 25 4/16 | 21 8/16 |
| Jun. 30, 2001 | 24 7/16 | 21 9/20 |
| Sep. 30, 2001 | 23 16/25 | 19 15/19 |

| | Cash dividends | Record holders at year end | Net income per share | Avg. shares outstanding (000's) |
|---|---|---|---|---|
| Fiscal 1991 | $0.75 | 11,064 | $0.81 | 21,582 |
| Fiscal 1992 | $0.79 | 12,989 | $0.91 | 23,324 |
| Fiscal 1993 | $0.82 | 24,649 | $1.21 | 24,535 |
| Fiscal 1994 | $0.91 | 27,005 | $1.05 | 25,604 |
| Fiscal 1995 | $0.96 | 31,782 | $1.06 | 27,208 |

| | Cash dividends | Record holders at year end | Net income per share | Avg. shares outstanding (000's) |
|---|---|---|---|---|
| Fiscal 1996 | $0.98 | 36,472 | $1.42 | 28,994 |
| Fiscal 1997 | $1.01 | 29,867 | $0.81 | 29,422 |
| Fiscal 1998 | $1.06 | 36,949 | $1.84 | 30,031 |
| Fiscal 1999 | $1.10 | 35,179 | $0.58 | 30,819 |
| Fiscal 2000 | $1.14 | 32,394 | $1.14 | 31,594 |
| Fiscal 2001 | $1.16 | 30,524 | $1.47 | 38,247 |

## SHARED SERVICES

The following table sets forth certain information regarding the shared services officers of the Company as of September 30, 2001.

| Name | Age | Years of Service | Office Currently Held |
|---|---|---|---|
| Robert W. Best | 54 | 4 | Chairman, President and Chief Executive Officer |
| John P. Reddy | 48 | 3 | Senior Vice President and Chief Financial Officer |
| R. Earl Fischer | 62 | 39 | Senior Vice President, Utility Operations |
| J. D. Woodward III | 51 | - | Senior Vice President, Non-Utility Operations |
| Louis P. Gregory | 46 | 1 | Senior Vice President and Gereral Counsel |
| Wynn D. McGregor | 48 | 13 | Vice President, Human Resources |
| Les Duncan | 53 | - | Vice President, Chief Information Officer |
| Lynn L. Hord | 44 | 17 | Vice President, Investor Relations and Corp Communications |
| Gordon J. Roy | 52 | 31 | Vice President, Gas Supply |
| Fred E. Meisenheimer | 57 | 1 | Vice President and Controller |
| Laurie M. Sherwood | 40 | 3 | Vice President, Corporate Development and Treasurer |
| Shirley A. Hines | 56 | 15 | Corporate Secretary |

**Robert W. Best** was named Chairman of the Board, President and Chief Executive Officer in March 1997. He previously served as Senior Vice President - Regulated Businesses of Consolidated Natural Gas Company (1996 - March 1997) and was responsible for its transmission and distribution companies. Prior to that, he served as Senior Vice President of Transco Energy Company and President of Transcontinental Gas Pipe Line Corporation (1992-1995); and President of Texas Gas Transmission Corporation (1985-1995).

**John P. Reddy** was named Senior Vice President and Chief Financial Officer in September 2000. From April 2000 to September 2000, he was Senior Vice President, Chief Financial Officer and Treasurer. Mr. Reddy previously served the Company as Vice President, Corporate Development and Treasurer from December 1998 to March 2000. He joined the Company in August 1998 from Pacific Enterprises, a Los Angeles, California based utility holding company whose principal subsidiary was Southern California Gas Co. where he was Vice President of Planning and Advisory Services responsible for corporate development and merger and acquisition activities. Mr. Reddy was with Pacific Enterprises from 1980 to 1998 in various management and financial positions.

**R. Earl Fischer** was named Senior Vice President, Utility Operations in May 2000. He previously served the Company as President of the Energas Division from January 1999 to April 2000 and as President of the Western Kentucky Division from February 1989 to December 1998.

**J. D. Woodward** was named Senior Vice President, Non-Utility Operations in April 2001. Prior to joining the Company, Mr. Woodward was President of Woodward Marketing, L.L.C. from January 1995 to March 2001.

**Louis P. Gregory** joined the Company as Senior Vice President and General Counsel in September 2000. Prior to joining the Company, he practiced law from April 1999 to August 2000 with the law firm of McManemin & Smith. Prior to that, he served as a consultant and independent contractor from August 1996 to December 1998 for Nomas Corp. (formerly known as Lomas Mortgage USA, Inc.) and Siena Holdings, Inc. (formerly known as Lomas Financial Corporation). He served in various legal positions with Lomas Financial Corporation, a diversified financial services company, and its affiliates, from August 1988 to June 1996, ultimately as Senior Vice President and General Counsel.

## SHARED SERVICES (Continued)

**Wynn D. McGregor** was named Vice President, Human Resources in January 1994. He previously served the Company as Director of Human Resources from February 1991 to December 1993 and as Manager, Compensation and Employment from December 1987 to January 1991.

**Les Duncan** was named Vice President, Chief Information Officer in July, 2001. Previously, he had been Senior Vice President and CIO for Jo-Ann Stores, Inc., Vice President and CIO for The Limited and Director of Information Services for British Petroleum Company PLC. He holds degrees in mathematics from Wichita State University and in electrical engineering from the University of Colorado. He earned an M.B.A. degree from the University of Alaska.

**Lynn L. Hord** was named Vice President, Investor Relations and Corporation Communications in August 1997. She previously served as Vice President of Human Resources at United Cities since 1995. She joined United Cities in 1984 and previously served as Manager of Compensation and Benefits and Director of Human Resources.

**Gordon J. Roy** was named Vice President, Gas Supply in May 1995. He previously served as Vice President, Gas Supply and Large Volume Services from May 1993 to May 1995, as Vice President, Operations from February 1989 to May 1993, as President of the Western Kentucky Division from August 1988 to February 1989, as Senior Division Vice President of the Western Kentucky Division from January 1988 to August 1988 and as Division Vice President from November 1987 to January 1988. Prior to November 1987, he was a District Manager in the Trans La Division and Trans La Gas for approximately three years.

**Fred Meisenheimer** was named Vice President and Controller in July 2000. He joined Atmos from Vartec Telecom, Inc., a privately-held telecom services provider, where he was controller and responsible for all accounting and treasury operations. Previously, he served as assistant controller and general auditor for Oryx Energy Company from 1988 to 1999 and as assistant controller for Sun Exploration and Production Company from 1979 to 1988. He also served as audit manager at Deloitte & Touche LLP from 1970 to 1979.

**Laurie M. Sherwood** was promoted to Vice President and Treasurer in September 2000. She joined Atmos as Assistant Treasurer in May 1999 from Oryx Energy Company, where she was manager of corporate finance and trust investments. She joined Oryx's predecessor, Sun Exploration and Production Company, in 1982 and served in various financial and management positions. She received a BBA degree in Finance from Texas A&M University and an MBA degree from Southern Methodist University.

**Shirley A. Hines** was named Assistant Corporate Secretary in May 1995. She previously served as Legal Assistant from July 1986 until May 1995.

## OPERATING DIVISION OFFICERS

### Energas Company

Tom S. Hawkins, Jr.
President

Kelvin Betzen
Vice President,
Operations - North

Mike Mancil
Vice President,
Operations - South

Bronson Blodgett
Vice President, Controller

David E. Gates
Vice President, Technical
Services

D. K. Howey
Vice President, Human Resources

V. R. Aston, Jr.
Vice President, Marketing

Bill Guy
Vice President Rates &
Regulatory Affairs

**Location**
**5110 80th Street**
**Lubbock, TX 79424**

**Mailing address**
**P.O. Box 1121**
**Lubbock, TX 79408**

**Phone no. (806) 798–4452**
**Fax no. (806) 798–4494**

### Greeley Gas Company

Gary L. Schlessman
President

Roger D. Nash
Vice President,
Kansas Operations

David L. Anglin
Vice President,
Colorado Operations

Wanda Lilly
Vice President, Controller

Gary R. Durossette
Vice President, Marketing

Joan B. Mikolajczak
Vice President, Human Resources

Gary W. Gregory
Vice President, Technical
Services

Joe T. Christian
Vice President Rates &
Regulatory Affairs

**Location**
**1301 Pennsylvania St., #800**
**Denver, CO 80203**

**Mailing address**
**1301 Pennsylvania St., #800**
**Denver, CO 80203**

**Phone no. (303) 831–5661**
**Fax no. (303) 837–9549**

### Atmos Energy Louisiana

Conrad E. Gruber
President

Ricky A. Burke
Vice President,
Metropolitan Region

John (Kevin) Akers
Vice President, Northern Region

Arthur J. Courville
Vice President, Southern Region

Frank J. Marino
Vice President, Marketing

Thomas G. Meyers
Vice President, Technical Services

Mellisa A. Bowers
Vice President, Controller

David P. Hebert
Vice President, Human Resources

Christine A. Tabor
Vice President Rates &
Regulatory Affairs

**Location**
**420 W. Pinhook**
**Lafayette, LA 70503**

**Mailing Address**
**P.O. Box 4331**
**Lafayette, LA 70502**

**Phone no. (888) 852-2424**
**Fax no. (337) 234-1040**

### Western Kentucky Gas Company

John A. Paris
President

Gary L. Smith
Vice President, Marketing

William H. Greer
Vice President, Operations - East

Ric L. Kissinger
Vice President, Operations -West

Betty L. Adams
Vice President, Controller

Steve H. Loyal
Vice President, Human Resources

David H. Doggette
Vice President, Technical Services

William J. Senter, Jr.
Vice President Rates &
Regulatory Affairs

**Location**
**2401 New Hartford Road**
**Owensboro, KY 42303**

**Mailing address**
**P.O. Box 866**
**Owensboro, KY 42302**

**Phone no. (888) 954-4321**
**Fax no. (502) 685–8052**

### United Cities Gas Company

Tom R. Blose
President

Bob Elam
Vice President,
Operations - South and East

Dan L. Lindsey
Vice President,
Technical Services

Brandon W. Mulkey
Vice President, Controller

Wendy A. Sadler
Vice President, Human Resources

Mike Ellis
Vice President, Marketing

Patricia D. Childers
Vice President Rates &
Regulatory Affairs

**Location**
**810 Crescent Centre Dr., Ste. 600**
**Franklin, TN 37067-6226**

**Mailing address**
**810 Crescent Centre Dr., Ste. 600**
**Franklin, TN 37067-6226**

**Phone no. (615) 771-8300**
**Fax no. (615) 771-8301**

### Non-Utility Business Units

J. D. Woodward
Sr. Vice President,
Non-Utility Operations

Robert E. Mattingly
Vice President,
New Business Ventures - Retail Services

Ron W. McDowell
Vice President,
New Business Ventures

**Location**
**600 Three Lincoln Centre**
**5430 LBJ Freeway**
**Dallas, TX 75240**

**Mailing address**
**600 Three Lincoln Centre**
**5430 LBJ Freeway**
**Dallas, TX 75240**

**Phone no. (972) 934-9227**
**Fax no. (972) 855-3035**

## CORPORATE OFFICE

**Location**
5430 LBJ Freeway
1800 Three Lincoln Centre
Dallas, Texas 75240

**Phone number**
(972) 934–9227

**Mailing address**
P.O. Box 650205
Dallas, TX 75265–0205

**Fax numbers**

| | |
|---|---|
| Corporate office | (972) 855–3075 |
| Investor Relations | (972) 855–3040 |

## CORPORATE INFORMATION

**Common Stock Listing**
New York Stock Exchange

**Trading Symbol**
ATO

**Transfer Agent and Registrar**
Fleet National Bank
c/o EquiServe
Providence, RI

**Rights Agent**
Fleet National Bank
c/o EquiServe
Providence, RI

**Trustee for 9.4% Series J GGC First Mortgage Bonds**
U.S. Bank Trust National Association
Chicago, Illinois

**Auditors**
Ernst & Young LLP
2121 San Jacinto, Suite 1500
Dallas, Texas 75201

**Trustee for United Cities Bonds and Term Notes**
U.S. Bank Trust National Association
Chicago, Illinois

**Interactive Voice Response System**
1–800–543–3038
Have your Atmos Energy shareholder account number and Social Security or taxpayer ID number ready.

**Administrator for Direct Stock Purchase Plan**
Fleet National Bank
c/o EquiServe
Providence, RI

**Fax on Demand**
(614) 844–3860

**Trustee For Company's Retirement Plans**
Deutsche Bank
New York, New York

**Trustee for Employee Stock Ownership Plan and Trust for Employees of Atmos Energy Corporation**
Employee Stock Ownership Plan Trust
Committee Dallas, Texas

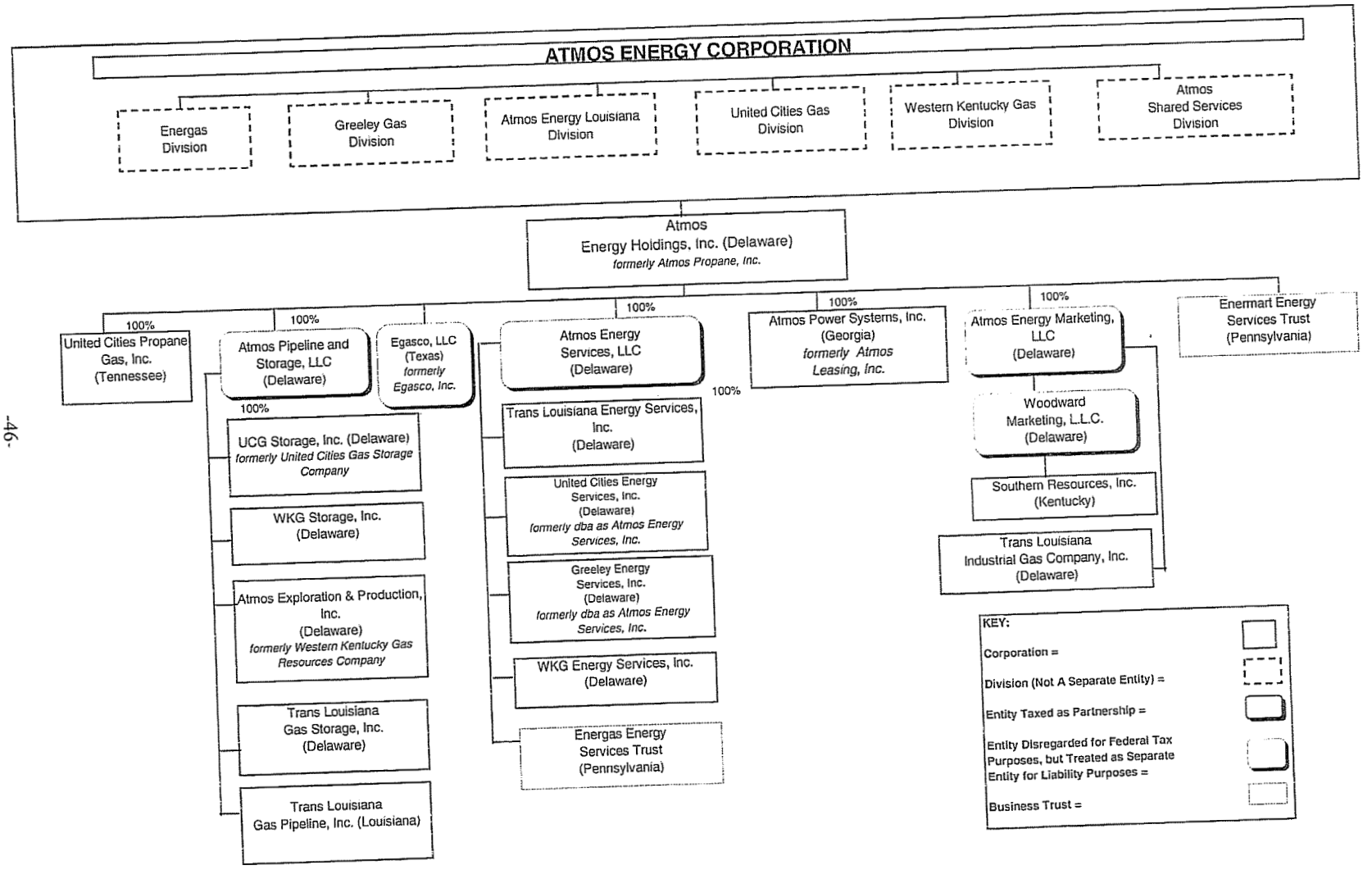
## ATMOS ENERGY CORPORATION CONTACTS

**World Wide Web Addresses**
Corporate Office
http://www.atmosenergy.com
Business Units
http://www.energas.com
http://www.greeleygas.com
http://www.atmosenergylouisiana.com
http://www.westernkentuckygas.com
http://www.unitedcitiesgas.com
http://www.woodwardmarketing.com

**Financial Information for Securities Analysts and Investment Managers**
Lynn Hord (972) 855–3729 (office)
(972) 855–3040 (fax)
lynn.hord@atmosenergy.com (e-mail)

**Shareholder and Direct Stock Purchase Plan Information**
1–800–38–ATMOS (382–8667)
7:30 p.m. - 4:30 p.m. CST

# CORPORATE STRUCTURE



## OPERATING DIVISIONS AND SUBSIDIARY COMPANIES

| | Year of incorporation | State of incorporation | Principal business office |
|---|---|---|---|
| **Atmos Energy Corporation** | 1983<br>1997 | Texas<br>Virginia | Dallas, TX |
| **Operating Divisions:** | | | |
| Energas Company | | | Lubbock, TX |
| Greeley Gas Company | | | Denver, CO |
| Atmos Energy Louisiana Gas Company | | | Lafayette, LA |
| United Cities Gas Company | | | Franklin, TN |
| Western Kentucky Gas Company | | | Owensboro, KY |
| **Subsidiaries:** | | | |
| Atmos Energy Holdings, Inc. | 2000 | Delaware | Dallas, TX |
| Atmos Energy Services, LLC | 1996 | Delaware | Dallas, TX |
| EGASCO, LLC | 1999 | Texas | Dallas, TX |
| Enermart Energy Services Trust | 1994 | Pennsylvania | Dallas, TX |
| Trans Louisiana Gas Pipeline, Inc. | 1983 | Louisiana | Lafayette, LA |
| Atmos Exploration & Production, Inc. | 1934 | Delaware | Dallas, TX |
| UCG Storage, Inc. | 1989 | Delaware | Franklin, TN |
| United Cities Propane Gas, Inc. | 1976 | Tennessee | Franklin, TN |
| Atmos Power Systems, Inc. | 1987 | Georgia | Franklin, TN |
| Atmos Energy Marketing, LLC | 1999 | Delaware | Dallas, TX |
| Atmos Pipeline and Storage, LLC | 1999 | Delaware | Dallas, TX |
| WKG Storage, Inc. | 1999 | Delaware | Dallas, TX |
| Energas Energy Services Trust | 1999 | Pennsylvania | Dallas, TX |
| United Cities Energy Services, Inc. | 1999 | Delaware | Dallas, TX |
| Greeley Energy Services, Inc. | 1999 | Delaware | Dallas, TX |
| WKG Energy Services, Inc. | 1999 | Delaware | Dallas, TX |
| Trans Louisiana Energy Services, Inc. | 1999 | Delaware | Dallas, TX |
| Woodward Marketing, LLC | 1995 | Delaware | Houston, TX |
| Southern Resources, Inc. | 1995 | Kentucky | Owensboro, KY |
| Trans Louisiana Industrial Gas Company, Inc. | 2001 | Delaware | Dallas, TX |
| Trans Louisiana Gas Storage, Inc. | 2000 | Delaware | Dallas, TX |

## SEASONALITY AND QUARTERLY INFORMATION

The Company's natural gas distribution business and irrigation sales business is seasonal and dependent upon weather conditions in the Company's service areas. Natural gas sales to residential, commercial and public authority customers are affected by winter heating season requirements. This generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Sales to industrial customers are much less weather sensitive. Sales to agricultural customers, who typically use natural gas to power irrigation pumps during the period from March through September, are affected by rainfall amounts. The Company's management believes that the Company has lessened its sensitivity to weather risk by diversifying its operations into geographic areas having different weather patterns and through other measures.

The following table sets forth the Company's quarterly operating revenues, quarterly operating revenues as a percentage of annual operating revenues, quarterly net income, and quarterly net income as a percentage of annual net income.

| | | Quarter ended | | | | |
|---|---|---|---|---|---|---|
| Year ended September 30 | | Dec. 31 | Mar. 31 | Jun. 30 | Sept. 30 | Total |
| | | (Dollars in thousands) | | | | |
| 1991 | Operating revenues | $201,107 | $254,491 | $118,180 | $98,487 | $672,265 |
| | | 30 % | 37 % | 18 % | 15 % | 100 % |
| | Net income (loss) | $9,655 | $21,130 | ($6,022) | ($7,276) | $17,487 |
| | | 55 % | 121 % | (34) % | (42) % | 100 % |
| 1992 | Operating revenues | $228,402 | $247,845 | $123,329 | $109,392 | $708,968 |
| | | 32 % | 36 % | 17 % | 15 % | 100 % |
| | Net income (loss) | $12,545 | $21,135 | ($4,314) | ($8,150) | $21,216 |
| | | 59 % | 99 % | (20) % | (38) % | 100 % |
| 1993 | Operating revenues | $232,901 | $294,644 | $152,089 | $115,259 | $794,893 |
| | | 29 % | 38 % | 19 % | 14 % | 100 % |
| | Net income (loss) | $13,871 | $27,091 | ($2,293) | ($8,975) | $29,694 |
| | | 47 % | 91 % | (8) % | (30) % | 100 % |
| 1994 | Operating revenues | $231,177 | $322,512 | $149,743 | $122,870 | $826,302 |
| | | 28 % | 39 % | 18 % | 15 % | 100 % |
| | Net income (loss) | $13,475 | $27,478 | ($4,544) | ($9,637) | $26,772 |
| | | 50 % | 103 % | (17) % | (36) % | 100 % |
| 1995 | Operating revenues | $219,677 | $273,769 | $137,400 | $118,709 | $749,555 |
| | | 29 % | 37 % | 18 % | 16 % | 100 % |
| | Net income (loss) | $13,962 | $27,272 | ($3,880) | ($8,546) | $28,808 |
| | | 48 % | 95 % | (13) % | (30) % | 100 % |
| 1996 | Operating revenues | $253,439 | $341,867 | $175,240 | $116,145 | $886,691 |
| | | 29 % | 38 % | 20 % | 13 % | 100 % |
| | Net income (loss) | $18,496 | $35,906 | ($2,795) | ($10,456) | $41,151 |
| | | 45 % | 87 % | (7) % | (25) % | 100 % |
| 1997 | Operating revenues | $280,624 | $362,636 | $143,714 | $119,861 | $906,835 |
| | | 31 % | 40 % | 16 % | 13 % | 100 % |
| | Net income (loss) | $18,155 | $30,625 | ($3,018) | ($21,924) | $23,838 |
| | | 76 % | 129 % | (13) % | (92) % | 100 % |
| 1998 | Operating revenues | $295,331 | $288,550 | $137,311 | $127,016 | $848,208 |
| | | 35 % | 34 % | 16 % | 15 % | 100 % |
| | Net income (loss) | $20,122 | $37,398 | $1,676 | ($3,931) | $55,265 |
| | | 36 % | 68 % | 3 % | (7) % | 100 % |
| 1999 | Operating revenues | $210,227 | $261,426 | $109,590 | $108,953 | $690,196 |
| | | 30 % | 38 % | 16 % | 16 % | 100 % |
| | Net income (loss) | $15,380 | $28,795 | ($5,295) | ($21,136) | $17,744 |
| | | 87 % | 162 % | (30) % | (119) % | 100 % |
| 2000 | Operating revenues | $224,458 | $314,197 | $152,362 | $159,135 | $850,152 |
| | | 26 % | 37 % | 18 % | 19 % | 100 % |
| | Net income (loss) | $14,324 | $29,573 | ($4,396) | ($3,583) | $35,918 |
| | | 40 % | 82 % | (12) % | (10) % | 100 % |
| 2001 | Operating revenues | $442,790 | $675,113 | $164,260 | $160,112 | $1,442,275 |
| | | 31 % | 47 % | 11 % | 11 % | 100 % |
| | Net income (loss) | $22,972 | $44,074 | ($3,400) | ($7,556) | $56,090 |
| | | 41 % | 79 % | (6) % | (14) % | 100 % |

## UTILITY AND NON-UTILITY DATA

The following table summarizes certain information regarding the operation of the utility and non-utility businesses of the Company for each of the last eleven years. Prior periods have been restated to reflect the pooling of interests with United Cities Gas Company on July 31, 1997.

| | | Operating Revenues | Net Income | Identifiable Assets |
|---|---|---|---|---|
| 1991 | Utility | $636,010 | $14,523 | $646,693 |
| | Non-Regulated | 36,255 | 2,964 | 54,492 |
| | Total | $672,265 | $17,487 | $701,185 |
| 1992 | Utility | $662,164 | $16,977 | $668,669 |
| | Non-Regulated | 46,804 | 4,239 | 54,963 |
| | Total | $708,968 | $21,216 | $723,632 |
| 1993 | Utility | $747,057 | $25,451 | $721,699 |
| | Non-Regulated | 47,836 | 4,243 | 65,040 |
| | Total | $794,893 | $29,694 | $786,739 |
| 1994 | Utility | $780,791 | $22,496 | $766,549 |
| | Non-Regulated | 45,511 | 4,276 | 62,836 |
| | Total | $826,302 | $26,772 | $829,385 |
| 1995 | Utility | $707,680 | $24,618 | $829,849 |
| | Non-Regulated | 41,875 | 4,190 | 71,099 |
| | Total | $749,555 | $28,808 | $900,948 |
| 1996 | Utility | $778,217 | $31,905 | $926,935 |
| | Non-Regulated | 108,474 | 9,246 | 83,675 |
| | Total | $886,691 | $41,151 | $1,010,610 |
| 1997 | Utility | $805,252 | $19,739 | $1,001,455 |
| | Non-Regulated | 101,583 | 4,099 | 86,856 |
| | Total | $906,835 | $23,838 | $1,088,311 |
| 1998 | Utility | $738,445 | $43,332 | $1,052,225 |
| | Non-Regulated | 109,763 | 11,933 | 89,165 |
| | Total | $848,208 | $55,265 | $1,141,390 |
| 1999 | Utility | $617,313 | $10,800 | $1,125,691 |
| | Non-Regulated | 72,883 | 6,944 | 104,846 |
| | Total | $690,196 | $17,744 | $1,230,537 |
| 2000 | Utility | $734,835 | $22,459 | $1,246,782 |
| | Non-Regulated | 115,317 | 13,459 | 101,976 |
| | Total | $850,152 | $35,918 | $1,348,758 |
| 2001 | Utility | $1,378,159 | $49,881 | $1,732,296 |
| | Non-Regulated | 64,116 | 6,209 | 303,884 |
| | Total | $1,442,275 | $56,090 | $2,036,180 |

The utility business is comprised of the Company's five regulated utility divisions: Atmos Energy Louisiana, Energas Division, Greeley Division, United Cities Division and Western Kentucky Division.

The non-utility business primarily includes the operations of Atmos Energy Marketing, LLC (which includes the operations of Woodward Marketing, L.L.C.), Atmos Pipeline and Storage, L.L.C. and Atmos Power Systems, Inc. For an expanded discussion of each of these companies and other non-utility operations, please see the Company's Form 10-K for the year ended September 30, 2001.

## CORPORATE DEVELOPMENT

**Acquisitions and Mergers**

The Company has achieved six significant acquisitions as summarized below:

| | |
|---|---|
| 1. Property | Trans Louisiana Gas Company, Inc. |
| Business | Intrastate natural gas distributor in Louisiana |
| Meters in service | 69,000 (at acquisition) |
| Acquisition date | January 1, 1986 |
| Acquisition cost | $34.1 million inclusive of acquisition expenses plus assumption of approximately $10 million in long-term debt |
| Regulatory body | Louisiana Public Service Commission |
| Accounting method | Purchase |
| Financing | $35,000,000 Revolving credit/term facility with a bank |
| 2. Property | Western Kentucky Gas Utility Corporation |
| Business | Intrastate natural gas distributor in Kentucky |
| Meters in service | 147,000 (at acquisition) |
| Acquisition date | December 1, 1987 |
| Acquisition cost | $67.5 million inclusive of acquisition expenses plus assumption of approximately $17.6 million in long-term debt |
| Regulatory body | Kentucky Public Service Commission |
| Accounting method | Purchase |
| Financing | Initially funded with $31,500,000 interim revolving credit facility with a bank and $30,000,000 Senior Notes. Interim revolving credit facility was retired with proceeds of equity offering in June 1988. |
| 3. Property | Greeley Gas Company |
| Business | Intrastate natural gas distributor in Co., Ks., and Mo. |
| Meters in service | 98,000 (at acquisition) |
| Acquisition date | December 22, 1993 |
| Acquisition cost | Approximately 3.5 million (post-split) shares of Atmos stock, the assumption of approx. $20 million in long-term debt, and $1.7 million in acquisition expenses |
| Regulatory bodies | Colorado Public Utilities Commission, Kansas Corporation Commission, and Missouri Public Service Commission |
| Accounting method | Pooling of interests |
| Financing | Exchanged 3,493,995 (post-split) shares of Atmos stock for all the outstanding shares of GGC |
| 4. Property | United Cities Gas Company |
| Business | Intrastate natural gas distributor in Ga., Tn., Va., S.C., Il., Ia., and Mo. |
| Meters in service | 307,000 (at merger) |
| Merger Date | July 31, 1997 |
| Merger cost | Approximately 13.3 million shares of Atmos stock, the assumption of approx. $149 million in long-term debt, and $49 million in merger and integration costs |
| Regulatory bodies | Missouri Public Service Commission, Georgia Public Service Commission, South Carolina Public Service Commission, Tennessee Regulatory Authority, Illinois Commerce Commission, Iowa Utilities Board, Virginia State Corporation Commission |
| Accounting method | Pooling of interests |
| Financing | Exchanged 13,320,221 shares of Atmos stock for all the outstanding shares of United Cities Gas Company |

## CORPORATE DEVELOPMENT (Continued)

**Acquisitions and Mergers (continued)**

| | |
|---|---|
| 5. Property | Remaining 55% interest in Woodward Marketing, L.L.C. |
| Business | Management of natural gas requirements for municipalities, local gas utility companies and industrial customers |
| Acquisition date | April 1, 2001 |
| Acquisition cost | $26.7 million inclusive of acquisition expenses |
| Accounting method | Purchase |
| Financing | Exchanged 1,423,193 restricted shares of Atmos common stock |
| 6. Property | Louisiana Gas Service Company |
| Business | Intrastate natural gas distributor in Louisiana |
| Meters in service | 279,000 (at acquisition) |
| Acquisition date | July 1, 2001 |
| Acquisition cost | $363.4 million inclusive of acquisition expenses |
| Regulatory body | Louisiana Public Service Commission |
| Accounting method | Purchase |
| Financing | Primarily funded with a $350 million debt offering |

The Company has also achieved several small acquisitions including Oceana Heights Gas Company in Thibodaux, Louisiana and distribution systems in Winn Parish and LaFourche Parish, Louisiana. In May 2000, the Company acquired the Missouri natural gas distribution assets of Associated Natural Gas for approximately $32.0 million, serving approximately 48,000 meters.

In September 2001, the Company entered into an agreement to acquire Mississippi Valley Gas Company, a privately held natural gas utility, for $75.0 million cash, $75.0 million of Atmos common stock. The Company will assume approximately $45.0 million of long-term debt.

In May 2001, the Company's subsidiary, Atmos Power Systems, Inc., entered into a definitive agreement with the City of Bolivar, Tennessee Electric Department to construct a 20-megawatt electric generating plant and associated facilities.

During the fourth quarter of fiscal year 2001, Woodward Marketing completed the purchases of Southern Resources, Inc. and certain assets of Innovative Gas Services, Incorporated thereby expanding our gas marketing operations. In November 2001, the Company completed the acquisition of certain storage assets in Kentucky.

# GLOSSARY

**Amortize** - An allocation of cost to reflect a reduction to asset book value each year until only the salvage value, if any, remains.

**Assets** - Items of value owned by the company, typically items such as cash, property, and debts owed to the company.

**Bcf** - Abbreviation for 1,000,000,000 (one billion) cubic feet.

**Balance sheet** - A statement of financial position at a stated date that shows the assets, liabilities and shareholders' equity of a company.

**Capitalize** - To record and carry forward into future years any expenditure that will produce revenue or a benefit during those future years.

**Cash equivalents** - The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Commercial service** - Covers service to customers engaged in wholesale or retail trade, communications, finance, fisheries, forestry, government, insurance, real estate, transportation, etc., and to customers not directly involved in other classes of service.

**Consolidated financial statements** - Statements showing the financial condition and operating results of the parent and subsidiary companies as if they were one organization.

**Contingent liability** - An obligation that may arise in the future that relates to a past transaction or event. The obligation is deemed possible but not probable.

**Current asset** - Cash and any other items the company owns that will be converted to cash or useful goods or services within a year.

**Current liability** - A short-term indebtedness to be paid within a year.

**Cushion gas** - The gas required in a reservoir, used for storage of natural gas, so that reservoir pressure is such that the working gas may be recovered.

**Deferred charges** - Expenditures whose benefit will be realized in future years. The amounts will be charged against income over a period of years to properly match the expenses with the related benefit.

**Deferred credits** - Income items that have been received but not yet earned or liabilities incurred but not yet due. These will be recognized in the year they are earned.

**Depreciation** - An allocation of cost to reflect the gradual loss of productivity of a fixed asset by age or usage.

**Deregulation** - The act of ending certain federal government controls over the price of natural gas sold in interstate commerce.

**FERC Order 636** - Federal Energy Regulatory Commission order which finalized the unbundling of interstate pipeline services with a stated goal of increasing competition, primarily in the gas merchant function.

**Gross profit** - Operating revenues less purchased gas cost.

**Heating degree day** - A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. Heating degree days are used in the natural gas industry to measure the coldness of weather experienced and to compare relative temperatures between one geographic area and another.

**Industrial service** - Covers service to customers engaged primarily in a process which either involves the extraction of raw materials from the earth, or a change of raw or unfinished materials into another form or product. Also includes service to natural gas irrigation wells.

**LDC** - Local distribution company.

**Liabilities** - Amounts owed by the corporation to others.

**Line of credit** - Agreements by banks to make a loan not to exceed a specified amount when needed by the corporation.

**Long-term debt** - Debts to be repaid with a maturity of more than one year.

**Mcf** - Abbreviation for 1,000 cubic feet, which is the customary unit for measuring volumes of natural gas.

**MMcf** - Abbreviation for 1,000,000 (one million) cubic feet.

## GLOSSARY (Continued)

**Net income** - All revenues less all costs of doing business.

**Net income per share** - Net income divided by the average number of shares of common stock outstanding during the period.

**No notice service** - A FERC Order 636 interstate pipeline service combining transportation, storage and balancing functions generally designed to allow an LDC shipper to receive pipeline services with limited prior scheduling or notice to the pipeline.

**Operating income** - Excess of revenues over the related expenses; income before federal income taxes and interest.

**Peak-shaving** - Using sources of energy, such as natural gas from storage, to supplement the normal amounts delivered to customers during peak-use periods. Using these supplemental sources prevents pipelines from having to expand their delivery facilities just to accommodate short periods of extremely high demand.

**Pooling of interests** - A business combination in which the voting stock of one company is acquired by another through an exchange of stock and not through the disbursement of cash or other resources. The reported income of the constituents for prior periods is combined and restated as income of the combined corporation.

**Psia** - Abbreviation for pounds per square inch absolute. It is a measure of pressure.

**Public authority** - A municipal, state, federal, school, county or precinct account, i.e., account with any governmental subdivision.

**Purchase accounting** - A method of accounting for a business combination in which one company is acquired by another by paying cash, transferring assets, or by issuing debt. The acquiring corporation records at its cost the acquired assets less liabilities assumed. The reported income of the acquiring corporation includes the operations of the acquired company after acquisition.

**Registrar** - The institution appointed by the company to keep records of the issuance, transfer and cancellation of its common stock.

**Residential service** - Covers service to customers for domestic purposes (single, multifamily or mobile homes, etc.). In residential service, the number of housing units within a structure determines the customer classification.

**Retained earnings** - Cumulative earnings retained in the business.

**RSC (Rate Stabilization Clause)** - A mechanism by which an LDC can adjust rates for changes in expenses without making a standard rate filing.

**Shareholders' equity** - The financial investment shareholders have in the company. It is represented by the difference between total assets and total liabilities.

**SFAS No. 106** - Requires employers to accrue postretirement benefit costs other than pensions (primarily retiree health care costs) during the period of service when they are earned rather than on a pay–as–you–go basis.

**Stated value** - The nominal or face value of a security. It is not related to the actual value of the stock or the company.

**Subsidiary** - A corporation owned by a parent company through ownership of the subsidiary's voting stock.

**Unbundling** - Disaggregation of the services historically provided by gas pipeline and distribution companies as a single service, consisting of transportation, storage, and purchase and resale of gas.

**Underground gas storage fields** - Natural gas reservoirs located near gas users into which gas may be pumped during periods of low demand and recovered on peak demand days. This increases gas supply on peak demand days without incurring peak day demand charges from gas suppliers.

**Weather normalization adjustment (WNA)** - Rate adjustments approved by certain regulatory commissions that allow a company to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal.

**Working capital** - Excess of current assets over current liabilities.

## NOTES

# NOTES

# 2002

# ATMOS ENERGY CORPORATION

# STATISTICAL SUMMARY

The purpose of this summary is to provide historical financial and statistical information and current facts about Atmos Energy Corporation (the "Company"). It should be used in conjunction with the Company's 2002 Annual Report on Form 10-K. It is not intended to be used in any way in conjunction with the sale or purchase of any securities of Atmos Energy Corporation or its subsidiaries. The financial and operating data in this summary are presented on a consolidated basis without extensive footnoting and are unaudited. All prior periods have been restated for the pooling of interests with United Cities Gas Company in July 1997.

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## COMPANY PROFILE AND SERVICE AREAS

Atmos Energy Corporation (the "Company") distributes and sells natural gas to approximately 1.4 million residential, commercial, industrial, agricultural and other customers in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, Tennessee, Texas and Virginia. In December 2002, our customer base increased to approximately 1.7 million with the completion of the acquisition of Mississippi Valley Gas Company. See discussion below. The Company also transports natural gas for others through its distribution system. Its Standard Industrial Classification (S.I.C.) Code is 4924.

The Company conducts its utility business in Texas under the name Atmos Energy Texas Division, in Louisiana under the name Atmos Energy Louisiana Division, in Kentucky under the name Atmos Energy Kentucky Division, in Colorado, Kansas and parts of Missouri under the name Atmos Energy Colorado-Kansas Division, and in Illinois, Iowa, Georgia, Tennessee, Virginia and parts of Missouri under the name Atmos Energy Mid-States Division.

The Company provides natural gas storage services and owns or holds an interest in natural gas storage fields in Kansas, Kentucky and Louisiana to supplement natural gas used by customers in Kansas, Kentucky, Tennessee, Louisiana and other states. The Company also provides energy management and gas marketing services to industrial customers, municipalities and other local distribution companies. The Company also provides electrical power generation to meet peak load demands for municipalities and industrial customers. In addition, the Company markets natural gas to industrial and agricultural customers primarily in West Texas and to industrial customers in Louisiana.

The Company was organized under the laws of the State of Texas in 1983 as Energas Company, a subsidiary of Pioneer Corporation ("Pioneer"), for the purpose of owning and operating Pioneer's natural gas distribution business in Texas. Immediately following the transfer by Pioneer to Energas of its gas distribution business, which Pioneer and its predecessors had operated since 1906, Pioneer distributed the outstanding stock of the Company to its shareholders. In September 1988, the Company changed its name from Energas Company to Atmos Energy Corporation. As a result of the merger with United Cities Company in July 1997, the Company also became incorporated in Virginia.

Since its organization, the Company has sought to expand its customer base and to diversify the effects of weather patterns, local economic conditions and regulatory jurisdictions to which its operations are subject. As part of this strategy, the Company acquired Trans Louisiana Gas Company, Inc. in January 1986, Western Kentucky Gas Utility Corporation in December 1987, merged with Greeley Gas Company in December 1993, merged with United Cities Gas Company in July 1997, purchased the Missouri natural gas distribution assets of Associated Natural Gas in May 2000 and in 2001, the Company purchased from Citizens Communications Company the natural gas operations of its Louisiana Gas Service Company and its subsidiary LGS Natural Gas Company.

The Company was formerly engaged in the retail and wholesale distribution of propane gas through United Cities Propane Gas, Inc. On February 15, 2000, the Company entered into an agreement to form a joint venture which combined its propane operations with the propane operations of three other unrelated companies. The combined joint venture was named U.S. Propane, L.P. On June 15, 2000, U.S. Propane, in which the Company is a 19 percent partner, entered into an agreement to combine its operations with Heritage Holdings, Inc. Upon closing of this transaction, which occurred in August 2000, U.S. Propane owns all of the general partnership interest and approximately 30 percent of the limited partnership interest in Heritage Propane Partners, a publicly traded master limited partnership. Through the Company's ownership in U.S. Propane, it now owns an approximate six percent interest in Heritage Propane Partners.

The Company acquired a 45 percent interest in Woodward Marketing, L.L.C. in 1997 as a result of the merger of Atmos and United Cities Gas Company, which had acquired that interest in 1995. In April 2001, the Company acquired the remaining 55 percent interest in Woodward Marketing, L.L.C. that it did not already own in exchange for 1,423,193 restricted shares of its common stock. The consideration is subject to an upward adjustment, based on the Company's share price, of up to 232,547 shares plus an amount of shares to compensate for dividends paid after the completion of the acquisition.

In December 2002, the Company completed its acquisition of Mississippi Valley Gas Company. This acquisition will add approximately 260,000 customers in 144 communities throughout 36 counties. For further information regarding acquisitions and mergers, please see the "Corporate Development" section on page 50.

The Company's principal executive offices are located at Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240, and the telephone number is (972) 934–9227.

# YEAR IN REVIEW

## Highlights for 2002

### Improved Earnings

The Company reported earnings of $59.7 million or $1.45 per diluted share for fiscal 2002 compared with $56.1 million or $1.47 per diluted share for fiscal 2001.

### Increased quarterly dividend 2% to $.30 per share

The indicated annual dividend is $1.20 per share for fiscal 2002, the Company's 15th consecutive annual dividend increase.

### Reduced past due accounts

The Company made considerable strides in collecting past-due accounts. From the Company's efforts, the provision for doubtful accounts was significantly lowered back to below its historical level of about four-tenths of 1 percent of revenues. These efforts also contributed to a total year-over-year savings of $26.2 million.

### Launch of new name brand

The Company launched its new nationwide brand as Atmos Energy which reflects a major initiative the Company has undertaken to raise customer service to new standards of excellence. The Company believes that its strengthened identity and service improvements will benefit as the Company expands its utility business.

### Acquisitions

In December 2002, the Company completed the acquisition of Mississippi Valley Gas Company, a privately held natural gas utility, for $75.0 million in cash and $75.0 million of Atmos common stock. In addition, the Company repaid outstanding long-term debt of Mississippi Valley Gas of approximately $45.0 million.

### Ratemaking activity

The Company reached an agreement with the Louisiana Public Service Commission regarding a rate stabilization adjustment for the Louisiana utility operations. The agreement will add $15.8 million annually to revenues during the first two years, beginning in November 2002, and $12.2 million annually thereafter. The way the agreement is structured also will help reduce the Company's sensitivity to weather in Louisiana.

### Weather Insurance

In June 2001, the Company purchased a three year weather insurance policy with an option to cancel in the third year. The Company will receive a refund of a portion of the cost of the policy if we cancel in the third year. The policy is for the Company's Texas and Louisiana operations and covers the entire heating season of October to March beginning with the 2001-2002 heating season. The cost of the three-year policy was $13.2 million which was prepaid and is being amortized over the appropriate heating seasons based on degree days. The insurance is designed to protect against weather that is at least seven percent warmer than normal for the entire heating season. During the 2001-2002 heating season, weather was not at least seven percent warmer than normal resulting in no claim having been filed under the insurance policy. Only the amortization of $4.4 million of premiums was recognized during the heating season.

## HIGHLIGHTS (1)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 |
| **Balance Sheet Data at September 30** (In thousands) | | | | |
| Capital expenditures | $ 132,252 | $ 113,109 | $ 75,557 | $ 110,353 |
| Net property, plant and equipment | 1,300,320 | 1,335,398 | 982,346 | 965,782 |
| Working capital | (133,116) | (86,778) | (181,890) | (151,622) |
| Total assets | 1,980,221 | 2,036,180 | 1,348,758 | 1,230,537 |
| Shareholders' equity | 573,235 | 583,864 | 392,466 | 377,663 |
| Long-term debt, excluding current maturities | 670,463 | 692,399 | 363,198 | 377,483 |
| Total capitalization | 1,243,698 | 1,276,263 | 755,664 | 755,146 |
| **Income Statement Data** (In thousands, except per share data) | | | | |
| Operating revenues | $ 950,849 | $ 1,442,275 | $ 850,152 | $ 690,196 |
| Gross profit | 392,602 | 374,720 | 325,706 | 299,794 |
| Net income | 59,656 | 56,090 | 35,918 | 17,744 |
| Net income per share - diluted | 1.45 | 1.47 | 1.14 | 0.58 |
| **Common Stock Data** | | | | |
| Shares outstanding (In thousands) | | | | |
| End of year | 41,676 | 40,792 | 31,952 | 31,248 |
| Weighted average | 41,250 | 38,247 | 31,594 | 30,819 |
| Cash dividends per share | $1.18 | $1.16 | $1.14 | $1.10 |
| Shareholders of record | 28,829 | 30,524 | 32,394 | 35,179 |
| Market price - High | $24.46 | $26.25 | $25.00 | $32.69 |
| Low | $18.37 | $19.31 | $14.75 | $23.06 |
| End of year | $21.50 | $21.60 | $20.63 | $24.13 |
| Book value per share at end of year | $13.75 | $14.31 | $12.28 | $12.09 |
| Price/Earnings ratio at end of year | 14.83 | 14.69 | 18.09 | 41.59 |
| Market/Book ratio at end of year | 1.56 | 1.51 | 1.68 | 2.00 |
| Annualized dividend yield at end of year | 5.5% | 5.4% | 5.5% | 4.6% |
| **Customers and Volumes (as metered)** | | | | |
| Gas sales volumes (MMcf) | 145,488 | 156,544 | 138,199 | 140,119 |
| Gas transportation volumes (MMcf) | 63,053 | 61,230 | 59,365 | 55,468 |
| Total throughput (MMcf) | 208,541 | 217,774 | 197,564 | 195,587 |
| Meters in service at end of year | 1,389,341 | 1,386,323 | 1,096,599 | 1,037,995 |
| Total meters and propane customers | 1,389,341 | 1,386,323 | 1,096,599 | 1,077,534 |
| Heating degree days (Excl. UCG before 1993) (2) | 3,368 | 4,124 | 2,096 | 3,374 |
| Degree days as a % of normal (2) | 94% | 115% | 82% | 85% |
| Average gas sales price per Mcf sold | $6.20 | $8.93 | $5.65 | $4.53 |
| Average purchased gas cost per Mcf sold | $3.81 | $6.83 | $3.79 | $2.79 |
| Average transportation fee per Mcf | $0.58 | $0.47 | $0.40 | $0.42 |
| **Statistics** | | | | |
| Return on average shareholders' equity | 9.9% | 10.4% | 9.3% | 4.7% |
| Number of employees | 2,338 | 2,361 | 1,885 | 2,062 |
| Net plant per meter | $936 | $963 | $896 | $930 |
| Operating, maintenance and administrative expense per meter | $101 | $130 (3) | $135 | $146 |
| Customers per employee | 594 | 587 | 582 | 523 |
| Times interest earned before income taxes | 2.55 | 2.83 | 2.28 | 1.56 |

(1) Amounts have been restated for poolings of interests with United Cities in July 1997 and Greeley Gas Co. in Dec 1993, and share data have been adjusted for a 3-for-2 stock split in May 1994.

(2) Heating degree days for 2002 and 2001 are adjusted for service areas with weather-normalized operations. Heating degree days for years prior to 2001 are not adjusted for service areas with weather-normalized operations, as that information was not available.

(3) Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

| 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|---|
| $ 134,989 | $ 122,312 | $ 117,589 | $ 103,904 | $ 85,471 | $ 74,110 | $ 71,056 |
| 917,860 | 849,127 | 770,211 | 697,287 | 638,787 | 592,887 | 552,599 |
| (116,679) | (169,518) | (102,764) | (41,980) | (32,340) | (31,830) | (16,398) |
| 1,141,390 | 1,088,311 | 1,010,610 | 900,948 | 829,385 | 786,739 | 723,632 |
| 371,158 | 327,260 | 329,582 | 304,349 | 267,584 | 251,317 | 223,984 |
| 398,548 | 302,981 | 276,162 | 294,463 | 282,647 | 257,696 | 269,887 |
| 769,706 | 630,241 | 605,744 | 598,812 | 550,231 | 509,013 | 493,871 |
| | | | | | | |
| $ 848,208 | $ 906,835 | $ 886,691 | $ 749,555 | $ 826,302 | $ 794,893 | $ 708,968 |
| 331,836 | 329,654 | 324,412 | 300,158 | 297,020 | 289,394 | 264,098 |
| 55,265 | 23,838 | 41,151 | 28,808 | 26,772 | 29,694 | 21,216 |
| 1.84 | 0.81 | 1.42 | 1.06 | 1.05 | 1.21 | 0.91 |
| | | | | | | |
| 30,398 | 29,642 | 29,242 | 28,246 | 25,911 | 25,183 | 24,100 |
| 30,031 | 29,422 | 28,994 | 27,208 | 25,604 | 24,535 | 23,324 |
| $1.06 | $1.01 | $0.98 | $0.96 | $0.91 | $0.82 | $0.79 |
| 36,949 | 29,867 | 36,472 | 31,782 | 27,005 | 24,649 | 12,989 |
| $31.06 | $27.88 | $31.00 | $20.63 | $21.13 | $20.63 | $15.25 |
| $24.63 | $22.13 | $18.00 | $15.88 | $16.38 | $13.50 | $12.63 |
| $28.56 | $24.88 | $23.38 | $19.38 | $17.75 | $20.25 | $14.88 |
| $12.21 | $11.04 | $11.27 | $10.77 | $10.33 | $9.98 | $9.29 |
| 15.52 | 30.71 | 16.46 | 18.28 | 16.90 | 16.74 | 16.35 |
| 2.34 | 2.25 | 2.07 | 1.80 | 1.72 | 2.03 | 1.60 |
| 3.7% | 4.1% | 4.2% | 5.0% | 5.1% | 4.1% | 5.3% |
| | | | | | | |
| 159,373 | 164,208 | 178,293 | 166,656 | 170,691 | 166,065 | 151,316 |
| 56,224 | 48,800 | 44,146 | 47,647 | 47,882 | 51,665 | 43,320 |
| 215,597 | 213,008 | 222,439 | 214,303 | 218,573 | 217,730 | 194,636 |
| 1,004,532 | 985,448 | 976,308 | 949,213 | 943,728 | 888,315 | 876,142 |
| 1,041,932 | 1,014,545 | 1,002,416 | 972,572 | 965,421 | 908,813 | 897,262 |
| 3,799 | 3,909 | 4,043 | 3,706 | 3,855 | 4,080 | 3,676 |
| 95% | 98% | 101% | 93% | 97% | 102% | 92% |
| $4.87 | $5.11 | $4.51 | $4.07 | $4.41 | $4.32 | $4.20 |
| $3.24 | $3.51 | $3.15 | $2.70 | $3.10 | $3.04 | $2.94 |
| $0.43 | $0.41 | $0.43 | $0.42 | $0.45 | $0.42 | $0.50 |
| | | | | | | |
| 15.8% | 7.3% | 13.0% | 10.1% | 10.3% | 12.5% | 10.1% |
| 2,193 | 2,679 | 2,863 | 2,944 | 3,052 | 3,105 | 3,102 |
| $914 | $862 | $789 | $735 | $677 | $645 | $611 |
| | | | | | | |
| $136 | $183 | $160 | $163 | $169 | $169 | $163 |
| 475 | 379 | 350 | 330 | 316 | 293 | 289 |
| 3.09 | 2.04 | 3.00 | 2.44 | 2.45 | 2.47 | 2.07 |

## CONSOLIDATED BALANCE SHEETS

| ASSETS | September 30 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Property, plant and equipment | | | | |
| Utility plant | $2,021,663 | $2,008,761 | $1,512,764 | $1,454,228 |
| Nonutility plant | 81,765 | 47,225 | 33,805 | 72,606 |
| Construction in progress | 24,399 | 53,881 | 33,234 | 22,424 |
| | 2,127,827 | 2,109,867 | 1,579,803 | 1,549,258 |
| Less accumulated depreciation and amortization | 827,507 | 774,469 | 597,457 | 583,476 |
| Net property, plant & equipment | 1,300,320 | 1,335,398 | 982,346 | 965,782 |
| Current assets | | | | |
| Cash and cash equivalents | 46,827 | 15,263 | 7,379 | 8,585 |
| Cash held on deposit in margin account | 10,192 | 66,666 | - | - |
| Accounts receivable, net | 136,227 | 124,046 | 77,264 | 70,564 |
| Inventories | 3,769 | 6,041 | 6,456 | 8,209 |
| Gas stored underground | 91,783 | 89,555 | 64,222 | 44,653 |
| Assets from risk management activities | 27,984 | 95,968 | - | - |
| Deferred gas cost | - | 10,999 | 37,184 | - |
| Other current assets and prepayments | 13,209 | 15,713 | 8,101 | 3,142 |
| Total current assets | 329,991 | 424,251 | 200,606 | 135,153 |
| Intangible assets | 5,365 | 12,125 | 878 | - |
| Goodwill | 185,015 | 64,745 | 3,110 | - |
| Noncurrent assets from risk management activities | 5,241 | 29,771 | - | - |
| Deferred charges and other assets | 154,289 | 169,890 | 161,818 | 129,602 |
| | $1,980,221 | $2,036,180 | $1,348,758 | $1,230,537 |

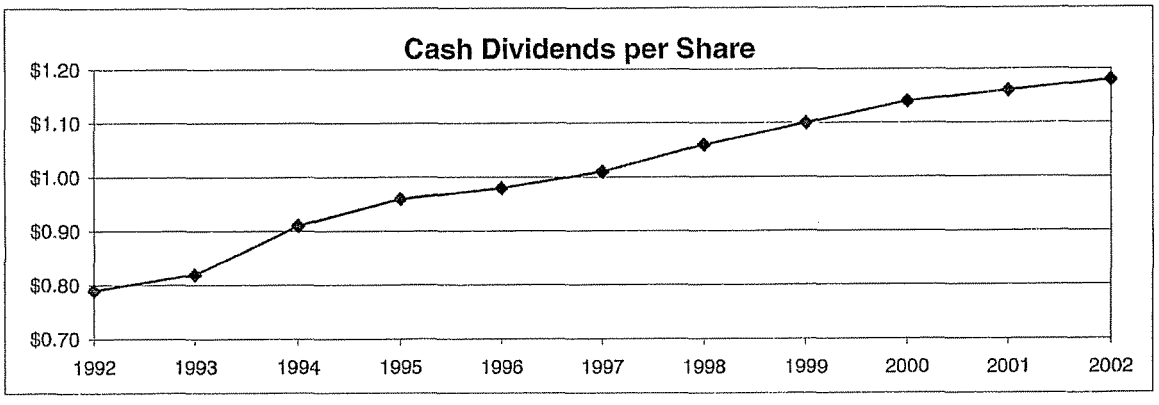
| CAPITALIZATION AND LIABILITIES | | | | |
|---|---|---|---|---|
| Shareholders' equity | | | | |
| Common stock | $ 208 | $ 204 | $ 160 | $ 156 |
| Additional paid-in capital | 508,265 | 489,948 | 306,887 | 293,359 |
| Retained earnings | 106,142 | 95,132 | 83,154 | 83,231 |
| Accum. other comprehensive income (loss) | (41,380) | (1,420) | 2,265 | 917 |
| Shareholders' equity | 573,235 | 583,864 | 392,466 | 377,663 |
| Long-term debt | 670,463 | 692,399 | 363,198 | 377,483 |
| Total capitalization | 1,243,698 | 1,276,263 | 755,664 | 755,146 |
| Current liabilities | | | | |
| Current maturities of long-term debt | 21,980 | 20,695 | 17,566 | 17,848 |
| Short-term debt | 145,791 | 201,247 | 250,047 | 168,304 |
| Accounts payable and accrued liabilities | 135,609 | 84,471 | 73,031 | 64,167 |
| Taxes payable | 15,626 | 11,620 | 10,844 | 848 |
| Customers' deposits | 31,147 | 32,351 | 9,923 | 9,657 |
| Liabilities from risk management activities | 18,487 | 119,484 | - | - |
| Deferred gas cost | 21,947 | - | - | - |
| Other current liabilities | 72,520 | 41,161 | 21,085 | 25,951 |
| Total current liabilities | 463,107 | 511,029 | 382,496 | 286,775 |
| Deferred income taxes | 134,540 | 138,934 | 131,619 | 112,610 |
| Noncurrent liabilities from risk management activities | 3,663 | 7,412 | - | - |
| Deferred credits and other liabilities | 135,213 | 102,542 | 78,979 | 76,006 |
| | $1,980,221 | $2,036,180 | $1,348,758 | $1,230,537 |

| 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|---|
| $1,258,301 | $1,218,372 | $1,123,758 | $1,028,836 | $933,886 | $864,911 | $802,922 |
| 75,255 | 82,632 | 74,799 | 69,157 | 73,496 | 70,171 | 64,629 |
| 112,864 | 31,668 | 21,217 | 8,871 | 9,678 | 7,741 | 6,662 |
| 1,446,420 | 1,332,672 | 1,219,774 | 1,106,864 | 1,017,060 | 942,823 | 874,213 |
| 528,560 | 483,545 | 449,563 | 409,577 | 378,273 | 349,936 | 321,614 |
| 917,860 | 849,127 | 770,211 | 697,287 | 638,787 | 592,887 | 552,599 |
| 4,735 | 6,016 | 11,134 | 9,296 | 5,511 | 3,084 | 12,341 |
| - | - | - | - | - | - | - |
| 34,887 | 71,217 | 103,415 | 90,718 | 81,519 | 82,116 | 82,649 |
| 15,219 | 12,333 | 13,895 | 12,657 | 11,830 | 11,888 | 12,902 |
| 48,909 | 48,122 | 43,350 | 27,401 | 39,108 | 43,586 | 18,769 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 3,630 | 6,017 | 2,809 | 4,775 | 4,356 | 7,293 | 8,622 |
| 107,380 | 143,705 | 174,603 | 144,847 | 142,324 | 147,967 | 135,283 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 116,150 | 95,479 | 65,796 | 58,814 | 48,274 | 45,885 | 35,750 |
| $1,141,390 | $1,088,311 | $1,010,610 | $900,948 | $829,385 | $786,739 | $723,632 |
| $ 152 | $ 148 | $ 146 | $ 141 | $ 130 | $ 126 | $ 121 |
| 271,637 | 251,174 | 241,658 | 230,630 | 196,487 | 183,795 | 164,979 |
| 99,369 | 75,938 | 87,778 | 73,578 | 70,967 | 67,396 | 58,884 |
| - | - | - | - | - | - | - |
| 371,158 | 327,260 | 329,582 | 304,349 | 267,584 | 251,317 | 223,984 |
| 398,548 | 302,981 | 276,162 | 294,463 | 282,647 | 257,696 | 269,887 |
| 769,706 | 630,241 | 605,744 | 598,812 | 550,231 | 509,013 | 493,871 |
| 57,783 | 15,201 | 16,679 | 16,155 | 10,068 | 12,702 | 10,075 |
| 66,400 | 167,300 | 128,488 | 65,813 | 64,288 | 58,563 | 33,137 |
| 44,742 | 62,626 | 80,321 | 56,525 | 53,110 | 67,568 | 57,191 |
| 12,736 | 416 | 11,201 | 4,083 | 9,278 | 5,527 | 13,403 |
| 12,029 | 15,098 | 16,812 | 16,220 | 14,985 | 19,846 | 14,461 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 30,369 | 52,582 | 23,866 | 28,031 | 22,935 | 15,591 | 23,414 |
| 224,059 | 313,223 | 277,367 | 186,827 | 174,664 | 179,797 | 151,681 |
| 80,213 | 87,828 | 72,073 | 64,719 | 54,755 | 55,756 | 52,130 |
| - | - | - | - | - | - | - |
| 67,412 | 57,019 | 55,426 | 50,590 | 49,735 | 42,173 | 25,950 |
| $1,141,390 | $1,088,311 | $1,010,610 | $900,948 | $829,385 | $786,739 | $723,632 |

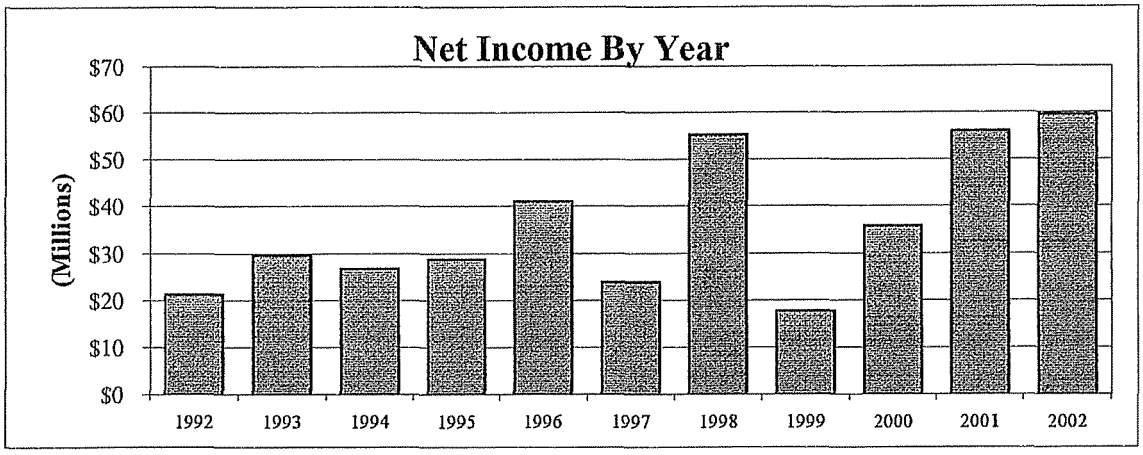
## CONSOLIDATED STATEMENTS OF INCOME (1)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 |
| | (In thousands, except per share data) | | | |
| Operating revenues | | | | |
| Utility | $936,054 | $1,378,159 | $734,835 | $617,313 |
| Nonutility | 14,795 | 64,116 | 115,317 | 72,883 |
| Total operating revenues | 950,849 | 1,442,275 | 850,152 | 690,196 |
| Purchased gas cost | 558,247 | 1,067,555 | 524,446 | 390,402 |
| Gross profit | 392,602 | 374,720 | 325,706 | 299,794 |
| Gas trading margin | 38,538 | 488 | - | - |
| Operating expenses | | | | |
| Operation | 150,283 | 133,240 | 140,249 | 148,065 |
| Maintenance | 7,836 | 6,368 | 7,648 | 9,141 |
| Depreciation and amortization | 81,469 | 67,664 | 63,855 | 56,874 |
| Taxes, other than income | 36,221 | 37,655 | 28,638 | 31,475 |
| Total operating expenses | 275,809 | 244,927 | 240,390 | 245,555 |
| Operating income | 155,331 | 130,281 | 85,316 | 54,239 |
| Other income (expense) | | | | |
| Equity in earnings of Woodward Marketing, L.L.C. | - | 8,062 | 7,307 | 7,156 |
| Interest income | 1,373 | 3,761 | 738 | 765 |
| Miscellaneous income (expense), net | (2,694) | (5,635) | 6,699 | 2,202 |
| Total other income (expense) | (1,321) | 6,188 | 14,744 | 10,123 |
| Interest charges | 59,174 | 47,011 | 43,823 | 37,063 |
| Income taxes | 35,180 | 33,368 | 20,319 | 9,555 |
| Net income | $ 59,656 | $ 56,090 | $ 35,918 | $ 17,744 |
| Diluted net income per share | $1.45 | $1.47 | $1.14 | $0.58 |
| Cash dividends per share | $1.18 | $1.16 | $1.14 | $1.10 |
| Weighted average shares outstanding - diluted | 41,250 | 38,247 | 31,594 | 30,819 |

(1) Restated for poolings of interests with United Cities in July 1997 and Greeley Gas Co. in December 1993. Share data have been adjusted for a 3-for-2 stock split in May 1994.



| 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|---|
| $738,445 | $805,252 | $778,217 | $707,680 | $780,791 | $747,057 | $662,164 |
| 109,763 | 101,583 | 108,474 | 41,875 | 45,511 | 47,836 | 46,804 |
| 848,208 | 906,835 | 886,691 | 749,555 | 826,302 | 794,893 | 708,968 |
| 516,372 | 577,181 | 562,279 | 449,397 | 529,282 | 505,499 | 444,870 |
| 331,836 | 329,654 | 324,412 | 300,158 | 297,020 | 289,394 | 264,098 |
| - | - | - | - | - | - | - |
| 131,336 | 173,683 | 148,196 | 146,624 | 150,984 | 140,703 | 133,600 |
| 10,278 | 11,974 | 11,719 | 11,350 | 12,483 | 12,928 | 12,891 |
| 47,555 | 45,257 | 41,666 | 40,597 | 36,712 | 34,560 | 32,639 |
| 29,788 | 32,131 | 30,254 | 29,626 | 28,346 | 27,505 | 26,968 |
| 218,957 | 263,045 | 231,835 | 228,197 | 228,525 | 215,696 | 206,098 |
| 112,879 | 66,609 | 92,577 | 71,961 | 68,495 | 73,698 | 58,000 |
| 3,920 | 3,254 | 1,997 | 1,354 | - | - | - |
| 1,510 | 2,156 | 1,870 | 1,936 | 1,018 | 2,327 | 376 |
| 4,341 | (288) | (300) | 287 | (164) | (59) | 1,546 |
| 9,771 | 5,122 | 3,567 | 3,577 | 854 | 2,268 | 1,922 |
| 35,579 | 33,595 | 31,677 | 30,186 | 28,107 | 30,393 | 28,554 |
| 31,806 | 14,298 | 23,316 | 16,544 | 14,470 | 15,879 | 10,152 |
| $ 55,265 | $ 23,838 | $ 41,151 | $ 28,808 | $ 26,772 | $ 29,694 | $ 21,216 |
| $1.84 | $0.81 | $1.42 | $1.06 | $1.05 | $1.21 | $0.91 |
| $1.06 | $1.01 | $0.98 | $0.96 | $0.91 | $0.82 | $0.79 |
| 30,031 | 29,422 | 28,994 | 27,208 | 25,604 | 24,535 | 23,324 |



## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | Common Stock | | Additional | Accumulated Other | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Stated Value | Paid-in Capital | Comprehensive Income (loss) | Retained Earnings | Total |
| | | | (In thousands, except share data) | | | |
| Balance, September 30, 1991 | 22,277,390 | $ 111 | $ 141,491 | $ - | $ 55,980 | $ 197,582 |
| Net income | - | - | - | - | 21,216 | 21,216 |
| Cash dividends and GGC distributions | - | - | - | - | (18,312) | (18,312) |
| Common stock issued | | | | | | |
| Restricted stock & stock options plans | 7,750 | - | 86 | - | - | 86 |
| Direct stock purchase and dividend reinvestment plans | 252,963 | 2 | 3,621 | - | - | 3,623 |
| Employee stock plan | 13,562 | - | 180 | - | - | 180 |
| ESOP | 167,881 | 1 | 2,288 | - | - | 2,289 |
| Public offering | 1,380,000 | 7 | 17,347 | - | - | 17,354 |
| Other | - | - | (34) | - | - | (34) |
| Balance, September 30, 1992 | 24,099,546 | 121 | 164,979 | - | 58,884 | 223,984 |
| Net income | - | - | - | - | 29,694 | 29,694 |
| Cash dividends and GGC distributions | - | - | - | - | (20,232) | (20,232) |
| Common stock issued | | | | | | |
| Restricted stock & stock options plans | 57,000 | - | 775 | - | - | 775 |
| Direct stock purchase and dividend reinvestment plans | 879,010 | 4 | 15,504 | - | - | 15,508 |
| Employee stock plan | 16,372 | - | 260 | - | - | 260 |
| ESOP | 131,000 | 1 | 2,277 | - | - | 2,278 |
| Less: GGC net income for qtr. ended 12/31/92 | - | - | - | - | (950) | (950) |
| Balance, September 30, 1993 | 25,182,928 | 126 | 183,795 | - | 67,396 | 251,317 |
| Net income | - | - | - | - | 26,772 | 26,772 |
| Cash dividends and GGC distributions | - | - | - | - | (23,201) | (23,201) |
| Common stock issued | | | | | | |
| Restricted stock & stock options plans | 108,000 | 1 | 2,175 | - | - | 2,176 |
| Direct stock purchase and dividend reinvestment plans | 449,716 | 2 | 7,201 | - | - | 7,203 |
| Employee stock plan | 20,500 | - | 310 | - | - | 310 |
| ESOP | 149,463 | 1 | 2,713 | - | - | 2,714 |
| Other | - | - | 293 | - | - | 293 |
| Balance, September 30, 1994 | 25,910,607 | 130 | 196,487 | - | 70,967 | 267,584 |
| Net income | - | - | - | - | 28,808 | 28,808 |
| Cash dividends | - | - | - | - | (26,197) | (26,197) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 13,000 | - | 202 | - | - | 202 |
| Direct stock purchase plan | 388,484 | 2 | 5,832 | - | - | 5,834 |
| ESOP/401(K) plans | 233,789 | 1 | 4,173 | - | - | 4,174 |
| Woodward Marketing investment | 320,512 | 2 | 4,998 | - | - | 5,000 |
| Public offering | 1,380,000 | 6 | 18,893 | - | - | 18,899 |
| Other | - | - | 45 | - | - | 45 |
| Balance, September 30, 1995 | 28,246,392 | 141 | 230,630 | - | 73,578 | 304,349 |
| Net income | - | - | - | - | 41,151 | 41,151 |
| Cash dividends | - | - | - | - | (28,478) | (28,478) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 41,700 | 1 | 733 | - | - | 734 |
| Direct stock purchase plan | 251,224 | 1 | 4,322 | - | - | 4,323 |
| Long term stock plan for United Cities | 16,900 | - | 241 | - | - | 241 |
| Outside directors stock-for-fee plan | 3,389 | - | 76 | - | - | 76 |
| ESOP | 161,477 | 1 | 3,641 | - | - | 3,642 |
| Monarch Gas Co. Acquisition | 207,366 | 1 | 1,499 | - | 933 | 2,433 |
| Oceana Heights Acquisition | 313,411 | 1 | 304 | - | 594 | 899 |
| Other | - | - | 212 | - | - | 212 |
| Balance, September 30, 1996 | 29,241,859 | 146 | 241,658 | - | 87,778 | 329,582 |
| Net income | - | - | - | - | 23,838 | 23,838 |
| Cash dividends | - | - | - | - | (26,415) | (26,415) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 100,000 | 1 | 2,443 | - | - | 2,444 |
| Direct stock purchase plan | 85,243 | - | 1,888 | - | - | 1,888 |
| Outside directors stock-for-fee plan | 3,008 | - | 72 | - | - | 72 |
| ESOP | 212,327 | 1 | 5,113 | - | - | 5,114 |
| Less: UCGC net income for quarter ended 12/31/96 | - | - | - | - | (9,263) | (9,263) |
| Balance, September 30, 1997 | 29,642,437 | $ 148 | $ 251,174 | $ - | $ 75,938 | $ 327,260 |

Shareholders' equity balances and share data have been restated for the poolings of interests with United Cities in July 1997 and Greeley Gas Co. in December 1993, and a 3-for-2 stock split in May 1994.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Continued)

| | Common Stock | | Additional | Accumulated Other | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Stated Value | Paid-in Capital | Comprehensive Income (loss) | Retained Earnings | Total |
| | | | (In thousands, except share data) | | | |
| Balance, September 30, 1997 | 29,642,437 | $ 148 | $ 251,174 | $ - | $ 75,938 | $ 327,260 |
| Net income | - | - | - | - | 55,265 | 55,265 |
| Cash dividends | - | - | - | - | (31,834) | (31,834) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 114,250 | 1 | 2,898 | - | - | 2,899 |
| Direct stock purchase plan | 531,353 | 3 | 14,482 | - | - | 14,485 |
| ESOP | 52,473 | - | 1,485 | - | - | 1,485 |
| Long-term stock plan for UCG | 55,500 | - | 1,533 | - | - | 1,533 |
| Outside directors stock-for-fee plan | 2,306 | - | 65 | - | - | 65 |
| Balance, September 30, 1998 | 30,398,319 | 152 | 271,637 | - | 99,369 | 371,158 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 17,744 | 17,744 |
| Unrealized holding gains on investments, net | - | - | - | 917 | - | 917 |
| Total comprehensive income | | | | | | 18,661 |
| Cash dividends | - | - | - | - | (33,882) | (33,882) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 56,850 | - | 1,732 | - | - | 1,732 |
| Direct stock purchase plan | 694,905 | 4 | 17,429 | - | - | 17,433 |
| ESOP | 89,435 | - | 2,362 | - | - | 2,362 |
| Long-term stock plan for UCG | 6,450 | - | 150 | - | - | 150 |
| Outside directors stock-for-fee plan | 1,841 | - | 49 | - | - | 49 |
| Balance, September 30, 1999 | 31,247,800 | 156 | 293,359 | 917 | 83,231 | 377,663 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 35,918 | 35,918 |
| Unrealized holding gains on investments, net | - | - | - | 1,348 | - | 1,348 |
| Total comprehensive income | | | | | | 37,266 |
| Cash dividends | - | - | - | - | (35,995) | (35,995) |
| Common stock issued | | | | | | |
| Restricted stock grant plan (cancelled) | (1,300) | - | (18) | - | - | (18) |
| Direct stock purchase plan | 440,990 | 2 | 8,588 | - | - | 8,590 |
| Retirement savings plan | 258,049 | 1 | 4,842 | - | - | 4,843 |
| Long-term stock plan for UCG | 4,200 | - | 66 | - | - | 66 |
| Outside directors stock-for-fee plan | 2,601 | 1 | 50 | - | - | 51 |
| Balance, September 30, 2000 | 31,952,340 | 160 | 306,887 | 2,265 | 83,154 | 392,466 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 56,090 | 56,090 |
| Unrealized holding losses on investments, net | - | - | - | (3,685) | - | (3,685) |
| Total comprehensive income | | | | | | 52,405 |
| Cash dividends | - | - | - | - | (44,112) | (44,112) |
| Common stock issued | | | | | | |
| Direct stock purchase plan | 411,159 | 2 | 8,682 | - | - | 8,684 |
| Retirement savings plan | 225,945 | 1 | 5,098 | - | - | 5,099 |
| Long-term stock plan for UCG | 15,300 | - | 240 | - | - | 240 |
| Long-term incentive plan | 17,172 | - | 272 | - | - | 272 |
| Directors equity incentive compensation plan | 2,740 | - | 60 | - | - | 60 |
| Outside directors stock-for-fee plan | 2,152 | - | 50 | - | - | 50 |
| Woodward Marketing, L.L.C. acquisition | 1,423,193 | 7 | 26,650 | - | - | 26,657 |
| Public offering | 6,741,500 | 34 | 142,009 | - | - | 142,043 |
| Balance, September 30, 2001 | 40,791,501 | 204 | 489,948 | (1,420) | 95,132 | 583,864 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 59,656 | 59,656 |
| Minimum pension liability, net | - | - | - | (39,432) | - | (39,432) |
| Unrealized holding losses on investments, net | - | - | - | (528) | - | (528) |
| Total comprehensive income | | | | | | 19,696 |
| Cash dividends | - | - | - | - | (48,646) | (48,646) |
| Common stock issued | | | | | | |
| Direct stock purchase plan | 505,202 | 2 | 10,546 | - | - | 10,548 |
| Retirement savings plan | 326,335 | 2 | 7,137 | - | - | 7,139 |
| Long-term incentive plan | 50,465 | - | 579 | - | - | 579 |
| Outside directors stock-for-fee plan | 2,429 | - | 55 | - | - | 55 |
| Balance, September 30, 2002 | 41,675,932 | $ 208 | $ 508,265 | $ (41,380) | $ 106,142 | $ 573,235 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 |
| | (In thousands) | | | |
| Cash flows from operating activities | | | | |
| Net income | $59,656 | $56,090 | $35,918 | $17,744 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | |
| Depreciation and amortization | | | | |
| Charged to depreciation and amortization | 81,469 | 67,664 | 63,855 | 56,874 |
| Charged to other accounts | 2,452 | 2,806 | 3,065 | 4,800 |
| Deferred income taxes | 14,509 | 18,501 | 18,251 | 31,874 |
| Other | (3,371) | (979) | - | - |
| Net assets/liabilities from risk management activities | (9,576) | 13,881 | - | - |
| Loss (gain) on sale of non-utility assets | - | - | (5,831) | - |
| | 145,139 | 157,963 | 115,258 | 111,292 |
| Changes in assets and liabilities net of effect of acquisitions | | | | |
| (Increase) decrease in cash held on deposit in margin account | 56,474 | (62,181) | - | - |
| (Increase) decrease in accounts receivable | (12,181) | 65,032 | (11,260) | (29,576) |
| (Increase) decrease in inventories | 2,272 | 374 | 2,037 | 7,010 |
| (Increase) decrease in gas stored underground | (2,228) | (3,376) | (17,518) | 4,256 |
| (Increase) decrease in deferred gas cost | 32,946 | 15,440 | (31,353) | (6,101) |
| (Increase) decrease in other current assets and prepayments | 2,504 | (6,646) | (4,930) | 488 |
| (Increase) decrease in deferred charges and other assets | (33,515) | (12,143) | (13,053) | (12,012) |
| Increase (decrease) in accounts payable | 51,138 | (94,769) | 8,643 | 19,425 |
| Increase (decrease) in taxes payable | 4,006 | 791 | 9,607 | (11,888) |
| Increase (decrease) in customers' deposits | (1,204) | 6,078 | (909) | (2,372) |
| Increase (decrease) in other current liabilities | 31,393 | 9,019 | (4,866) | (4,418) |
| Increase (decrease) in deferred credits and other liabilities | 19,487 | 7,413 | 2,540 | 8,594 |
| Net cash provided by operating activities | 296,231 | 82,995 | 54,196 | 84,698 |
| Cash flows used in investing activities | | | | |
| Capital expenditures | (132,252) | (113,109) | (75,557) | (110,353) |
| Acquisitions | (15,747) | (363,399) | (32,000) | - |
| Retirements of property, plant and equipment, net | (1,725) | (1,460) | 957 | 757 |
| Assets for leasing activities | (8,511) | (5,377) | - | - |
| Increase in cash from acquisition | - | 8,644 | - | - |
| Proceeds from sale of assets, net | - | 6,625 | 6,467 | - |
| Net cash used in investing activities | (158,235) | (468,076) | (100,133) | (109,596) |
| Cash flows from financing activities | | | | |
| Net increase (decrease) in short-term debt | (55,456) | (48,800) | 81,743 | 101,904 |
| Net proceeds from issuance of long-term debt | - | 347,099 | - | - |
| Repayment of long-term debt | (20,651) | (17,670) | (14,567) | (61,000) |
| Cash dividends paid | (48,646) | (44,112) | (35,995) | (33,882) |
| Issuance of common stock | 18,321 | 14,405 | 13,550 | 21,726 |
| Net proceeds from equity offering | - | 142,043 | - | - |
| Net cash provided (used) by financing activities | (106,432) | 392,965 | 44,731 | 28,748 |
| Net increase (decrease) in cash and cash equivalents | 31,564 | 7,884 | (1,206) | 3,850 |
| Cash and cash equivalents at beginning of year | 15,263 | 7,379 | 8,585 | 4,735 |
| Cash and cash equivalents at end of year | $46,827 | $15,263 | $7,379 | $8,585 |

(1) Includes UCGC operations only for the nine months ended September 30, 1997, because UCGC operations for the quarter ended December 31, 1996 are reflected in fiscal year 1996 results.

(2) Includes GGC operations only for the nine months ended September 30, 1993, because GGC operations for the quarter ended December 31, 1992 are reflected in fiscal year 1992 results.

| 1998 | 1997 (1) | 1996 | 1995 | 1994 | 1993 (2) | 1992 |
|---|---|---|---|---|---|---|
| $55,265 | $14,575 | $41,151 | $28,808 | $26,772 | $28,744 | $21,216 |
| 47,555 | 39,970 | 41,666 | 40,597 | 36,712 | 34,560 | 32,639 |
| 5,861 | 2,237 | 3,580 | 3,601 | 1,485 | 2,127 | 4,504 |
| (3,968) | 5,807 | 7,585 | 4,652 | 1,545 | 3,344 | 2,334 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (3,335) | - | (1,866) | 293 | 1,716 | 270 | 680 |
| 101,378 | 62,589 | 92,116 | 77,951 | 68,230 | 69,045 | 61,373 |
| - | - | - | - | - | - | - |
| 36,330 | 32,198 | (12,697) | (9,199) | 597 | 533 | 3,564 |
| (2,886) | 1,562 | (1,238) | (827) | 58 | 1,014 | 276 |
| (787) | (4,772) | (15,949) | 11,707 | 4,478 | (24,817) | 1,521 |
| - | - | - | - | - | - | - |
| 2,387 | (3,208) | 1,966 | (419) | 2,937 | 1,329 | 625 |
| (20,671) | (29,683) | (4,623) | (10,832) | (4,105) | (10,405) | 2,001 |
| (17,884) | (17,695) | 23,796 | 3,415 | (14,458) | 10,377 | (14,128) |
| 8,673 | (837) | 7,099 | 162 | 1,206 | (7,595) | 3,992 |
| (3,069) | (1,714) | 592 | 1,235 | (4,861) | 5,385 | 130 |
| (22,213) | 28,716 | (4,165) | 5,096 | 7,343 | (7,822) | 671 |
| 10,393 | 1,593 | 4,836 | 854 | 7,562 | 16,223 | (3,902) |
| 91,651 | 68,749 | 91,733 | 79,143 | 68,987 | 53,267 | 56,123 |
| (134,989) | (122,312) | (117,589) | (103,904) | (85,471) | (74,110) | (71,056) |
| - | - | - | - | - | - | - |
| 178 | 1,189 | 5,708 | 2,456 | 1,374 | (2,865) | 3,548 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 15,997 | - | - | - | - | - | - |
| (118,814) | (121,123) | (111,881) | (101,448) | (84,097) | (76,975) | (67,508) |
| (100,900) | 38,812 | 62,675 | (38,475) | 45,725 | 24,790 | (19,723) |
| 154,445 | 40,000 | - | 67,000 | - | 150 | 53,750 |
| (16,296) | (14,659) | (20,734) | (10,347) | (17,683) | (9,078) | (27,079) |
| (31,834) | (26,415) | (28,478) | (26,197) | (23,201) | (20,232) | (18,312) |
| 20,467 | 9,518 | 8,523 | 34,109 | 12,696 | 18,821 | 23,498 |
| - | - | - | - | - | - | - |
| 25,882 | 47,256 | 21,986 | 26,090 | 17,537 | 14,451 | 12,134 |
| (1,281) | (5,118) | 1,838 | 3,785 | 2,427 | (9,257) | 749 |
| 6,016 | 11,134 | 9,296 | 5,511 | 3,084 | 12,341 | 11,592 |
| $4,735 | $6,016 | $11,134 | $9,296 | $5,511 | $3,084 | $12,341 |

## PROPERTY, PLANT AND EQUIPMENT

| Year ended | Balance at beginning of period | Additions at cost (1) | Retirements or sales | Other | Balance at end of period |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| September 30, 1992 | $811,855 | $71,056 | $8,698 | $ - | $874,213 |
| September 30, 1993 | $874,213 | $74,110 | $5,500 | $ - | $942,823 |
| September 30, 1994 | $942,823 | $85,471 | $11,234 | $ - | $1,017,060 |
| Utility plant | $933,886 | $108,745 | $13,795 | $ - | $1,028,836 |
| Nonutility Plant | 73,496 | (2,784) | 1,555 | - | 69,157 |
| Construction in progress | 9,678 | (807) | - | - | 8,871 |
| September 30, 1995 | $1,017,060 | $105,154 | $15,350 | $ - | $1,106,864 |
| Utility plant | $1,028,836 | $106,282 | $11,360 | $ - | $1,123,758 |
| Nonutility Plant | 69,157 | 6,630 | 988 | - | 74,799 |
| Construction in progress | 8,871 | 12,346 | - | - | 21,217 |
| September 30, 1996 | $1,106,864 | $125,258 | $12,348 | $ - | $1,219,774 |
| Utility plant | $1,123,758 | $102,231 | $7,618 | $ - | $1,218,371 |
| Nonutility Plant | 74,799 | 9,630 | 1,796 | - | 82,633 |
| Construction in progress | 21,217 | 10,451 | - | - | 31,668 |
| September 30, 1997 | $1,219,774 | $122,312 | $9,414 | $ - | $1,332,672 |
| Utility plant | $1,218,371 | $47,317 | $7,387 | $ - | $1,258,301 |
| Nonutility Plant | 82,633 | 7,452 | 14,830 | - | 75,255 |
| Construction in progress | 31,668 | 80,220 | (976) | - | 112,864 |
| September 30, 1998 | $1,332,672 | $134,989 | $21,241 | $ - | $1,446,420 |
| Utility plant | $1,258,301 | $199,127 | $3,200 | $ - | $1,454,228 |
| Nonutility Plant | 75,255 | 868 | 3,517 | - | 72,606 |
| Construction in progress | 112,864 | (89,642) | 798 | - | 22,424 |
| September 30, 1999 | $1,446,420 | $110,353 | $7,515 | $ - | $1,549,258 |
| Utility plant | $1,454,228 | $95,842 | $37,306 | $ - | $1,512,764 |
| Nonutility Plant | 72,606 | 1,128 | 39,929 | - | 33,805 |
| Construction in progress | 22,424 | 10,587 | (223) | - | 33,234 |
| September 30, 2000 | $1,549,258 | $107,557 | $77,012 | $ - | $1,579,803 |
| Utility plant | $1,512,764 | $563,857 | $67,860 | $ - | $2,008,761 |
| Nonutility Plant | 33,805 | 504 | 1,525 | 14,441 | 47,225 |
| Construction in progress | 33,234 | 20,995 | 348 | - | 53,881 |
| September 30, 2001 | $1,579,803 | $585,356 | $69,733 | $ 14,441 | $2,109,867 |
| Utility plant | $2,008,761 | $166,479 | $134,657 | $ (18,920) | $2,021,663 |
| Nonutility Plant | 47,225 | 15,993 | 373 | 18,920 | 81,765 |
| Construction in progress | 53,881 | (29,482) | - | - | 24,399 |
| September 30, 2002 | $2,109,867 | $152,990 | $135,030 | $ - | $2,127,827 |

(1) Additions at cost include capital expenditures and acquisitions treated as a purchase.

## ACCUMULATED DEPRECIATION AND AMORTIZATION

| Year ended | Balance at beginning of period | Additions charged to costs and expenses | Deductions-retirements, renewals and replacements | Other | Balance at end of period |
|---|---|---|---|---|---|
| | | (In thousands) | | | |
| September 30, 1992 | $289,621 | $37,143 | $5,150 | $ - | $321,614 |
| September 30, 1993 | $321,614 | $36,687 | $8,365 | $ - | $349,936 |
| September 30, 1994 | $349,936 | $38,197 | $9,860 | $ - | $378,273 |
| September 30, 1995 | $378,273 | $44,198 | $12,894 | $ - | $409,577 |
| September 30, 1996 | $409,577 | $45,246 | $6,640 | $ 1,380 | $449,563 |
| September 30, 1997 | $449,563 | $42,207 | $8,225 | $ - | $483,545 |
| September 30, 1998 | $483,545 | $53,416 | $8,401 | $ - | $528,560 |
| September 30, 1999 | $528,560 | $61,674 | $6,758 | $ - | $583,476 |
| September 30, 2000 | $583,476 | $66,920 | $52,939 | $ - | $597,457 |
| September 30, 2001 | $597,457 | $70,470 | $24,560 | $ 131,102 | $774,469 |
| September 30, 2002 | $774,469 | $83,921 | $27,649 | $ (3,234) | $827,507 |

Depreciation is provided at various rates on a straight-line basis over the estimated useful lives of the assets.

## LONG-TERM AND SHORT-TERM DEBT

| | September 30 | | | |
|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 |
| | | (In thousands) | | |
| Long-term Debt | | | | |
| Unsecured 7.95% Senior Notes, payable in annual installments of $1,000,000 from 8/31/1997 thru 2006 | $4,000 | $5,000 | $6,000 | $7,000 |
| Unsecured 9.57% Senior Notes, payable in annual installments of $2,000,000 from 9/30/1997 thru 2006 | 8,000 | 10,000 | 12,000 | 14,000 |
| Unsecured 9.76% Senior Notes, payable in annual installments of $3,000,000 from 12/30/1995 thru 2004 | 9,000 | 12,000 | 15,000 | 18,000 |
| Unsecured 9 3/4% Senior Notes, payable in varying annual installments through 12/30/1996 | - | - | - | - |
| Unsecured 10% Notes, due 12/31/2011 | 2,303 | 2,303 | 2,303 | 2,303 |
| Unsecured 7.375% Senior Notes, due 5/15/2011 | 350,000 | 350,000 | - | - |
| Unsecured 11.2% Senior Notes, due in annual installments of $2,000,000 from 12/30/1993 thru 12/30/2002 | 2,000 | 4,000 | 6,000 | 8,000 |
| First Mortgage Bonds Series I-13 3/4% | - | - | - | - |
| 13% series, due $300,000 annually, commencing in 1989 with a balance of $1,000,000 due in 1995 | - | - | - | - |
| Notes payable to banks refinanced with long-term debt | - | - | - | - |
| Unsecured 8.07% Senior Notes, payable in annual installments of $4,000,000 beginning October 31, 2002 through October 31, 2006 with semiannual interest payments | 20,000 | 20,000 | 20,000 | 20,000 |
| Unsecured 8.26% Senior Notes, payable in annual installments of $1,818,182 beginning October 31, 2004 through October 31, 2014 with semiannual interest payments | 20,000 | 20,000 | 20,000 | 20,000 |
| Unsecured Note, 6.09% due 11/25/1998 | - | - | - | - |
| Unsecured 6.75% Debentures due 7/15/2028 | 150,000 | 150,000 | 150,000 | 150,000 |
| Subtotal long-term debt this page | 565,303 | 573,303 | 231,303 | 239,303 |

| 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|---|
| $8,000 | $9,000 | $10,000 | $10,000 | $10,000 | $10,000 | $10,000 |
| 16,000 | 18,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 21,000 | 24,000 | 27,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| - | - | 1,000 | 3,000 | 5,000 | 8,000 | 11,500 |
| 2,303 | 2,303 | 2,303 | 2,303 | 2,303 | 2,303 | 2,303 |
| - | - | - | - | - | - | - |
| 10,000 | 12,000 | 14,000 | 16,000 | 18,000 | 20,000 | 20,000 |
| - | - | - | - | - | 3,250 | 4,250 |
| - | - | - | - | - | 1,600 | 1,600 |
| - | - | - | - | 40,000 | - | - |
| 20,000 | 20,000 | 20,000 | 20,000 | - | - | - |
| 20,000 | 20,000 | 20,000 | 20,000 | - | - | - |
| 40,000 | 40,000 | - | - | - | - | - |
| 150,000 | - | - | - | - | - | - |
| 287,303 | 145,303 | 114,303 | 121,303 | 125,303 | 95,153 | 99,653 |

## LONG-TERM AND SHORT-TERM DEBT (CONTINUED)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 |
| | (In thousands, except percents) | | | |
| Long-term Debt (continued) | | | | |
| First Mortgage Bonds-- | | | | |
| Series J, 9.4%, due 2021 | $17,000 | $17,000 | $17,000 | $17,000 |
| Series N, 8.69%, due 2000 | - | - | - | 1,000 |
| Series P, 10.43%, due 2017 | 16,250 | 18,750 | 21,250 | 22,500 |
| Series Q, 9.75%, due 2020 | 18,000 | 19,000 | 20,000 | 20,000 |
| Series R, 11.32%, due 2004 | 4,300 | 6,440 | 8,580 | 10,720 |
| Series S, 8.71%, due 1997 | - | - | - | - |
| Series T, 9.32%, due 2021 | 18,000 | 18,000 | 18,000 | 18,000 |
| Series U, 8.77%, due 2022 | 20,000 | 20,000 | 20,000 | 20,000 |
| Series V, 7.50%, due 2007 | 10,000 | 10,000 | 10,000 | 10,000 |
| Other series, 8.45% to 8.75% | - | - | - | - |
| Medium term notes, 6.20% through 6.67%, due 2000 through 2025 | 20,000 | 20,000 | 22,000 | 22,000 |
| Senior secured storage term notes, 7.45%, due in installments through 2007 | - | 5,949 | 6,769 | 7,530 |
| Rental property adjustable rate term notes due in installments through 1997 | - | - | - | - |
| Rental property fixed rate term note 7.9%, due in installments through 2013 | 1,440 | 1,571 | 1,702 | 1,833 |
| Propane term note, 6.99% due in installments through 1998 | - | - | - | - |
| Other long-term obligations due in installments through 2004 | 2,150 | 3,081 | 4,160 | 5,445 |
| Subtotal long-term debt this page | 127,140 | 139,791 | 149,461 | 156,028 |
| Subtotal long-term debt previous page | 565,303 | 573,303 | 231,303 | 239,303 |
| Total face amount Long-term Debt | 692,443 | 713,094 | 380,764 | 395,331 |
| Less amounts classified as current | (21,980) | (20,695) | (17,566) | (17,848) |
| Total Net Long-term Debt | $ 670,463 | $692,399 | $363,198 | $377,483 |
| Short-term Debt | | | | |
| Current maturities of long-term debt | $ 21,980 | $ 20,695 | $ 17,566 | $ 17,848 |
| Short-term debt | 145,791 | 201,247 | 250,047 | 168,304 |
| Total short-term debt | $ 167,771 | $221,942 | $267,613 | $186,152 |
| Weighted Average Cost of Debt (1) | | | | |
| Long-term debt (including current maturities) | 7.8% | 7.8% | 8.1% | 8.2% |
| Short-term debt | 2.9% | 5.8% | 6.4% | 5.7% |
| Total | 6.9% | 7.4% | 7.4% | 7.5% |

(1) The calculation of the weighted average cost of debt does not include data for Greeley Gas Company prior to 1994 or United Cities prior to 1996.

| 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|---|
| $17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 |
| 3,000 | 5,000 | 7,000 | 10,000 | 14,000 | 18,000 | 20,000 |
| 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 12,860 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| - | - | - | 7,000 | 7,000 | 7,000 | 7,000 |
| 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| - | - | - | - | - | 955 | 1,913 |
| 22,000 | 22,000 | 22,000 | 22,000 | - | - | - |
| 8,237 | 8,893 | 9,353 | 9,926 | 10,436 | 10,895 | 11,316 |
| - | 1,329 | 4,497 | 5,691 | 6,839 | 9,043 | 14,444 |
| 1,964 | 2,095 | 2,161 | 2,292 | 4,137 | 4,352 | - |
| 3,750 | 4,250 | 4,500 | 5,000 | - | - | - |
| 7,217 | 4,312 | 4,027 | 2,406 | - | - | 636 |
| 169,028 | 172,879 | 178,538 | 189,315 | 167,412 | 175,245 | 180,309 |
| 287,303 | 145,303 | 114,303 | 121,303 | 125,303 | 95,153 | 99,653 |
| 456,331 | 318,182 | 292,841 | 310,618 | 292,715 | 270,398 | 279,962 |
| (57,783) | (15,201) | (16,679) | (16,155) | (10,068) | (12,702) | (10,075) |
| $398,548 | $302,981 | $276,162 | $294,463 | $282,647 | $257,696 | $269,887 |
| $ 57,783 | $ 15,201 | $ 16,679 | $ 16,155 | $ 10,068 | $ 12,702 | $ 10,075 |
| 66,400 | 167,300 | 128,488 | 65,813 | 64,288 | 58,563 | 33,137 |
| $ 124,183 | $182,501 | $145,167 | $81,968 | $ 74,356 | $ 71,265 | $ 43,212 |
| 8.1% | 9.0% | 9.0% | 9.5% | 9.8% | 10.1% | 10.0% |
| 6.2% | 6.1% | 6.3% | 7.0% | 5.6% | 3.8% | 4.2% |
| 7.9% | 8.0% | 8.2% | 9.0% | 8.9% | 8.5% | 8.9% |

## SINKING FUND REQUIREMENTS

| Year ending September 30 | Long-term Debt Outstanding 9/30/2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|
| | | | (In thousands) | | | |
| 7.95% Sr. Notes | $4,000 | $1,000 | $1,000 | $1,000 | $1,000 | $ - |
| 11.2% Sr. Notes | 2,000 | 2,000 | - | - | - | - |
| 9.76% Sr. Notes | 9,000 | 3,000 | 3,000 | 3,000 | - | - |
| 9.57% Sr. Notes | 8,000 | 2,000 | 2,000 | 2,000 | 2,000 | - |
| 10% Notes | 2,303 | - | - | - | - | - |
| 8.07% Sr. Notes | 20,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| 8.26% Sr. Notes | 20,000 | - | - | 1,818 | 1,818 | 1,818 |
| 6.75% Debentures | 150,000 | - | - | - | - | - |
| 7.375% Sr. Notes | 350,000 | - | - | - | - | - |
| First Mortgage Bonds-- | | | | | | |
| Series J, 9.4%, due 2021 | 17,000 | - | - | - | - | - |
| Series P, 10.43%, due 2017 | 16,250 | 2,500 | 2,500 | 1,250 | 1,250 | 1,250 |
| Series Q, 9.75%, due 2020 | 18,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Series R, 11.32%, due 2004 | 4,300 | 2,140 | 2,160 | - | - | - |
| Series T, 9.32%, due 2021 | 18,000 | - | - | - | 1,125 | 1,125 |
| Series U, 8.77%, due 2022 | 20,000 | - | - | - | - | 1,250 |
| Series V, 7.50%, due 2007 | 10,000 | 3,267 | 2,567 | 1,667 | 1,667 | 832 |
| Medium term notes, 6.20% through 6.67% | 20,000 | - | - | - | - | - |
| Rental property fixed rate term note | 1,440 | 131 | 131 | 131 | 131 | 131 |
| Murfreesboro - Harrel | 98 | 98 | - | - | - | - |
| Baxter, Ky. - Harlan LP | 313 | 125 | 125 | 63 | - | - |
| Other Propane Notes | 1,739 | 719 | 283 | 267 | 268 | 101 |
| | $692,443 | $21,980 | $18,766 | $16,196 | $14,259 | $11,507 |

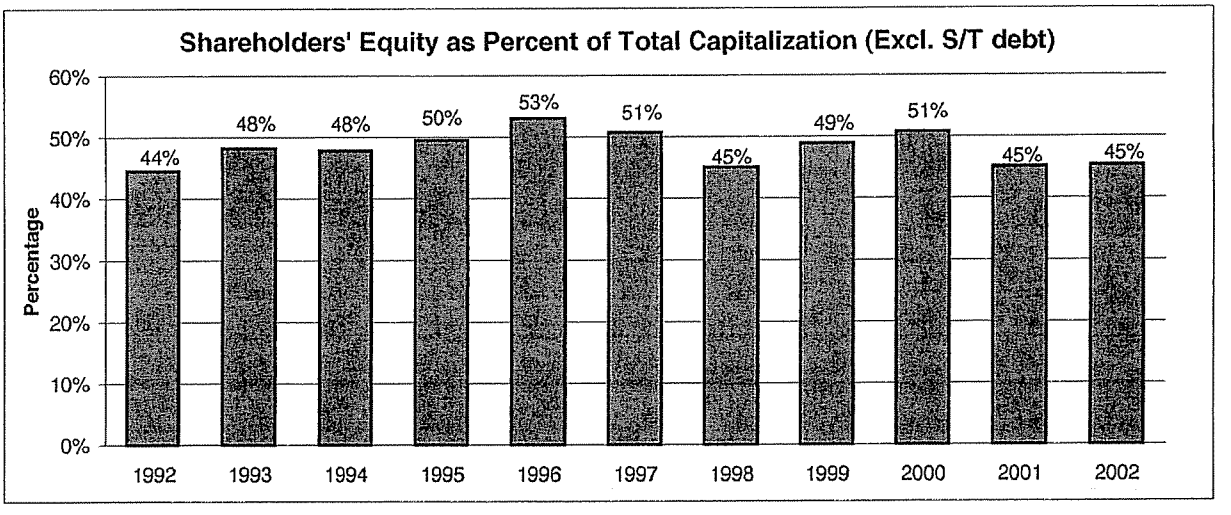
## SINKING FUND REQUIREMENTS (continued)

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 - 2028 |
|---|---|---|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | 2,303 | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 1,818 | 1,818 | 1,818 | 1,818 | 1,818 | 1,818 | 1,818 | 1,820 | - |
| - | - | - | - | - | - | - | - | 150,000 |
| - | - | - | 350,000 | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 17,000 |
| 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | - | - | - |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 5,000 |
| - | - | - | - | - | - | - | - | - |
| 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 6,750 |
| 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 8,750 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | 10,000 | - | - | - | - | 10,000 |
| 131 | 131 | 131 | 131 | 131 | 130 | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 101 | - | - | - | - | - | - | - | - |
| $6,675 | $6,574 | $6,574 | $366,574 | $8,877 | $6,573 | $5,193 | $5,195 | $197,500 |

## CAPITALIZATION AND RATIOS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 |
| Capitalization | (In thousands, except percents) | | | |
| Shareholders' equity | | | | |
| Common stock | $ 208 | $ 204 | $ 160 | $ 156 |
| Additional paid-in capital | 508,265 | 489,948 | 306,887 | 293,359 |
| Retained earnings | 106,142 | 95,132 | 83,154 | 83,231 |
| Accum. other comprehensive income (loss) | (41,380) | (1,420) | 2,265 | 917 |
| Shareholders' equity | 573,235 | 583,864 | 392,466 | 377,663 |
| Long-term debt (including current maturities) | 692,443 | 713,094 | 380,764 | 395,331 |
| Total capitalization (excluding short-term debt) | 1,265,678 | 1,296,958 | 773,230 | 772,994 |
| Short-term debt | 145,791 | 201,247 | 250,047 | 168,304 |
| Total capitalization (including short-term debt) | $1,411,469 | $1,498,205 | $1,023,277 | $941,298 |
| Capitalization Ratios | | | | |
| Shareholders' equity | 45.3% | 45.0% | 50.8% | 48.9% |
| Long-term debt (including current maturities) | 54.7% | 55.0% | 49.2% | 51.1% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| Including Short-term debt | | | | |
| Shareholders' equity | 40.6% | 39.0% | 38.4% | 40.1% |
| Long-term debt (including current maturities) | 49.1% | 47.6% | 37.2% | 42.0% |
| Short-term debt | 10.3% | 13.4% | 24.4% | 17.9% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

| 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|---|
| $ 152 | $ 148 | $ 146 | $ 141 | $ 130 | $ 126 | $ 121 |
| 271,637 | 251,174 | 241,658 | 230,630 | 196,487 | 183,795 | 164,979 |
| 99,369 | 75,938 | 87,778 | 73,578 | 70,967 | 67,396 | 58,884 |
| - | - | - | - | - | - | - |
| 371,158 | 327,260 | 329,582 | 304,349 | 267,584 | 251,317 | 223,984 |
| 456,331 | 318,182 | 292,841 | 310,618 | 292,715 | 270,398 | 279,962 |
| 827,489 | 645,442 | 622,423 | 614,967 | 560,299 | 521,715 | 503,946 |
| 66,400 | 167,300 | 128,488 | 65,813 | 64,288 | 58,563 | 33,137 |
| $893,889 | $812,742 | $750,911 | $ 680,780 | $624,587 | $580,278 | $537,083 |
| 44.9% | 50.7% | 53.0% | 49.5% | 47.8% | 48.2% | 44.4% |
| 55.1% | 49.3% | 47.0% | 50.5% | 52.2% | 51.8% | 55.6% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 41.5% | 40.3% | 43.9% | 44.7% | 42.8% | 43.3% | 41.7% |
| 51.1% | 39.1% | 39.0% | 45.6% | 46.9% | 46.6% | 52.1% |
| 7.4% | 20.6% | 17.1% | 9.7% | 10.3% | 10.1% | 6.2% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

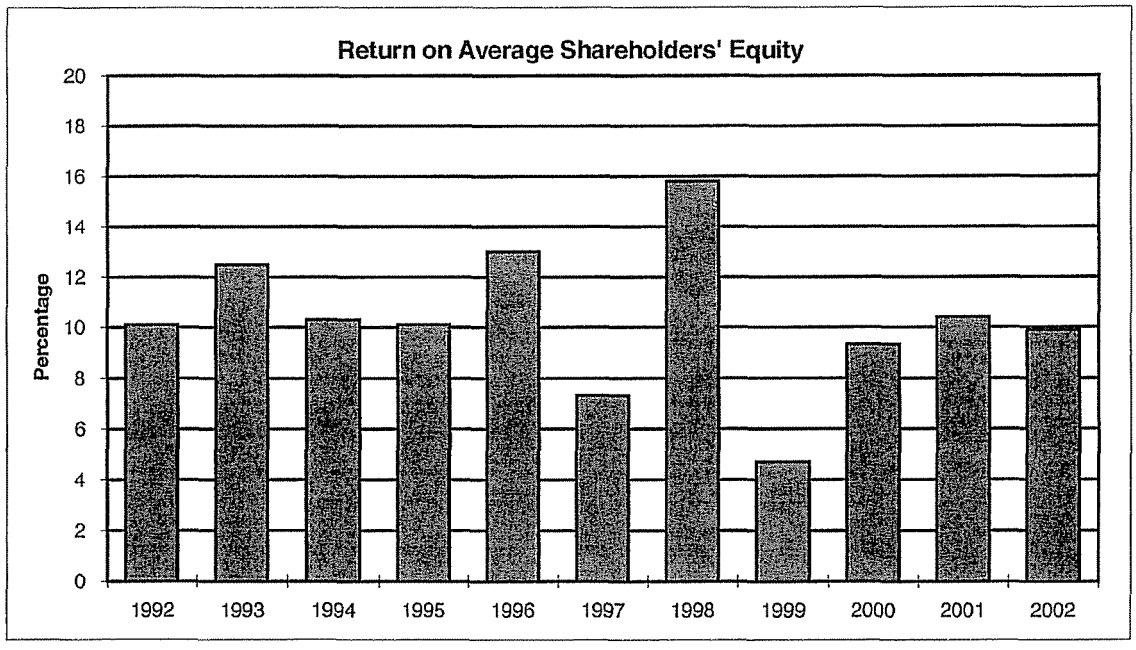


## FINANCIAL AND OPERATING STATISTICS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 |
| Property Statistics | | | | |
| Gross plant per meter | $ 1,532 | $ 1,522 | $ 1,441 | $ 1,493 |
| Net plant per meter | 936 | 963 | 896 | 930 |
| Expense Statistics | | | | |
| O & M expense per meter | | | | |
| Operation | $ 96 | $ 124 | $ 128 | $ 137 |
| Maintenance | 5 | 6 | 7 | 9 |
| Total | $ 101 | $ 130 (1) | $ 135 | $ 146 |
| Financial Statistics | | | | |
| Return on average shareholders' equity | 9.9 % | 10.4 % | 9.3 % | 4.7 % |
| Times interest earned before income taxes | 2.55 | 2.83 | 2.28 | 1.56 |
| Market price at year end | $ 21.50 | $ 21.60 | $ 20.63 | $ 24.13 |
| Book value per share at end of year | $ 13.75 | $ 14.31 | $ 12.28 | $ 12.09 |
| Price/Earnings ratio at end of year | 14.83 | 14.69 | 18.09 | 41.59 |
| Market/Book ratio at end of year | 1.56 | 1.51 | 1.68 | 2.00 |
| Annualized dividend yield at end of year | 5.5 % | 5.4 % | 5.5 % | 4.6 % |
| Payout ratio | 81.4 % | 78.9 % | 100.0 % | 189.7 % |
| Operating Statistics | | | | |
| Customers per employee | 594 | 587 | 582 | 523 |
| Number of employees | 2,338 | 2,361 | 1,885 | 2,062 |
| Miles of pipe | 39,157 | 38,938 | 30,029 | 30,670 |

(1) Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

| 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|---|
| $ 1,440 | $ 1,352 | $ 1,249 | $ 1,166 | $ 1,078 | $ 1,026 | $ 966 |
| 914 | 862 | 789 | 735 | 677 | 645 | 611 |
| $ 126 | $ 171 | $ 148 | $ 151 | $ 156 | $ 155 | $ 149 |
| 10 | 12 | 12 | 12 | 13 | 14 | 14 |
| $ 136 | $ 183 | $ 160 | $ 163 | $ 169 | $ 169 | $ 163 |
| 15.8 % | 7.3 % | 13.0 % | 10.1 % | 10.3 % | 12.5 % | 10.1 % |
| 3.09 | 2.04 | 3.00 | 2.44 | 2.45 | 2.47 | 2.07 |
| $ 28.56 | $ 24.88 | $ 23.38 | $ 19.38 | $ 17.75 | $ 20.25 | $ 14.88 |
| $ 12.21 | $ 11.04 | $ 11.27 | $ 10.77 | $ 10.33 | $ 9.98 | $ 9.29 |
| 15.52 | 30.71 | 16.46 | 18.28 | 16.90 | 16.74 | 16.35 |
| 2.34 | 2.25 | 2.07 | 1.80 | 1.72 | 2.03 | 1.60 |
| 3.7 % | 4.1 % | 4.2 % | 5.0 % | 5.1 % | 4.1 % | 5.3 % |
| 57.6 % | 125.0 % | 69.2 % | 90.8 % | 86.3 % | 68.2 % | 86.3 % |
| 475 | 379 | 350 | 330 | 309 | 296 | 292 |
| 2,193 | 2,679 | 2,863 | 2,944 | 3,052 | 3,105 | 3,102 |
| 30,108 | 30,902 | 30,163 | 29,474 | 28,991 | 28,390 | 28,001 |



## CUSTOMERS AND VOLUMES

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 |
| Meters in service (end of year) | | | | |
| Residential | 1,247,247 | 1,243,625 | 970,873 | 919,012 |
| Commercial | 122,156 | 122,274 | 104,019 | 98,268 |
| Industrial (including agricultural) | 12,694 | 13,020 | 14,259 | 14,329 |
| Public authority and other | 7,244 | 7,404 | 7,448 | 6,386 |
| Total meters | 1,389,341 | 1,386,323 | 1,096,599 | 1,037,995 |
| Propane customers (2) | - | - | - | 39,539 |
| Total | 1,389,341 | 1,386,323 | 1,096,599 | 1,077,534 |
| Meters (% of total) | | | | |
| Residential | 89.8 % | 89.7 % | 88.5 % | 85.3 % |
| Commercial | 8.8 | 8.8 | 9.5 | 9.1 |
| Public authority and other | 0.5 | 0.6 | 0.7 | 0.6 |
| Weather sensitive customers | 99.1 | 99.1 | 98.7 | 95.0 |
| Industrial (including agricultural) | 0.9 | 0.9 | 1.3 | 1.3 |
| Propane (2) | 0.0 | 0.0 | 0.0 | 3.7 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Average Meters in Service | 1,390,687 | 1,381,365 | 1,061,066 | 1,020,971 |
| Heating degree days (Excl. UCG prior to 1993) (3) | 3,368 | 4,124 | 2,096 | 3,374 |
| Degree days as a % of normal | 94 % | 115 % | 82 % | 85 % |
| Sales volumes for gas (MMcf) (1) | | | | |
| Residential | 77,386 | 79,000 | 63,285 | 67,128 |
| Commercial | 35,796 | 36,922 | 30,707 | 31,457 |
| Public authority and other | 5,875 | 6,892 | 5,520 | 5,793 |
| Weather sensitive customers | 119,057 | 122,814 | 99,512 | 104,378 |
| Industrial (including agricultural) | 26,431 | 33,730 | 38,687 | 35,741 |
| Total sales volumes | 145,488 | 156,544 | 138,199 | 140,119 |
| Transportation volumes (MMcf) (1) | 63,053 | 61,230 | 59,365 | 55,468 |
| Total volumes delivered (MMcf)(1) | 208,541 | 217,774 | 197,564 | 195,587 |
| Propane Gallons (000's) (2) | - | - | 19,329 | 22,291 |
| Sales Volumes (% of total) | | | | |
| Residential | 53.2 % | 50.5 % | 45.8 % | 47.9 % |
| Commercial | 24.6 | 23.6 | 22.2 | 22.5 |
| Public authority and other | 4.0 | 4.4 | 4.0 | 4.1 |
| Weather sensitive customers | 81.8 | 78.5 | 72.0 | 74.5 |
| Industrial (including agricultural) | 18.2 | 21.5 | 28.0 | 25.5 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

(1) Volumes are reported as metered in million cubic feet ("MMcf").
(2) The propane business was exchanged for an indirect interest of 6.0% in Heritage Propane Partners in August 2000.
(3) Heating degree days for 2002 and 2001 are adjusted for service areas with weather-normalized operations. Heating degree days for years prior to 2001 are not adjusted for service areas with weather-normalized operations, as that information was not available.

| 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|---|
| 889,074 | 870,747 | 860,229 | 834,376 | 825,310 | 789,360 | 777,752 |
| 94,302 | 92,703 | 91,960 | 90,093 | 93,250 | 86,124 | 86,686 |
| 16,322 | 17,217 | 19,403 | 19,762 | 20,219 | 9,564 | 9,959 |
| 4,834 | 4,781 | 4,716 | 4,982 | 4,949 | 3,267 | 1,745 |
| 1,004,532 | 985,448 | 976,308 | 949,213 | 943,728 | 888,315 | 876,142 |
| 37,400 | 29,097 | 26,108 | 23,359 | 21,693 | 20,498 | 21,120 |
| 1,041,932 | 1,014,545 | 1,002,416 | 972,572 | 965,421 | 908,813 | 897,262 |
| | | | | | | |
| 85.3 % | 85.8 % | 85.8 % | 85.8 % | 85.5 % | 86.7 % | 86.6 % |
| 9.0 | 9.1 | 9.2 | 9.3 | 9.7 | 9.5 | 9.7 |
| 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | 0.2 |
| 94.8 | 95.4 | 95.5 | 95.6 | 95.7 | 96.6 | 96.5 |
| 1.6 | 1.7 | 1.9 | 2.0 | 2.1 | 1.1 | 1.1 |
| 3.6 | 2.9 | 2.6 | 2.4 | 2.2 | 2.3 | 2.4 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| | | | | | | |
| 1,004,369 | 984,835 | 974,767 | 947,358 | 940,574 | 917,614 | 905,872 |
| | | | | | | |
| 3,799 | 3,909 | 4,043 | 3,706 | 3,855 | 4,080 | 3,676 |
| 95 % | 98 % | 101 % | 93 % | 97 % | 102 % | 92 % |
| | | | | | | |
| 73,472 | 75,215 | 77,001 | 69,666 | 72,561 | 74,818 | 68,704 |
| 36,083 | 37,382 | 38,247 | 34,921 | 35,250 | 36,307 | 33,999 |
| 4,937 | 5,195 | 5,182 | 4,779 | 5,242 | 4,403 | 3,333 |
| 114,492 | 117,792 | 120,430 | 109,366 | 113,053 | 115,528 | 106,036 |
| 44,881 | 46,416 | 57,863 | 57,290 | 57,638 | 50,537 | 45,280 |
| 159,373 | 164,208 | 178,293 | 166,656 | 170,691 | 166,065 | 151,316 |
| 56,224 | 48,800 | 44,146 | 47,647 | 47,882 | 51,665 | 43,320 |
| 215,597 | 213,008 | 222,439 | 214,303 | 218,573 | 217,730 | 194,636 |
| | | | | | | |
| 23,412 | 25,204 | 33,637 | 28,854 | 23,175 | 20,180 | 19,063 |
| | | | | | | |
| 46.1 % | 45.7 % | 43.1 % | 41.8 % | 42.4 % | 45.0 % | 45.4 % |
| 22.6 | 22.8 | 21.5 | 20.9 | 20.7 | 21.9 | 22.5 |
| 3.1 | 3.2 | 2.9 | 2.9 | 3.1 | 2.7 | 2.2 |
| 71.8 | 71.7 | 67.5 | 65.6 | 66.2 | 69.6 | 70.1 |
| 28.2 | 28.3 | 32.5 | 34.4 | 33.8 | 30.4 | 29.9 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

## UTILITY OPERATIONS SALES AND STATISTICAL DATA - 2002

The following table provides key statistical characteristics about the Company's divisions for utility operations and excludes non-regulated irrigation volumes.

| | Year ended September 30, 2002 | | | | | |
|---|---|---|---|---|---|---|
| | Colorado-Kansas | Kentucky | Louisiana | Mid-States | Texas | Total Utility |
| **Meters in service** - at end of year | | | | | | |
| Residential | 196,320 | 158,296 | 346,369 | 273,166 | 273,096 | 1,247,247 |
| Commercial | 18,602 | 18,017 | 22,709 | 35,925 | 26,903 | 122,156 |
| Industrial | 464 | 409 | - | 729 | 11,092 | 12,694 |
| Public authority and other | 1,594 | 1,657 | 934 | 810 | 2,249 | 7,244 |
| Total | 216,980 | 178,379 | 370,012 | 310,630 | 313,340 | 1,389,341 |
| **Heating Degree Days (system average) (1)** | | | | | | |
| Actual | 5,373 | 4,346 | 1,543 | 3,644 | 3,259 | 3,368 |
| Normal | 5,675 | 4,340 | 1,720 | 3,881 | 3,538 | 3,576 |
| Percent of normal | 95% | 100% | 90% | 94% | 92% | 94% |
| **Sales Volumes - MMcf (2)** | | | | | | |
| Residential | 15,660 | 10,802 | 15,117 | 16,245 | 19,562 | 77,386 |
| Commercial | 5,948 | 4,611 | 6,442 | 11,599 | 7,196 | 35,796 |
| Industrial | 1,839 | 1,931 | - | 8,658 | 13,059 | 25,487 |
| Public authority and other | 1,190 | 1,314 | 847 | 287 | 2,237 | 5,875 |
| Total | 24,637 | 18,658 | 22,406 | 36,789 | 42,054 | 144,544 |
| **Transportation Volumes - MMcf (2)** | 8,917 | 25,063 | 8,029 | 20,355 | 7,225 | 69,589 |
| **Total Volumes Delivered - MMcf (2)** | 33,554 | 43,721 | 30,435 | 57,144 | 49,279 | 214,133 |
| **Other Statistics** | | | | | | |
| Operating revenues (000's) | $154,718 | $138,772 | $188,092 | $257,305 | $198,639 | $937,526 |
| Miles of pipe | 6,454 | 3,794 | 7,951 | 7,637 | 13,321 | 39,157 |
| Employees | 271 | 245 | 457 | 461 | 332 | 1,766 (3) |

(1) A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. See Glossary for further information. Heating degree day information is adjusted for service areas with weather normalized operations.

(2) Volumes are reported as metered in million cubic feet (MMcf).

(3) Does not include 489 shared employees in the shared services office and customer support centers and 83 employees in non-utility operations.

## UTILITY OPERATIONS SALES AND STATISTICAL DATA - 2001

The following table provides key statistical characteristics about the Company's divisions for utility operations and excludes non-regulated irrigation volumes.

| | Year ended September 30, 2001 | | | | | |
|---|---|---|---|---|---|---|
| | Colorado-Kansas | Kentucky | Louisiana | Mid-States | Texas | Total Utility |
| **Meters in service** - at end of year | | | | | | |
| Residential | 192,056 | 161,616 | 344,870 | 271,233 | 273,850 | 1,243,625 |
| Commercial | 18,376 | 18,602 | 22,650 | 35,518 | 27,128 | 122,274 |
| Industrial | 414 | 397 | - | 711 | 11,498 | 13,020 |
| Public authority and other | 1,638 | 1,660 | 916 | 932 | 2,258 | 7,404 |
| Total | 212,484 | 182,275 | 368,436 | 308,394 | 314,734 | 1,386,323 |
| **Heating Degree Days (system average) (1)** | | | | | | |
| Actual | 6,041 | 4,233 | 2,076 | 3,755 | 3,782 | 4,124 |
| Normal | 5,696 | 4,340 | 1,771 | 3,881 | 3,531 | 3,620 |
| Percent of normal | 106% | 98% | 117% | 97% | 107% | 115% |
| **Sales Volumes - MMcf (2)** | | | | | | |
| Residential | 18,027 | 12,833 | 5,257 | 19,978 | 22,905 | 79,000 |
| Commercial | 6,845 | 5,669 | 2,448 | 13,968 | 7,992 | 36,922 |
| Industrial | 1,224 | 3,018 | - | 10,473 | 8,395 | 23,110 |
| Public authority and other | 1,497 | 1,519 | 919 | 339 | 2,618 | 6,892 |
| Total | 27,593 | 23,039 | 8,624 | 44,758 | 41,910 | 145,924 |
| **Transportation Volumes - MMcf (2)** | 10,204 | 23,491 | 3,954 | 20,166 | 11,676 | 69,491 |
| **Total Volumes Delivered - MMcf (2)** | 37,797 | 46,530 | 12,578 | 64,924 | 53,586 | 215,415 |
| **Other Statistics** | | | | | | |
| Operating revenues (000's) | $270,678 | $237,047 | $96,511 | $464,498 | $311,414 | $1,380,148 |
| Miles of pipe | 6,344 | 3,779 | 7,934 | 7,536 | 13,345 | 38,938 |
| Employees | 272 | 247 | 488 | 470 | 342 | 1,819 (3) |

(1) A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. See Glossary for further information. Heating degree day information is adjusted for service areas with weather normalized operations.

(2) Volumes are reported as metered in million cubic feet (MMcf).

(3) Does not include 480 shared employees in the shared services office and customer support centers and 62 employees in non-utility operations.

## GAS SALES AND TRANSPORTATION REVENUES

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 |
| Operating Revenues (000's) | | | | |
| Residential | $535,981 | $788,902 | $405,552 | $349,691 |
| Commercial | 221,728 | 342,945 | 176,712 | 144,836 |
| Industrial (including agricultural) | 112,172 | 208,168 | 171,447 | 117,382 |
| Public authority and other | 31,731 | 58,539 | 27,198 | 22,330 |
| Total gas sales revenues | 901,612 | 1,398,554 | 780,909 | 634,239 |
| Transportation revenues | 36,591 | 28,668 | 23,610 | 23,101 |
| Other gas revenues | 11,258 | 10,925 | 4,674 | 4,500 |
| Total gas revenues | 949,461 | 1,438,147 | 809,193 | 661,840 |
| Propane revenues (1) | - | - | 22,550 | 22,944 |
| Other revenues | 1,388 | 4,128 | 18,409 | 5,412 |
| Total operating revenues | $950,849 | $1,442,275 | $850,152 | $690,196 |
| Gas Sales Revenue Percent | | | | |
| Residential | 59.4 % | 56.4 % | 51.9 % | 55.1 % |
| Commercial | 24.6 | 24.5 | 22.6 | 22.8 |
| Industrial (including agricultural) | 12.5 | 14.9 | 22.0 | 18.6 |
| Public authority and other | 3.5 | 4.2 | 3.5 | 3.5 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Average Gas Revenues per Mcf | | | | |
| Residential | $6.93 | $9.99 | $6.41 | $5.21 |
| Commercial | $6.19 | $9.29 | $5.75 | $4.60 |
| Industrial (including agricultural) | $4.24 | $6.17 | $4.43 | $3.28 |
| Public authority and other | $5.40 | $8.49 | $4.93 | $3.85 |
| Total | $6.20 | $8.93 | $5.65 | $4.53 |
| Average Transportation Revenue per Mcf | $0.58 | $0.47 | $0.40 | $0.42 |
| Average Cost of Gas per Mcf Sold | $3.81 | $6.83 | $3.79 | $2.79 |

(1) Propane revenues represent only 10 months of operations for 2000 as it was combined with Heritage Propane Partners effective August 10, 2000.

| 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|---|
| $410,538 | $452,864 | $409,039 | $337,768 | $375,450 | $372,770 | $331,012 |
| 184,046 | 193,302 | 186,032 | 150,949 | 165,883 | 165,611 | 151,758 |
| 161,382 | 168,386 | 187,693 | 171,591 | 188,791 | 160,410 | 139,630 |
| 20,504 | 23,898 | 21,738 | 18,185 | 22,463 | 18,315 | 13,232 |
| 776,470 | 838,450 | 804,502 | 678,493 | 752,587 | 717,106 | 635,632 |
| 23,971 | 19,885 | 18,872 | 19,913 | 21,325 | 21,937 | 21,500 |
| 8,121 | 6,385 | 13,751 | 9,374 | 6,879 | 8,014 | 5,032 |
| 808,562 | 864,720 | 837,125 | 707,780 | 780,791 | 747,057 | 662,164 |
| 29,091 | 33,194 | 38,372 | 24,651 | 18,510 | 16,506 | 15,194 |
| 10,555 | 8,921 | 11,194 | 17,224 | 27,001 | 31,330 | 31,610 |
| $848,208 | $906,835 | $886,691 | $749,655 | $826,302 | $794,893 | $708,968 |
| | | | | | | |
| 52.9 % | 54.0 % | 50.8 % | 49.8 % | 49.9 % | 52.0 % | 52.1 % |
| 23.7 | 23.1 | 23.1 | 22.2 | 22.0 | 23.1 | 23.9 |
| 20.8 | 20.0 | 23.4 | 25.3 | 25.1 | 22.3 | 21.9 |
| 2.6 | 2.9 | 2.7 | 2.7 | 3.0 | 2.6 | 2.1 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| | | | | | | |
| $5.59 | $6.02 | $5.31 | $4.85 | $5.17 | $4.98 | $4.82 |
| $5.10 | $5.17 | $4.86 | $4.32 | $4.71 | $4.56 | $4.46 |
| $3.60 | $3.63 | $3.24 | $3.00 | $3.28 | $3.17 | $3.08 |
| $4.15 | $4.60 | $4.19 | $3.81 | $4.29 | $4.16 | $3.97 |
| $4.87 | $5.11 | $4.51 | $4.07 | $4.41 | $4.32 | $4.20 |
| | | | | | | |
| $0.43 | $0.41 | $0.43 | $0.42 | $0.45 | $0.42 | $0.50 |
| | | | | | | |
| $3.24 | $3.51 | $3.15 | $2.70 | $3.10 | $3.04 | $2.94 |

## THE REVENUE DOLLAR

| | Weighted average 1992 - 2002 | Year ended September 30 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| Operating revenue | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ |
| Purchased gas cost | 63.44 | 58.71 | 74.02 | 61.69 | 56.56 |
| Gross profit | 36.56 | 41.29 | 25.98 | 38.31 | 43.44 |
| Gas trading margin | 0.40 | 4.05 | 0.03 | - | - |
| Operation and maintenance | 17.73 | 16.63 | 9.68 | 17.40 | 22.78 |
| Taxes (including other taxes) | 5.84 | 7.51 | 4.92 | 5.76 | 5.94 |
| Interest, net of other income (expense) | 3.61 | 6.36 | 2.83 | 3.42 | 3.90 |
| Subtotal | 9.78 | 14.84 | 8.58 | 11.73 | 10.82 |
| Depreciation and amortization | 5.68 | 8.57 | 4.69 | 7.51 | 8.24 |
| Net income | 4.10 | 6.27 | 3.89 | 4.22 | 2.58 |
| Dividends | 3.49 | 5.12 | 3.06 | 4.23 | 4.91 |
| Retained in business | 0.61 ¢ | 1.15 ¢ | 0.83 ¢ | (0.01) ¢ | (2.33) ¢ |

**Internally Generated Cash Flow Reinvested in Business Compared to Dividends Paid:**

| | | | | | |
|---|---|---|---|---|---|
| Depreciation and amortization | 5.68 ¢ | 8.57 ¢ | 4.69 ¢ | 7.51 ¢ | 8.24 ¢ |
| Retained in business | 0.61 | 1.15 | 0.83 | (0.01) | (2.33) |
| Reinvested in business | 6.29 | 9.72 | 5.52 | 7.50 | 5.91 |
| Dividends | 3.49 | 5.12 | 3.06 | 4.23 | 4.91 |
| Reinvested in business in excess of dividends | 2.80 ¢ | 4.60 ¢ | 2.46 ¢ | 3.27 ¢ | 1.00 ¢ |

| 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|---|
| 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ |
| 60.88 | 63.65 | 63.41 | 59.96 | 64.05 | 63.59 | 62.75 |
| 39.12 | 36.35 | 36.59 | 40.04 | 35.95 | 36.41 | 37.25 |
| - | - | - | - | - | - | - |
| 16.70 | 20.47 | 18.04 | 21.08 | 19.78 | 19.33 | 20.66 |
| 7.26 | 5.12 | 6.04 | 6.16 | 5.18 | 5.46 | 5.24 |
| 3.04 | 3.14 | 3.17 | 3.55 | 3.30 | 3.54 | 3.76 |
| 12.12 | 7.62 | 9.34 | 9.25 | 7.69 | 8.08 | 7.59 |
| 5.61 | 4.99 | 4.70 | 5.42 | 4.44 | 4.35 | 4.60 |
| 6.51 | 2.63 | 4.64 | 3.83 | 3.25 | 3.73 | 2.99 |
| 3.75 | 2.91 | 3.21 | 3.50 | 2.81 | 2.55 | 2.58 |
| 2.76 ¢ | (0.28) ¢ | 1.43 ¢ | 0.33 ¢ | 0.44 ¢ | 1.18 ¢ | 0.41 ¢ |

| | | | | | | |
|---|---|---|---|---|---|---|
| 5.61 ¢ | 4.99 ¢ | 4.70 ¢ | 5.42 ¢ | 4.44 ¢ | 4.35 ¢ | 4.60 ¢ |
| 2.76 | (0.28) | 1.43 | 0.33 | 0.44 | 1.18 | 0.41 |
| 8.37 | 4.71 | 6.13 | 5.75 | 4.88 | 5.53 | 5.01 |
| 3.75 | 2.91 | 3.21 | 3.50 | 2.81 | 2.55 | 2.58 |
| 4.62 ¢ | 1.80 ¢ | 2.92 ¢ | 2.25 ¢ | 2.07 ¢ | 2.98 ¢ | 2.43 ¢ |

## REGULATION AND RATES

### Regulation

In the Company's Texas distribution system, the governing body of each municipality served by the Company has original jurisdiction over all utility rates, operations and services within its city limits except with respect to sales of natural gas for vehicle fuel and agricultural use. The Company operates pursuant to non-exclusive franchises granted by the municipalities it serves, which are subject to renewal from time to time. The Railroad Commission of Texas has exclusive appellate jurisdiction over all rate and regulatory orders and ordinances of the municipalities and exclusive original jurisdiction over rates and services to customers not located within the limits of a municipality. Rates may be negotiated with industrial customers and are subject to review by the respective original jurisdiction regulatory authority. Agricultural sales in Texas are not regulated except that prices for agricultural sales cannot exceed the prices the Company charges the majority of its commercial or other similar large-volume users.

The Company's operations in Louisiana are under the jurisdiction of the Louisiana Public Service Commission which regulates utility services, rates and other matters. However, direct sales of natural gas to industrial customers in Louisiana who utilize the gas for fuel or in manufacturing processes are exempt from regulation.

The Company's operations in Kentucky, Colorado, Kansas, Georgia, Tennessee, Virginia, Illinois, Iowa and Missouri are under the jurisdiction of their respective state regulatory commissions which regulate utility services, rates, issuance of securities and other matters.

The Company is subject to regulation by the United States Department of Transportation with respect to safety requirements in the operation and maintenance of its gas distribution facilities. The Company's distribution operations are also subject to various state and federal laws regulating pipeline safety and environmental matters.

### Rates

Approximately 98% of the Company's revenues in fiscal 2002 were derived from sales at rates set by or subject to approval by local or state authorities. The method of determining regulated rates varies among the eleven states in which the Company has utility operations. As a general rule, the regulatory authority reviews the Company's rate request and establishes a rate structure intended to generate revenue sufficient to cover the Company's costs of doing business and provide a reasonable return on invested capital.

Substantially all of the sales rates charged by the Company to its customers fluctuate with the cost of gas purchased by the Company. Rates established by regulatory authorities are adjusted for increases and decreases in the Company's purchased gas cost through automatic purchased gas adjustment mechanisms. Therefore, while the Company's operating revenues may fluctuate, gross profit (which is defined as operating revenues less purchased gas cost) is generally not eroded or enhanced because of gas cost increases or decreases.

The Georgia Public Service Commission, the Tennessee Regulatory Authority and the Kentucky Public Service Commission have approved Weather Normalization Adjustments ("WNAs") that allow the Company to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal. The net effect of the WNAs was a increase in revenues of $6.0 million in 2002 compared to a decrease in revenues of $3.3 million for 2001 and an increase in revenues of $4.1 million in 2000. We also received approval to change our rate structure in our West Texas System of the Texas Division beginning in December 2000 to help offset some of the negative effects of weather.

## REGULATION AND RATES (Continued)

The following table sets forth the major rate requests (excluding industrial and agricultural) made by the Company during the most recent 10 fiscal years through September 30, 2002 (in thousands):

| Jurisdiction | | Effective Date | Amount Requested | Amount Received (Reduced) |
|---|---|---|---|---|
| **Colorado** | | 5/01/94 | 4,527 | 3,246 |
| | | 1/21/98 | - | (1,600) (6) |
| | | 5/04/01 | 4,200 | 2,750 |
| **Georgia** | | 12/02/96 | 5,003 | 3,160 |
| **Illinois** | | 7/09/97 | 1,234 | 428 |
| | | 10/23/00 | 2,100 | 1,367 |
| **Iowa** | | 5/17/96 | 750 | 410 |
| | | 3/05/01 | - (5) | (326) (5) |
| **Kansas** | | 12/01/93 | 2,604 | 2,088 |
| | | 9/01/95 | 4,230 | 2,700 (10) |
| **Kentucky** | | 11/01/95 | 7,665 | 2,300 (4) |
| | | 3/01/96 | | 1,000 (4) |
| | | 12/21/99 | 14,127 | 9,900 (8) |
| **Louisiana:** | Trans La System | 3/01/93 | | 730 (3) |
| | | 3/01/94 | | 1,058 (3) |
| | | 3/01/95 | | 1,071 (3) |
| | | 11/01/02 | - | 364 (2) |
| | LGS System | 11/01/02 | - | 11,890 (11) |
| **Missouri** | | 10/14/95 | 1,100 | 903 |
| **Tennessee** | | 11/15/95 | 3,951 | 2,227 |
| **Texas:** | West Texas System | 11/18/94 | 2,581 | 1,702 (1) |
| | | 11/01/96 | 7,676 | 5,800 (1) |
| | | 12/01/00 | 9,827 | 3,011 (7) |
| | Amarillo | 11/25/92 | 4,398 | 2,130 |
| | | 1/01/00 | 4,354 | 2,200 |
| **Virginia** | | 9/29/95 | 810 | 103 |
| | | 10/1/98 | - | (248) (9) |
| | | 4/01/01 | 2,100 | (534) |

Notes

(1) The increases included $200,000 and $500,000 applicable to areas outside the city limits which became effective in January 1995 and April 1997, respectively.

(2) The Louisiana Public Service Commission approved, in October 1999, a rate stabilization clause for three years for our former Trans La Division. The rate stabilization clause will allow the Trans La system to earn a return on equity within certain ranges that will be monitored on an annual basis. In 2002, we submitted our 2001 rate stabilization filing and received tariff revisions which resulted in an increase in annual revenues of $0.5 million during the first 24-month period. Subsequent to the first 24-month period, adjusted rates will provide an increase in annual revenues of $0.4 million.

(3) The September 1992 rate order approved a Rate Stabilization Clause ("RSC") for three years which provided for an annual adjustment of rates to reflect changes in expenses and investment. The RSC provided the Company the opportunity to earn a return on common equity between 11.75% and 12.25%.

(4) The Kentucky rate order provided an increase of $2,300,000, lowered depreciation rates effective November 1, 1995 and provided an additional $1,000,000 beginning March 1, 1996. The order also included a provision for a pilot demand side management program which could cost up to $450,000 annually.

(5) Rate reduction as a result of an agreement initiated by the Iowa Consumer Advocate Division of the Department of Justice.

(6) Rate reduction as a result of settlement in a case initiated by the Colorado Consumer Council.

(7) In addition to the revenue increase, the Railroad Commission approved a new rate design to mitigate the effect of warmer than normal weather.

(8) The Kentucky rate order also included a provision for a five-year pilot program for weather normalization beginning in November 2000.

(9) Rate reduction as a result of a settlement with the Virginia State Corporation Commission staff.

(10) This increase is applicable to the service area transferred from the United Cities Division to the Greeley Division in 1999.

(11) On January 29, 2001, the Louisiana Public Service Commission approved a rate stabilization clause for our LGS system for a three-year period beginning January 1, 2001. Under the rate stabilization clause, our LGS system will be allowed to earn a return on equity within certain ranges that will be monitored on an annual basis. In 2002, we submitted our 2001 rate stabilization filing and received tariff revisions which resulted in an increase in annual revenues of $15.3 million during the first 24-month period. Subsequent to the first 24-month period, adjusted rates will provide an increase in annual revenues of $11.9 million.

## REGULATION AND RATES (Continued)

**Regulatory Commissions**

**Railroad Commission of Texas**

Three Commissioners who are elected by statewide general election for staggered six-year terms.

- Michael L. Williams, Chairman - Term expires 2002; appointed to serve the unexpired term of Carole Keeton Rylander, former attorney.
- Charles R. Matthews, - Won re-election to a second term; Businessman, former Mayor of Garland, TX.
- Tony Garza - Term expires 2004; former partner in Austin Office of Bracewell & Patterson, L.L.P.

**Kentucky Public Service Commission**

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- Martin J. Huelsmann, Chairman - Term expires 2004; former Special Deputy Liquidator for Delta Re
- Robert E. Spurlin - Term expires 2005; Former Director of the Coal Workers' Oneumoconiosis Fund.
- Gary W. Gillis - Term expires 2005; CPA, former Secretary of the Revenue Cabinet, Exec Dir., Ky. Workers Comp. Funding Com.

**Louisiana Public Service Commission**

Five Commissioners elected from single-member districts for staggered six-year terms.

- Jack A. "Jay" Blossman, Chairman, District 1 - Term expires 2003; former attorney.
- Jimmy Field, District 2 - Term expires 2007; former attorney in private practice.
- Irma Muse Dixon, District 3 - Term expires 2005; public administrator/social worker; former State Representative - New Orleans.
- C. Dale Sittig, District 4 - Term expires 2005; former State Representative.
- Don Owen, District 5 - Term expires 2003; former television news director.

**Kansas Corporation Commission**

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- John Wine, Chairperson - Term expires March 2004; attorney, former Securities Commissioner of Kansas, former attorney for Secretary of State.
- Cynthia L. Claus - Term expires March 2003; former attorney and Municipal Judge.
- Brian J. Moline - Term expires March 2006; former General Counsel to the KCC.

**Colorado Public Utilities Commission**

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- Raymond L. Gifford, Chairman - Term expires January 2003; former First Assistant Attorney General for the State of Colorado
- Jim Dryer, Commissioner - Term expires January 2005; served last 14 years in the Colorado legislature, 12 years as a state representative and the last two as senator.
- Polly Page - Commissioner, term expires January 2004; former Arapahoe County Commissioner (1995-2000) and former Aurora City Council Member (1987-1995).

**Missouri Public Service Commission**

Five Commissioners who are appointed by the Governor for staggered four-year terms.

- Kelvin L. Simmons, Chairman - Term expires April 2005; former member of the Kansas City Council.
- Sheila Lumpe - Term expires April 15, 2003; former Chairman of the House budget committee of the Missouri House of Representatives.
- Steve Gaw - Term expires January 4, 2007; former Speaker of the Missouri House
- Connie Murray, - Term expires April 15, 2003; former state representative.

**Regulatory Commissions (Continued)**

**Illinois Commerce Commission**

Five Commissioners who are appointed by the Governor and confirmed by the Senate for five year terms.

- Richard L. Mathias, Chairman - Term expires 2002; Private Law practice, former Dir. of the Ill. Dept. of Insurance.
- Ruth K. Kretschmer - Term expires 2003; Member of Commission since 1983, Real Estate broker.
- Terry S. Harvill - Term expires 2003; Former Sr. Policy Advisor of the ICC.
- Mary Frances Squires - Chairman, IL Commerce Commission Water Policy Committee.
- Edward C. Hurley - Term expires 2004; former General Counsel of Custom Coffee Service Corp.

**Georgia Public Service Commission**

Five Commissioners elected state wide by general public for seven year terms.

- David L. Burgess, Chairman - Term expires 2006; the first former PSC staff member to hold a Commission seat.
- Lauren McDonald, Jr., Vice Chairman - Term expires 2003; Former state Representative and chairman of the House Appropriations Committee.
- Stan Wise, Vice-Chairman - Term expires 2006; Former Cobb County Commissioner and member of Board of Zoning Appeals; former President of the S.E. Assoc. of Regulatory Utility Commissioners.
- Bobby Baker, Jr. - Term expires 2004; Former Attorney with the Southeastern Legal Foundation.
- Earleen W. Sizemore - Term expires 2002; first woman to serve on the five-person panel

**Virginia State Corporation Commission**

Three Commissioners elected by the General Assembly for staggered six year terms.

- Theodore V. Morrison, Jr., Chairman - Term expires 2007; Former Attorney and member of the Va. Code Commission.
- Hullihen Williams Moore - Term expires 2004; Former Attorney in private practice.
- Clinton Miller - Term expires 2002; Former Attorney and member of the Va. House of Delegates.

**Iowa Utilities Board**

Three Commissioners who are appointed by the Governor with Senate approval and minority party representation.

- Diane Munns, Chairperson - Term expires 2003; former General Counsel for the Iowa Utilities Board
- Mark Lambert - Term expires 2005; former executive director of the Iowa Environmental Council.

**Tennessee Regulatory Authority**

Three Directors who are appointed for 6 years by the Governor, Speaker of House, and Lieutenant Governor.

- Sara Kyle, Chairman - Term expires 2002; Former City Judge in Memphis, Tn.
- Deborah Taylor Tate - Term expires 2008; recently served as Director of the State and Local Policy Center at Vanderbilt University.
- Pat Miller - Term expires 2008; served as Chief of Staff to the Lt. Governor and Speaker of the Senate from 1997 to 2002.

## GAS SUPPLY

The Company receives gas deliveries through 35 pipeline transportation companies, both interstate and intrastate, to satisfy its sales market requirements. The pipeline transportation agreements are firm and many of them have pipeline no-notice storage service which provides for daily balancing between system requirements and nominated flowing supplies. These agreements have been negotiated with the shortest term necessary while still maintaining our right of first refusal.

The Kentucky Division's gas supply is delivered primarily by the following pipelines: Williams Pipeline-Texas Gas, Tennessee Gas, Trunkline, Midwestern Pipeline and ANR. During 2002, the Kentucky Division sought and was granted approval by the Kentucky Public Service Commission for a four year extension of its performance-based rate program which commenced in July 1998. Under the performance-based program, the Company and its customers jointly share in any actual gas cost savings achieved when compared to pre-determined benchmarks. The Company also has similar gas cost performance-based rate mechanisms in Georgia and Tennessee.

The Mid-States Division is served by 13 interstate pipelines. The majority of the volumes are transported through East Tennessee Pipeline, Southern Natural Gas, Tennessee Gas Pipeline and Columbia Gulf.

Colorado Interstate Gas Company, Southern Star Central Gas Pipeline, Inc. (formerly Williams Pipeline-Central), Public Service Company of Colorado and Northwest Pipeline are the principal transporters of the Colorado-Kansas Division's requirements. Additionally, the Colorado-Kansas Division purchases substantial volumes from producers that are connected directly to its distribution system.

Louisiana Intrastate Gas Company, Acadian Pipeline, Gulf South and Williams Pipeline-Texas Gas pipelines deliver most of the Louisiana Division's requirements.

The Texas Division receives sales and transportation service from ONEOK Pipeline. Also, the Texas Division purchases a significant portion of its supply from Pioneer Natural Resources which is connected directly to the Company's Amarillo, Texas distribution system.

Our Texas Division receives transportation service from ONEOK Pipeline and commodity from third parties. In Amarillo, Texas, the Company purchases a significant portion of its supply from Pioneer Natural Resources which is connected directly to our Amarillo, Texas distribution system.

The Company also owns or holds an interest in and operates numerous natural gas storage facilities in Kentucky, Kansas and Louisiana which are used to help meet customer requirements during peak demand periods and to reduce the need to contract for additional pipeline capacity to meet such peak demand periods. Additionally, the Company operates one propane plant and a liquified natural gas plant for peak shaving purposes. The Company also contracts for storage service in underground storage facilities on many of the interstate pipelines serving them.

During fiscal 2002, the Company purchased the majority of its gas from the following suppliers:

1) Reliant Energy
2) Pioneer Natural Resources
3) Duke Energy
4) Woodward Marketing
5) ONEOK Gas Marketing
6) BP Energy
7) Anadarko
8) Tenaska Marketing

## UNDERGROUND STORAGE FACILITIES

The Company owns or operates four underground gas storage facilities in Kansas and seven in Kentucky. The Company owns a 25 percent interest in a gas storage facility in Napoleonville, Louisiana. The Company's 25 percent usable capacity is 364,782 Mcf. The Company also has a contract with Bridgeline Gas Distribution LLC for 250,000 Mcf of usable storage capacity in a storage field in Sorrento, Louisiana. The Company's storage facilities have a total storage capacity of approximately 26.1 Bcf. However, approximately 12.3 Bcf of the gas in storage must be retained as cushion gas. The maximum daily delivery capability of the storage facilities is approximately 266 MMcf.

| Underground Storage | Storage Capacity (MCF) | Wells | Maximum daily Delivery (MCF) |
|---|---|---|---|
| Kansas storage fields | | | |
| Buffalo | | | |
| Fredonia | 7,037,000 | 99 | 35,000 |
| North Liberty | | | |
| South Liberty | | | |
| Kentucky storage fields | | | |
| Barnsley | 3,300,000 | 7 | |
| Bon Harbor | 2,078,600 | 9 | |
| East Diamond | 4,200,000 | 17 | |
| Grandview | 655,400 | 11 | 150,000 |
| Hickory | 1,301,600 | 18 | |
| Kirkwood Springs | 621,900 | 11 | |
| St. Charles | 6,006,338 | 15 | |
| Louisiana | | | |
| Napoleonville | 697,699 | - | 56,000 |
| Sorrento | 250,000 | - | 25,000 |
| | 26,148,537 | 187 | 266,000 |

The Company also utilizes pipeline storage from most of its interstate pipeline suppliers in the form of No Notice Service and has purchased pipeline inventory pursuant to implementation of FERC Order 636.

## DESCRIPTION OF COMMON STOCK

The authorized capital stock of the Company consists of 100,000,000 shares of common stock, no par value. Each share of common stock is entitled to one vote on all matters voted upon by shareholders. Holders of the common stock do not have cumulative voting rights. The shares of common stock issued and outstanding are fully paid and nonassessable. There are no redemption or sinking fund provisions applicable to the shares of common stock, and such shares are not entitled to any preemptive rights. Holders of shares of common stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors from the assets of the Company legally available therefore and, upon any liquidation of the Company, a pro rata share of all assets of the Company available for distribution to shareholders.

Under the provisions of its loan agreements, the Company has agreed to restrictions on the payment of cash dividends under certain circumstances. At September 30, 2002, under the most restrictive of such covenants, approximately $67.7 million of retained earnings was unrestricted.

On November 12, 1997, the Board of Directors approved a new Rights Agreement to become effective upon the expiration of the then existing Rights Agreement on May 10, 1998 which was subsequently amended on August 11, 1999. Under the Rights Agreement, each right ("Right") will entitle the holder thereof, until May 10, 2008 or the date of redemption the Rights, to buy 1/10 of one share of Common Stock of the Company at the exercise price of $8.00, subject to adjustment. At no time will the Rights have any voting rights. The exercise price payable and the number of shares of Common Stock or other securities or property issuable upon exercise of the Rights are subject to adjustment from time to time to prevent dilution. At the date upon which the rights become separate from the Company's Common Stock (the "Distribution Date"), the Company will issue one right with each share of Common Stock that becomes outstanding so that all shares of Common Stock will have attached Rights. After the Distribution Date, the Company may issue Rights when it issues Common Stock if the Board deems such issuance to be necessary or appropriate.

The Rights will separate from the Common Stock and a Distribution Date will occur upon the occurrence of certain events specified in the Agreement, including but not limited to, the acquisition by certain persons of at least 15 percent of the beneficial ownership of the Company's Common Stock. The Rights have certain anti-takeover effects and may cause substantial dilution to a person or entity that attempts to acquire the Company on terms not approved by the Board of Directors except pursuant to an offer conditioned upon a substantial number of Rights being acquired. The Rights should not interfere with any merger or other business combination approved by the Board of Directors because, prior to the time the Rights become exercisable or transferable, the Rights may be redeemed by the Company at $.01 per Right.

The Company's common stock is traded on the NYSE under the trading symbol ATO. Prior to October 1988, it was traded over-the-counter and was quoted on NASDAQ/NMS under the symbol EGAS. Trading in the over-the-counter market began December 28, 1983 and ended in October 1988 when the stock was listed on the NYSE.

The Company also has a Direct Stock Purchase Plan ("DSPP"). Participants in the DSPP may have all or part of their dividends reinvested at a 3 percent discount from market prices. DSPP participants may purchase additional shares of Company common stock as often as weekly with voluntary cash payments of at least $25, up to an annual maximum of $100,000.

The following table sets forth, for the periods indicated, the high and low closing prices as reported on the NYSE Composite Tape since the Company listed with the NYSE, dividends paid, record holders at fiscal year end, net income (loss) per share and average shares outstanding. Share and dividend data have been adjusted where appropriate to reflect a three-for-two split in May 1994. High and low share prices reflect actual Atmos closing stock quotes as adjusted for stock splits. Other amounts below have been restated under pooling of interests accounting for the mergers with Greeley Gas Company in December 1993 and United Cities in July 1997.

## COMMON STOCK DATA

| Quarter ended: | High | Low |
|---|---|---|
| Fiscal 1992 | | |
| Dec. 31, 1991 | $ 15.25 | $ 12.75 |
| Mar. 31, 1992 | 15.25 | 13.13 |
| Jun. 30, 1992 | 14.63 | 12.63 |
| Sep. 30, 1992 | 15.25 | 13.00 |
| Fiscal 1993 | | |
| Dec. 31, 1992 | $ 15.88 | $ 13.50 |
| Mar. 31, 1993 | 17.75 | 15.13 |
| Jun. 30, 1993 | 19.75 | 16.25 |
| Sep. 30, 1993 | 20.63 | 18.63 |
| Fiscal 1994 | | |
| Dec. 31, 1993 | $ 21.13 | $ 16.75 |
| Mar. 31, 1994 | 20.00 | 17.75 |
| Jun. 30, 1994 | 20.25 | 18.00 |
| Sep. 30, 1994 | 19.00 | 16.38 |
| Fiscal 1995 | | |
| Dec. 31, 1994 | $ 18.00 | $ 15.88 |
| Mar. 31, 1995 | 18.50 | 16.13 |
| Jun. 30, 1995 | 20.25 | 17.50 |
| Sep. 30, 1995 | 20.63 | 19.00 |
| Fiscal 1996 | | |
| Dec. 31, 1995 | $ 23.00 | $ 18.00 |
| Mar. 31, 1996 | 23.00 | 21.00 |
| Jun. 30, 1996 | 31.00 | 22.75 |
| Sep. 30, 1996 | 30.63 | 20.88 |

| Quarter ended: | High | Low |
|---|---|---|
| Fiscal 1997 | | |
| Dec. 31, 1996 | $ 24.75 | $ 22.63 |
| Mar. 31, 1997 | 26.25 | 22.13 |
| Jun. 30, 1997 | 25.50 | 22.50 |
| Sep. 30, 1997 | 27.88 | 24.50 |
| Fiscal 1998 | | |
| Dec. 31, 1997 | $ 30.44 | $ 24.63 |
| Mar. 31, 1998 | 30.31 | 26.31 |
| Jun. 30, 1998 | 31.06 | 28.81 |
| Sep. 30, 1998 | 30.88 | 25.75 |
| Fiscal 1999 | | |
| Dec. 31, 1998 | $ 32.25 | $ 28.38 |
| Mar. 31, 1999 | 32.69 | 23.06 |
| Jun. 30, 1999 | 26.31 | 24.00 |
| Sep. 30, 1999 | 26.38 | 23.88 |
| Fiscal 2000 | | |
| Dec. 31, 1999 | $ 25.00 | $ 20.00 |
| Mar. 31, 2000 | 20.19 | 15.56 |
| Jun. 30, 2000 | 20.56 | 14.75 |
| Sep. 30, 2000 | 23.25 | 18.50 |
| Fiscal 2001 | | |
| Dec. 31, 2000 | $ 26.25 | $ 19.31 |
| Mar. 31, 2001 | 25.25 | 21.50 |
| Jun. 30, 2001 | 24.46 | 21.45 |
| Sep. 30, 2001 | 23.64 | 19.79 |
| Fiscal 2002 | | |
| Dec. 31, 2001 | $ 22.10 | $ 19.46 |
| Mar. 31, 2002 | 24.20 | 20.26 |
| Jun. 30, 2002 | 24.46 | 21.25 |
| Sep. 30, 2002 | 22.75 | 18.37 |

| | Cash dividends | Record holders at year end | Net income per share | Avg. shares outstanding (000's) |
|---|---|---|---|---|
| Fiscal 1992 | $0.79 | 12,989 | $0.91 | 23,324 |
| Fiscal 1993 | $0.82 | 24,649 | $1.21 | 24,535 |
| Fiscal 1994 | $0.91 | 27,005 | $1.05 | 25,604 |
| Fiscal 1995 | $0.96 | 31,782 | $1.06 | 27,208 |
| Fiscal 1996 | $0.98 | 36,472 | $1.42 | 28,994 |

| | Cash dividends | Record holders at year end | Net income per share | Avg. shares outstanding (000's) |
|---|---|---|---|---|
| Fiscal 1997 | $1.01 | 29,867 | $0.81 | 29,422 |
| Fiscal 1998 | $1.06 | 36,949 | $1.84 | 30,031 |
| Fiscal 1999 | $1.10 | 35,179 | $0.58 | 30,819 |
| Fiscal 2000 | $1.14 | 32,394 | $1.14 | 31,594 |
| Fiscal 2001 | $1.16 | 30,524 | $1.47 | 38,247 |
| Fiscal 2002 | $1.18 | 28,829 | $1.45 | 41,250 |

## SHARED SERVICES

The following table sets forth certain information regarding the shared services officers of the Company as of September 30, 2002.

| Name | Age | Years of Service | Office Currently Held |
|---|---|---|---|
| Robert W. Best | 55 | 5 | Chairman, President and Chief Executive Officer |
| John P. Reddy | 49 | 4 | Senior Vice President and Chief Financial Officer |
| R. Earl Fischer | 63 | 40 | Senior Vice President, Utility Operations |
| JD Woodward III | 52 | 1 | Senior Vice President, Non-Utility Operations |
| Louis P. Gregory | 47 | 2 | Senior Vice President and General Counsel |
| Wynn D. McGregor | 49 | 14 | Vice President, Human Resources |
| Les Duncan | 54 | 1 | Vice President, Chief Information Officer |
| Susan C. Kappes | 48 | - | Vice President, Investor Relations and Corporate Communications |
| Gordon J. Roy | 53 | 32 | Vice President, Security and Compliance |
| Robert E. Mattingly | 54 | 31 | Vice President, Gas Supply |
| Fred E. Meisenheimer | 58 | 2 | Vice President and Controller |
| Laurie M. Sherwood | 41 | 4 | Vice President, Corporate Development and Treasurer |
| Shirley A. Hines | 57 | 16 | Corporate Secretary |

**Robert W. Best** was named Chairman of the Board, President and Chief Executive Officer in March 1997. He previously served as Senior Vice President - Regulated Businesses of Consolidated Natural Gas Company (1996 - March 1997) and was responsible for its transmission and distribution companies. Prior to that, he served as Senior Vice President of Transco Energy Company and President of Transcontinental Gas Pipe Line Corporation (1992-1995); and President of Texas Gas Transmission Corporation (1985-1995).

**John P. Reddy** was named Senior Vice President and Chief Financial Officer in September 2000. From April 2000 to September 2000, he was Senior Vice President, Chief Financial Officer and Treasurer. Mr. Reddy previously served the Company as Vice President, Corporate Development and Treasurer from December 1998 to March 2000. He joined the Company in August 1998 from Pacific Enterprises, a Los Angeles, California based utility holding company whose principal subsidiary was Southern California Gas Co. where he was Vice President of Planning and Advisory Services responsible for corporate development and merger and acquisition activities. Mr. Reddy was with Pacific Enterprises from 1980 to 1998 in various management and financial positions.

**R. Earl Fischer** was named Senior Vice President, Utility Operations in May 2000. He previously served the Company as President of the Energas Division from January 1999 to April 2000 and as President of the Western Kentucky Division from February 1989 to December 1998.

**JD Woodward** was named Senior Vice President, Non-Utility Operations in April 2001. Prior to joining the Company, Mr. Woodward was President of Woodward Marketing, L.L.C. from January 1995 to March 2001.

**Louis P. Gregory** joined the Company as Senior Vice President and General Counsel in September 2000. Prior to joining the Company, he practiced law from April 1999 to August 2000 with the law firm of McManemin & Smith. Prior to that, he served as a consultant and independent contractor from August 1996 to December 1998 for Nomas Corp. (formerly known as Lomas Mortgage USA, Inc.) and Siena Holdings, Inc. (formerly known as Lomas Financial Corporation). He served in various legal positions with Lomas Financial Corporation, a diversified financial services company, and its affiliates, from August 1988 to June 1996, ultimately as Senior Vice President and General Counsel.

## SHARED SERVICES (Continued)

**Wynn D. McGregor** was named Vice President, Human Resources in January 1994. He previously served the Company as Director of Human Resources from February 1991 to December 1993 and as Manager, Compensation and Employment from December 1987 to January 1991.

**Les Duncan** was named Vice President, Chief Information Officer in July, 2001. Previously, he had been Senior Vice President and CIO for Jo-Ann Stores, Inc., Vice President and CIO for The Limited and Director of Information Services for British Petroleum Company PLC.

**Susan C. Kappes** was named Vice President, Investor Relations and Corporate Communications in June 2002. She joined Atmos in January 2002 as Director of Accounting Services. Before coming to Atmos Energy, she was responsible for financial reporting at Pioneer Natural Resources Company from September 2000 to January 2002. She also had worked as team leader for business reporting at Nokia, Inc. from August 1999 to September 2000 and as a senior professional accountant for Oryx Energy from January 1989 to August 1999.

**Gordon J. Roy** was named Vice President, Security and Compliance in June 2002. He previously served as Vice President, Gas Supply from May 1995 to June 2002, as Vice President, Gas Supply and Large Volume Services from May 1993 to May 1995, as Vice President, Operations from February 1989 to May 1993, as President of the Western Kentucky Division from August 1988 to February 1989, as Senior Division Vice President of the Western Kentucky Division from January 1988 to August 1988 and as Division Vice President from November 1987 to January 1988. Prior to November 1987, he was a District Manager in the Trans La Division and Trans La Gas for approximately three years.

**Robert E. Mattingly** was named Vice President, Gas Supply in June 2002. He previously served as Vice President, New Business Ventures and Retail Services February 1998 to June 2002 and as Vice President, Business Development from 1995 to February 1998. He began his career with Atmos in 1971 with Western Kentucky Gas Company and has held various positions in gas control, gas supply, and marketing.

**Fred E. Meisenheimer** was named Vice President and Controller in July 2000. He joined Atmos from Vartec Telecom, Inc., a privately-held telecom services provider, where he was controller and responsible for all accounting and treasury operations. Previously, he served as assistant controller and general auditor for Oryx Energy Company from 1988 to 1999 and as assistant controller for Sun Exploration and Production Company from 1979 to 1988. He also served as audit manager at Deloitte & Touche LLP from 1970 to 1979.

**Laurie M. Sherwood** was promoted to Vice President and Treasurer in September 2000. She joined Atmos as Assistant Treasurer in May 1999 from Oryx Energy Company, where she was manager of corporate finance and trust investments. She joined Oryx's predecessor, Sun Exploration and Production Company, in 1982 and served in various financial and management positions.

**Shirley A. Hines** was named Corporate Secretary in March 2000. She previously served as Assistant Corporate Secretary from May 1995 to March 2000 and as Legal Assistant from July 1986 until May 1995.

## OPERATING DIVISION OFFICERS

### Texas Division

Tom S. Hawkins, Jr.
President

Kelvin J. Betzen
Vice President,
Operations - Northern Region

Bronson Blodgett
Vice President, Finance

David E. Gates
Vice President, Technical
Services

D. K. Howey
Vice President, Human Resources

Junior Aston
Vice President, Marketing

Bill Guy
Vice President Rates &
Regulatory Affairs

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### Colorado-Kansas Division

Gary L. Schlessman
President

David L. Anglin
Vice President,
Colorado Region Operations

Alan J. Foster
Vice President,
Kansas Region Operations

Wanda Lilly
Vice President, Finance

Gary R. Durossette
Vice President, Marketing

Joann B. Mikolajczak
Vice President, Human Resources

Gary W. Gregory
Vice President, Technical
Services

Joe T. Christian
Vice President Rates &
Regulatory Affairs

**Location**
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**Phone no. (303) 831–5661**
**Fax no. (303) 837–9549**

### Louisiana Division

Conrad E. Gruber
President

Ricky A. Burke
Vice President,
Metropolitan Region

Mike D. Mancil
Vice President, Northern Region

Arthur J. Courville
Vice President, Southern Region

Frank J. Marino
Vice President, Marketing

Thomas G. Meyers
Vice President, Technical Services

Mellisa A. Bowers
Vice President, Finance

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Christine A. Tabor
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Regulatory Affairs

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**Baton Rouge, LA 70801**

**Phone no. (225) 376-4600**
**Fax no. (225) 346-1962**

### Kentucky Division

John A. Paris
President

Gary L. Smith
Vice President, Marketing

William H. Greer
Vice President, Eastern Region

Ric L. Kissinger
Vice President, Western Region

Betty L. Adams
Vice President, Finance

Steve H. Loyal
Vice President, Human Resources

David H. Doggette
Vice President, Technical Services

William J. Senter, Jr.
Vice President Rates &
Regulatory Affairs

**Location**
**2401 New Hartford Road**
**Owensboro, KY 42303**

**Mailing address**
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**Owensboro, KY 42302**

**Phone no. (888) 954-4321**
**Fax no. (270) 685–8052**

### Mid-States Division

Tom R. Blose
President

Bob Elam
Vice President,
Operations - Eastern Region

Roger D. Nash
Vice President,
Operations - Central Region

Dan L. Lindsey
Vice President,
Technical Services

Wendy A. Sadler
Vice President, Human Resources

Mike Ellis
Vice President, Marketing

Patricia D. Childers
Vice President Rates &
Regulatory Affairs

Brandon W. Mulkey
Vice President, Finance

**Location**
**810 Crescent Centre Dr., Ste. 600**
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**Franklin, TN 37067-6226**

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### Non-Utility

JD Woodward
Sr. Vice President,
Non-Utility Operations

Ron W. McDowell
Vice President,
New Business Ventures

**Location**
**600 Three Lincoln Centre**
**5430 LBJ Freeway**
**Dallas, TX 75240**

**Mailing address**
**600 Three Lincoln Centre**
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## CORPORATE OFFICE

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5430 LBJ Freeway
1800 Three Lincoln Centre
Dallas, Texas 75240

**Phone number**
(972) 934–9227

**Mailing address**
P.O. Box 650205
Dallas, TX 75265–0205

**Fax numbers**

| | |
|---|---|
| Corporate office | (972) 855–3075 |
| Investor Relations | (972) 855–3040 |

## CORPORATE INFORMATION

**Common Stock Listing**
New York Stock Exchange

**Trading Symbol**
ATO

**Transfer Agent and Registrar**
Fleet National Bank
c/o EquiServe
Providence, RI

**Rights Agent**
Fleet National Bank
c/o EquiServe
Providence, RI

**Trustee for 9.4% Series J GGC First Mortgage Bonds**
U.S. Bank Trust National Association
Chicago, Illinois

**Auditors**
Ernst & Young LLP
2121 San Jacinto, Suite 1500
Dallas, Texas 75201

**Trustee for United Cities Bonds and Term Notes**
U.S. Bank Trust National Association
Chicago, Illinois

**Interactive Voice Response System**
1–800–543–3038
Have your Atmos Energy shareholder account number and Social Security or taxpayer ID number ready.

**Administrator for Direct Stock Purchase Plan**
Fleet National Bank
c/o EquiServe
Providence, RI

**Fax on Demand**
(614) 844–3860

**Trustee For Company's Retirement Plans**
Deutsche Bank
New York, New York

**Trustee for Retirement Savings Plan and Trust for Employees of Atmos Energy Corporation**
Retirement Savings Plan Trust Committee; Dallas, Texas

## ATMOS ENERGY CORPORATION CONTACTS

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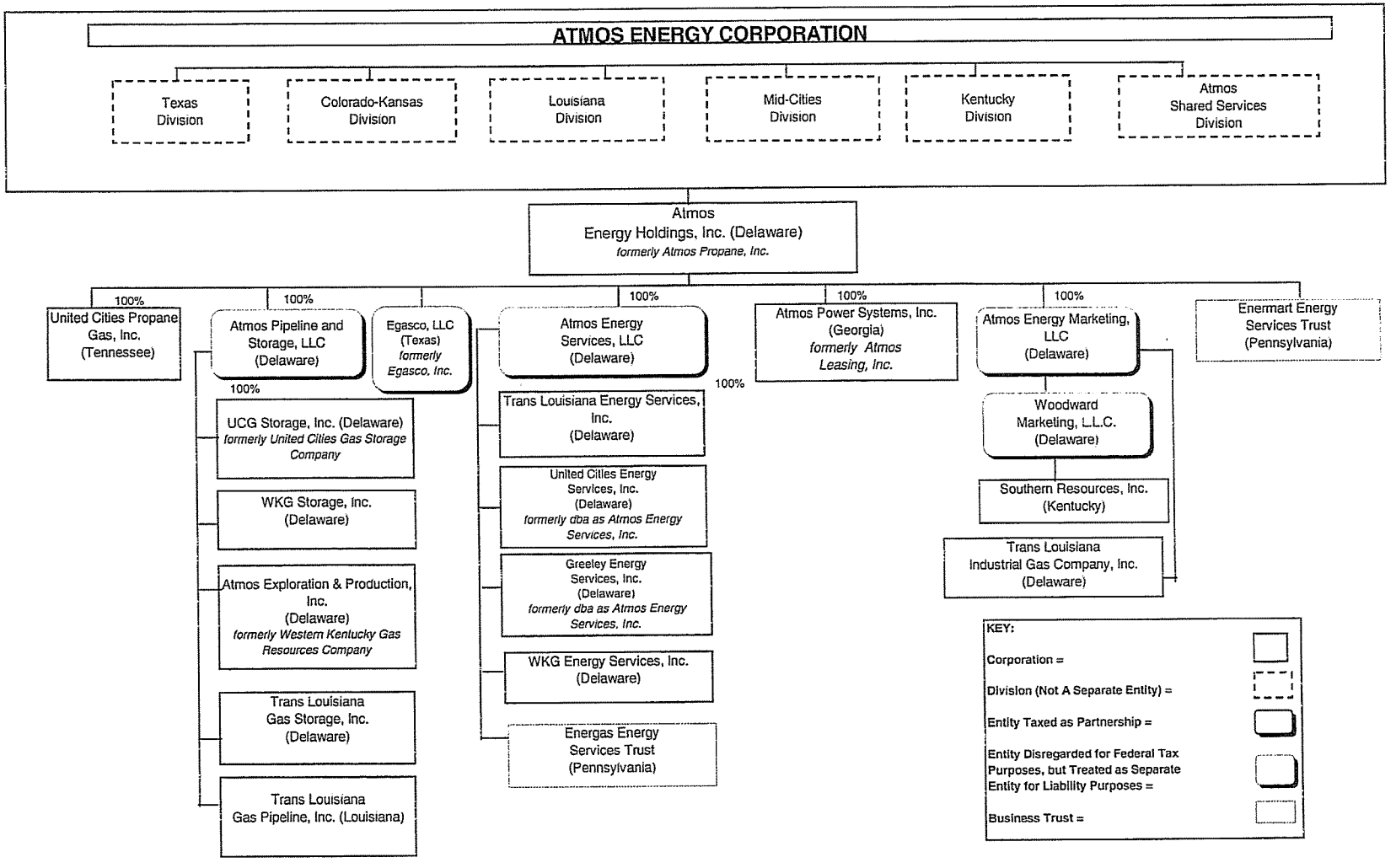
susan.kappes@atmosenergy.com (e-mail)

**Shareholder and Direct Stock Purchase Plan Information**
1–800–38–ATMOS (382–8667)
8:00 a.m. - 5:00 p.m. CST

# CORPORATE STRUCTURE



## OPERATING DIVISIONS AND SUBSIDIARY COMPANIES

| | Year of incorporation | State of incorporation | Principal business office |
|---|---|---|---|
| **Atmos Energy Corporation** | 1983<br>1997 | Texas<br>Virginia | Dallas, TX |
| **Operating Divisions:** | | | |
| Texas | | | Lubbock, TX |
| Colorado-Kansas | | | Denver, CO |
| Kentucky | | | Owensboro, KY |
| Louisiana | | | Baton Rouge, LA |
| Mid-States | | | Franklin, TN |
| **Subsidiaries:** | | | |
| Atmos Energy Holdings, Inc. | 2000 | Delaware | Dallas, TX |
| Atmos Energy Services, LLC | 1996 | Delaware | Dallas, TX |
| EGASCO, LLC | 1999 | Texas | Dallas, TX |
| Enermart Energy Services Trust | 1994 | Pennsylvania | Dallas, TX |
| Trans Louisiana Gas Pipeline, Inc. | 1983 | Louisiana | Lafayette, LA |
| Atmos Exploration & Production, Inc. | 1934 | Delaware | Dallas, TX |
| UCG Storage, Inc. | 1989 | Delaware | Franklin, TN |
| United Cities Propane Gas, Inc. | 1976 | Tennessee | Franklin, TN |
| Atmos Power Systems, Inc. | 1987 | Georgia | Franklin, TN |
| Atmos Energy Marketing, LLC | 1999 | Delaware | Dallas, TX |
| Atmos Pipeline and Storage, LLC | 1999 | Delaware | Dallas, TX |
| WKG Storage, Inc. | 1999 | Delaware | Dallas, TX |
| Energas Energy Services Trust | 1999 | Pennsylvania | Dallas, TX |
| United Cities Energy Services, Inc. | 1999 | Delaware | Dallas, TX |
| Greeley Energy Services, Inc. | 1999 | Delaware | Dallas, TX |
| WKG Energy Services, Inc. | 1999 | Delaware | Dallas, TX |
| Trans Louisiana Energy Services, Inc. | 1999 | Delaware | Dallas, TX |
| Woodward Marketing, LLC | 1995 | Delaware | Houston, TX |
| Southern Resources, Inc. | 1995 | Kentucky | Owensboro, KY |
| Trans Louisiana Industrial Gas Company, Inc. | 2001 | Delaware | Dallas, TX |
| Trans Louisiana Gas Storage, Inc. | 2000 | Delaware | Dallas, TX |

## SEASONALITY AND QUARTERLY INFORMATION

The Company's natural gas distribution business and irrigation sales business is seasonal and dependent upon weather conditions in the Company's service areas. Natural gas sales to residential, commercial and public authority customers are affected by winter heating season requirements. This generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Sales to industrial customers are much less weather sensitive. Sales to agricultural customers, who typically use natural gas to power irrigation pumps during the period from March through September, are affected by rainfall amounts. The Company's management believes that the Company has lessened its sensitivity to weather risk by diversifying its operations into geographic areas having different weather patterns and through other measures.

The following table sets forth the Company's quarterly operating revenues, quarterly operating revenues as a percentage of annual operating revenues, quarterly net income, and quarterly net income as a percentage of annual net income.

| | | Quarter ended | | | | |
|---|---|---|---|---|---|---|
| Year ended September 30 | | Dec. 31 | Mar. 31 | Jun. 30 | Sept. 30 | Total |
| | | (Dollars in thousands) | | | | |
| 1992 | Operating revenues | $228,402 | $247,845 | $123,329 | $109,392 | $708,968 |
| | | 32 % | 36 % | 17 % | 15 % | 100 % |
| | Net income (loss) | $12,545 | $21,135 | ($4,314) | ($8,150) | $21,216 |
| | | 59 % | 99 % | (20) % | (38) % | 100 % |
| 1993 | Operating revenues | $232,901 | $294,644 | $152,089 | $115,259 | $794,893 |
| | | 29 % | 38 % | 19 % | 14 % | 100 % |
| | Net income (loss) | $13,871 | $27,091 | ($2,293) | ($8,975) | $29,694 |
| | | 47 % | 91 % | (8) % | (30) % | 100 % |
| 1994 | Operating revenues | $231,177 | $322,512 | $149,743 | $122,870 | $826,302 |
| | | 28 % | 39 % | 18 % | 15 % | 100 % |
| | Net income (loss) | $13,475 | $27,478 | ($4,544) | ($9,637) | $26,772 |
| | | 50 % | 103 % | (17) % | (36) % | 100 % |
| 1995 | Operating revenues | $219,677 | $273,769 | $137,400 | $118,709 | $749,555 |
| | | 29 % | 37 % | 18 % | 16 % | 100 % |
| | Net income (loss) | $13,962 | $27,272 | ($3,880) | ($8,546) | $28,808 |
| | | 48 % | 95 % | (13) % | (30) % | 100 % |
| 1996 | Operating revenues | $253,439 | $341,867 | $175,240 | $116,145 | $886,691 |
| | | 29 % | 38 % | 20 % | 13 % | 100 % |
| | Net income (loss) | $18,496 | $35,906 | ($2,795) | ($10,456) | $41,151 |
| | | 45 % | 87 % | (7) % | (25) % | 100 % |
| 1997 | Operating revenues | $280,624 | $362,636 | $143,714 | $119,861 | $906,835 |
| | | 31 % | 40 % | 16 % | 13 % | 100 % |
| | Net income (loss) | $18,155 | $30,625 | ($3,018) | ($21,924) | $23,838 |
| | | 76 % | 129 % | (13) % | (92) % | 100 % |
| 1998 | Operating revenues | $295,331 | $288,550 | $137,311 | $127,016 | $848,208 |
| | | 35 % | 34 % | 16 % | 15 % | 100 % |
| | Net income (loss) | $20,122 | $37,398 | $1,676 | ($3,931) | $55,265 |
| | | 36 % | 68 % | 3 % | (7) % | 100 % |
| 1999 | Operating revenues | $210,227 | $261,426 | $109,590 | $108,953 | $690,196 |
| | | 30 % | 38 % | 16 % | 16 % | 100 % |
| | Net income (loss) | $15,380 | $28,795 | ($5,295) | ($21,136) | $17,744 |
| | | 87 % | 162 % | (30) % | (119) % | 100 % |
| 2000 | Operating revenues | $224,458 | $314,197 | $152,362 | $159,135 | $850,152 |
| | | 26 % | 37 % | 18 % | 19 % | 100 % |
| | Net income (loss) | $14,324 | $29,573 | ($4,396) | ($3,583) | $35,918 |
| | | 40 % | 82 % | (12) % | (10) % | 100 % |
| 2001 | Operating revenues | $442,790 | $675,113 | $164,260 | $160,112 | $1,442,275 |
| | | 31 % | 47 % | 11 % | 11 % | 100 % |
| | Net income (loss) | $22,972 | $44,074 | ($3,400) | ($7,556) | $56,090 |
| | | 41 % | 79 % | (6) % | (14) % | 100 % |
| 2002 | Operating revenues | $271,342 | $379,481 | $161,800 | $138,226 | $950,849 |
| | | 29 % | 40 % | 17 % | 14 % | 100 % |
| | Net income (loss) | $20,633 | $41,378 | $3,254 | ($5,609) | $59,656 |
| | | 35 % | 69 % | 5 % | (9) % | 100 % |

## UTILITY AND NON-UTILITY DATA

The following table summarizes certain information regarding the operation of the utility and non-utility businesses of the Company for each of the last eleven years. Prior periods have been restated to reflect the pooling of interests with United Cities Gas Company in July 1997 and Greeley Gas Company in December 1993.

| | | Operating Revenues | Net Income | Identifiable Assets |
|---|---|---|---|---|
| 1992 | Utility | $662,164 | $16,977 | $668,669 |
| | Non-Utility | 46,804 | 4,239 | 54,963 |
| | Total | $708,968 | $21,216 | $723,632 |
| 1993 | Utility | $747,057 | $25,451 | $721,699 |
| | Non-Utility | 47,836 | 4,243 | 65,040 |
| | Total | $794,893 | $29,694 | $786,739 |
| 1994 | Utility | $780,791 | $22,496 | $766,549 |
| | Non-Utility | 45,511 | 4,276 | 62,836 |
| | Total | $826,302 | $26,772 | $829,385 |
| 1995 | Utility | $707,680 | $24,618 | $829,849 |
| | Non-Utility | 41,875 | 4,190 | 71,099 |
| | Total | $749,555 | $28,808 | $900,948 |
| 1996 | Utility | $778,217 | $31,905 | $926,935 |
| | Non-Utility | 108,474 | 9,246 | 83,675 |
| | Total | $886,691 | $41,151 | $1,010,610 |
| 1997 | Utility | $805,252 | $19,739 | $1,001,455 |
| | Non-Utility | 101,583 | 4,099 | 86,856 |
| | Total | $906,835 | $23,838 | $1,088,311 |
| 1998 | Utility | $738,445 | $43,332 | $1,052,225 |
| | Non-Utility | 109,763 | 11,933 | 89,165 |
| | Total | $848,208 | $55,265 | $1,141,390 |
| 1999 | Utility | $617,313 | $10,800 | $1,125,691 |
| | Non-Utility | 72,883 | 6,944 | 104,846 |
| | Total | $690,196 | $17,744 | $1,230,537 |
| 2000 | Utility | $734,835 | $22,459 | $1,246,782 |
| | Non-Utility | 115,317 | 13,459 | 101,976 |
| | Total | $850,152 | $35,918 | $1,348,758 |
| 2001 | Utility | $1,378,159 | $49,881 | $1,732,296 |
| | Non-Utility | 64,116 | 6,209 | 303,884 |
| | Total | $1,442,275 | $56,090 | $2,036,180 |
| 2002 | Utility | $936,054 | $42,994 | $1,666,845 |
| | Non-Utility | 14,795 | 16,662 | 313,376 |
| | Total | $950,849 | $59,656 | $1,980,221 |

The utility business is comprised of the Company's five regulated utility divisions: Colorado-Kansas Division, Kentucky Division, Louisiana Division, Mid-States Division and Texas Division.

The non-utility business primarily includes the operations of Atmos Energy Marketing, L.L.C. (which includes the operations of Woodward Marketing, L.L.C. and Trans Louisiana Industrial Gas Company, Inc.), Atmos Pipeline and Storage, L.L.C. and Atmos Power Systems, Inc. For an expanded discussion of each of these companies and other non-utility operations, please see the Company's Form 10-K for the year ended September 30, 2002.

## CORPORATE DEVELOPMENT

**Acquisitions and Mergers**

The Company has achieved seven significant acquisitions as summarized below:

| | |
|---|---|
| 1. Property | Trans Louisiana Gas Company, Inc. |
| Business | Intrastate natural gas distributor in Louisiana |
| Meters in service | 69,000 (at acquisition) |
| Acquisition date | January 1, 1986 |
| Acquisition cost | $34.1 million inclusive of acquisition expenses plus assumption of approximately $10 million in long-term debt |
| Regulatory body | Louisiana Public Service Commission |
| Accounting method | Purchase |
| Financing | $35,000,000 Revolving credit/term facility with a bank |
| 2. Property | Western Kentucky Gas Utility Corporation |
| Business | Intrastate natural gas distributor in Kentucky |
| Meters in service | 147,000 (at acquisition) |
| Acquisition date | December 1, 1987 |
| Acquisition cost | $67.5 million inclusive of acquisition expenses plus assumption of approximately $17.6 million in long-term debt |
| Regulatory body | Kentucky Public Service Commission |
| Accounting method | Purchase |
| Financing | Initially funded with $31,500,000 interim revolving credit facility with a bank and $30,000,000 Senior Notes. Interim revolving credit facility was retired with proceeds of equity offering in June 1988. |
| 3. Property | Greeley Gas Company |
| Business | Intrastate natural gas distributor in Co., Ks., and Mo. |
| Meters in service | 98,000 (at acquisition) |
| Acquisition date | December 22, 1993 |
| Acquisition cost | Approximately 3.5 million (post-split) shares of Atmos stock, the assumption of approx. $20 million in long-term debt, and $1.7 million in acquisition expenses |
| Regulatory bodies | Colorado Public Utilities Commission, Kansas Corporation Commission, and Missouri Public Service Commission |
| Accounting method | Pooling of interests |
| Financing | Exchanged 3,493,995 (post-split) shares of Atmos stock for all the outstanding shares of GGC |
| 4. Property | United Cities Gas Company |
| Business | Intrastate natural gas distributor in Ga., Tn., Va., S.C., Il., Ia., and Mo. |
| Meters in service | 307,000 (at merger) |
| Merger Date | July 31, 1997 |
| Merger cost | Approximately 13.3 million shares of Atmos stock, the assumption of approx. $149 million in long-term debt, and $49 million in merger and integration costs |
| Regulatory bodies | Missouri Public Service Commission, Georgia Public Service Commission, South Carolina Public Service Commission, Tennessee Regulatory Authority, Illinois Commerce Commission, Iowa Utilities Board, Virginia State Corporation Commission |
| Accounting method | Pooling of interests |
| Financing | Exchanged 13,320,221 shares of Atmos stock for all the outstanding shares of United Cities Gas Company |

## CORPORATE DEVELOPMENT (Continued)

**Acquisitions and Mergers (continued)**

| | |
|---|---|
| 5. Property | Remaining 55% interest in Woodward Marketing, L.L.C. |
| Business | Management of natural gas requirements for municipalities, local gas utility companies and industrial customers |
| Acquisition date | April 1, 2001 |
| Acquisition cost | $26.7 million inclusive of acquisition expenses |
| Accounting method | Purchase |
| Financing | Exchanged 1,423,193 restricted shares of Atmos common stock |
| 6. Property | Louisiana Gas Service Company |
| Business | Intrastate natural gas distributor in Louisiana |
| Meters in service | 279,000 (at acquisition) |
| Acquisition date | July 1, 2001 |
| Acquisition cost | $363.4 million inclusive of acquisition expenses |
| Regulatory body | Louisiana Public Service Commission |
| Accounting method | Purchase |
| Financing | Primarily funded with a $350 million debt offering |
| 7. Property | Mississippi Valley Gas Company |
| Business | Intrastate natural gas distributor in Mississippi |
| Meters in service | 260,000 (at acquisition) |
| Acquisition date | December 3, 2002 |
| Acquisition cost | $75.0 million cash, $75.0 million of Atmos common stock and the repayment of approx. $45.0 million of outstanding long-term debt. |
| Regulatory body | Mississippi Public Service Commission |
| Accounting method | Purchase |
| Financing | Issued 3,386,287 shares of Atmos common stock and used a $150.0 million short-term unsecured committed credit facility to provide the initial funding for the cash portion of the acquisition and the repayment of the outstanding long-term debt. The short-term credit facility will be replaced with long-term financing. |

The Company has also achieved several small acquisitions including Oceana Heights Gas Company in Thibodaux, Louisiana and distribution systems in Winn Parish and LaFourche Parish, Louisiana. In May 2000, the Company acquired the Missouri natural gas distribution assets of Associated Natural Gas for approximately $32.0 million, serving approximately 48,000 meters.

In May 2001, the Company's subsidiary, Atmos Power Systems, Inc., entered into a definitive agreement with the City of Bolivar, Tennessee Electric Department to construct a 20-megawatt electric generating plant and associated facilities.

During the fourth quarter of fiscal year 2001, Woodward Marketing completed the purchases of Southern Resources, Inc. and certain assets of Innovative Gas Services, Incorporated thereby expanding our gas marketing operations. In November 2001, the Company completed the acquisition of certain storage assets in Kentucky.

## GLOSSARY

**Amortize** - An allocation of cost to reflect a reduction to asset book value each year until only the salvage value, if any, remains.

**Assets** - Items of value owned by the company, typically items such as cash, property, and debts owed to the company.

**Bcf** - Abbreviation for 1,000,000,000 (one billion) cubic feet.

**Balance sheet** - A statement of financial position at a stated date that shows the assets, liabilities and shareholders' equity of a company.

**Capitalize** - To record and carry forward into future years any expenditure that will produce revenue or a benefit during those future years.

**Cash equivalents** - The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Commercial service** - Covers service to customers engaged in wholesale or retail trade, communications, finance, fisheries, forestry, government, insurance, real estate, transportation, etc., and to customers not directly involved in other classes of service.

**Consolidated financial statements** - Statements showing the financial condition and operating results of the parent and subsidiary companies as if they were one organization.

**Contingent liability** - An obligation that may arise in the future that relates to a past transaction or event. The obligation is deemed possible but not probable.

**Current asset** - Cash and any other items the company owns that will be converted to cash or useful goods or services within a year.

**Current liability** - A short-term indebtedness to be paid within a year.

**Cushion gas** - The gas required in a reservoir, used for storage of natural gas, so that reservoir pressure is such that the working gas may be recovered.

**Deferred charges** - Expenditures whose benefit will be realized in future years. The amounts will be charged against income over a period of years to properly match the expenses with the related benefit.

**Deferred credits** - Income items that have been received but not yet earned or liabilities incurred but not yet due. These will be recognized in the year they are earned.

**Depreciation** - An allocation of cost to reflect the gradual loss of productivity of a fixed asset by age or usage.

**Deregulation** - The act of ending certain federal government controls over the price of natural gas sold in interstate commerce.

**FERC Order 636** - Federal Energy Regulatory Commission order which finalized the unbundling of interstate pipeline services with a stated goal of increasing competition, primarily in the gas merchant function.

**Gross profit** - Operating revenues less purchased gas cost.

**Heating degree day** - A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. Heating degree days are used in the natural gas industry to measure the coldness of weather experienced and to compare relative temperatures between one geographic area and another.

**Industrial service** - Covers service to customers engaged primarily in a process which either involves the extraction of raw materials from the earth, or a change of raw or unfinished materials into another form or product. Also includes service to natural gas irrigation wells.

**LDC** - Local distribution company.

**Liabilities** - Amounts owed by the corporation to others.

**Line of credit** - Agreements by banks to make a loan not to exceed a specified amount when needed by the corporation.

**Long-term debt** - Debts to be repaid with a maturity of more than one year.

**Mcf** - Abbreviation for 1,000 cubic feet, which is the customary unit for measuring volumes of natural gas.

**MMcf** - Abbreviation for 1,000,000 (one million) cubic feet.

## GLOSSARY (Continued)

**Net income** - All revenues less all costs of doing business.

**Net income per share** - Net income divided by the average number of shares of common stock outstanding during the period.

**No notice service** - A FERC Order 636 interstate pipeline service combining transportation, storage and balancing functions generally designed to allow an LDC shipper to receive pipeline services with limited prior scheduling or notice to the pipeline.

**Operating income** - Excess of revenues over the related expenses; income before federal income taxes and interest.

**Peak-shaving** - Using sources of energy, such as natural gas from storage, to supplement the normal amounts delivered to customers during peak-use periods. Using these supplemental sources prevents pipelines from having to expand their delivery facilities just to accommodate short periods of extremely high demand.

**Pooling of interests** - A business combination in which the voting stock of one company is acquired by another through an exchange of stock and not through the disbursement of cash or other resources. The reported income of the constituents for prior periods is combined and restated as income of the combined corporation.

**Psia** - Abbreviation for pounds per square inch absolute. It is a measure of pressure.

**Public authority** - A municipal, state, federal, school, county or precinct account, i.e., account with any governmental subdivision.

**Purchase accounting** - A method of accounting for a business combination in which one company is acquired by another by paying cash, transferring assets, or by issuing debt. The acquiring corporation records at its cost the acquired assets less liabilities assumed. The reported income of the acquiring corporation includes the operations of the acquired company after acquisition.

**Registrar** - The institution appointed by the company to keep records of the issuance, transfer and cancellation of its common stock.

**Residential service** - Covers service to customers for domestic purposes (single, multifamily or mobile homes, etc.). In residential service, the number of housing units within a structure determines the customer classification.

**Retained earnings** - Cumulative earnings retained in the business.

**RSC (Rate Stabilization Clause)** - A mechanism by which an LDC can adjust rates for changes in expenses without making a standard rate filing.

**Shareholders' equity** - The financial investment shareholders have in the company. It is represented by the difference between total assets and total liabilities.

**SFAS No. 106** - Requires employers to accrue postretirement benefit costs other than pensions (primarily retiree health care costs) during the period of service when they are earned rather than on a pay–as–you–go basis.

**Stated value** - The nominal or face value of a security. It is not related to the actual value of the stock or the company.

**Subsidiary** - A corporation owned by a parent company through ownership of the subsidiary's voting stock.

**Unbundling** - Disaggregation of the services historically provided by gas pipeline and distribution companies as a single service, consisting of transportation, storage, and purchase and resale of gas.

**Underground gas storage fields** - Natural gas reservoirs located near gas users into which gas may be pumped during periods of low demand and recovered on peak demand days. This increases gas supply on peak demand days without incurring peak day demand charges from gas suppliers.

**Weather normalization adjustment (WNA)** - Rate adjustments approved by certain regulatory commissions that allow a company to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal.

**Working capital** - Excess of current assets over current liabilities.

## NOTES

## NOTES

# 2003

# ATMOS ENERGY CORPORATION

# STATISTICAL SUMMARY

The purpose of this summary is to provide historical financial and statistical information and current facts about Atmos Energy Corporation (the "Company"). It should be used in conjunction with the Company's 2003 Annual Report on Form 10-K. It is not intended to be used in any way in conjunction with the sale or purchase of any securities of Atmos Energy Corporation or its subsidiaries. The financial and operating data in this summary are presented on a consolidated basis without extensive footnoting and are unaudited. All prior periods have been restated for the pooling of interests with United Cities Gas Company in July 1997.

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## COMPANY PROFILE AND SERVICE AREAS

Atmos Energy Corporation and its subsidiaries (the "Company") are engaged primarily in the natural gas utility business as well as certain natural gas non-utility businesses. We distribute natural gas through sales and transportation arrangements to approximately 1.7 million residential, commercial, public authority and industrial customers through our six regulated utility divisions, which cover service areas located in the following 12 states: Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Tennessee, Texas and Virginia. In addition, we transport natural gas for others through our distribution system.

Through our non-utility businesses, we provide natural gas management and marketing services to industrial customers, municipalities and other local gas distribution companies in 18 states. We also supplement natural gas used by our customers through natural gas storage fields that we own or hold an interest in and which are located in Kansas, Kentucky, Louisiana and Mississippi. We market natural gas to industrial and agricultural customers primarily in west Texas and to industrial customers in Louisiana. Finally, we construct electric power generating plants and associated facilities to meet peak load demands and lease or sell them to municipalities and industrial customers.

Our operations are divided into three segments: the utility segment, which includes our related natural gas distribution and sales operations, the natural gas marketing segment, which includes a variety of natural gas management services and the other non-utility segment, which includes our storage services and our electric power plant construction and leasing services. Our Standard Industrial Classification (S.I.C.) Code is 4924.

The Company conducts its utility business in Texas under the name Atmos Energy Texas Division, in Louisiana under the name Atmos Energy Louisiana Division, in Kentucky under the name Atmos Energy Kentucky Division, in Colorado, Kansas and parts of Missouri under the name Atmos Energy Colorado-Kansas Division, in Illinois, Iowa, Georgia, Tennessee, Virginia and parts of Missouri under the name Atmos Energy Mid-States Division, and in Mississippi under the name Mississippi Valley Gas Company Division.

The Company was organized under the laws of the State of Texas in 1983 as Energas Company, a subsidiary of Pioneer Corporation ("Pioneer"), for the purpose of owning and operating Pioneer's natural gas distribution business in Texas. Immediately following the transfer by Pioneer to Energas of its gas distribution business, which Pioneer and its predecessors had operated since 1906, Pioneer distributed the outstanding stock of the Company to its shareholders. In September 1988, the Company changed its name from Energas Company to Atmos Energy Corporation. As a result of the merger with United Cities Company in July 1997, the Company also became incorporated in Virginia.

Since its organization, the Company has sought to expand its utility customer base and to diversify the effects of weather patterns, local economic conditions and regulatory jurisdictions to which its operations are subject. As part of this strategy, the Company acquired Trans Louisiana Gas Company, Inc. in January 1986, Western Kentucky Gas Utility Corporation in December 1987, merged with Greeley Gas Company in December 1993, merged with United Cities Gas Company in July 1997, purchased the Missouri natural gas distribution assets of Associated Natural Gas in May 2000, purchased from Citizens Communications Company the natural gas operations of its Louisiana Gas Service Company and its subsidiary LGS Natural Gas Company in July 2001 and acquired Mississippi Valley Gas Company in December 2002. The Company acquired a 45 percent interest in Woodward Marketing, L.L.C. as a result of the merger of Atmos and United Cities Gas Company, which had acquired that interest in 1995. In April 2001, the Company acquired the remaining 55 percent interest in Woodward Marketing that it did not already own in exchange for 1,423,193 restricted shares of its common stock. The consideration is subject to an upward adjustment, based on the Company's share price, of up to 232,547 shares plus an amount of shares to compensate for dividends paid after the completion of the acquisition. For further information regarding acquisitions and mergers, please see the "Corporate Development" section on page 52.

The Company was formerly engaged in the retail and wholesale distribution of propane gas through United Cities Propane Gas, Inc. In February 2000, the Company entered into an agreement to form a joint venture which combined its propane operations with the propane operations of three other utility companies. The combined joint venture was named U.S. Propane, L.P. (USP). In August 2000, USP, in which the Company is an approximate 19 percent partner, combined its operations with Heritage Holdings, Inc. As of September 30, 2003, USP owned all of the general partnership interest and approximately 26 percent of the limited partnership interest in Heritage Propane Partners, L.P., a publicly traded marketer of propane through a nationwide retail distribution network. Through our ownership in USP, we own an approximate five percent indirect interest in Heritage Propane Partners, L.P. In January 2003 the Company announced that we and our utility partners had sold our interest in USP, including the general partnership and limited partnerships in Heritage Propane Partners, L.P.

The Company's principal executive offices are located at Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240, and the telephone number is (972) 934–9227.

# YEAR IN REVIEW

**Highlights for 2003**

**Improved Earnings**

The Company reported earnings of $71.7 million or $1.54 per diluted share for fiscal 2003 compared with $59.7 million or $1.45 per diluted share for fiscal 2002.

**Increased quarterly dividend 2% to $.30 per share**

The indicated annual dividend is $1.20 per share for fiscal 2003, the Company's 16th consecutive annual dividend increase.

**Financial**

In January 2003, the Company issued $250.0 million of 5 1/8% Senior Notes due 2013.

In January 2003, as a result of the adoption of EITF 02-03, the Company recorded a one-time charge for a cumulative effect adjustment of $12.9 million ($7.8 million, net of income tax benefit) on the consolidated statements of income.

In June 2003, the Company completed a public offering of 4,000,000 shares of common stock and sold an additional 100,000 shares of common stock in July 2003. The offering generated net proceeds of approximately $99.2 million.

In June 2003, the Company contributed to the Atmos Energy Corporation Pension Account Plan $48.6 million in cash and 1,169,700 shares of Atmos restricted common stock with a value of $28.8 million.

**Acquisitions**

In December 2002, the Company completed the acquisition of Mississippi Valley Gas Company, a privately held natural gas utility, for approximately $75.0 million in cash and approximately $75.0 million of Atmos common stock. In addition, the Company repaid outstanding debt of Mississippi Valley Gas of approximately $70.9 million.

**Ratemaking activity**

In May 2003, the Colorado-Kansas Division filed a rate case with the Kansas Corporation Commission for approximately $7.4 million in additional annual revenues. As of September 30, 2003, the filing was still under review. Additionally, in May 2003, the Company received approval for weather normalization adjustments (WNA) in Kansas which will be effective October through May each year beginning with the 2003-2004 heating season.

In June 2003, the Texas Division filed a rate case in Amarillo, Texas, requesting a $5.1 million increase in annual revenues. In August 2003, the City of Amarillo, Texas approved an annual increase of approximately $2.8 million. The agreement also provided WNA which will be effective October through May beginning in fiscal 2004 and provided for changes in the rate structure to recover the cost of uncollectible accounts.

In September 2003, the Texas Division filed a rate case in its West Texas System to request a $7.7 million increase in annual revenues and WNA. In October 2003, the Texas Division filed a rate case in Lubbock, Texas, to request a $3.0 million increase in annual revenues and WNA. Both filings are pending review by the affected cities.

The Mississippi Public Service Commission (MPSC) requires the Company to file for rate adjustments based on our expenses every six months typically in May and November of each year. In October 2003, the MPSC issued a final order which denied our May 2003 request for a rate adjustment. We are currently considering our response to the Commission's ruling. Additionally, we filed our second semi-annual filing in November 2003.

**Weather Insurance**

In June 2001, the Company purchased a three year weather insurance policy with an option to cancel the third year of coverage. The insurance was designed for the Company's Texas and Louisiana operations to protect against weather that was at least seven percent warmer than normal for the entire heating season of October through March beginning with the 2001-2002 heating season. The cost of the three-year policy was $13.2 million, which was prepaid and amortized over the appropriate heating seasons based on degree days. Because weather was not at least seven percent warmer than normal, no income was recognized under this insurance policy during the years ended September 30, 2003 and 2002. Amorization expense of $5.0 million and $4.4 million was recognized during the fiscal years ended September 30, 2003 and 2002. Included in the amortization expense for the fiscal year ended September 30, 2003 was a third quarter charge of $0.6 million, net of cash received, related to the cancellation of the third year of coverage on our weather insurance policy primarily as a result of rate relief in Louisiana, WNA in certain areas of Texas and prospects for WNA in other areas of Texas.

## HIGHLIGHTS (1)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 |
| **Balance Sheet Data at September 30** (In thousands) | | | | |
| Capital expenditures | $ 159,439 | $ 132,252 | $ 113,109 | $ 75,557 |
| Net property, plant and equipment | 1,515,989 | 1,300,320 | 1,335,398 | 982,346 |
| Working capital | 22,282 | (133,116) | (86,778) | (181,890) |
| Total assets | 2,518,508 | 1,981,385 | 2,036,180 | 1,348,758 |
| Shareholders' equity | 857,517 | 573,235 | 583,864 | 392,466 |
| Long-term debt, excluding current maturities | 863,918 | 670,463 | 692,399 | 363,198 |
| Total capitalization | 1,721,435 | 1,243,698 | 1,276,263 | 755,664 |
| **Income Statement Data** (In thousands, except per share data) | | | | |
| Operating revenues (2) | $ 2,799,916 | $ 1,650,964 | $ 1,725,481 | $ 850,152 |
| Gross profit (2) | 534,976 | 431,140 | 375,208 | 325,706 |
| Net income | 71,688 | 59,656 | 56,090 | 35,918 |
| Net income per share - diluted | 1.54 | 1.45 | 1.47 | 1.14 |
| **Common Stock Data** | | | | |
| Shares outstanding (In thousands) | | | | |
| End of year | 51,476 | 41,676 | 40,792 | 31,952 |
| Weighted average | 46,496 | 41,250 | 38,247 | 31,594 |
| Cash dividends per share | $1.20 | $1.18 | $1.16 | $1.14 |
| Shareholders of record | 28,510 | 28,829 | 30,524 | 32,394 |
| Market price - High | $25.45 | $24.46 | $26.25 | $25.00 |
| Low | $20.70 | $18.37 | $19.31 | $14.75 |
| End of year | $23.94 | $21.50 | $21.60 | $20.63 |
| Book value per share at end of year | $16.66 | $13.75 | $14.31 | $12.28 |
| Price/Earnings ratio at end of year | 15.55 | 14.83 | 14.69 | 18.09 |
| Market/Book ratio at end of year | 1.44 | 1.56 | 1.51 | 1.68 |
| Annualized dividend yield at end of year | 5.0% | 5.5% | 5.4% | 5.5% |
| **Customers and Volumes (as metered)** | | | | |
| Consolidated utility gas sales volumes (MMcf) | 184,512 | 145,488 | 156,544 | 119,470 |
| Consolidated utility gas transportation volumes (MMcf) | 63,453 | 63,053 | 61,230 | 59,365 |
| Consolidated utility throughput (MMcf) | 247,965 | 208,541 | 217,774 | 178,835 |
| Consolidated natural gas marketing throughput (MMcf) | 225,961 | 204,027 | 55,469 | - |
| Meters in service at end of year | 1,672,798 | 1,389,341 | 1,386,323 | 1,096,599 |
| Heating degree days (Excl. UCG before 1993) (3) | 3,473 | 3,368 | 4,124 | 2,096 |
| Degree days as a % of normal (3) | 101% | 94% | 115% | 82% |
| Utility average gas sales price per Mcf sold | $8.17 | $6.21 | $8.99 | $5.91 |
| Utility average purchased gas cost per Mcf sold | $5.76 | $3.87 | $6.82 | $3.67 |
| Utility average transportation fee per Mcf | $0.43 | $0.41 | $0.41 | $0.37 |
| **Statistics** | | | | |
| Return on average shareholders' equity | 9.9% | 9.9% | 10.4% | 9.3% |
| Number of employees | 2,905 | 2,338 | 2,361 | 1,885 |
| Net utility plant per meter | $865 | $881 | $924 | $874 |
| Utility operation, maintenance and administrative expense per meter | $115 | $101 | $130 (4) | $135 |
| Customers per employee-utility | 594 | 616 | 603 | 591 |
| Times interest earned before income taxes | 2.75 | 2.55 | 2.83 | 2.28 |

(1) Amounts have been restated for poolings of interests with United Cities in July 1997 and Greeley Gas Co. in Dec 1993, and share data have been adjusted for a 3-for-2 stock split in May 1994.

(2) In conjunction with the adoption of EITF 02-03, energy trading contracts resulting in delivery of a commodity where we are the principal in the transaction are included as operating revenues or purchased gas cost. All prior periods have been reclassified to conform with this new presentation.

(3) Heating degree days for 2003, 2002 and 2001 are adjusted for service areas with weather-normalized operations. Heating degree days for years prior to 2001 are not adjusted for service areas with weather-normalized operations, as that information was not available.

(4) Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

| 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|
| $ 110,353 | $ 134,989 | $ 122,312 | $ 117,589 | $ 103,904 | $ 85,471 | $ 74,110 |
| 965,782 | 917,860 | 849,127 | 770,211 | 697,287 | 638,787 | 592,887 |
| (151,622) | (116,679) | (169,518) | (102,764) | (41,980) | (32,340) | (31,830) |
| 1,230,537 | 1,141,390 | 1,088,311 | 1,010,610 | 900,948 | 829,385 | 786,739 |
| 377,663 | 371,158 | 327,260 | 329,582 | 304,349 | 267,584 | 251,317 |
| 377,483 | 398,548 | 302,981 | 276,162 | 294,463 | 282,647 | 257,696 |
| 755,146 | 769,706 | 630,241 | 605,744 | 598,812 | 550,231 | 509,013 |
| | | | | | | |
| $ 690,196 | $ 848,208 | $ 906,835 | $ 886,691 | $ 749,555 | $ 826,302 | $ 794,893 |
| 299,794 | 331,836 | 329,654 | 324,412 | 300,158 | 297,020 | 289,394 |
| 17,744 | 55,265 | 23,838 | 41,151 | 28,808 | 26,772 | 29,694 |
| 0.58 | 1.84 | 0.81 | 1.42 | 1.06 | 1.05 | 1.21 |
| | | | | | | |
| 31,248 | 30,398 | 29,642 | 29,242 | 28,246 | 25,911 | 25,183 |
| 30,819 | 30,031 | 29,422 | 28,994 | 27,208 | 25,604 | 24,535 |
| $1.10 | $1.06 | $1.01 | $0.98 | $0.96 | $0.91 | $0.82 |
| 35,179 | 36,949 | 29,867 | 36,472 | 31,782 | 27,005 | 24,649 |
| $32.69 | $31.06 | $27.88 | $31.00 | $20.63 | $21.13 | $20.63 |
| $23.06 | $24.63 | $22.13 | $18.00 | $15.88 | $16.38 | $13.50 |
| $24.13 | $28.56 | $24.88 | $23.38 | $19.38 | $17.75 | $20.25 |
| $12.09 | $12.21 | $11.04 | $11.27 | $10.77 | $10.33 | $9.98 |
| 41.59 | 15.52 | 30.71 | 16.46 | 18.28 | 16.90 | 16.74 |
| 2.00 | 2.34 | 2.25 | 2.07 | 1.80 | 1.72 | 2.03 |
| 4.6% | 3.7% | 4.1% | 4.2% | 5.0% | 5.1% | 4.1% |
| | | | | | | |
| 125,279 | 159,373 | 164,208 | 178,293 | 166,656 | 170,691 | 166,065 |
| 55,468 | 56,224 | 48,800 | 44,146 | 47,647 | 47,882 | 51,665 |
| 180,747 | 215,597 | 213,008 | 222,439 | 214,303 | 218,573 | 217,730 |
| - | - | - | - | - | - | - |
| 1,037,995 | 1,004,532 | 985,448 | 976,308 | 949,213 | 943,728 | 888,315 |
| 3,374 | 3,799 | 3,909 | 4,043 | 3,706 | 3,855 | 4,080 |
| 85% | 95% | 98% | 101% | 93% | 97% | 102% |
| $4.71 | $4.87 | $5.11 | $4.51 | $4.07 | $4.41 | $4.32 |
| $2.74 | $3.24 | $3.51 | $3.15 | $2.70 | $3.10 | $3.04 |
| $0.39 | $0.43 | $0.41 | $0.43 | $0.42 | $0.45 | $0.42 |
| | | | | | | |
| 4.7% | 15.8% | 7.3% | 13.0% | 10.1% | 10.3% | 12.5% |
| 2,062 | 2,193 | 2,679 | 2,863 | 2,944 | 3,052 | 3,105 |
| $884 | $914 | $862 | $789 | $735 | $677 | $645 |
| | | | | | | |
| $146 | $136 | $183 | $160 | $163 | $169 | $169 |
| 547 | 475 | 379 | 350 | 330 | 316 | 293 |
| 1.56 | 3.09 | 2.04 | 3.00 | 2.44 | 2.45 | 2.47 |

## CONSOLIDATED BALANCE SHEETS

| ASSETS | September 30 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Property, plant and equipment | | | | |
| Utility plant | $2,378,626 | $2,021,663 | $2,008,761 | $1,512,764 |
| Nonutility plant | 85,366 | 81,765 | 47,225 | 33,805 |
| Construction in progress | 16,147 | 24,399 | 53,881 | 33,234 |
| | 2,480,139 | 2,127,827 | 2,109,867 | 1,579,803 |
| Less accumulated depreciation and amortization | 964,150 | 827,507 | 774,469 | 597,457 |
| Net property, plant & equipment | 1,515,989 | 1,300,320 | 1,335,398 | 982,346 |
| Current assets | | | | |
| Cash and cash equivalents | 15,683 | 47,991 | 15,263 | 7,379 |
| Cash held on deposit in margin account | 17,903 | 10,192 | 66,666 | - |
| Accounts receivable, net | 216,783 | 136,227 | 124,046 | 77,264 |
| Inventories | 3,917 | 3,769 | 6,041 | 6,456 |
| Gas stored underground | 168,765 | 91,783 | 89,555 | 64,222 |
| Assets from risk management activities | 22,259 | 27,984 | 95,968 | - |
| Deferred gas cost | 308 | - | 10,999 | 37,184 |
| Other current assets | 12,379 | 13,209 | 15,713 | 8,101 |
| Total current assets | 457,997 | 331,155 | 424,251 | 200,606 |
| Intangible assets | 5,030 | 5,365 | 12,125 | 878 |
| Goodwill | 268,469 | 185,015 | 64,745 | 3,110 |
| Noncurrent assets from risk management activities | 1,699 | 5,241 | 29,771 | - |
| Deferred charges and other assets | 269,324 | 154,289 | 169,890 | 161,818 |
| | $2,518,508 | $1,981,385 | $2,036,180 | $1,348,758 |

| CAPITALIZATION AND LIABILITIES | | | | |
|---|---|---|---|---|
| Shareholders' equity | | | | |
| Common stock | $ 257 | $ 208 | $ 204 | $ 160 |
| Additional paid-in capital | 736,180 | 508,265 | 489,948 | 306,887 |
| Retained earnings | 122,539 | 106,142 | 95,132 | 83,154 |
| Accum. other comprehensive income (loss) | (1,459) | (41,380) | (1,420) | 2,265 |
| Shareholders' equity | 857,517 | 573,235 | 583,864 | 392,466 |
| Long-term debt | 863,918 | 670,463 | 692,399 | 363,198 |
| Total capitalization | 1,721,435 | 1,243,698 | 1,276,263 | 755,664 |
| Current liabilities | | | | |
| Current maturities of long-term debt | 9,345 | 21,980 | 20,695 | 17,566 |
| Short-term debt | 118,595 | 145,791 | 201,247 | 250,047 |
| Accounts payable and accrued liabilities | 179,852 | 136,773 | 84,471 | 73,031 |
| Taxes payable | 9,746 | 15,626 | 11,620 | 10,844 |
| Customers' deposits | 41,068 | 31,147 | 32,351 | 9,923 |
| Liabilities from risk management activities | 20,790 | 18,487 | 119,484 | - |
| Deferred gas cost | - | 21,947 | - | - |
| Other current liabilities | 56,319 | 72,520 | 41,161 | 21,085 |
| Total current liabilities | 435,715 | 464,271 | 511,029 | 382,496 |
| Deferred income taxes | 223,350 | 134,540 | 138,934 | 131,619 |
| Noncurrent liabilities from risk management activities | 763 | 3,663 | 7,412 | - |
| Deferred credits and other liabilities | 137,245 | 135,213 | 102,542 | 78,979 |
| | $2,518,508 | $1,981,385 | $2,036,180 | $1,348,758 |

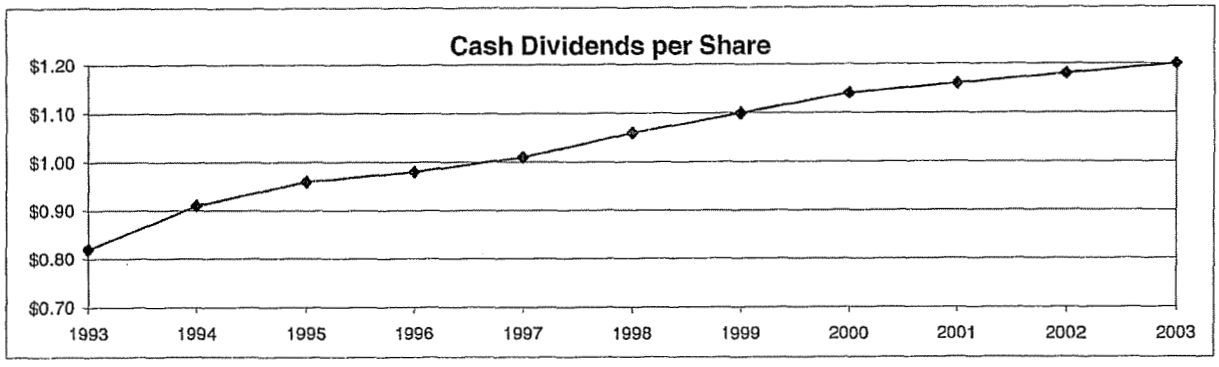
| 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|
| $1,454,228 | $1,258,301 | $1,218,372 | $1,123,758 | $1,028,836 | $933,886 | $864,911 |
| 72,606 | 75,255 | 82,632 | 74,799 | 69,157 | 73,496 | 70,171 |
| 22,424 | 112,864 | 31,668 | 21,217 | 8,871 | 9,678 | 7,741 |
| 1,549,258 | 1,446,420 | 1,332,672 | 1,219,774 | 1,106,864 | 1,017,060 | 942,823 |
| 583,476 | 528,560 | 483,545 | 449,563 | 409,577 | 378,273 | 349,936 |
| 965,782 | 917,860 | 849,127 | 770,211 | 697,287 | 638,787 | 592,887 |
| 8,585 | 4,735 | 6,016 | 11,134 | 9,296 | 5,511 | 3,084 |
| - | - | - | - | - | - | - |
| 70,564 | 34,887 | 71,217 | 103,415 | 90,718 | 81,519 | 82,116 |
| 8,209 | 15,219 | 12,333 | 13,895 | 12,657 | 11,830 | 11,888 |
| 44,653 | 48,909 | 48,122 | 43,350 | 27,401 | 39,108 | 43,586 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 3,142 | 3,630 | 6,017 | 2,809 | 4,775 | 4,356 | 7,293 |
| 135,153 | 107,380 | 143,705 | 174,603 | 144,847 | 142,324 | 147,967 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 129,602 | 116,150 | 95,479 | 65,796 | 58,814 | 48,274 | 45,885 |
| $1,230,537 | $1,141,390 | $1,088,311 | $1,010,610 | $900,948 | $829,385 | $786,739 |
| $ 156 | $ 152 | $ 148 | $ 146 | $ 141 | $ 130 | $ 126 |
| 293,359 | 271,637 | 251,174 | 241,658 | 230,630 | 196,487 | 183,795 |
| 83,231 | 99,369 | 75,938 | 87,778 | 73,578 | 70,967 | 67,396 |
| 917 | - | - | - | - | - | - |
| 377,663 | 371,158 | 327,260 | 329,582 | 304,349 | 267,584 | 251,317 |
| 377,483 | 398,548 | 302,981 | 276,162 | 294,463 | 282,647 | 257,696 |
| 755,146 | 769,706 | 630,241 | 605,744 | 598,812 | 550,231 | 509,013 |
| 17,848 | 57,783 | 15,201 | 16,679 | 16,155 | 10,068 | 12,702 |
| 168,304 | 66,400 | 167,300 | 128,488 | 65,813 | 64,288 | 58,563 |
| 64,167 | 44,742 | 62,626 | 80,321 | 56,525 | 53,110 | 67,568 |
| 848 | 12,736 | 416 | 11,201 | 4,083 | 9,278 | 5,527 |
| 9,657 | 12,029 | 15,098 | 16,812 | 16,220 | 14,985 | 19,846 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 25,951 | 30,369 | 52,582 | 23,866 | 28,031 | 22,935 | 15,591 |
| 286,775 | 224,059 | 313,223 | 277,367 | 186,827 | 174,664 | 179,797 |
| 112,610 | 80,213 | 87,828 | 72,073 | 64,719 | 54,755 | 55,756 |
| - | - | - | - | - | - | - |
| 76,006 | 67,412 | 57,019 | 55,426 | 50,590 | 49,735 | 42,173 |
| $1,230,537 | $1,141,390 | $1,088,311 | $1,010,610 | $900,948 | $829,385 | $786,739 |

## CONSOLIDATED STATEMENTS OF INCOME (1)

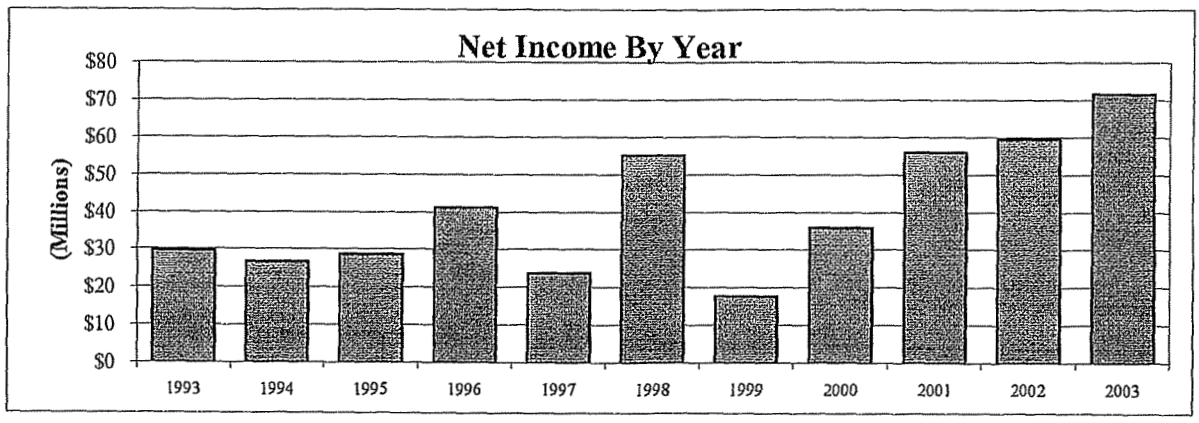
| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 |
| | (In thousands, except per share data) | | | |
| Operating revenues | | | | |
| Utility segment | $ 1,554,082 | $ 937,526 | $ 1,380,148 | $ 734,835 |
| Natural gas marketing segment | 1,668,493 | 1,031,874 | 447,096 | - |
| Other non-utility segment | 21,630 | 24,705 | 59,436 | 115,317 |
| Intersegment eliminations | (444,289) | (343,141) | (161,199) | - |
| Total operating revenues | 2,799,916 | 1,650,964 | 1,725,481 | 850,152 |
| Purchased gas cost (2) | | | | |
| Utility segment | 1,062,679 | 559,891 | 1,017,363 | 524,446 |
| Natural gas marketing segment | 1,644,328 | 994,318 | 445,504 | - |
| Other non-utility segment | 1,540 | 8,022 | 48,605 | - |
| Intersegment eliminations | (443,607) | (342,407) | (161,199) | - |
| Total purchased gas cost | 2,264,940 | 1,219,824 | 1,350,273 | 524,446 |
| Gross profit | 534,976 | 431,140 | 375,208 | 325,706 |
| Operating expenses | | | | |
| Operation | 193,973 | 150,283 | 133,240 | 140,249 |
| Maintenance | 11,117 | 7,836 | 6,368 | 7,648 |
| Depreciation and amortization | 87,001 | 81,469 | 67,664 | 63,855 |
| Taxes, other than income | 55,045 | 36,221 | 37,655 | 28,638 |
| Total operating expenses | 347,136 | 275,809 | 244,927 | 240,390 |
| Operating income | 187,840 | 155,331 | 130,281 | 85,316 |
| Other income (expense) | | | | |
| Equity in earnings of Woodward Marketing, L.L.C. | - | - | 8,062 | 7,307 |
| Interest income | 1,586 | 1,373 | 3,761 | 738 |
| Miscellaneous income (expense) | 605 | (2,694) | (5,635) | 6,699 |
| Total other income (expense) | 2,191 | (1,321) | 6,188 | 14,744 |
| Interest charges | 63,660 | 59,174 | 47,011 | 43,823 |
| Income tax expense | 46,910 | 35,180 | 33,368 | 20,319 |
| Income before cumulative effect of accounting change | 79,461 | 59,656 | 56,090 | 35,918 |
| Cumulative effect of accounting change, net of income tax benefit | (7,773) | - | - | - |
| Net income | $ 71,688 | $ 59,656 | $ 56,090 | $ 35,918 |
| Diluted net income per share | $1.54 | $1.45 | $1.47 | $1.14 |
| Weighted average shares outstanding - diluted | 46,496 | 41,250 | 38,247 | 31,594 |

(1) Restated for poolings of interests with United Cities in July 1997 and Greeley Gas Co. in December 1993. Share data have been adjusted for a 3-for-2 stock split in May 1994.

(2) Purchased gas cost for 2003, 2002 and 2001 is shown on a segment basis. Purchased gas cost for years prior to 2001 was not available on a segment basis; thus, those amounts are shown as utility gas cost.



| 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|
| $ 617,313 | $ 738,445 | $ 805,252 | $ 778,217 | $ 707,680 | $ 780,791 | $ 747,057 |
| - | - | - | - | - | - | - |
| 72,883 | 109,763 | 101,583 | 108,474 | 41,875 | 45,511 | 47,836 |
| - | - | - | - | - | - | - |
| 690,196 | 848,208 | 906,835 | 886,691 | 749,555 | 826,302 | 794,893 |
| 390,402 | 516,372 | 577,181 | 562,279 | 449,397 | 529,282 | 505,499 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 390,402 | 516,372 | 577,181 | 562,279 | 449,397 | 529,282 | 505,499 |
| 299,794 | 331,836 | 329,654 | 324,412 | 300,158 | 297,020 | 289,394 |
| 148,065 | 131,336 | 173,683 | 148,196 | 146,624 | 150,984 | 140,703 |
| 9,141 | 10,278 | 11,974 | 11,719 | 11,350 | 12,483 | 12,928 |
| 56,874 | 47,555 | 45,257 | 41,666 | 40,597 | 36,712 | 34,560 |
| 31,475 | 29,788 | 32,131 | 30,254 | 29,626 | 28,346 | 27,505 |
| 245,555 | 218,957 | 263,045 | 231,835 | 228,197 | 228,525 | 215,696 |
| 54,239 | 112,879 | 66,609 | 92,577 | 71,961 | 68,495 | 73,698 |
| 7,156 | 3,920 | 3,254 | 1,997 | 1,354 | - | - |
| 765 | 1,510 | 2,156 | 1,870 | 1,936 | 1,018 | 2,327 |
| 2,202 | 4,341 | (288) | (300) | 287 | (164) | (59) |
| 10,123 | 9,771 | 5,122 | 3,567 | 3,577 | 854 | 2,268 |
| 37,063 | 35,579 | 33,595 | 31,677 | 30,186 | 28,107 | 30,393 |
| 9,555 | 31,806 | 14,298 | 23,316 | 16,544 | 14,470 | 15,879 |
| 17,744 | 55,265 | 23,838 | 41,151 | 28,808 | 26,772 | 29,694 |
| - | - | - | - | - | - | - |
| $ 17,744 | $ 55,265 | $ 23,838 | $ 41,151 | $ 28,808 | $ 26,772 | $ 29,694 |
| $0.58 | $1.84 | $0.81 | $1.42 | $1.06 | $1.05 | $1.21 |
| 30,819 | 30,031 | 29,422 | 28,994 | 27,208 | 25,604 | 24,535 |



## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income (loss) | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| | Number of Shares | Stated Value | (In thousands, except share data) | | | |
| Balance, September 30, 1992 | 24,099,546 | $ 121 | $ 164,979 | $ - | $ 58,884 | $ 223,984 |
| Net income | - | - | - | - | 29,694 | 29,694 |
| Cash dividends and GGC distributions | - | - | - | - | (20,232) | (20,232) |
| Common stock issued | | | | | | |
| Restricted stock & stock options plans | 57,000 | - | 775 | - | - | 775 |
| Direct stock purchase and dividend reinvestment plans | 879,010 | 4 | 15,504 | - | - | 15,508 |
| Employee stock plan | 16,372 | - | 260 | - | - | 260 |
| ESOP | 131,000 | 1 | 2,277 | - | - | 2,278 |
| Less: GGC net income for qtr. ended 12/31/92 | - | - | - | - | (950) | (950) |
| Balance, September 30, 1993 | 25,182,928 | 126 | 183,795 | - | 67,396 | 251,317 |
| Net income | - | - | - | - | 26,772 | 26,772 |
| Cash dividends and GGC distributions | - | - | - | - | (23,201) | (23,201) |
| Common stock issued | | | | | | |
| Restricted stock & stock options plans | 108,000 | 1 | 2,175 | - | - | 2,176 |
| Direct stock purchase and dividend reinvestment plans | 449,716 | 2 | 7,201 | - | - | 7,203 |
| Employee stock plan | 20,500 | - | 310 | - | - | 310 |
| ESOP | 149,463 | 1 | 2,713 | - | - | 2,714 |
| Other | - | - | 293 | - | - | 293 |
| Balance, September 30, 1994 | 25,910,607 | 130 | 196,487 | - | 70,967 | 267,584 |
| Net income | - | - | - | - | 28,808 | 28,808 |
| Cash dividends | - | - | - | - | (26,197) | (26,197) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 13,000 | - | 202 | - | - | 202 |
| Direct stock purchase plan | 388,484 | 2 | 5,832 | - | - | 5,834 |
| ESOP/401(K) plans | 233,789 | 1 | 4,173 | - | - | 4,174 |
| Woodward Marketing investment | 320,512 | 2 | 4,998 | - | - | 5,000 |
| Public offering | 1,380,000 | 6 | 18,893 | - | - | 18,899 |
| Other | - | - | 45 | - | - | 45 |
| Balance, September 30, 1995 | 28,246,392 | 141 | 230,630 | - | 73,578 | 304,349 |
| Net income | - | - | - | - | 41,151 | 41,151 |
| Cash dividends | - | - | - | - | (28,478) | (28,478) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 41,700 | 1 | 733 | - | - | 734 |
| Direct stock purchase plan | 251,224 | 1 | 4,322 | - | - | 4,323 |
| Long term stock plan for United Cities | 16,900 | - | 241 | - | - | 241 |
| Outside directors stock-for-fee plan | 3,389 | - | 76 | - | - | 76 |
| ESOP | 161,477 | 1 | 3,641 | - | - | 3,642 |
| Monarch Gas Co. Acquisition | 207,366 | 1 | 1,499 | - | 933 | 2,433 |
| Oceana Heights Acquisition | 313,411 | 1 | 304 | - | 594 | 899 |
| Other | - | - | 212 | - | - | 212 |
| Balance, September 30, 1996 | 29,241,859 | 146 | 241,658 | - | 87,778 | 329,582 |
| Net income | - | - | - | - | 23,838 | 23,838 |
| Cash dividends | - | - | - | - | (26,415) | (26,415) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 100,000 | 1 | 2,443 | - | - | 2,444 |
| Direct stock purchase plan | 85,243 | - | 1,888 | - | - | 1,888 |
| Outside directors stock-for-fee plan | 3,008 | - | 72 | - | - | 72 |
| ESOP | 212,327 | 1 | 5,113 | - | - | 5,114 |
| Less: UCGC net income for quarter ended 12/31/96 | - | - | - | - | (9,263) | (9,263) |
| Balance, September 30, 1997 | 29,642,437 | 148 | 251,174 | - | 75,938 | 327,260 |
| Net income | - | - | - | - | 55,265 | 55,265 |
| Cash dividends | - | - | - | - | (31,834) | (31,834) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 114,250 | 1 | 2,898 | - | - | 2,899 |
| Direct stock purchase plan | 531,353 | 3 | 14,482 | - | - | 14,485 |
| ESOP | 52,473 | - | 1,485 | - | - | 1,485 |
| Long-term stock plan for UCG | 55,500 | - | 1,533 | - | - | 1,533 |
| Outside directors stock-for-fee plan | 2,306 | - | 65 | - | - | 65 |
| Balance, September 30, 1998 | 30,398,319 | $ 152 | $ 271,637 | $ - | $ 99,369 | $ 371,158 |

Shareholders' equity balances and share data have been restated for the poolings of interests with United Cities in July 1997 and Greeley Gas Co. in December 1993, and a 3-for-2 stock split in May 1994.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Continued)

| | Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income (loss) | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| | Number of Shares | Stated Value | (In thousands, except share data) | | | |
| Balance, September 30, 1998 | 30,398,319 | $ 152 | $ 271,637 | $ - | $ 99,369 | $ 371,158 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 17,744 | 17,744 |
| Unrealized holding gains on investments, net | - | - | - | 917 | - | 917 |
| Total comprehensive income | | | | | | 18,661 |
| Cash dividends | - | - | - | - | (33,882) | (33,882) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 56,850 | - | 1,732 | - | - | 1,732 |
| Direct stock purchase plan | 694,905 | 4 | 17,429 | - | - | 17,433 |
| ESOP | 89,435 | - | 2,362 | - | - | 2,362 |
| Long-term stock plan for UCG | 6,450 | - | 150 | - | - | 150 |
| Outside directors stock-for-fee plan | 1,841 | - | 49 | - | - | 49 |
| Balance, September 30, 1999 | 31,247,800 | 156 | 293,359 | 917 | 83,231 | 377,663 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 35,918 | 35,918 |
| Unrealized holding gains on investments, net | - | - | - | 1,348 | - | 1,348 |
| Total comprehensive income | | | | | | 37,266 |
| Cash dividends | - | - | - | - | (35,995) | (35,995) |
| Common stock issued | | | | | | |
| Restricted stock grant plan (cancelled) | (1,300) | - | (18) | - | - | (18) |
| Direct stock purchase plan | 440,990 | 2 | 8,588 | - | - | 8,590 |
| Retirement savings plan | 258,049 | 1 | 4,842 | - | - | 4,843 |
| Long-term stock plan for UCG | 4,200 | - | 66 | - | - | 66 |
| Outside directors stock-for-fee plan | 2,601 | 1 | 50 | - | - | 51 |
| Balance, September 30, 2000 | 31,952,340 | 160 | 306,887 | 2,265 | 83,154 | 392,466 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 56,090 | 56,090 |
| Unrealized holding losses on investments, net | - | - | - | (3,685) | - | (3,685) |
| Total comprehensive income | | | | | | 52,405 |
| Cash dividends | - | - | - | - | (44,112) | (44,112) |
| Common stock issued | | | | | | |
| Direct stock purchase plan | 411,159 | 2 | 8,682 | - | - | 8,684 |
| Retirement savings plan | 225,945 | 1 | 5,098 | - | - | 5,099 |
| Long-term stock plan for UCG | 15,300 | - | 240 | - | - | 240 |
| Long-term incentive plan | 17,172 | - | 272 | - | - | 272 |
| Non-employee directors equity incentive compensation plan | 2,740 | - | 60 | - | - | 60 |
| Outside directors stock-for-fee plan | 2,152 | - | 50 | - | - | 50 |
| Woodward Marketing, L.L.C. acquisition | 1,423,193 | 7 | 26,650 | - | - | 26,657 |
| Public offering | 6,741,500 | 34 | 142,009 | - | - | 142,043 |
| Balance, September 30, 2001 | 40,791,501 | 204 | 489,948 | (1,420) | 95,132 | 583,864 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 59,656 | 59,656 |
| Minimum pension liability, net | - | - | - | (39,432) | - | (39,432) |
| Unrealized holding losses on investments, net | - | - | - | (528) | - | (528) |
| Total comprehensive income | | | | | | 19,696 |
| Cash dividends | - | - | - | - | (48,646) | (48,646) |
| Common stock issued | | | | | | |
| Direct stock purchase plan | 505,202 | 2 | 10,546 | - | - | 10,548 |
| Retirement savings plan | 326,335 | 2 | 7,137 | - | - | 7,139 |
| Long-term incentive plan | 50,465 | - | 579 | - | - | 579 |
| Outside directors stock-for-fee plan | 2,429 | - | 55 | - | - | 55 |
| Balance, September 30, 2002 | 41,675,932 | 208 | 508,265 | (41,380) | 106,142 | 573,235 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 71,688 | 71,688 |
| Minimum pension liability, net | - | - | - | 39,432 | - | 39,432 |
| Unrealized holding gains on investments, net | - | - | - | 489 | - | 489 |
| Total comprehensive income | | | | | | 111,609 |
| Cash dividends | - | - | - | - | (55,291) | (55,291) |
| Common stock issued | | | | | | |
| Public offering | 4,100,000 | 20 | 99,102 | - | - | 99,122 |
| Acquisition of MVG | 3,386,287 | 17 | 74,633 | - | - | 74,650 |
| Contribution to Pension Account Plan | 1,169,700 | 6 | 28,757 | - | - | 28,763 |
| Direct stock purchase plan | 585,743 | 3 | 13,209 | - | - | 13,212 |
| Retirement savings plan | 360,725 | 2 | 8,277 | - | - | 8,279 |
| Long-term incentive plan | 181,429 | 1 | 3,664 | - | - | 3,665 |
| Long-term stock plan for Mid-States Div | 13,000 | - | 206 | - | - | 206 |
| Outside directors stock-for-fee plan | 2,969 | - | 67 | - | - | 67 |
| Balance, September 30, 2003 | 51,475,785 | $ 257 | $ 736,180 | $ (1,459) | $ 122,539 | $ 857,517 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 |
| | (In thousands) | | | |
| Cash flows from operating activities | | | | |
| Net income | $ 71,688 | $ 59,656 | $ 56,090 | $ 35,918 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | |
| Cumulative effect of accounting change, net of income tax benefit | 7,773 | - | - | - |
| Depreciation and amortization | | | | |
| Charged to depreciation and amortization | 87,001 | 81,469 | 67,664 | 63,855 |
| Charged to other accounts | 2,193 | 2,452 | 2,806 | 3,065 |
| Deferred income taxes | 53,867 | 14,509 | 18,501 | 18,251 |
| Other | (5,885) | (3,371) | (979) | - |
| Net assets/liabilities from risk management activities | (129) | (9,576) | 13,881 | - |
| Loss (gain) on sale of non-utility assets | - | - | - | (5,831) |
| | 216,508 | 145,139 | 157,963 | 115,258 |
| Changes in assets and liabilities net of effect of acquisitions | | | | |
| (Increase) decrease in cash held on deposit in margin account | (7,711) | 56,474 | (62,181) | - |
| (Increase) decrease in accounts receivable | (60,026) | (12,181) | 65,032 | (11,260) |
| (Increase) decrease in inventories | 3,234 | 2,272 | 374 | 2,037 |
| (Increase) decrease in gas stored underground | (64,875) | (2,228) | (3,376) | (17,518) |
| (Increase) decrease in deferred gas cost | (24,160) | 32,946 | 15,440 | (31,353) |
| (Increase) decrease in other current assets | 5,308 | 2,504 | (6,646) | (4,930) |
| (Increase) decrease in deferred charges and other assets | 21,258 | (33,515) | (12,143) | (13,053) |
| Increase (decrease) in accounts payable and accrued liabilities | 19,417 | 52,302 | (94,769) | 8,643 |
| Increase (decrease) in taxes payable | (4,323) | 4,006 | 791 | 9,607 |
| Increase (decrease) in customers' deposits | (767) | (1,204) | 6,078 | (909) |
| Increase (decrease) in other current liabilities | (35,546) | 31,393 | 9,019 | (4,866) |
| Increase (decrease) in deferred credits and other liabilities | (18,866) | 19,487 | 7,413 | 2,540 |
| Net cash provided by operating activities | 49,451 | 297,395 | 82,995 | 54,196 |
| Cash flows used in investing activities | | | | |
| Capital expenditures | (159,439) | (132,252) | (113,109) | (75,557) |
| Acquisitions, net of cash received | (74,650) | (15,747) | (354,755) | (32,000) |
| Retirements of property, plant and equipment, net | 704 | (1,725) | (1,460) | 957 |
| Assets for leasing activities | - | (8,511) | (5,377) | - |
| Proceeds from sale of assets, net | - | - | 6,625 | 6,467 |
| Net cash used in investing activities | (233,385) | (158,235) | (468,076) | (100,133) |
| Cash flows from financing activities | | | | |
| Net increase (decrease) in short-term debt | (27,196) | (55,456) | (48,800) | 81,743 |
| Net proceeds from issuance of long-term debt | 253,267 | - | 347,099 | - |
| Proceeds from Bridge loan | 147,000 | - | - | - |
| Repayment of Bridge loan | (147,000) | - | - | - |
| Repayment of long-term debt | (73,165) | (20,651) | (17,670) | (14,567) |
| Repayment of Mississippi Valley Gas debt | (70,938) | - | - | - |
| Cash dividends paid | (55,291) | (48,646) | (44,112) | (35,995) |
| Issuance of common stock | 25,720 | 18,321 | 14,405 | 13,550 |
| Net proceeds from equity offering | 99,229 | - | 142,043 | - |
| Net cash provided (used) by financing activities | 151,626 | (106,432) | 392,965 | 44,731 |
| Net increase (decrease) in cash and cash equivalents | (32,308) | 32,728 | 7,884 | (1,206) |
| Cash and cash equivalents at beginning of year | 47,991 | 15,263 | 7,379 | 8,585 |
| Cash and cash equivalents at end of year | $ 15,683 | $ 47,991 | $ 15,263 | $ 7,379 |

(1) Includes UCGC operations only for the nine months ended September 30, 1997, because UCGC operations for the quarter ended December 31, 1996 are reflected in fiscal year 1996 results.

(2) Includes GGC operations only for the nine months ended September 30, 1993, because GGC operations for the quarter ended December 31, 1992 are reflected in fiscal year 1992 results.

| 1999 | 1998 | 1997 (1) | 1996 | 1995 | 1994 | 1993 (2) |
|---|---|---|---|---|---|---|
| $ 17,744 | $ 55,265 | $ 14,575 | $ 41,151 | $ 28,808 | $ 26,772 | $ 28,744 |
| - | - | - | - | - | - | - |
| 56,874 | 47,555 | 39,970 | 41,666 | 40,597 | 36,712 | 34,560 |
| 4,800 | 5,861 | 2,237 | 3,580 | 3,601 | 1,485 | 2,127 |
| 31,874 | (3,968) | 5,807 | 7,585 | 4,652 | 1,545 | 3,344 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | (3,335) | - | (1,866) | 293 | 1,716 | 270 |
| 111,292 | 101,378 | 62,589 | 92,116 | 77,951 | 68,230 | 69,045 |
| - | - | - | - | - | - | - |
| (29,576) | 36,330 | 32,198 | (12,697) | (9,199) | 597 | 533 |
| 7,010 | (2,886) | 1,562 | (1,238) | (827) | 58 | 1,014 |
| 4,256 | (787) | (4,772) | (15,949) | 11,707 | 4,478 | (24,817) |
| (6,101) | - | - | - | - | - | - |
| 488 | 2,387 | (3,208) | 1,966 | (419) | 2,937 | 1,329 |
| (12,012) | (20,671) | (29,683) | (4,623) | (10,832) | (4,105) | (10,405) |
| 19,425 | (17,884) | (17,695) | 23,796 | 3,415 | (14,458) | 10,377 |
| (11,888) | 8,673 | (837) | 7,099 | 162 | 1,206 | (7,595) |
| (2,372) | (3,069) | (1,714) | 592 | 1,235 | (4,861) | 5,385 |
| (4,418) | (22,213) | 28,716 | (4,165) | 5,096 | 7,343 | (7,822) |
| 8,594 | 10,393 | 1,593 | 4,836 | 854 | 7,562 | 16,223 |
| 84,698 | 91,651 | 68,749 | 91,733 | 79,143 | 68,987 | 53,267 |
| (110,353) | (134,989) | (122,312) | (117,589) | (103,904) | (85,471) | (74,110) |
| - | - | - | - | - | - | - |
| 757 | 178 | 1,189 | 5,708 | 2,456 | 1,374 | (2,865) |
| - | - | - | - | - | - | - |
| - | 15,997 | - | - | - | - | - |
| (109,596) | (118,814) | (121,123) | (111,881) | (101,448) | (84,097) | (76,975) |
| 101,904 | (100,900) | 38,812 | 62,675 | (38,475) | 45,725 | 24,790 |
| - | 154,445 | 40,000 | - | 67,000 | - | 150 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (61,000) | (16,296) | (14,659) | (20,734) | (10,347) | (17,683) | (9,078) |
| - | - | - | - | - | - | - |
| (33,882) | (31,834) | (26,415) | (28,478) | (26,197) | (23,201) | (20,232) |
| 21,726 | 20,467 | 9,518 | 8,523 | 34,109 | 12,696 | 18,821 |
| - | - | - | - | - | - | - |
| 28,748 | 25,882 | 47,256 | 21,986 | 26,090 | 17,537 | 14,451 |
| 3,850 | (1,281) | (5,118) | 1,838 | 3,785 | 2,427 | (9,257) |
| 4,735 | 6,016 | 11,134 | 9,296 | 5,511 | 3,084 | 12,341 |
| $ 8,585 | $ 4,735 | $ 6,016 | $ 11,134 | $ 9,296 | $ 5,511 | $ 3,084 |

## PROPERTY, PLANT AND EQUIPMENT

| Year ended | Balance at beginning of period | Additions at cost (1) | Retirements or sales | Other | Balance at end of period |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| September 30, 1993 | $ 874,213 | $ 74,110 | $ 5,500 | $ - | $ 942,823 |
| September 30, 1994 | $ 942,823 | $ 85,471 | $ 11,234 | $ - | $ 1,017,060 |
| Utility plant | $ 933,886 | $ 108,745 | $ 13,795 | $ - | $ 1,028,836 |
| Nonutility Plant | 73,496 | (2,784) | 1,555 | - | 69,157 |
| Construction in progress | 9,678 | (807) | - | - | 8,871 |
| September 30, 1995 | $ 1,017,060 | $ 105,154 | $ 15,350 | $ - | $ 1,106,864 |
| Utility plant | $ 1,028,836 | $ 106,282 | $ 11,360 | $ - | $ 1,123,758 |
| Nonutility Plant | 69,157 | 6,630 | 988 | - | 74,799 |
| Construction in progress | 8,871 | 12,346 | - | - | 21,217 |
| September 30, 1996 | $ 1,106,864 | $ 125,258 | $ 12,348 | $ - | $ 1,219,774 |
| Utility plant | $ 1,123,758 | $ 102,231 | $ 7,618 | $ - | $ 1,218,371 |
| Nonutility Plant | 74,799 | 9,630 | 1,796 | - | 82,633 |
| Construction in progress | 21,217 | 10,451 | - | - | 31,668 |
| September 30, 1997 | $ 1,219,774 | $ 122,312 | $ 9,414 | $ - | $ 1,332,672 |
| Utility plant | $ 1,218,371 | $ 47,317 | $ 7,387 | $ - | $ 1,258,301 |
| Nonutility Plant | 82,633 | 7,452 | 14,830 | - | 75,255 |
| Construction in progress | 31,668 | 80,220 | (976) | - | 112,864 |
| September 30, 1998 | $ 1,332,672 | $ 134,989 | $ 21,241 | $ - | $ 1,446,420 |
| Utility plant | $ 1,258,301 | $ 199,127 | $ 3,200 | $ - | $ 1,454,228 |
| Nonutility Plant | 75,255 | 868 | 3,517 | - | 72,606 |
| Construction in progress | 112,864 | (89,642) | 798 | - | 22,424 |
| September 30, 1999 | $ 1,446,420 | $ 110,353 | $ 7,515 | $ - | $ 1,549,258 |
| Utility plant | $ 1,454,228 | $ 95,842 | $ 37,306 | $ - | $ 1,512,764 |
| Nonutility Plant | 72,606 | 1,128 | 39,929 | - | 33,805 |
| Construction in progress | 22,424 | 10,587 | (223) | - | 33,234 |
| September 30, 2000 | $ 1,549,258 | $ 107,557 | $ 77,012 | $ - | $ 1,579,803 |
| Utility plant | $ 1,512,764 | $ 563,857 | $ 67,860 | $ - | $ 2,008,761 |
| Nonutility Plant | 33,805 | 504 | 1,525 | 14,441 | 47,225 |
| Construction in progress | 33,234 | 20,995 | 348 | - | 53,881 |
| September 30, 2001 | $ 1,579,803 | $ 585,356 | $ 69,733 | $ 14,441 | $ 2,109,867 |
| Utility plant | $ 2,008,761 | $ 166,479 | $ 134,657 | $ (18,920) | $ 2,021,663 |
| Nonutility Plant | 47,225 | 15,993 | 373 | 18,920 | 81,765 |
| Construction in progress | 53,881 | (29,482) | - | - | 24,399 |
| September 30, 2002 | $ 2,109,867 | $ 152,990 | $ 135,030 | $ - | $ 2,127,827 |
| Utility plant | $ 2,021,663 | $ 431,358 | $ 73,663 | $ (732) | $ 2,378,626 |
| Nonutility Plant | 81,765 | 3,816 | 947 | 732 | 85,366 |
| Construction in progress | 24,399 | (8,252) | - | - | 16,147 |
| September 30, 2003 | $ 2,127,827 | $ 426,922 | $ 74,610 | $ - | $ 2,480,139 |

(1) Additions at cost include capital expenditures and acquisitions treated as a purchase.

## ACCUMULATED DEPRECIATION AND AMORTIZATION

| Year ended | Balance at beginning of period | Additions charged to costs and expenses | Deductions-retirements, renewals and replacements | Other | Balance at end of period |
|---|---|---|---|---|---|
| | | (In thousands) | | | |
| September 30, 1993 | $ 321,614 | $ 36,687 | $ 8,365 | $ - | $ 349,936 |
| September 30, 1994 | $ 349,936 | $ 38,197 | $ 9,860 | $ - | $ 378,273 |
| September 30, 1995 | $ 378,273 | $ 44,198 | $ 12,894 | $ - | $ 409,577 |
| September 30, 1996 | $ 409,577 | $ 45,246 | $ 6,640 | $ 1,380 | $ 449,563 |
| September 30, 1997 | $ 449,563 | $ 42,207 | $ 8,225 | $ - | $ 483,545 |
| September 30, 1998 | $ 483,545 | $ 53,416 | $ 8,401 | $ - | $ 528,560 |
| September 30, 1999 | $ 528,560 | $ 61,674 | $ 6,758 | $ - | $ 583,476 |
| September 30, 2000 | $ 583,476 | $ 66,920 | $ 52,939 | $ - | $ 597,457 |
| September 30, 2001 | $ 597,457 | $ 70,470 | $ 24,560 | $ 131,102 | $ 774,469 |
| September 30, 2002 | $ 774,469 | $ 83,921 | $ 27,649 | $ (3,234) | $ 827,507 |
| September 30, 2003 | $ 827,507 | $ 89,194 | $ 87,104 | $ 134,553 | $ 964,150 |

Depreciation is provided at various rates on a straight-line basis over the estimated useful lives of the assets.

## LONG-TERM AND SHORT-TERM DEBT

| | September 30 | | | |
|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 |
| | (In thousands) | | | |
| Long-term Debt | | | | |
| Unsecured 7.95% Senior Notes, payable in annual installments of $1,000,000 from 8/31/1997 thru 2006 | $ - | $ 4,000 | $ 5,000 | $ 6,000 |
| Unsecured 9.57% Senior Notes, payable in annual installments of $2,000,000 from 9/30/1997 thru 2006 | - | 8,000 | 10,000 | 12,000 |
| Unsecured 9.76% Senior Notes, payable in annual installments of $3,000,000 from 12/30/1995 thru 2004 | - | 9,000 | 12,000 | 15,000 |
| Unsecured 9 3/4% Senior Notes, payable in varying annual installments through 12/30/1996 | - | - | - | - |
| Unsecured 10% Notes, due 12/31/2011 | 2,303 | 2,303 | 2,303 | 2,303 |
| Unsecured 7.375% Senior Notes, due 5/15/2011 | 350,000 | 350,000 | 350,000 | - |
| Unsecured 5.125% Senior Notes, due 1/15/13 | 250,000 | - | - | - |
| Unsecured 11.2% Senior Notes, due in annual installments of $2,000,000 from 12/30/1993 thru 12/30/2002 | - | 2,000 | 4,000 | 6,000 |
| First Mortgage Bonds Series I-13 3/4% | - | - | - | - |
| 13% series, due $300,000 annually, commencing in 1989 with a balance of $1,000,000 due in 1995 | - | - | - | - |
| Notes payable to banks refinanced with long-term debt | - | - | - | - |
| Unsecured 8.07% Senior Notes, payable in annual installments of $4,000,000 beginning October 31, 2002 through October 31, 2006 with semiannual interest payments | - | 20,000 | 20,000 | 20,000 |
| Unsecured 8.26% Senior Notes, payable in annual installments of $1,818,182 beginning October 31, 2004 through October 31, 2014 with semiannual interest payments | - | 20,000 | 20,000 | 20,000 |
| Unsecured Note, 6.09% due 11/25/1998 | - | - | - | - |
| Unsecured 6.75% Debentures due 7/15/2028 | 150,000 | 150,000 | 150,000 | 150,000 |
| Subtotal long-term debt this page | 752,303 | 565,303 | 573,303 | 231,303 |

| 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|
| $ 7,000 | $ 8,000 | $ 9,000 | $ 10,000 | $ 10,000 | $ 10,000 | $ 10,000 |
| 14,000 | 16,000 | 18,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 18,000 | 21,000 | 24,000 | 27,000 | 30,000 | 30,000 | 30,000 |
| - | - | - | 1,000 | 3,000 | 5,000 | 8,000 |
| 2,303 | 2,303 | 2,303 | 2,303 | 2,303 | 2,303 | 2,303 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 8,000 | 10,000 | 12,000 | 14,000 | 16,000 | 18,000 | 20,000 |
| - | - | - | - | - | - | 3,250 |
| - | - | - | - | - | - | 1,600 |
| - | - | - | - | - | 40,000 | - |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | - | - |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | - | - |
| - | 40,000 | 40,000 | - | - | - | - |
| 150,000 | 150,000 | - | - | - | - | - |
| 239,303 | 287,303 | 145,303 | 114,303 | 121,303 | 125,303 | 95,153 |

## LONG-TERM AND SHORT-TERM DEBT (CONTINUED)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 |
| | (In thousands, except percents) | | | |
| Long-term Debt (continued) | | | | |
| First Mortgage Bonds-- | | | | |
| Series J, 9.4%, due 2021 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 |
| Series N, 8.69%, due 2000 | - | - | - | - |
| Series P, 10.43%, due 2017 | 13,750 | 16,250 | 18,750 | 21,250 |
| Series Q, 9.75%, due 2020 | 17,000 | 18,000 | 19,000 | 20,000 |
| Series R, 11.32%, due 2004 | 2,160 | 4,300 | 6,440 | 8,580 |
| Series S, 8.71%, due 1997 | - | - | - | - |
| Series T, 9.32%, due 2021 | 18,000 | 18,000 | 18,000 | 18,000 |
| Series U, 8.77%, due 2022 | 20,000 | 20,000 | 20,000 | 20,000 |
| Series V, 7.50%, due 2007 | 6,733 | 10,000 | 10,000 | 10,000 |
| Other series, 8.45% to 8.75% | - | - | - | - |
| Medium term notes, 6.20% through 6.67%, due 2000 through 2025 | 20,000 | 20,000 | 20,000 | 22,000 |
| Senior secured storage term notes, 7.45%, due in installments through 2007 | - | - | 5,949 | 6,769 |
| Rental property adjustable rate term notes due in installments through 1997 | - | - | - | - |
| Rental property fixed rate term note 7.9%, due in installments through 2013 | 1,310 | 1,440 | 1,571 | 1,702 |
| Propane term note, 6.99% due in installments through 1998 | - | - | - | - |
| Other long-term obligations due in installments through 2008 | 5,007 | 2,150 | 3,081 | 4,160 |
| Subtotal long-term debt this page | 120,960 | 127,140 | 139,791 | 149,461 |
| Subtotal long-term debt previous page | 752,303 | 565,303 | 573,303 | 231,303 |
| Total face amount Long-term Debt | 873,263 | 692,443 | 713,094 | 380,764 |
| Less amounts classified as current | (9,345) | (21,980) | (20,695) | (17,566) |
| Total Net Long-term Debt | $ 863,918 | $ 670,463 | $692,399 | $363,198 |
| Short-term Debt | | | | |
| Current maturities of long-term debt | $ 9,345 | $ 21,980 | $ 20,695 | $ 17,566 |
| Short-term debt | 118,595 | 145,791 | 201,247 | 250,047 |
| Total short-term debt | $ 127,940 | $ 167,771 | $ 221,942 | $ 267,613 |
| Weighted Average Cost of Debt (1) | | | | |
| Long-term debt (including current maturities) | 6.8% | 7.8% | 7.8% | 8.1% |
| Short-term debt | 1.7% | 2.9% | 5.8% | 6.4% |
| Total | 6.4% | 6.9% | 7.4% | 7.4% |

(1) The calculation of the weighted average cost of debt does not include data for Greeley Gas Company prior to 1994 or United Cities prior to 1996.

| 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|
| $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 |
| 1,000 | 3,000 | 5,000 | 7,000 | 10,000 | 14,000 | 18,000 |
| 22,500 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 10,720 | 12,860 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| - | - | - | - | 7,000 | 7,000 | 7,000 |
| 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| - | - | - | - | - | - | 955 |
| 22,000 | 22,000 | 22,000 | 22,000 | 22,000 | - | - |
| 7,530 | 8,237 | 8,893 | 9,353 | 9,926 | 10,436 | 10,895 |
| - | - | 1,329 | 4,497 | 5,691 | 6,839 | 9,043 |
| 1,833 | 1,964 | 2,095 | 2,161 | 2,292 | 4,137 | 4,352 |
| - | 3,750 | 4,250 | 4,500 | 5,000 | - | - |
| 5,445 | 7,217 | 4,312 | 4,027 | 2,406 | - | - |
| 156,028 | 169,028 | 172,879 | 178,538 | 189,315 | 167,412 | 175,245 |
| 239,303 | 287,303 | 145,303 | 114,303 | 121,303 | 125,303 | 95,153 |
| 395,331 | 456,331 | 318,182 | 292,841 | 310,618 | 292,715 | 270,398 |
| (17,848) | (57,783) | (15,201) | (16,679) | (16,155) | (10,068) | (12,702) |
| $ 377,483 | $ 398,548 | $ 302,981 | $ 276,162 | $ 294,463 | $ 282,647 | $ 257,696 |
| $ 17,848 | $ 57,783 | $ 15,201 | $ 16,679 | $ 16,155 | $ 10,068 | $ 12,702 |
| 168,304 | 66,400 | 167,300 | 128,488 | 65,813 | 64,288 | 58,563 |
| $ 186,152 | $ 124,183 | $ 182,501 | $ 145,167 | $ 81,968 | $ 74,356 | $ 71,265 |
| 8.2% | 8.1% | 9.0% | 9.0% | 9.5% | 9.8% | 10.1% |
| 5.7% | 6.2% | 6.1% | 6.3% | 7.0% | 5.6% | 3.8% |
| 7.5% | 7.9% | 8.0% | 8.2% | 9.0% | 8.9% | 8.5% |

## SINKING FUND REQUIREMENTS

| Year ending September 30 | Long-term Debt Outstanding 9/30/2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| | | (In thousands) | | | | |
| 10% Notes | $ 2,303 | $ - | $ - | $ - | $ - | $ - |
| 5.125% Sr. Note | 250,000 | - | - | - | - | - |
| 6.75% Debentures | 150,000 | - | - | - | - | - |
| 7.375% Sr. Notes | 350,000 | - | - | - | - | - |
| First Mortgage Bonds-- | | | | | | |
| Series J, 9.4%, due 2021 | 17,000 | - | - | - | - | - |
| Series P, 10.43%, due 2017 | 13,750 | 2,500 | 1,250 | 1,250 | 1,250 | 1,250 |
| Series Q, 9.75%, due 2020 | 17,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Series R, 11.32%, due 2004 | 2,160 | 2,160 | - | - | - | - |
| Series T, 9.32%, due 2021 | 18,000 | - | - | 1,125 | 1,125 | 1,125 |
| Series U, 8.77%, due 2022 | 20,000 | - | - | - | 1,250 | 1,250 |
| Series V, 7.50%, due 2007 | 6,733 | 2,567 | 1,667 | 1,667 | 832 | - |
| Medium term notes, 6.20% through 6.67% | 20,000 | - | - | - | - | - |
| Rental property fixed rate term note | 1,310 | 131 | 131 | 130 | 131 | 131 |
| Wells Fargo Equipment | 3,799 | 578 | 611 | 648 | 686 | 1,276 |
| Other Propane Notes | 1,208 | 409 | 331 | 268 | 100 | 100 |
| | $ 873,263 | $ 9,345 | $ 4,990 | $ 6,088 | $ 6,374 | $ 6,132 |

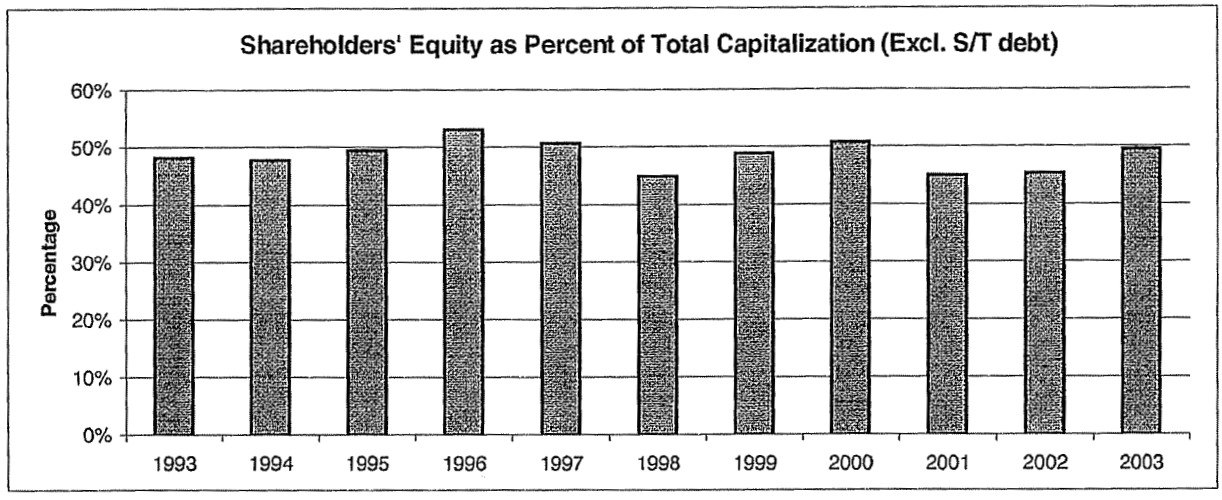
## SINKING FUND REQUIREMENTS (continued)

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 - 2028 |
|---|---|---|---|---|---|---|---|---|
| $ - | $ - | $ - | $ 2,303 | $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | 250,000 | - | - | - | - |
| - | - | - | - | - | - | - | - | 150,000 |
| - | - | 350,000 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 17,000 |
| 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | - | - | - | - |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 4,000 |
| - | - | - | - | - | - | - | - | - |
| 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 5,625 |
| 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 7,500 |
| - | - | - | - | - | - | - | - | - |
| - | - | 10,000 | - | - | - | - | - | 10,000 |
| 131 | 131 | 131 | 131 | 132 | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| $ 4,756 | $ 4,756 | $ 364,756 | $ 7,059 | $ 254,757 | $ 3,375 | $ 3,375 | $ 3,375 | $ 194,125 |

## CAPITALIZATION AND RATIOS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 |
| | (In thousands, except percents) | | | |
| Capitalization | | | | |
| Shareholders' equity | | | | |
| Common stock | $ 257 | $ 208 | $ 204 | $ 160 |
| Additional paid-in capital | 736,180 | 508,265 | 489,948 | 306,887 |
| Retained earnings | 122,539 | 106,142 | 95,132 | 83,154 |
| Accum. other comprehensive income (loss) | (1,459) | (41,380) | (1,420) | 2,265 |
| Shareholders' equity | 857,517 | 573,235 | 583,864 | 392,466 |
| Long-term debt (including current maturities) | 873,263 | 692,443 | 713,094 | 380,764 |
| Total capitalization (excluding short-term debt) | 1,730,780 | 1,265,678 | 1,296,958 | 773,230 |
| Short-term debt | 118,595 | 145,791 | 201,247 | 250,047 |
| Total capitalization (including short-term debt) | $ 1,849,375 | $ 1,411,469 | $ 1,498,205 | $ 1,023,277 |
| Capitalization Ratios | | | | |
| Shareholders' equity | 49.5% | 45.3% | 45.0% | 50.8% |
| Long-term debt (including current maturities) | 50.5% | 54.7% | 55.0% | 49.2% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| Including Short-term debt | | | | |
| Shareholders' equity | 46.4% | 40.6% | 39.0% | 38.4% |
| Long-term debt (including current maturities) | 47.2% | 49.1% | 47.6% | 37.2% |
| Short-term debt | 6.4% | 10.3% | 13.4% | 24.4% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

| 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|
| $ 156 | $ 152 | $ 148 | $ 146 | $ 141 | $ 130 | $ 126 |
| 293,359 | 271,637 | 251,174 | 241,658 | 230,630 | 196,487 | 183,795 |
| 83,231 | 99,369 | 75,938 | 87,778 | 73,578 | 70,967 | 67,396 |
| 917 | - | - | - | - | - | - |
| 377,663 | 371,158 | 327,260 | 329,582 | 304,349 | 267,584 | 251,317 |
| 395,331 | 456,331 | 318,182 | 292,841 | 310,618 | 292,715 | 270,398 |
| 772,994 | 827,489 | 645,442 | 622,423 | 614,967 | 560,299 | 521,715 |
| 168,304 | 66,400 | 167,300 | 128,488 | 65,813 | 64,288 | 58,563 |
| $ 941,298 | $ 893,889 | $ 812,742 | $ 750,911 | $ 680,780 | $ 624,587 | $ 580,278 |
| 48.9% | 44.9% | 50.7% | 53.0% | 49.5% | 47.8% | 48.2% |
| 51.1% | 55.1% | 49.3% | 47.0% | 50.5% | 52.2% | 51.8% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 40.1% | 41.5% | 40.3% | 43.9% | 44.7% | 42.8% | 43.3% |
| 42.0% | 51.1% | 39.1% | 39.0% | 45.6% | 46.9% | 46.6% |
| 17.9% | 7.4% | 20.6% | 17.1% | 9.7% | 10.3% | 10.1% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

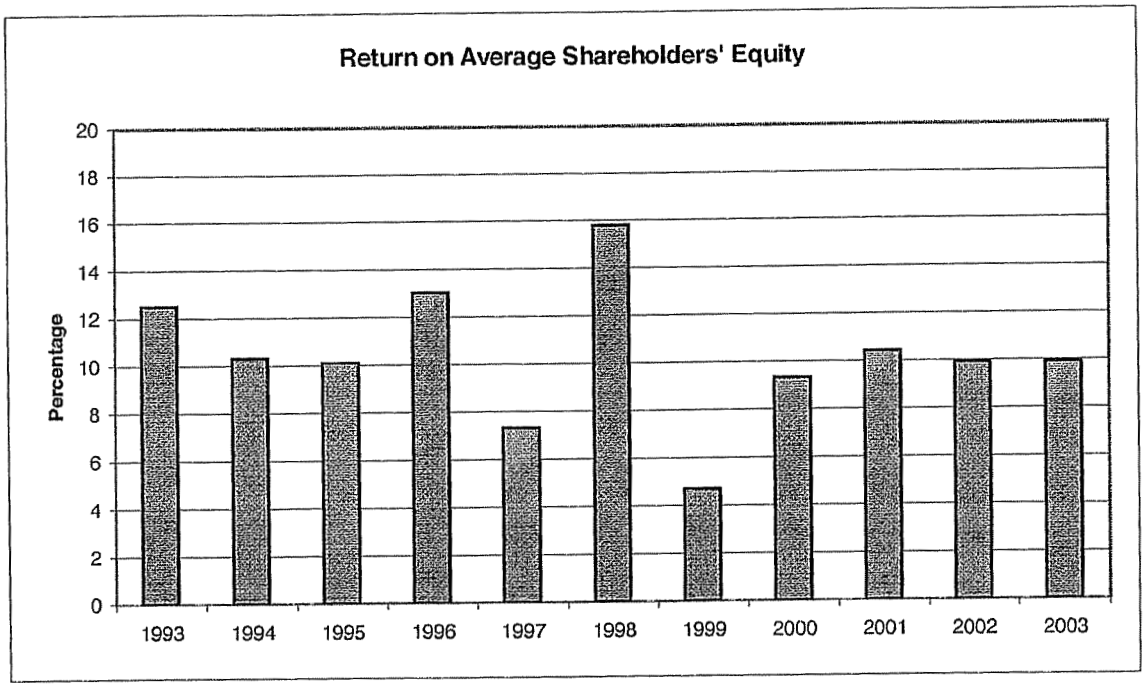


## FINANCIAL AND OPERATING STATISTICS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 |
| **Utility Property Statistics** | | | | |
| Gross plant per meter | $ 1,432 | $ 1,467 | $ 1,475 | $ 1,410 |
| Net plant per meter | 865 | 881 | 924 | 874 |
| **Utility Expense Statistics** | | | | |
| O & M expense per meter | | | | |
| Operation | $ 108 | $ 96 | $ 124 | $ 128 |
| Maintenance | 7 | 5 | 6 | 7 |
| Total | $ 115 | $ 101 | $ 130 (1) | $ 135 |
| **Financial Statistics** | | | | |
| Return on average shareholders' equity | 9.9 % | 9.9 % | 10.4 % | 9.3 % |
| Times interest earned before income taxes | 2.75 | 2.55 | 2.83 | 2.28 |
| Market price at year end | $ 23.94 | $ 21.50 | $ 21.60 | $ 20.63 |
| Book value per share at end of year | $ 16.66 | $ 13.75 | $ 14.31 | $ 12.28 |
| Price/Earnings ratio at end of year | 15.55 | 14.83 | 14.69 | 18.09 |
| Market/Book ratio at end of year | 1.44 | 1.56 | 1.51 | 1.68 |
| Annualized dividend yield at end of year | 5.0 % | 5.5 % | 5.4 % | 5.5 % |
| Payout ratio | 77.9 % | 81.4 % | 78.9 % | 100.0 % |
| **Operating Statistics** | | | | |
| Customers per employee - utility | 594 | 616 | 603 | 591 |
| Number of employees | 2,905 | 2,338 | 2,361 | 1,885 |
| Miles of pipe | 45,267 | 39,157 | 38,938 | 30,029 |

(1) Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

| 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|
| $ 1,423 | $ 1,440 | $ 1,352 | $ 1,249 | $ 1,166 | $ 1,078 | $ 1,026 |
| 884 | 914 | 862 | 789 | 735 | 677 | 645 |
| $ 137 | $ 126 | $ 171 | $ 148 | $ 151 | $ 156 | $ 155 |
| 9 | 10 | 12 | 12 | 12 | 13 | 14 |
| $ 146 | $ 136 | $ 183 | $ 160 | $ 163 | $ 169 | $ 169 |
| 4.7 % | 15.8 % | 7.3 % | 13.0 % | 10.1 % | 10.3 % | 12.5 % |
| 1.56 | 3.09 | 2.04 | 3.00 | 2.44 | 2.45 | 2.47 |
| $ 24.13 | $ 28.56 | $ 24.88 | $ 23.38 | $ 19.38 | $ 17.75 | $ 20.25 |
| $ 12.09 | $ 12.21 | $ 11.04 | $ 11.27 | $ 10.77 | $ 10.33 | $ 9.98 |
| 41.59 | 15.52 | 30.71 | 16.46 | 18.28 | 16.90 | 16.74 |
| 2.00 | 2.34 | 2.25 | 2.07 | 1.80 | 1.72 | 2.03 |
| 4.6 % | 3.7 % | 4.1 % | 4.2 % | 5.0 % | 5.1 % | 4.1 % |
| 189.7 % | 57.6 % | 125.0 % | 69.2 % | 90.8 % | 86.3 % | 68.2 % |
| 547 | 475 | 379 | 350 | 330 | 309 | 296 |
| 2,062 | 2,193 | 2,679 | 2,863 | 2,944 | 3,052 | 3,105 |
| 30,670 | 30,108 | 30,902 | 30,163 | 29,474 | 28,991 | 28,390 |



## CUSTOMERS AND VOLUMES

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 |
| Utility meters in service (end of year) | | | | |
| Residential | 1,498,586 | 1,247,247 | 1,243,625 | 970,873 |
| Commercial | 151,008 | 122,156 | 122,274 | 104,019 |
| Industrial | 3,799 | 2,118 | 1,838 | 1,878 |
| Agricultural | 9,514 | 10,576 | 11,182 | 12,381 |
| Public authority and other | 9,891 | 7,244 | 7,404 | 7,448 |
| Total utility meters | 1,672,798 | 1,389,341 | 1,386,323 | 1,096,599 |
| Natural gas marketing customers | | | | |
| Industrial | 750 | 641 | 531 | - |
| Municipal | 206 | 101 | 68 | - |
| Propane (2) | - | - | - | - |
| Total natural gas marketing customers | 956 | 742 | 599 | - |
| Utility meters (% of total) | | | | |
| Residential | 89.6 % | 89.8 % | 89.7 % | 88.5 % |
| Commercial | 9.0 | 8.8 | 8.8 | 9.5 |
| Public authority and other | 0.6 | 0.5 | 0.6 | 0.7 |
| Weather sensitive customers | 99.2 | 99.1 | 99.1 | 98.7 |
| Industrial | 0.2 | 0.1 | 0.1 | 0.2 |
| Agricultural | 0.6 | 0.8 | 0.8 | 1.1 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Average utility meters in service | 1,675,328 | 1,390,687 | 1,381,365 | 1,061,066 |
| Heating degree days (Excl. UCG prior to 1993) (3) | 3,473 | 3,368 | 4,124 | 2,096 |
| Degree days as a % of normal | 101 % | 94 % | 115 % | 82 % |
| Consolidated utility gas sales volumes (MMcf) (1) | | | | |
| Residential | 97,953 | 77,386 | 79,000 | 63,285 |
| Commercial | 45,611 | 35,796 | 36,922 | 30,707 |
| Public authority and other | 9,326 | 5,875 | 6,892 | 5,520 |
| Weather sensitive customers | 152,890 | 119,057 | 122,814 | 99,512 |
| Industrial | 23,738 | 14,499 | 19,243 | 18,546 |
| Agricultural | 7,884 | 10,988 | 7,070 | 20,141 |
| Total gas sales volumes | 184,512 | 144,544 | 149,127 | 138,199 |
| Transportation volumes (MMcf) (1) | 63,453 | 63,997 | 68,647 | 59,365 |
| Consolidated utility throughput (MMcf)(1) | 247,965 | 208,541 | 217,774 | 197,564 |
| Consolidated natural gas marketing throughput (MMcf) (1) | 225,961 | 204,027 | 55,469 | - |
| Propane Gallons (000's) (2) | - | - | - | 19,329 |
| Consolidated utility gas sales volumes (% of total) | | | | |
| Residential | 53.1 % | 53.5 % | 53.0 % | 45.8 % |
| Commercial | 24.7 | 24.8 | 24.8 | 22.2 |
| Public authority and other | 5.1 | 4.1 | 4.6 | 4.0 |
| Weather sensitive customers | 82.9 | 82.4 | 82.4 | 72.0 |
| Industrial | 12.9 | 10.0 | 12.9 | 13.4 |
| Agricultural | 4.2 | 7.6 | 4.7 | 14.6 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

(1) Volumes are reported as metered in million cubic feet ("MMcf").
(2) The propane business was exchanged for an indirect interest in Heritage Propane Partners in August 2000.
(3) Heating degree days for 2003, 2002 and 2001 are adjusted for service areas with weather-normalized operations. Heating degree days for years prior to 2001 are not adjusted for service areas with weather-normalized operations, as that information was not available.

| 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|
| 919,012 | 889,074 | 870,747 | 860,229 | 834,376 | 825,310 | 789,360 |
| 98,268 | 94,302 | 92,703 | 91,960 | 90,093 | 93,250 | 86,124 |
| 1,552 | 1,449 | 1,157 | 1,862 | 1,759 | 1,799 | 851 |
| 12,777 | 14,873 | 16,060 | 17,541 | 18,003 | 18,420 | 8,713 |
| 6,386 | 4,834 | 4,781 | 4,716 | 4,982 | 4,949 | 3,267 |
| 1,037,995 | 1,004,532 | 985,448 | 976,308 | 949,213 | 943,728 | 888,315 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 39,539 | 37,400 | 29,097 | 26,108 | 23,359 | 21,693 | 20,498 |
| 39,539 | 37,400 | 29,097 | 26,108 | 23,359 | 21,693 | 20,498 |
| 88.5 % | 88.5 % | 88.4 % | 88.1 % | 87.9 % | 87.4 % | 88.8 % |
| 9.5 | 9.4 | 9.4 | 9.4 | 9.5 | 9.9 | 9.7 |
| 0.6 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 |
| 98.6 | 98.4 | 98.3 | 98.0 | 97.9 | 97.8 | 98.9 |
| 0.2 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.1 |
| 1.2 | 1.5 | 1.6 | 1.8 | 1.9 | 2.0 | 1.0 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| 1,020,971 | 1,004,369 | 984,835 | 974,767 | 947,358 | 940,574 | 917,614 |
| 3,374 | 3,799 | 3,909 | 4,043 | 3,706 | 3,855 | 4,080 |
| 85 % | 95 % | 98 % | 101 % | 93 % | 97 % | 102 % |
| 67,128 | 73,472 | 75,215 | 77,001 | 69,666 | 72,561 | 74,818 |
| 31,457 | 36,083 | 37,382 | 38,247 | 34,921 | 35,250 | 36,307 |
| 5,793 | 4,937 | 5,195 | 5,182 | 4,779 | 5,242 | 4,403 |
| 104,378 | 114,492 | 117,792 | 120,430 | 109,366 | 113,053 | 115,528 |
| 19,934 | 26,967 | 32,783 | 37,784 | 36,379 | 36,600 | 32,091 |
| 15,807 | 17,914 | 13,633 | 20,079 | 20,911 | 21,038 | 18,446 |
| 140,119 | 159,373 | 164,208 | 178,293 | 166,656 | 170,691 | 166,065 |
| 55,468 | 56,224 | 48,800 | 44,146 | 47,647 | 47,882 | 51,665 |
| 195,587 | 215,597 | 213,008 | 222,439 | 214,303 | 218,573 | 217,730 |
| - | - | - | - | - | - | - |
| 22,291 | 23,412 | 25,204 | 33,637 | 28,854 | 23,175 | 20,180 |
| 47.9 % | 46.1 % | 45.7 % | 43.1 % | 41.8 % | 42.4 % | 45.0 % |
| 22.5 | 22.6 | 22.8 | 21.5 | 20.9 | 20.7 | 21.9 |
| 4.1 | 3.1 | 3.2 | 2.9 | 2.9 | 3.1 | 2.7 |
| 74.5 | 71.8 | 71.7 | 67.5 | 65.6 | 66.2 | 69.6 |
| 14.2 | 16.9 | 20.0 | 21.2 | 21.8 | 21.5 | 19.3 |
| 11.3 | 11.3 | 8.3 | 11.3 | 12.6 | 12.3 | 11.1 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

# UTILITY OPERATIONS SALES AND STATISTICAL DATA - 2003

The following table provides key statistical characteristics about the Company's divisions for utility operations and excludes non-regulated irrigation volumes.

| | Year ended September 30, 2003 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Colorado-Kansas | Kentucky | Louisiana | Mid-States | Texas | Mississippi | Total Utility |
| **Meters in service** - at end of year | | | | | | | |
| Residential | 199,853 | 159,024 | 346,866 | 274,025 | 271,198 | 247,620 | 1,498,586 |
| Commercial | 18,759 | 18,077 | 22,843 | 35,889 | 26,228 | 29,212 | 151,008 |
| Industrial | 36 | 406 | - | 729 | 933 | 1,695 | 3,799 |
| Agricultural | 413 | - | - | - | 9,101 | - | 9,514 |
| Public authority and other | 1,584 | 1,661 | 930 | 750 | 2,208 | 2,758 | 9,891 |
| Total | 220,645 | 179,168 | 370,639 | 311,393 | 309,668 | 281,285 | 1,672,798 |
| **Heating Degree Days (system average) (1)** | | | | | | | |
| Actual | 5,704 | 4,364 | 1,735 | 3,843 | 3,487 | 2,243 | 3,473 |
| Normal | 5,621 | 4,340 | 1,630 | 3,820 | 3,579 | 2,229 | 3,434 |
| Percent of normal | 101% | 101% | 106% | 101% | 97% | 101% | 101% |
| **Sales Volumes - MMcf (2) (3)** | | | | | | | |
| Residential | 17,419 | 12,700 | 16,066 | 18,780 | 20,091 | 12,897 | 97,953 |
| Commercial | 6,506 | 5,442 | 6,841 | 13,106 | 7,448 | 6,268 | 45,611 |
| Industrial | 313 | 2,613 | - | 8,332 | 4,149 | 8,331 | 23,738 |
| Agricultural | 858 | - | - | - | 7,026 | - | 7,884 |
| Public authority and other | 1,233 | 1,559 | 867 | 277 | 2,342 | 3,048 | 9,326 |
| Total | 26,329 | 22,314 | 23,774 | 40,495 | 41,056 | 30,544 | 184,512 |
| **Transportation Volumes - MMcf (2) (3)** | 9,615 | 24,848 | 7,960 | 20,011 | 5,671 | 2,054 | 70,159 |
| **Total Volumes Delivered - MMcf (2) (3)** | 35,944 | 47,162 | 31,734 | 60,506 | 46,727 | 32,598 | 254,671 |
| **Operating Revenues (000's) (3)** | $ 206,653 | $ 177,613 | $ 261,896 | $ 374,725 | $ 274,520 | $ 258,675 | $ 1,554,082 |
| **Other Statistics at year end** | | | | | | | |
| Miles of pipe | 6,341 | 3,840 | 7,952 | 7,790 | 13,261 | 6,083 | 45,267 |
| Employees | 275 | 237 | 450 | 453 | 341 | 557 | 2,313 (4) |

(1) A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. See Glossary for further information. Heating degree day information is adjusted for service areas with weather normalized operations.
(2) Volumes are reported as metered in million cubic feet (MMcf).
(3) Sales volumes and revenues reflect segment operations, including intercompany sales and transportation amounts.
(4) Does not include 504 shared employees in the shared services office and customer support centers and 88 employees in non-utility operations.

## UTILITY OPERATIONS SALES AND STATISTICAL DATA - 2002

The following table provides key statistical characteristics about the Company's divisions for utility operations and excludes non-regulated irrigation volumes.

| | Year ended September 30, 2002 | | | | | |
|---|---|---|---|---|---|---|
| | Colorado-Kansas | Kentucky | Louisiana | Mid-States | Texas | Total Utility |
| **Meters in service** - at end of year | | | | | | |
| Residential | 196,320 | 158,296 | 346,369 | 273,166 | 273,096 | 1,247,247 |
| Commercial | 18,602 | 18,017 | 22,709 | 35,925 | 26,903 | 122,156 |
| Industrial | 41 | 409 | - | 729 | 939 | 2,118 |
| Agricultural | 423 | - | - | - | 10,153 | 10,576 |
| Public authority and other | 1,594 | 1,657 | 934 | 810 | 2,249 | 7,244 |
| Total | 216,980 | 178,379 | 370,012 | 310,630 | 313,340 | 1,389,341 |
| **Heating Degree Days (system average) (1)** | | | | | | |
| Actual | 5,373 | 4,346 | 1,543 | 3,644 | 3,259 | 3,368 |
| Normal | 5,675 | 4,340 | 1,720 | 3,881 | 3,538 | 3,576 |
| Percent of normal | 95% | 100% | 90% | 94% | 92% | 94% |
| **Sales Volumes - MMcf (2) (3)** | | | | | | |
| Residential | 15,660 | 10,802 | 15,117 | 16,245 | 19,562 | 77,386 |
| Commercial | 5,948 | 4,611 | 6,442 | 11,599 | 7,196 | 35,796 |
| Industrial | 365 | 1,931 | - | 8,658 | 3,545 | 14,499 |
| Agricultural | 1,474 | - | - | - | 9,514 | 10,988 |
| Public authority and other | 1,190 | 1,314 | 847 | 287 | 2,237 | 5,875 |
| Total | 24,637 | 18,658 | 22,406 | 36,789 | 42,054 | 144,544 |
| **Transportation Volumes - MMcf (2) (3)** | 8,917 | 25,063 | 8,029 | 20,355 | 7,225 | 69,589 |
| **Total Volumes Delivered - MMcf (2) (3)** | 33,554 | 43,721 | 30,435 | 57,144 | 49,279 | 214,133 |
| **Operating Revenues (000's) (3)** | $154,718 | $138,772 | $188,092 | $257,305 | $198,639 | $937,526 |
| **Other Statistics at year end** | | | | | | |
| Miles of pipe | 6,454 | 3,794 | 7,951 | 7,637 | 13,321 | 39,157 |
| Employees | 271 | 245 | 457 | 461 | 332 | 1,766 (4) |

(1) A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. See Glossary for further information. Heating degree day information is adjusted for service areas with weather normalized operations.

(2) Volumes are reported as metered in million cubic feet (MMcf).

(3) Sales volumes and revenues reflect segment operations, including intercompany sales and transportation amounts.

(4) Does not include 489 shared employees in the shared services office and customer support centers and 83 employees in non-utility operations.

## GAS SALES AND TRANSPORTATION REVENUES

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 |
| Utility revenues (000's): | | | | |
| Residential | $ 873,375 | $ 535,981 | $ 788,902 | $ 405,552 |
| Commercial | 367,961 | 221,728 | 342,945 | 176,712 |
| Industrial | 192,676 | 98,765 | 148,180 | 171,447 |
| Public authority and other | 65,921 | 31,731 | 58,539 | 27,198 |
| Total gas sales revenues | 1,499,933 | 888,205 | 1,338,566 | 780,909 |
| Transportation revenues | 29,583 | 36,591 | 28,668 | 23,610 |
| Other gas revenues | 23,341 | 11,258 | 10,925 | 4,674 |
| Total utility revenues | 1,552,857 | 936,054 | 1,378,159 | 809,193 |
| Natural gas marketing revenues | 1,234,447 | 700,519 | 291,152 | 929 |
| Propane revenues (1) | - | - | - | 22,550 |
| Other non-utility revenues | 12,612 | 14,391 | 56,170 | 17,480 |
| Total operating revenues | $ 2,799,916 | $ 1,650,964 | $ 1,725,481 | $ 850,152 |
| Gas sales revenue percent | | | | |
| Residential | 58.2 % | 60.3 % | 58.9 % | 51.9 % |
| Commercial | 24.5 | 25.0 | 25.6 | 22.6 |
| Industrial | 12.9 | 11.1 | 11.1 | 22.0 |
| Public authority and other | 4.4 | 3.6 | 4.4 | 3.5 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Utility average gas revenues per Mcf | | | | |
| Residential | $8.92 | $6.93 | $9.99 | $6.41 |
| Commercial | $8.07 | $6.19 | $9.29 | $5.75 |
| Industrial | $6.09 | $3.88 | $5.63 | $4.43 |
| Public authority and other | $7.07 | $5.40 | $8.49 | $4.93 |
| Total | $8.17 | $6.21 | $8.99 | $5.91 |
| Utility average transportation revenue per Mcf | $0.43 | $0.41 | $0.41 | $0.37 |
| Utility average cost of gas per Mcf sold | $5.76 | $3.87 | $6.82 | $3.67 |

(1) Propane revenues represent only 10 months of operations for 2000 as it was combined with Heritage Propane Partners effective August 10, 2000.

| 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|
| $ 349,691 | $ 410,538 | $ 452,864 | $ 409,039 | $ 337,768 | $ 375,450 | $ 372,770 |
| 144,836 | 184,046 | 193,302 | 186,032 | 150,949 | 165,883 | 165,611 |
| 117,382 | 161,382 | 168,386 | 187,693 | 171,591 | 188,791 | 160,410 |
| 22,330 | 20,504 | 23,898 | 21,738 | 18,185 | 22,463 | 18,315 |
| 634,239 | 776,470 | 838,450 | 804,502 | 678,493 | 752,587 | 717,106 |
| 23,101 | 23,971 | 19,885 | 18,872 | 19,913 | 21,325 | 21,937 |
| 4,500 | 8,121 | 6,385 | 13,751 | 9,374 | 6,879 | 8,014 |
| 661,840 | 808,562 | 864,720 | 837,125 | 707,780 | 780,791 | 747,057 |
| - | - | - | - | - | - | - |
| 22,944 | 29,091 | 33,194 | 38,372 | 24,651 | 18,510 | 16,506 |
| 5,412 | 10,555 | 8,921 | 11,194 | 17,224 | 27,001 | 31,330 |
| $ 690,196 | $ 848,208 | $ 906,835 | $ 886,691 | $ 749,655 | $ 826,302 | $ 794,893 |
| | | | | | | |
| 55.1 % | 52.9 % | 54.0 % | 50.8 % | 49.8 % | 49.9 % | 52.0 % |
| 22.8 | 23.7 | 23.1 | 23.1 | 22.2 | 22.0 | 23.1 |
| 18.6 | 20.8 | 20.0 | 23.4 | 25.3 | 25.1 | 22.3 |
| 3.5 | 2.6 | 2.9 | 2.7 | 2.7 | 3.0 | 2.6 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| | | | | | | |
| $5.21 | $5.59 | $6.02 | $5.31 | $4.85 | $5.17 | $4.98 |
| $4.60 | $5.10 | $5.17 | $4.86 | $4.32 | $4.71 | $4.56 |
| $3.28 | $3.60 | $3.63 | $3.24 | $3.00 | $3.28 | $3.17 |
| $3.85 | $4.15 | $4.60 | $4.19 | $3.81 | $4.29 | $4.16 |
| $4.71 | $4.87 | $5.11 | $4.51 | $4.07 | $4.41 | $4.32 |
| | | | | | | |
| $0.39 | $0.43 | $0.41 | $0.43 | $0.42 | $0.45 | $0.42 |
| | | | | | | |
| $2.74 | $3.24 | $3.51 | $3.15 | $2.70 | $3.10 | $3.04 |

## THE REVENUE DOLLAR

| | Weighted average 1993 - 2003 | Year ended September 30 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|
| Operating revenue | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ |
| Purchased gas cost | 69.84 | 80.89 | 73.89 | 78.25 | 61.69 |
| Gross profit | 30.16 | 19.11 | 26.11 | 21.75 | 38.31 |
| Operation and maintenance | 13.91 | 7.32 | 9.58 | 8.09 | 17.40 |
| Taxes (including other taxes) | 4.94 | 3.64 | 4.32 | 4.12 | 5.76 |
| Interest, net of other income (expense) | 3.01 | 2.20 | 3.66 | 2.37 | 3.42 |
| Subtotal | 8.30 | 5.95 | 8.55 | 7.17 | 11.73 |
| Depreciation and amortization | 4.74 | 3.11 | 4.93 | 3.92 | 7.51 |
| Cumulative effect of acctg change, net | (0.06) | (0.28) | - | - | - |
| Net income | 3.50 | 2.56 | 3.62 | 3.25 | 4.22 |
| Dividends | 2.94 | 1.97 | 2.95 | 2.56 | 4.23 |
| Retained in business | 0.56 ¢ | 0.59 ¢ | 0.67 ¢ | 0.69 ¢ | (0.01) ¢ |

**Internally Generated Cash Flow Reinvested in Business Compared to Dividends Paid:**

| | | | | | |
|---|---|---|---|---|---|
| Depreciation and amortization | 4.74 ¢ | 3.11 ¢ | 4.93 ¢ | 3.92 ¢ | 7.51 ¢ |
| Retained in business | 0.56 | 0.59 | 0.67 | 0.69 | (0.01) |
| Reinvested in business | 5.30 | 3.70 | 5.60 | 4.61 | 7.50 |
| Dividends | 2.94 | 1.97 | 2.95 | 2.56 | 4.23 |
| Reinvested in business in excess of dividends | 2.36 ¢ | 1.73 ¢ | 2.65 ¢ | 2.05 ¢ | 3.27 ¢ |

| 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|
| 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ |
| 56.56 | 60.88 | 63.65 | 63.41 | 59.96 | 64.05 | 63.59 |
| 43.44 | 39.12 | 36.35 | 36.59 | 40.04 | 35.95 | 36.41 |
| 22.78 | 16.70 | 20.47 | 18.04 | 21.08 | 19.78 | 19.33 |
| 5.94 | 7.26 | 5.12 | 6.04 | 6.16 | 5.18 | 5.46 |
| 3.90 | 3.04 | 3.14 | 3.17 | 3.55 | 3.30 | 3.54 |
| 10.82 | 12.12 | 7.62 | 9.34 | 9.25 | 7.69 | 8.08 |
| 8.24 | 5.61 | 4.99 | 4.70 | 5.42 | 4.44 | 4.35 |
| - | - | - | - | - | - | - |
| 2.58 | 6.51 | 2.63 | 4.64 | 3.83 | 3.25 | 3.73 |
| 4.91 | 3.75 | 2.91 | 3.21 | 3.50 | 2.81 | 2.55 |
| (2.33) ¢ | 2.76 ¢ | (0.28) ¢ | 1.43 ¢ | 0.33 ¢ | 0.44 ¢ | 1.18 ¢ |

| | | | | | | |
|---|---|---|---|---|---|---|
| 8.24 ¢ | 5.61 ¢ | 4.99 ¢ | 4.70 ¢ | 5.42 ¢ | 4.44 ¢ | 4.35 ¢ |
| (2.33) | 2.76 | (0.28) | 1.43 | 0.33 | 0.44 | 1.18 |
| 5.91 | 8.37 | 4.71 | 6.13 | 5.75 | 4.88 | 5.53 |
| 4.91 | 3.75 | 2.91 | 3.21 | 3.50 | 2.81 | 2.55 |
| 1.00 ¢ | 4.62 ¢ | 1.80 ¢ | 2.92 ¢ | 2.25 ¢ | 2.07 ¢ | 2.98 ¢ |

# REGULATION AND RATES

## Regulation

Each of our utility divisions is regulated by various state or local public utility authorities. The Company's operations in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Mississippi, Missouri, Tennessee and Virginia are under the jurisdiction of their respective state regulatory commissions which regulate utility services, rates, issuance of securities and other maters.

In the Company's Texas distribution system, the governing body of each municipality served by the Company has original jurisdiction over all utility rates, operations and services within its city limits except with respect to sales of natural gas for vehicle fuel and agricultural use. The Company operates pursuant to non-exclusive franchises granted by the municipalities it serves, which are subject to renewal from time to time. The Railroad Commission of Texas has exclusive appellate jurisdiction over all rate and regulatory orders and ordinances of the municipalities and exclusive original jurisdiction over rates and services to customers not located within the limits of a municipality. Rates may be negotiated with industrial customers and are subject to review by the respective original jurisdiction regulatory authority. Agricultural sales in Texas are not regulated except that prices for agricultural sales cannot exceed the prices the Company charges the majority of its commercial or other similar large-volume users.

The Company's operations in Louisiana are under the jurisdiction of the Louisiana Public Service Commission which regulates utility services, rates and other matters. However, direct sales of natural gas to industrial customers in Louisiana who utilize the gas for fuel or in manufacturing processes are exempt from regulation.

The Company is subject to regulation by the United States Department of Transportation with respect to safety requirements in the operation and maintenance of its gas distribution facilities. The Company's distribution operations are also subject to various state and federal laws regulating pipeline safety and environmental matters.

## Rates

Approximately 97 percent of the Company's utility revenues in fiscal year 2003 were derived from sales at rates set by or subject to approval by local or state authorities. The method of determining regulated rates varies among the states in which our natural gas utility divisions operate. The regulators have the responsibility of ensuring that utilities under their jurisdiction operate in the best interests of customers while providing utility companies the opportunity to earn a reasonable return on investment. In a general rate case, the applicable regulatory authority, which is typically the state public utility commission, establishes rates which allow a utility company an opportunity to collect revenue from customers to recover the cost of providing utility service.

Rates established by regulatory authorities are adjusted for increases and decreases in our purchased gas cost through purchased gas adjustment mechanisms. Purchased gas adjustment mechanisms provide gas utility companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case to address all of the utility's non-gas costs. These mechanisms are commonly utilized when regulatory authorities recognize a particular type of expense, such as purchased gas costs, that (i) is subject to significant price fluctuations compared to the utility's other costs, (ii) represents a large component of the utility's cost of service and (iii) is generally outside the control of the gas utility. There is no margin generated through purchased gas adjustments, but they do provide a dollar-for-dollar offset to increases or decreases in utility gas costs. Although substantially all of our utility sales to our customers fluctuate with the cost of gas that we purchase, utility gross profit (which is defined as operating revenues less purchased gas cost) is generally not affected by fluctuations in the cost of gas due to the purchased gas adjustment mechanism.

Additionally, certain jurisdictions have introduced performance-based ratemaking adjustments to provide incentives to natural gas utilities to minimize purchased gas costs through improved storage management and use of financial hedges to lock in gas costs. Under the performance-based ratemaking adjustment, purchased gas cost savings are shared between the utility and the customer. Also, we have approved weather normalization adjustments (WNA) in Tennessee, Georgia, Kentucky and Mississippi which help to mitigate the effects of weather that is above or below normal. WNA allows us to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal. Effective for the 2003-2004 heating season, we will have WNA in Kansas and Amarillo, Texas.

## REGULATION AND RATES (Continued)

The following table sets forth the major rate requests (excluding industrial and agricultural) made by the Company during the most recent 10 fiscal years through September 30, 2003 (in thousands):

| Jurisdiction | | Effective Date | Amount Requested | Amount Received (Reduced) | |
|---|---|---|---|---|---|
| **Colorado** | | 5/01/94 | 4,527 | 3,246 | |
| | | 1/21/98 | - | (1,600) | (6) |
| | | 5/04/01 | 4,200 | 2,750 | |
| **Georgia** | | 12/02/96 | 5,003 | 3,160 | |
| | | 5/01/99 | - | - | (16) |
| **Illinois** | | 7/09/97 | 1,234 | 428 | |
| | | 10/23/00 | 3,100 | 1,367 | |
| **Iowa** | | 5/17/96 | 750 | 410 | |
| | | 3/05/01 | - | (326) | (5) |
| **Kansas** | | 12/01/93 | 2,604 | 2,088 | |
| | | 9/01/95 | 4,230 | 2,700 | (10) |
| | | - | 7,400 | - | (12) |
| **Kentucky** | | 11/01/95 | 7,665 | 2,300 | (4) |
| | | 3/01/96 | - | 1,000 | (4) |
| | | 12/21/99 | 14,127 | 9,900 | (8) |
| **Louisiana:** | Trans La System | 3/01/93 | - | 730 | (3) |
| | | 3/01/94 | - | 1,058 | (3) |
| | | 3/01/95 | - | 1,071 | (3) |
| | | 11/01/02 | - | 364 | (2) |
| | LGS System | 11/01/02 | - | 11,890 | (11) |
| **Mississippi** | | - | - | - | (15) |
| **Missouri** | | 10/14/95 | 1,100 | 903 | |
| **Tennessee** | | 11/15/95 | 3,951 | 2,227 | |
| | | 4/01/99 | - | - | (16) |
| **Texas:** | West Texas System | 11/18/94 | 2,581 | 1,702 | (1) |
| | | 11/01/96 | 7,676 | 5,800 | (1) |
| | | 12/01/00 | 9,827 | 3,011 | (7) |
| | | - | 7,700 | - | (13) |
| | Amarillo | 11/25/92 | 4,398 | 2,130 | |
| | | 1/01/00 | 4,354 | 2,200 | |
| | | 9/01/03 | 5,118 | 2,825 | |
| | Lubbock System | - | 3,000 | - | (14) |
| **Virginia** | | 9/29/95 | 810 | 103 | |
| | | 10/1/98 | - | (248) | (9) |
| | | 4/01/01 | 2,100 | (534) | |

Notes

(1) The increases included $200,000 and $500,000 applicable to areas outside the city limits which became effective in January 1995 and April 1997.

(2) The Louisiana Public Service Commission approved, in October 1999, a rate stabilization clause for three years for our former Trans La Division. The rate stabilization clause will allow the Trans La system to earn a return on equity within certain ranges that will be monitored on an annual basis. In 2002, we submitted our 2001 rate stabilization filing and received tariff revisions which resulted in an increase in annual revenues of $0.5 million during the first 24-month period. Subsequent to the first 24-month period, adjusted rates will provide an increase in annual revenues of $0.4 million.

(3) The September 1992 rate order approved a Rate Stabilization Clause ("RSC") for three years which provided for an annual adjustment of rates to reflect changes in expenses and investment. The RSC provided the Company the opportunity to earn a return on common equity between 11.75% and 12.25%.

(4) The Kentucky rate order provided an increase of $2,300,000, lowered depreciation rates effective November 1, 1995 and provided an additional $1,000,000 beginning March 1, 1996. The order also included a provision for a pilot demand side management program which could cost up to $450,000 annually.

(5) Rate reduction as a result of an agreement initiated by the Iowa Consumer Advocate Division of the Department of Justice.

(6) Rate reduction as a result of settlement in a case initiated by the Colorado Consumer Council.

(7) In addition to the revenue increase, the Railroad Commission approved a new rate design to mitigate the effect of warmer than normal weather.

(8) The Kentucky rate order also included a provision for a five-year pilot program for weather normalization beginning in November 2000.

(9) Rate reduction as a result of a settlement with the Virginia State Corporation Commission staff.

(10) This increase is applicable to the service area transferred from the United Cities Division to the Greeley Division in 1999.

(11) On January 29, 2001, the Louisiana Public Service Commission approved a rate stabilization clause for our LGS system for a three-year period beginning January 1, 2001. Under the rate stabilization clause, our LGS system will be allowed to earn a return on equity within certain ranges that will be monitored on an annual basis. In 2002, we submitted our 2001 rate stabilization filing and received tariff revisions which resulted in an increase in annual revenues of $15.3 million during the first 24-month period. Subsequent to the first 24-month period, adjusted rates will provide an increase in annual revenues of $11.9 million.

(12) At September 30, 2003, the Kansas Corporation Commission was scheduled to conduct a public hearing on this case in December 2003.

(13) This case was filed in September 2003 and is pending review by the affected cities.

(14) This case was filed in October 2003 and is pending review by the City of Lubbock.

(15) In October 2003, the Mississippi Public Service Commission issued a final ruling which denied our May 2003 request for a rate adjustment. We are currently considering our response to the Commission's ruling.

(16) Effective April 1, 1999, the Tennessee Regulatory Authority approved a performance-based ratemaking mechanism related to gas procurement and gas transportation activities. Effective May 1, 2002, the Georgia Public Service Commission renewed our performance-based ratemaking program. See our Form 10-K for the year ended September 30, 2003 for more detailed information.

## REGULATION AND RATES (Continued)

**Regulatory Commissions**

**Railroad Commission of Texas** (www.rrc.state.tx.us)

Three Commissioners who are elected by statewide general election for staggered six-year terms.

- Victor G. Carrillo, Chairman - Term expires 2004; appointed to serve the unexpired term of Tony Garza who became Ambassador to Mexico; former petroleum geophysicist; former attorney.
- Charles R. Matthews, - Elected to the commission in 1994; won re-election to a second term in 2000; businessman, former Mayor of Garland, TX.
- Michael L. Williams - Term expires 2008; appointed to serve the unexpired term of Carole Keeton Rylander; former general counsel to a Texas-based high-tech corporation.

**Kentucky Public Service Commission** (www.psc.state.ky.us)

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- Martin J. Huelsmann, Chairman - Term expires 2004; former Special Deputy Liquidator for Delta Re Insurance Co.
- Robert E. Spurlin - Term expires 2005; Former Director of the Coal Workers' Oneumoconiosis Fund.
- Gary W. Gillis - Term expires 2005; CPA, former Secretary of the Revenue Cabinet, Exec Dir., Ky. Workers Comp. Funding Com.

**Louisiana Public Service Commission** (www.lpsc.org)

Five Commissioners elected from single-member districts for staggered six-year terms.

- Jack A. "Jay" Blossman, Chairman, District 1 - Term expires 2009; former attorney.
- Jimmy Field, District 2 - Term expires 2007; former attorney in private practice.
- Irma Muse Dixon, District 3 - Term expires 2005; public administrator/social worker; former State Representative - New Orleans.
- C. Dale Sittig, District 4 - Term expires 2005; former State Representative.
- Foster L. Campbell, District 5 - Term expires 2009; former school teacher and owner/operator of an insurance agency.

**Kansas Corporation Commission** (www.kcc.state.ks.us)

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- John Wine - Term expires March 2004; attorney, former Securities Commissioner of Kansas, former attorney for Secretary of State.
- Robert Krehbiel - Term expires March 2007; former attorney with Phillips Petroleum Company, Energy Resources Group, Inc., and Imperial Oil Company prior to having a private practice that focused on oil and gas law.
- Brian J. Moline, Chairperson - Term expires March 2006; former General Counsel to the KCC.

**Colorado Public Utilities Commission** (www.dora.state.co.us)

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- Gregory E. Sopkin, Chairman - Term expires January 2007; former Assistant Attorney General, representing PUC.
- Jim Dryer, Commissioner - Term expires January 2005; served last 14 years in the Colorado legislature, 12 years as a state representative and the last two as senator.
- Polly Page - Commissioner, term expires January 2004; former Arapahoe County Commissioner (1995-2000) and former Aurora City Council Member (1987-1995).

**Mississippi Public Service Commission** (www.psc.state.ms.us)

Three Commissioners who are elected.

- Dorlos "Bo" Robinson - Term expires 2007; co-owner, with his son, of Robinson Farms; also co-owner of Hamilton Gin and Cotton Company, Cottonhouse, Inc., M & R Farms, and R & W Land Company.
- Nielsen Cochran - Term expires November 2007; former professional baseball player for the Baltimore Orioles.
- Michael Callahan, Chairman - Term expires January 2007; former Criminal Investigator and Assistant District Attorney for the Twelfth Judicial District in Hattiesburg.

**Regulatory Commissions (Continued)**

**Missouri Public Service Commission** (www.psc.state.mo.us)

Five Commissioners who are appointed by the Governor for staggered four-year terms.

- Kelvin L. Simmons - Term expires April 2005; former member of the Kansas City Council.
- Bryan Forbis - Term expires November 2005; former deputy director for Institutional Services in the Missouri Division of Aging.
- Steve Gaw, Chairman - Term expires January 2007; former Speaker of the Missouri House.
- Connie Murray, - Term expires April 2007; former state representative.
- Robert M. Clayton III - Term expires April 2009; attorney in private law practice in Hannibal.

**Illinois Commerce Commission** (www.icc.state.il.us)

Five Commissioners who are appointed by the Governor and confirmed by the Senate for five year terms.

- Erin M. O'Connell-Diaz - Term expires 2008; former Assistant Manager, Administrative Law Judge Division, ICC (2000-2003).
- Lula M. Ford - Term expires 2008; former Math and Science Teacher and Assistant Superintendent, Chicago Public Schools.
- Kevin K. Wright - Term expires 2007; former deputy chief of staff to Governor George H. Ryan.
- Mary Frances Squires - Chairman, IL Commerce Commission Water Policy Committee.
- Edward C. Hurley, Chairman - Term expires 2004; former General Counsel of Custom Coffee Service Corp.

**Georgia Public Service Commission** (www.psc.state.ga.us)

Five Commissioners elected state wide by general public for seven year terms.

- David L. Burgess - Term expires 2006; the first former PSC staff member to hold a Commission seat.
- Angela Speir, Vice-Chairman - Term expires 2008; Former Assistant Administrator of the medical complex at the United Methodist Children's Home providing medical aid and counseling to abused children.
- Stan Wise, Vice-Chairman - Term expires 2006; Former Cobb County Commissioner and member of Board of Zoning Appeals; former President of the S.E. Assoc. of Regulatory Utility Commissioners.
- Bobby Baker, Jr. - Term expires 2004; Former Attorney with the Southeastern Legal Foundation.
- Doug Everett, Chairman - Term expires 2008; former employee of Albany First Federal Savings and Loan before starting his own business in 1974, Southern Appraisal Company that specializes in appraising large commercial and industrial properties.

**Virginia State Corporation Commission** (www.state.va.us/scc)

Three Commissioners elected by the General Assembly for staggered six year terms.

- Theodore V. Morrison, Jr., Chairman - Term expires 2007; Former Attorney and member of the Va. Code Commission.
- Hullihen Williams Moore - Term expires 2004; Former Attorney in private practice.
- Clinton Miller - Term expires 2008; Former Attorney and member of the Va. House of Delegates.

**Iowa Utilities Board** (www.state.ia.us/government/com/util)

Three Commissioners who are appointed by the Governor with Senate approval and minority party representation.

- Diane Munns, Chairperson - Term expires 2009; former General Counsel for the Iowa Utilities Board.
- Mark Lambert - Term expires 2005; former executive director of the Iowa Environmental Council.
- Elliott Smith - Term expires 2007; former attorney for two civil law firms and legislative liaison and a policy planner for the Iowa Department of Economic Development.

**Tennessee Regulatory Authority** (www.state.tn.us/tra)

Four Directors who are appointed for 6 years by the Governor, Speaker of House, and Lieutenant Governor.

- Sara Kyle, Chairman - Term expires 2008; Former City Judge in Memphis, Tn.
- Deborah Taylor Tate - Term expires 2008; recently served as Director of the State and Local Policy Center at Vanderbilt University.
- Pat Miller - Term expires 2008; served as Chief of Staff to the Lt. Governor and Speaker of the Senate from 1997 to 2002.
- Ron Jones - Term expires 2008; a 16 year veteran of utility regulation.

## GAS SUPPLY

The Company receives gas deliveries in our utility operations through 36 pipeline transportation companies, both interstate and intrastate, to satisfy its sales market requirements. The pipeline transportation agreements are firm and many of them have "pipeline no-notice" storage service which provides for daily balancing between system requirements and nominated flowing supplies. These agreements have been negotiated with the shortest term necessary while still maintaining our right of first refusal.

We purchase our gas supply from various producers and marketers. Supply arrangements are contracted on a firm basis with various terms at market prices. The firm supply consists of both base load and swing supply quantities. Base load quantities are those that flow at a constant level throughout the month and swing supply quantities provide the flexibility to change daily quantities to match increases or decreases in requirements related to weather conditions. Except for local production purchases, we select suppliers through a competitive bidding process by requesting proposals from suppliers that have demonstrated that they can provide reliable service. We select these suppliers based on their ability to deliver gas supply to our designated firm pipeline receipt points at the lowest cost.

The Kentucky Division's gas supply is delivered primarily by the following pipelines: Williams Pipeline-Texas Gas, Tennessee Gas, Trunkline, Midwestern Pipeline and ANR.

The Mid-States Division is served by 13 interstate pipelines. The majority of the volumes are transported through East Tennessee Pipeline, Southern Natural Gas, Tennessee Gas Pipeline and Columbia Gulf.

Colorado Interstate Gas Company, Southern Star Central Gas Pipeline, Inc. (formerly Williams Pipeline-Central), Public Service Company of Colorado and Northwest Pipeline are the principal transporters of the Colorado-Kansas Division's requirements. Additionally, the Colorado-Kansas Division purchases substantial volumes from producers that are connected directly to its distribution system.

Louisiana Intrastate Gas Company, Acadian Pipeline, Gulf South and Williams Pipeline-Texas Gas pipelines deliver most of the Louisiana Division's requirements.

Our Texas Division receives transportation service from ONEOK Pipeline and commodity from third parties. In Amarillo, Texas, the Company purchases a significant portion of its supply from Pioneer Natural Resources which is connected directly to our Amarillo, Texas distribution system.

The Company also owns or holds an interest in and operates numerous natural gas storage facilities in Kansas, Kentucky, Mississippi and Louisiana which are used to help meet customer requirements during peak demand periods and to reduce the need to contract for additional pipeline capacity to meet such peak demand periods. Additionally, the Company operates one propane plant and a liquefied natural gas plant for peak shaving purposes. The Company also contracts for storage service in underground storage facilities on many of the interstate pipelines serving them.

During fiscal 2003, the Company purchased the majority of its gas from the following suppliers:

1) Woodward Marketing, L.L.C.
2) Tenaska Marketing
3) Anadarko Energy Services
4) BP Energy Company
5) Cinergy Marketing and Trading
6) ONEOK Energy Marketing
7) Pioneer Natural Resources
8) Prior Energy Corporation
9) Duke Energy Trading and Marketing

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## UNDERGROUND STORAGE FACILITIES

Our utility and other non-utility segments own underground gas storage facilities in several states to supplement the supply of natural gas in periods of peak demand. The following table summarizes key information regarding our underground gas storage facilities:

| Facility | Location | Usable Capacity (Mcf) | Cushion Gas (Mcf) (1) | Total Capacity (Mcf) | Maximum Daily Delivery Capability (Mcf) |
|---|---|---|---|---|---|
| *Utility Segment* | | | | | |
| St. Charles | Hopkins County, Ky | 3,560,600 | 3,470,000 | 7,030,600 | 44,600 |
| Goodwin | Monroe County, Ms | 1,550,000 | 300,000 | 1,850,000 | 20,000 |
| Amory | Monroe County, Ms | 1,460,000 | 1,000,000 | 2,460,000 | 25,000 |
| Bon Harbor | Daviess County, Ky | 778,600 | 1,300,000 | 2,078,600 | 24,000 |
| Hickory | Daviess County, Ky | 451,600 | 850,000 | 1,301,600 | 24,000 |
| Columbus LNG Plant | Muscogee County, Ga | 450,000 | 50,000 | 500,000 | 30,000 |
| Grandview | Daviess County, Ky | 305,400 | 350,000 | 655,400 | 4,500 |
| Kirkwood | Hopkins County, Ky | 221,900 | 400,000 | 621,900 | 12,000 |
| *Total Utility Segment* | | 8,778,100 | 7,720,000 | 16,498,100 | 184,100 |
| *Other Non-Utility Segment* | | | | | |
| Liberty North | Montgomery County, Ks | 2,800,000 | 2,000,000 | 4,800,000 | 40,000 |
| East Diamond | Hopkins County, Ky | 2,160,000 | 1,640,000 | 3,800,000 | 40,000 |
| Barnsley | Hopkins County, Ky | 1,278,900 | 1,600,000 | 2,878,900 | 30,000 |
| Liberty South | Montgomery County, Ks | 439,000 | 300,000 | 739,000 | 5,000 |
| Napoleonville (2) | Assumption Parish, La | 438,583 | 300,973 | 739,556 | 56,000 |
| Buffalo | Wilson County, Ks | 200,000 | 180,000 | 380,000 | 5,000 |
| Fredonia | Wilson County, Ks | 200,000 | 160,000 | 360,000 | 5,000 |
| Crofton | Christian County, Ky | 54,000 | 55,000 | 109,000 | 1,000 |
| *Total Other Non-Utility Segment* | | 7,570,483 | 6,235,973 | 13,806,456 | 182,000 |
| **Total** | | 16,348,583 | 13,955,973 | 30,304,556 | 366,100 |

(1) Cushion gas represents the volume of gas that must be retained in a facility to maintain reservoir pressure.
(2) We own 25 percent of this facility and Acadian Gas Pipeline System owns the remaining 75 percent of this facility. Acadian Gas Pipeline System operates this facility.
(3) Maximum daily withdrawal quantity (MDWQ) amounts will fluctuate depending upon the season and the month. Unless otherwise noted, MDWQ amounts represent the MDWQ amounts as of November 1, which is the beginning of the winter heating season.
(4) We contract for storage service in two underground storage facilities, Wiseman and Ellis, from this company.
(5) Included in this amount is a contract signed in July 2003 for 1 Bcf in a salt dome storage facility located in Louisiana with a total capacity of 5 Bcf. This facility provides increased flexibility because it allows us to inject and withdraw gas on a daily and monthly basis. The contract commenced in November 2003 and will last for 5 winter heating seasons.

## UNDERGROUND STORAGE FACILITIES (CONTINUED)

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

| Division/Company | Contractor | Maximum Storage Quantity (MMBtu) | Maximum Daily Withdrawal Quantity (MMBtu) (3) |
|---|---|---|---|
| *Utility Segment* | | | |
| Colorado-Kansas Division | Southern Star Central Pipeline | 2,699,598 | 44,217 |
| | Tenaska Marketing Ventures | 500,000 | 7,000 |
| | Public Service Company of Colorado | 434,997 | 15,000 |
| | Colorado Interstate Gas Company | 422,142 | 12,985 |
| | Kinder Morgan, Inc. | 90,000 | 2,000 |
| | Centerpoint Energy Gas Transmission | 28,500 | 950 |
| Kentucky Division | Texas Gas Transmission | 3,841,150 | 41,060 |
| | Tennessee Gas Pipeline Company | 1,313,538 | 22,698 |
| Louisiana Division | Gulf South | 1,941,280 | 97,064 |
| | Louisiana Intrastate Gas Company | 600,000 | 60,000 |
| | Sonat | 4,771 | 102 |
| | Tennessee Gas Pipeline Company | 4,466 | 91 |
| Mid-States Division | Atmos Energy Marketing | 2,173,543 | 19,634 |
| | Southern Natural Gas Company | 1,423,374 | 28,741 |
| | Texas Eastern Transmission Company | 1,253,969 | 19,636 |
| | Panhandle Eastern Pipeline | 972,462 | 15,241 |
| | Tennessee Gas Pipeline Company | 848,278 | 20,266 |
| | Gallagher Drilling Company (4) | 640,000 | 5,000 |
| | ANR Pipeline Company | 633,034 | 12,661 |
| | Dominion | 609,008 | 8,136 |
| | Transco | 521,580 | 12,212 |
| | Virginia Gas | 480,000 | 33,000 |
| | Egyptian Gas Storage Corp. | 400,000 | 5,000 |
| | East Tennessee | 339,900 | 36,547 |
| | Natural Gas Pipeline Company | 312,750 | 5,580 |
| | Texas Gas Transmission | 239,576 | 5,108 |
| | CMS Trunkline Gas Company | 220,455 | 2,940 |
| | MRT Energy Marketing | 137,493 | 2,395 |
| Texas Division | ONEOK Texas Gas Storage LLP | 1,000,000 | 50,000 |
| Mississippi Valley Gas Company Division | Gulf South | 1,237,500 | 61,875 |
| | Southern Natural Gas | 1,049,436 | 21,191 |
| | Texas Gas Transmission | 1,023,039 | 45,139 |
| | Texas Eastern | 518,220 | 8,637 |
| | Hattiesburg Gas Storage Company | 400,000 | 40,000 |
| | Trunkline Gas Company | 24,840 | 331 |
| | Tennessee Gas Pipeline Company | 3,394 | 113 |
| *Total Utility Segment* | | 28,342,293 | 762,550 |
| *Natural Gas Marketing Segment* | | | |
| Atmos Energy Marketing, LLC | Texas Gas Transmission | 1,700,000 | 10,000 |
| | Gulf South Pipeline Company (5) | 1,250,000 | 100,000 |
| | TCO | 1,197,000 | 25,000 |
| | East Tennessee | 268,037 | 11,000 |
| *Total Natural Gas Marketing Segment* | | 4,415,037 | 146,000 |
| *Other Non-Utility Segment* | | | |
| Trans Louisiana Gas Pipeline, Inc. | Bridgeline Gas Distribution LLC | 300,000 | 30,000 |
| *Total Other Non-Utility Segment* | | 300,000 | 30,000 |
| ***Total Contracted Storage Capacity*** | | 33,057,330 | 938,550 |

## DESCRIPTION OF COMMON STOCK

The authorized capital stock of the Company consists of 100,000,000 shares of common stock, no par value. Each share of common stock is entitled to one vote on all matters voted upon by shareholders. Holders of the common stock do not have cumulative voting rights. The shares of common stock issued and outstanding are fully paid and non-assessable. There are no redemption or sinking fund provisions applicable to the shares of common stock, and such shares are not entitled to any preemptive rights. Holders of shares of common stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors from the assets of the Company legally available therefore and, upon any liquidation of the Company, a pro rata share of all assets of the Company available for distribution to shareholders.

Under the provisions of its loan agreements, the Company has agreed to restrictions on the payment of cash dividends under certain circumstances. At September 30, 2003, under the most restrictive of such covenants, approximately $84.1 million of retained earnings was unrestricted.

On November 12, 1997, the Board of Directors approved a new Rights Agreement to become effective upon the expiration of the then existing Rights Agreement on May 10, 1998 which was subsequently amended on August 11, 1999. Under the Rights Agreement, each right ("Right") will entitle the holder thereof, until May 10, 2008 or the date of redemption the Rights, to buy 1/10 of one share of Common Stock of the Company at the exercise price of $8.00, subject to adjustment. At no time will the Rights have any voting rights. The exercise price payable and the number of shares of Common Stock or other securities or property issuable upon exercise of the Rights are subject to adjustment from time to time to prevent dilution. At the date upon which the rights become separate from the Company's Common Stock (the "Distribution Date"), the Company will issue one right with each share of Common Stock that becomes outstanding so that all shares of Common Stock will have attached Rights. After the Distribution Date, the Company may issue Rights when it issues Common Stock if the Board deems such issuance to be necessary or appropriate.

The Rights will separate from the Common Stock and a Distribution Date will occur upon the occurrence of certain events specified in the Agreement, including but not limited to, the acquisition by certain persons of at least 15 percent of the beneficial ownership of the Company's Common Stock. The Rights have certain anti-takeover effects and may cause substantial dilution to a person or entity that attempts to acquire the Company on terms not approved by the Board of Directors except pursuant to an offer conditioned upon a substantial number of Rights being acquired. The Rights should not interfere with any merger or other business combination approved by the Board of Directors because, prior to the time the Rights become exercisable or transferable, the Rights may be redeemed by the Company at $.01 per Right.

The Company's common stock is traded on the NYSE under the trading symbol ATO. Prior to October 1988, it was traded over-the-counter and was quoted on NASDAQ/NMS under the symbol EGAS. Trading in the over-the-counter market began December 28, 1983 and ended in October 1988 when the stock was listed on the NYSE.

The Company also has a Direct Stock Purchase Plan ("DSPP"). Participants in the DSPP may have all or part of their dividends reinvested at a 3 percent discount from market prices. DSPP participants may purchase additional shares of Company common stock as often as weekly with voluntary cash payments of at least $25, up to an annual maximum of $100,000.

The following table sets forth, for the periods indicated, the high and low closing prices as reported on the NYSE Composite Tape since the Company listed with the NYSE, dividends paid, record holders at fiscal year end, net income (loss) per share and average shares outstanding. Share and dividend data have been adjusted where appropriate to reflect a three-for-two split in May 1994. High and low share prices reflect actual Atmos closing stock quotes as adjusted for stock splits. Other amounts below have been restated under pooling of interests accounting for the mergers with Greeley Gas Company in December 1993 and United Cities in July 1997.

## COMMON STOCK DATA

| Quarter ended: | High | Low |
|---|---|---|
| Fiscal 1993 | | |
| Dec. 31, 1992 | $ 15.88 | $ 13.50 |
| Mar. 31, 1993 | 17.75 | 15.13 |
| Jun. 30, 1993 | 19.75 | 16.25 |
| Sep. 30, 1993 | 20.63 | 18.63 |
| Fiscal 1994 | | |
| Dec. 31, 1993 | $ 21.13 | $ 16.75 |
| Mar. 31, 1994 | 20.00 | 17.75 |
| Jun. 30, 1994 | 20.25 | 18.00 |
| Sep. 30, 1994 | 19.00 | 16.38 |
| Fiscal 1995 | | |
| Dec. 31, 1994 | $ 18.00 | $ 15.88 |
| Mar. 31, 1995 | 18.50 | 16.13 |
| Jun. 30, 1995 | 20.25 | 17.50 |
| Sep. 30, 1995 | 20.63 | 19.00 |
| Fiscal 1996 | | |
| Dec. 31, 1995 | $ 23.00 | $ 18.00 |
| Mar. 31, 1996 | 23.00 | 21.00 |
| Jun. 30, 1996 | 31.00 | 22.75 |
| Sep. 30, 1996 | 30.63 | 20.88 |
| Fiscal 1997 | | |
| Dec. 31, 1996 | $ 24.75 | $ 22.63 |
| Mar. 31, 1997 | 26.25 | 22.13 |
| Jun. 30, 1997 | 25.50 | 22.50 |
| Sep. 30, 1997 | 27.88 | 24.50 |

| Quarter ended: | High | Low |
|---|---|---|
| Fiscal 1998 | | |
| Dec. 31, 1997 | $ 30.44 | $ 24.63 |
| Mar. 31, 1998 | 30.31 | 26.31 |
| Jun. 30, 1998 | 31.06 | 28.81 |
| Sep. 30, 1998 | 30.88 | 25.75 |
| Fiscal 1999 | | |
| Dec. 31, 1998 | $ 32.25 | $ 28.38 |
| Mar. 31, 1999 | 32.69 | 23.06 |
| Jun. 30, 1999 | 26.31 | 24.00 |
| Sep. 30, 1999 | 26.38 | 23.88 |
| Fiscal 2000 | | |
| Dec. 31, 1999 | $ 25.00 | $ 20.00 |
| Mar. 31, 2000 | 20.19 | 15.56 |
| Jun. 30, 2000 | 20.56 | 14.75 |
| Sep. 30, 2000 | 23.25 | 18.50 |
| Fiscal 2001 | | |
| Dec. 31, 2000 | $ 26.25 | $ 19.31 |
| Mar. 31, 2001 | 25.25 | 21.50 |
| Jun. 30, 2001 | 24.46 | 21.45 |
| Sep. 30, 2001 | 23.64 | 19.79 |
| Fiscal 2002 | | |
| Dec. 31, 2001 | $ 22.10 | $ 19.46 |
| Mar. 31, 2002 | 24.20 | 20.26 |
| Jun. 30, 2002 | 24.46 | 21.25 |
| Sep. 30, 2002 | 22.75 | 18.37 |
| Fiscal 2003 | | |
| Dec. 31, 2002 | $ 23.63 | $ 20.70 |
| Mar. 31, 2003 | 24.20 | 20.95 |
| Jun. 30, 2003 | 25.45 | 21.43 |
| Sep. 30, 2003 | 25.07 | 23.20 |

| | Cash dividends | Record holders at year end | Net income per diluted share | Avg. shares outstanding (000's) |
|---|---|---|---|---|
| Fiscal 1993 | $0.82 | 24,649 | $1.21 | 24,535 |
| Fiscal 1994 | $0.91 | 27,005 | $1.05 | 25,604 |
| Fiscal 1995 | $0.96 | 31,782 | $1.06 | 27,208 |
| Fiscal 1996 | $0.98 | 36,472 | $1.42 | 28,994 |
| Fiscal 1997 | $1.01 | 29,867 | $0.81 | 29,422 |

| | Cash dividends | Record holders at year end | Net income per diluted share | Avg. shares outstanding (000's) |
|---|---|---|---|---|
| Fiscal 1998 | $1.06 | 36,949 | $1.84 | 30,031 |
| Fiscal 1999 | $1.10 | 35,179 | $0.58 | 30,819 |
| Fiscal 2000 | $1.14 | 32,394 | $1.14 | 31,594 |
| Fiscal 2001 | $1.16 | 30,524 | $1.47 | 38,247 |
| Fiscal 2002 | $1.18 | 28,829 | $1.45 | 41,250 |
| Fiscal 2003 | $1.20 | 28,510 | $1.54 | 46,496 |

## SHARED SERVICES

The following table sets forth certain information regarding the shared services officers of the Company as of September 30, 2003.

| Name | Age | Years of Service | Office Currently Held |
|---|---|---|---|
| Robert W. Best | 56 | 6 | Chairman, President and Chief Executive Officer |
| J. Patrick Reddy | 50 | 5 | Senior Vice President and Chief Financial Officer |
| R. Earl Fischer | 64 | 41 | Senior Vice President, Utility Operations |
| JD Woodward III | 53 | 2 | Senior Vice President, Non-Utility Operations |
| Louis P. Gregory | 48 | 3 | Senior Vice President and General Counsel |
| Wynn D. McGregor | 50 | 15 | Vice President, Human Resources |
| Leslie H. Duncan | 55 | 2 | Vice President, Chief Information Officer |
| Susan C. Kappes | 49 | 1 | Vice President, Investor Relations and Corporate Communications |
| Gordon J. Roy | 54 | 33 | Vice President, Security and Compliance |
| Robert E. Mattingly | 55 | 32 | Vice President, Gas Supply |
| Fred E. Meisenheimer | 59 | 3 | Vice President and Controller |
| Laurie M. Sherwood | 42 | 5 | Vice President, Corporate Development and Treasurer |
| Dwala J. Kuhn | 46 | 4 | Corporate Secretary |

**Robert W. Best** was named Chairman of the Board, President and Chief Executive Officer in March 1997. He previously served as Senior Vice President - Regulated Businesses of Consolidated Natural Gas Company (1996 - March 1997) and was responsible for its transmission and distribution companies. Prior to that, he served as Senior Vice President of Transco Energy Company and President of Transcontinental Gas Pipe Line Corporation (1992-1995); and President of Texas Gas Transmission Corporation (1985-1995).

**J. Patrick Reddy** was named Senior Vice President and Chief Financial Officer in September 2000. From April 2000 to September 2000, he was Senior Vice President, Chief Financial Officer and Treasurer. Mr. Reddy previously served the Company as Vice President, Corporate Development and Treasurer from December 1998 to March 2000. He joined the Company in August 1998 from Pacific Enterprises, a Los Angeles, California based utility holding company whose principal subsidiary was Southern California Gas Co. where he was Vice President of Planning and Advisory Services responsible for corporate development and merger and acquisition activities. Mr. Reddy was with Pacific Enterprises from 1980 to 1998 in various management and financial positions.

**R. Earl Fischer** was named Senior Vice President, Utility Operations in May 2000. He previously served the Company as President of the Energas Division from January 1999 to April 2000 and as President of the Western Kentucky Division from February 1989 to December 1998.

**JD Woodward III** was named Senior Vice President, Non-Utility Operations in April 2001. Prior to joining the Company, Mr. Woodward was President of Woodward Marketing, L.L.C. from January 1995 to March 2001.

**Louis P. Gregory** joined the Company as Senior Vice President and General Counsel in September 2000. Prior to joining the Company, he practiced law from April 1999 to August 2000 with the law firm of McManemin & Smith. Prior to that, he served as a consultant and independent contractor from August 1996 to December 1998 for Nomas Corp. (formerly known as Lomas Mortgage USA, Inc.) and Siena Holdings, Inc. (formerly known as Lomas Financial Corporation). He served in various legal positions with Lomas Financial Corporation, a diversified financial services company, and its affiliates, from August 1988 to June 1996, ultimately as Senior Vice President and General Counsel.

## SHARED SERVICES (Continued)

**Wynn D. McGregor** was named Vice President, Human Resources in January 1994. He previously served the Company as Director of Human Resources from February 1991 to December 1993 and as Manager, Compensation and Employment from December 1987 to January 1991.

**Leslie H. Duncan** was named Vice President, Chief Information Officer in July, 2001. Previously, he had been Senior Vice President and CIO for Jo-Ann Stores, Inc., Vice President and CIO for The Limited and Director of Information Services for British Petroleum Company PLC.

**Susan C. Kappes** was named Vice President, Investor Relations and Corporate Communications in June 2002. She joined Atmos in January 2002 as Director of Accounting Services. Before coming to Atmos Energy, she was responsible for financial reporting at Pioneer Natural Resources Company from September 2000 to January 2002. She also had worked as team leader for business reporting at Nokia, Inc. from August 1999 to September 2000 and as a senior professional accountant for Oryx Energy from January 1989 to August 1999.

**Gordon J. Roy** was named Vice President, Security and Compliance in June 2002. He previously served as Vice President, Gas Supply from May 1995 to June 2002, as Vice President, Gas Supply and Large Volume Services from May 1993 to May 1995, as Vice President, Operations from February 1989 to May 1993, as President of the Western Kentucky Division from August 1988 to February 1989, as Senior Division Vice President of the Western Kentucky Division from January 1988 to August 1988 and as Division Vice President from November 1987 to January 1988. Prior to November 1987, he was a District Manager in the Trans La Division and Trans La Gas for approximately three years.

**Robert E. Mattingly** was named Vice President, Gas Supply in June 2002. He previously served as Vice President, New Business Ventures and Retail Services February 1998 to June 2002 and as Vice President, Business Development from 1995 to February 1998. He began his career with Atmos in 1971 with Western Kentucky Gas Company and has held various positions in gas control, gas supply, and marketing.

**Fred E. Meisenheimer** was named Vice President and Controller in July 2000. He joined Atmos from Vartec Telecom, Inc., a privately-held telecom services provider, where he was controller and responsible for all accounting and treasury operations. Previously, he served as assistant controller and general auditor for Oryx Energy Company from 1988 to 1999 and as assistant controller for Sun Exploration and Production Company from 1979 to 1988. He also served as audit manager at Deloitte & Touche LLP from 1970 to 1979.

**Laurie M. Sherwood** was promoted to Vice President and Treasurer in September 2000. She joined Atmos as Assistant Treasurer in May 1999 from Oryx Energy Company, where she was manager of corporate finance and trust investments. She joined Oryx's predecessor, Sun Exploration and Production Company, in 1982 and served in various financial and management positions.

**Dwala J. Kuhn** was named Corporate Secretary in April 2003. She joined Atmos Energy in September 1999 as Executive Assistant to Robert W. Best, Chairman, President and CEO. Previously, she held executive assistant positions at Gemini Exploration Company and Mesa, Inc.

## OPERATING DIVISION OFFICERS

### Texas Division

Tom S. Hawkins, Jr.
President

Kelvin J. Betzen
Vice President,
Operations - Northern Region

Bronson Blodgett
Vice President, Finance

David E. Gates
Vice President, Technical Services

D. K. Howey
Vice President, Human Resources

Richard L. Kissinger
Vice President,
Operations - Southern Region

Kelley G. Grimes
Vice President, Marketing

Bill Guy
Vice President Rates & Regulatory Affairs

**Location**
**5110 80th Street**
**Lubbock, TX 79424**

**Mailing address**
**P.O. Box 1121**
**Lubbock, TX 79408**

**Phone no. (806) 798–4497**
**Fax no. (806) 798–4494**

### Colorado-Kansas Division

Gary L. Schlessman
President

David L. Anglin
Vice President,
Colorado Region Operations

Alan J. Foster
Vice President,
Kansas Region Operations

Wanda Lilly
Vice President, Finance

Gary R. Durossette
Vice President, Marketing

Joann B. Mikolajczak
Vice President, Human Resources

Gary W. Gregory
Vice President, Technical Services

Joe T. Christian
Vice President Rates & Regulatory Affairs

**Location**
**1301 Pennsylvania St., #800**
**Denver, CO 80203**

**Mailing address**
**1301 Pennsylvania St., #800**
**Denver, CO 80203**

**Phone no. (303) 831–5661**
**Fax no. (303) 837–9549**

### Louisiana Division

Conrad E. Gruber
President

Ricky A. Burke
Vice President,
Eastern Region

Mike D. Mancil
Vice President,
Western Region

Frank J. Marino
Vice President, Marketing

Thomas G. Meyers
Vice President, Technical Services

Mellisa A. Bowers
Vice President, Finance

David P. Hebert
Vice President, Human Resources

Christine A. Tabor
Vice President Rates & Regulatory Affairs

**Location**
**450 Laurel Street**
**Suite 2100**
**Baton Rouge, LA 70801**

**Mailing Address**
**450 Laurel Street**
**Suit 2100**
**Baton Rouge, LA 70801**

**Phone no. (225) 376-4600**
**Fax no. (225) 346-1962**

### Kentucky Division

John A. Paris
President

David E. Gates
Vice President, Operations

William H. Greer
Vice President, Eastern Region

Rad Cook
Vice President,
Technical Services

Betty L. Adams
Vice President, Finance

Steve H. Loyal
Vice President, Human Resources

Gary L. Smith
Vice President Marketing & Regulatory Affairs

**Location**
**2401 New Hartford Road**
**Owensboro, KY 42303**

**Mailing address**
**2401 New Hartford Road**
**Owensboro, KY 42303**

**Phone no. (270) 685-8000**
**Fax no. (270) 685–8052**

### Mid-States Division

Thomas R. Blose, Jr.
President

Bob Elam
Vice President,
Operations - Eastern Region

Roger D. Nash
Vice President,
Operations - Central Region

Dan L. Lindsey
Vice President,
Technical Services

Wendy A. Sadler
Vice President, Human Resources

Mike Ellis
Vice President, Marketing

Patricia D. Childers
Vice President Rates & Regulatory Affairs

Brandon W. Mulkey
Vice President, Finance

**Location**
**810 Crescent Centre Dr., Ste. 600**
**Franklin, TN 37067-6226**

**Mailing address**
**810 Crescent Centre Dr., Ste. 600**
**Franklin, TN 37067-6226**

**Phone no. (615) 771-8300**
**Fax no. (615) 771-8301**

### Mississippi Valley Gas Company Division

Kevin J. Akers
President

John S. Medill
Vice President, Operations

Kenneth L. Smith
Vice President, Operations

Gary G. Rehm
Vice President, Marketing

Richard W. Wise
Vice President,
Division Counsel

Ross L. Aven
Vice President, Human Resources

David H. Doggette
Vice President,
Technical Services

William J. Senter, Jr.
Vice President Rates & Regulatory Affairs

Hugh F. Langley
Vice President, Finance

**Location**
**711 West Capitol**
**Jackson, MS 39203-2608**

**Mailing address**
**711 West Capitol**
**Jackson, MS 39203-2608**

**Phone no. (601) 961-6900**
**Fax no. (601) 961-6767**

### Non-Utility

JD Woodward
Sr. Vice President,
Non-Utility Operations

Ron W. McDowell
Vice President,
New Business Ventures

Richard C. Alford
Sr. Vice President,
Finance & Administration

**Location**
**11251 Northwest Freeway**
**Suite 400**
**Houston, TX 77092**

**Mailing address**
**11251 Northwest Freeway**
**Suite 400**
**Houston, TX 77092**

**Phone no. (713) 688-7771**
**Fax no. (713) 688-5124**

## CORPORATE OFFICE

**Location**
5430 LBJ Freeway
1800 Three Lincoln Centre
Dallas, Texas 75240

**Phone number**
(972) 934–9227

**Mailing address**
P.O. Box 650205
Dallas, TX 75265–0205

**Fax numbers**

| | |
|---|---|
| Corporate office | (972) 855–3075 |
| Investor Relations | (972) 855–3040 |

## CORPORATE INFORMATION

**Common Stock Listing**
New York Stock Exchange

**Trading Symbol**
ATO

**Stock Transfer Agent and Registrar**
EquiServe Trust Company, N.A.
P. O. Box 43010
Providence, RI 02940-3010

**Rights Agent**
EquiServe Trust Company, N.A.
P. O. Box 43010
Providence, RI 02940-3010

**Trustee for 9.4% Series J GGC First Mortgage Bonds**
U.S. Bank Trust National Association
Chicago, Illinois

**Auditors**
Ernst & Young LLP
2121 San Jacinto, Suite 1500
Dallas, Texas 75201

**Trustee for United Cities Bonds and Term Notes**
U.S. Bank Trust National Association
Chicago, Illinois

**Interactive Voice Response System**
1–800–543–3038
Have your Atmos Energy shareholder account number and Social Security or federal taxpayer ID number ready.

**Administrator for Direct Stock Purchase Plan**
EquiServe Trust Company, N.A.
P. O. Box 43010
Providence, RI 02940-3010

**Trustee for Retirement Savings Plan and Trust for Employees of Atmos Energy Corporation**
Retirement Savings Plan Trust Committee; Dallas, Texas

**Trustee For Company's Retirement Plans**
State Street Bank
New York, New York

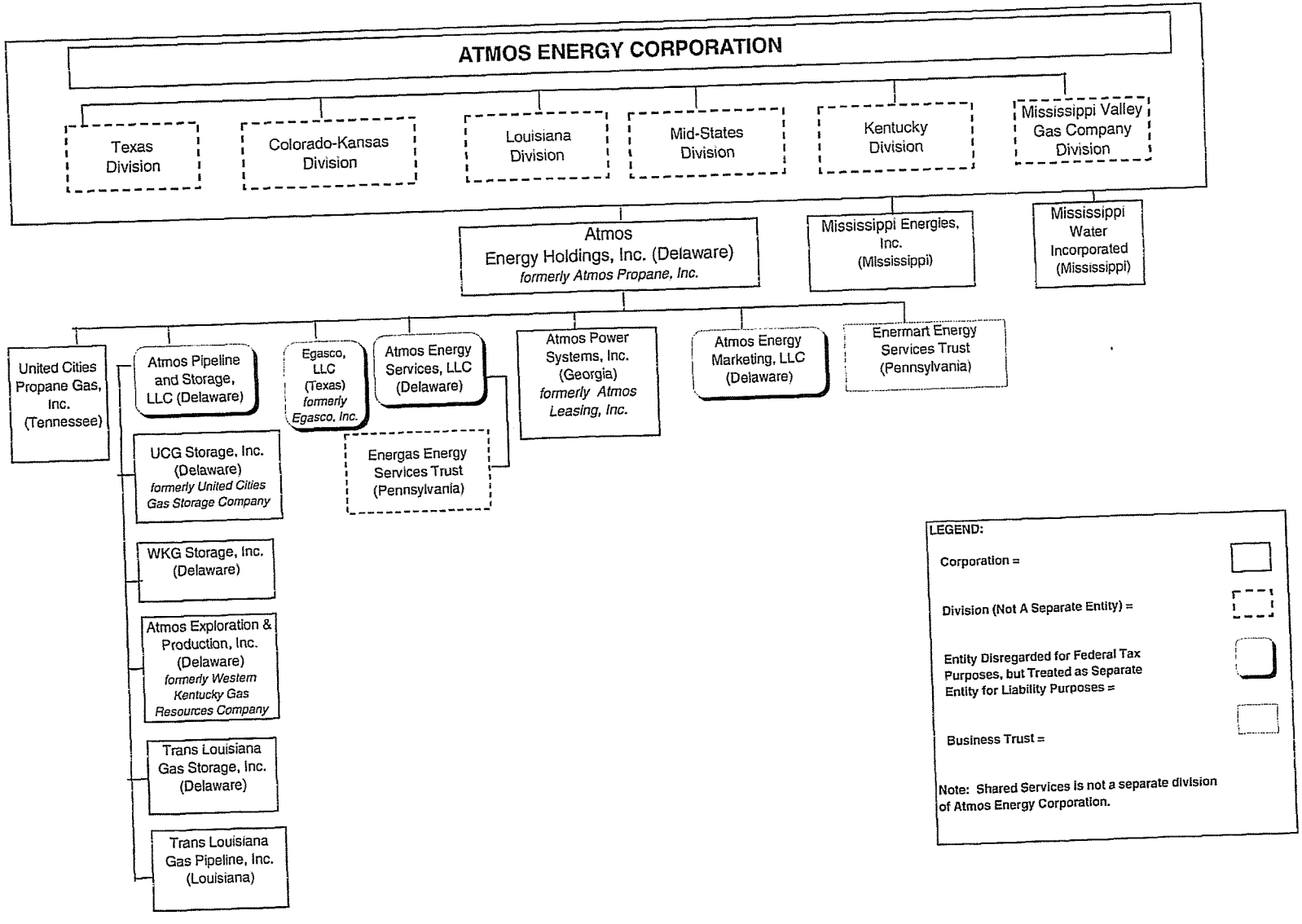
## ATMOS ENERGY CORPORATION CONTACTS

**World Wide Web Address**
http://www.atmosenergy.com

**Financial Information for Securities Analysts and Investment Managers**
Susan Kappes (972) 855–3729 (office)
(972) 855–3040 (fax)
InvestorRelations@atmosenergy.com (e-mail)

**Shareholder and Direct Stock Purchase Plan Information**
(972) 855-3729
8:00 a.m. - 5:00 p.m. CST

# CORPORATE STRUCTURE - OCTOBER 1, 2003



## OPERATING DIVISIONS AND SUBSIDIARY COMPANIES

| | Year of incorporation | State of incorporation | Principal business office |
|---|---|---|---|
| **Atmos Energy Corporation** | 1983<br>1997 | Texas<br>Virginia | Dallas, TX |
| **Operating Divisions:** | | | |
| Texas | | | Lubbock, TX |
| Colorado-Kansas | | | Denver, CO |
| Kentucky | | | Owensboro, KY |
| Louisiana | | | Baton Rouge, LA |
| Mid-States | | | Franklin, TN |
| Mississippi Valley Gas | | | Jackson, MS |
| **Subsidiaries:** | | | |
| Atmos Energy Holdings, Inc. | 2000 | Delaware | Dallas, TX |
| Mississippi Energies, Inc. | 1981 | Mississippi | Jackson, MS |
| Mississippi Wastewater, Inc. | 2001 | Mississippi | Jackson, MS |
| Mississippi Water, Inc. | 2001 | Mississippi | Jackson, MS |
| Atmos Energy Services, LLC | 1996 | Delaware | Dallas, TX |
| EGASCO, LLC | 1999 | Texas | Dallas, TX |
| Enermart Energy Services Trust | 1994 | Pennsylvania | Dallas, TX |
| Trans Louisiana Gas Pipeline, Inc. | 1983 | Louisiana | Lafayette, LA |
| Atmos Exploration & Production, Inc. | 1934 | Delaware | Dallas, TX |
| UCG Storage, Inc. | 1989 | Delaware | Franklin, TN |
| United Cities Propane Gas, Inc. | 1976 | Tennessee | Franklin, TN |
| Atmos Power Systems, Inc. | 1987 | Georgia | Franklin, TN |
| Atmos Energy Marketing, LLC | 1999 | Delaware | Dallas, TX |
| Atmos Pipeline and Storage, LLC | 1999 | Delaware | Dallas, TX |
| WKG Storage, Inc. | 1999 | Delaware | Dallas, TX |
| Energas Energy Services Trust | 1999 | Pennsylvania | Dallas, TX |
| Woodward Marketing, LLC | 1995 | Delaware | Houston, TX |
| Southern Resources, Inc. | 1995 | Kentucky | Owensboro, KY |
| Trans Louisiana Industrial Gas Company, Inc. | 2001 | Delaware | Dallas, TX |
| Trans Louisiana Gas Storage, Inc. | 2000 | Delaware | Dallas, TX |

Effective October 1, 2003, Southern Resources, Inc. was merged with and into Woodward Marketing, L.L.C., Trans Louisiana Industrial Gas Company, Inc. was merged with and into Atmos Energy Marketing, LLC, Atmos Energy Marketing, LLC was merged with and into Woodward Marketing, L.L.C., and Woodward Marketing, L.L.C. was renamed Atmos Energy Marketing, LLC. Also, after its sale to a third party effective October 1, 2003, Mississippi Wastewater, Inc. is no longer a subsidiary of the Company.

## SEASONALITY AND QUARTERLY INFORMATION

The Company's natural gas distribution business and irrigation sales business is seasonal and dependent upon weather conditions in the Company's service areas. Natural gas sales to residential, commercial and public authority customers are affected by winter heating season requirements. This generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Sales to industrial customers are much less weather sensitive. Sales to agricultural customers, who typically use natural gas to power irrigation pumps during the period from March through September, are affected by rainfall amounts. The Company's management believes that the Company has lessened its sensitivity to weather risk by diversifying its operations into geographic areas having different weather patterns and through other measures.

The following table sets forth the Company's quarterly operating revenues, quarterly operating revenues as a percentage of annual operating revenues, quarterly net income, and quarterly net income as a percentage of annual net income.

| | | Quarter ended | | | | |
|---|---|---|---|---|---|---|
| Year ended September 30 | | Dec. 31 | Mar. 31 | Jun. 30 | Sept. 30 | Total |
| | | (Dollars in thousands) | | | | |
| 1993 | Operating revenues | $232,901 | $294,644 | $152,089 | $115,259 | $794,893 |
| | | 29 % | 38 % | 19 % | 14 % | 100 % |
| | Net income (loss) | $13,871 | $27,091 | ($2,293) | ($8,975) | $29,694 |
| | | 47 % | 91 % | (8) % | (30) % | 100 % |
| 1994 | Operating revenues | $231,177 | $322,512 | $149,743 | $122,870 | $826,302 |
| | | 28 % | 39 % | 18 % | 15 % | 100 % |
| | Net income (loss) | $13,475 | $27,478 | ($4,544) | ($9,637) | $26,772 |
| | | 50 % | 103 % | (17) % | (36) % | 100 % |
| 1995 | Operating revenues | $219,677 | $273,769 | $137,400 | $118,709 | $749,555 |
| | | 29 % | 37 % | 18 % | 16 % | 100 % |
| | Net income (loss) | $13,962 | $27,272 | ($3,880) | ($8,546) | $28,808 |
| | | 48 % | 95 % | (13) % | (30) % | 100 % |
| 1996 | Operating revenues | $253,439 | $341,867 | $175,240 | $116,145 | $886,691 |
| | | 29 % | 38 % | 20 % | 13 % | 100 % |
| | Net income (loss) | $18,496 | $35,906 | ($2,795) | ($10,456) | $41,151 |
| | | 45 % | 87 % | (7) % | (25) % | 100 % |
| 1997 | Operating revenues | $280,624 | $362,636 | $143,714 | $119,861 | $906,835 |
| | | 31 % | 40 % | 16 % | 13 % | 100 % |
| | Net income (loss) | $18,155 | $30,625 | ($3,018) | ($21,924) | $23,838 |
| | | 76 % | 129 % | (13) % | (92) % | 100 % |
| 1998 | Operating revenues | $295,331 | $288,550 | $137,311 | $127,016 | $848,208 |
| | | 35 % | 34 % | 16 % | 15 % | 100 % |
| | Net income (loss) | $20,122 | $37,398 | $1,676 | ($3,931) | $55,265 |
| | | 36 % | 68 % | 3 % | (7) % | 100 % |
| 1999 | Operating revenues | $210,227 | $261,426 | $109,590 | $108,953 | $690,196 |
| | | 30 % | 38 % | 16 % | 16 % | 100 % |
| | Net income (loss) | $15,380 | $28,795 | ($5,295) | ($21,136) | $17,744 |
| | | 87 % | 162 % | (30) % | (119) % | 100 % |
| 2000 | Operating revenues | $224,458 | $314,197 | $152,362 | $159,135 | $850,152 |
| | | 26 % | 37 % | 18 % | 19 % | 100 % |
| | Net income (loss) | $14,324 | $29,573 | ($4,396) | ($3,583) | $35,918 |
| | | 40 % | 82 % | (12) % | (10) % | 100 % |
| 2001 | Operating revenues | $442,790 | $675,113 | $305,863 | $301,715 | $1,725,481 |
| | | 26 % | 39 % | 18 % | 17 % | 100 % |
| | Net income (loss) | $22,972 | $44,074 | ($3,400) | ($7,556) | $56,090 |
| | | 41 % | 79 % | (6) % | (14) % | 100 % |
| 2002 | Operating revenues | $440,154 | $530,259 | $388,105 | $292,446 | $1,650,964 |
| | | 27 % | 32 % | 23 % | 18 % | 100 % |
| | Net income (loss) | $20,633 | $41,378 | $3,254 | ($5,609) | $59,656 |
| | | 35 % | 69 % | 5 % | (9) % | 100 % |
| 2003 | Operating revenues | $680,432 | $1,194,142 | $488,470 | $436,872 | $2,799,916 |
| | | 24 % | 43 % | 17 % | 16 % | 100 % |
| | Net income (loss) | $25,793 | $48,532 | ($201) | ($2,436) | $71,688 |
| | | 36 % | 68 % | - % | (4) % | 100 % |

## UTILITY AND NON-UTILITY DATA

The following table summarizes certain information regarding the operation of the utility and non-utility businesses of the Company for each of the last eleven years. Prior periods have been restated to reflect the pooling of interests with United Cities Gas Company in July 1997 and Greeley Gas Company in December 1993.

| | Operating Revenues | Net Income | Identifiable Assets |
|---|---|---|---|
| 1993 Utility | $ 747,057 | $ 25,451 | $ 721,699 |
| Non-Utility | 47,836 | 4,243 | 65,040 |
| Total | $ 794,893 | $ 29,694 | $ 786,739 |
| 1994 Utility | $ 780,791 | $ 22,496 | $ 766,549 |
| Non-Utility | 45,511 | 4,276 | 62,836 |
| Total | $ 826,302 | $ 26,772 | $ 829,385 |
| 1995 Utility | $ 707,680 | $ 24,618 | $ 829,849 |
| Non-Utility | 41,875 | 4,190 | 71,099 |
| Total | $ 749,555 | $ 28,808 | $ 900,948 |
| 1996 Utility | $ 778,217 | $ 31,905 | $ 926,935 |
| Non-Utility | 108,474 | 9,246 | 83,675 |
| Total | $ 886,691 | $ 41,151 | $ 1,010,610 |
| 1997 Utility | $ 805,252 | $ 19,739 | $ 1,001,455 |
| Non-Utility | 101,583 | 4,099 | 86,856 |
| Total | $ 906,835 | $ 23,838 | $ 1,088,311 |
| 1998 Utility | $ 738,445 | $ 43,332 | $ 1,052,225 |
| Non-Utility | 109,763 | 11,933 | 89,165 |
| Total | $ 848,208 | $ 55,265 | $ 1,141,390 |
| 1999 Utility | $ 617,313 | $ 10,800 | $ 1,125,691 |
| Non-Utility | 72,883 | 6,944 | 104,846 |
| Total | $ 690,196 | $ 17,744 | $ 1,230,537 |
| 2000 Utility | $ 734,835 | $ 22,459 | $ 1,246,782 |
| Non-Utility | 115,317 | 13,459 | 101,976 |
| Total | $ 850,152 | $ 35,918 | $ 1,348,758 |
| 2001 Utility | $ 1,378,159 | $ 49,881 | $ 1,732,296 |
| Natural Gas Marketing | 291,152 | 2,551 | 251,238 |
| Other Non-Utility | 56,170 | 3,658 | 52,646 |
| Total | $ 1,725,481 | $ 56,090 | $ 2,036,180 |
| 2002 Utility | $ 936,054 | $ 42,994 | $ 1,591,835 |
| Natural Gas Marketing | 700,519 | 12,614 | 275,367 |
| Other Non-Utility | 14,391 | 4,048 | 114,183 |
| Total | $ 1,650,964 | $ 59,656 | $ 1,981,385 |
| 2003 Utility | $ 1,552,857 | $ 62,137 | $ 2,131,786 |
| Natural Gas Marketing | 1,234,447 | (970) | 182,095 |
| Other Non-Utility | 12,612 | 10,521 | 204,627 |
| Total | $ 2,799,916 | $ 71,688 | $ 2,518,508 |

The utility business is comprised of the Company's six regulated utility divisions: Colorado-Kansas Division, Kentucky Division, Louisiana Division, Mid-States Division, Mississippi Valley Gas Company Division and Texas Division.

The non-utility business primarily includes the operations of Atmos Energy Marketing, LLC (which includes the operations of Woodward Marketing, L.L.C. and Trans Louisiana Industrial Gas Company, Inc.), Atmos Pipeline and Storage, L.L.C. and Atmos Power Systems, Inc. For an expanded discussion of each of these companies and other non-utility operations, please see the Company's Form 10-K for the year ended September 30, 2003.

## CORPORATE DEVELOPMENT

### Acquisitions and Mergers

The Company has achieved seven significant acquisitions as summarized below:

| | |
|---|---|
| 1. Property | Trans Louisiana Gas Company, Inc. |
| Business | Intrastate natural gas distributor in Louisiana |
| Meters in service | 69,000 (at acquisition) |
| Acquisition date | January 1, 1986 |
| Acquisition cost | $34.1 million inclusive of acquisition expenses plus assumption of approximately $10 million in long-term debt |
| Regulatory body | Louisiana Public Service Commission |
| Accounting method | Purchase |
| Financing | $35,000,000 Revolving credit/term facility with a bank |
| 2. Property | Western Kentucky Gas Utility Corporation |
| Business | Intrastate natural gas distributor in Kentucky |
| Meters in service | 147,000 (at acquisition) |
| Acquisition date | December 1, 1987 |
| Acquisition cost | $67.5 million inclusive of acquisition expenses plus assumption of approximately $17.6 million in long-term debt |
| Regulatory body | Kentucky Public Service Commission |
| Accounting method | Purchase |
| Financing | Initially funded with $31,500,000 interim revolving credit facility with a bank and $30,000,000 Senior Notes. Interim revolving credit facility was retired with proceeds of equity offering in June 1988. |
| 3. Property | Greeley Gas Company |
| Business | Intrastate natural gas distributor in Co., Ks., and Mo. |
| Meters in service | 98,000 (at acquisition) |
| Acquisition date | December 22, 1993 |
| Acquisition cost | Approximately 3.5 million (post-split) shares of Atmos stock, the assumption of approx. $20 million in long-term debt, and $1.7 million in acquisition expenses |
| Regulatory bodies | Colorado Public Utilities Commission, Kansas Corporation Commission, and Missouri Public Service Commission |
| Accounting method | Pooling of interests |
| Financing | Exchanged 3,493,995 (post-split) shares of Atmos stock for all the outstanding shares of GGC |
| 4. Property | United Cities Gas Company |
| Business | Intrastate natural gas distributor in Ga., Tn., Va., S.C., Il., Ia., and Mo. |
| Meters in service | 307,000 (at merger) |
| Merger Date | July 31, 1997 |
| Merger cost | Approximately 13.3 million shares of Atmos stock, the assumption of approx. $149 million in long-term debt, and $49 million in merger and integration costs |
| Regulatory bodies | Missouri Public Service Commission, Georgia Public Service Commission, South Carolina Public Service Commission, Tennessee Regulatory Authority, Illinois Commerce Commission, Iowa Utilities Board, Virginia State Corporation Commission |
| Accounting method | Pooling of interests |
| Financing | Exchanged 13,320,221 shares of Atmos stock for all the outstanding shares of United Cities Gas Company |

## CORPORATE DEVELOPMENT (Continued)

**Acquisitions and Mergers (continued)**

| | |
|---|---|
| 5. Property | Remaining 55% interest in Woodward Marketing, L.L.C. |
| Business | Management of natural gas requirements for municipalities, local gas utility companies and industrial customers |
| Acquisition date | April 1, 2001 |
| Acquisition cost | $26.7 million inclusive of acquisition expenses |
| Accounting method | Purchase |
| Financing | Exchanged 1,423,193 restricted shares of Atmos common stock |
| 6. Property | Louisiana Gas Service Company |
| Business | Intrastate natural gas distributor in Louisiana |
| Meters in service | 279,000 (at acquisition) |
| Acquisition date | July 1, 2001 |
| Acquisition cost | $363.4 million inclusive of acquisition expenses |
| Regulatory body | Louisiana Public Service Commission |
| Accounting method | Purchase |
| Financing | Primarily funded with a $350 million debt offering |
| 7. Property | Mississippi Valley Gas Company |
| Business | Intrastate natural gas distributor in Mississippi |
| Meters in service | 260,000 (at acquisition) |
| Acquisition date | December 3, 2002 |
| Acquisition cost | $75.0 million cash, $75.0 million of Atmos common stock and the repayment of approx. $45.0 million of outstanding long-term debt. |
| Regulatory body | Mississippi Public Service Commission |
| Accounting method | Purchase |
| Financing | Issued 3,386,287 shares of Atmos common stock and used a $150.0 million short-term unsecured committed credit facility to provide the initial funding for the cash portion of the acquisition and the repayment of the outstanding long-term debt. The short-term credit facility will be replaced with long-term financing. |

The Company has also achieved several small acquisitions including Oceana Heights Gas Company in Thibodaux, Louisiana and distribution systems in Winn Parish and LaFourche Parish, Louisiana. In May 2000, the Company acquired the Missouri natural gas distribution assets of Associated Natural Gas for approximately $32.0 million, serving approximately 48,000 meters.

In May 2001, the Company's subsidiary, Atmos Power Systems, Inc., entered into a definitive agreement with the City of Bolivar, Tennessee Electric Department to construct a 20-megawatt electric generating plant and associated facilities which was completed by the end of fiscal 2001. In September 2002, Atmos Power Systems completed construction of a 20-megawatt natural gas fueled power plant in Tennessee which was place in operation in October 2002.

During the fourth quarter of fiscal year 2001, Woodward Marketing completed the purchases of Southern Resources, Inc. and certain assets of Innovative Gas Services, Incorporated thereby expanding our gas marketing operations. In November 2001, the Company completed the acquisition of certain storage assets in Kentucky.

## GLOSSARY

**Amortize** - An allocation of cost to reflect a reduction to asset book value each year until only the salvage value, if any, remains.

**Assets** - Items of value owned by the company, typically items such as cash, property, and debts owed to the company.

**Bcf** - Abbreviation for 1,000,000,000 (one billion) cubic feet.

**Balance sheet** - A statement of financial position at a stated date that shows the assets, liabilities and shareholders' equity of a company.

**Capitalize** - To record and carry forward into future years any expenditure that will produce revenue or a benefit during those future years.

**Cash equivalents** - The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Commercial service** - Covers service to customers engaged in wholesale or retail trade, communications, finance, fisheries, forestry, government, insurance, real estate, transportation, etc., and to customers not directly involved in other classes of service.

**Consolidated financial statements** - Statements showing the financial condition and operating results of the parent and subsidiary companies as if they were one organization.

**Contingent liability** - An obligation that may arise in the future that relates to a past transaction or event. The obligation is deemed possible but not probable.

**Current asset** - Cash and any other items the company owns that will be converted to cash or useful goods or services within a year.

**Current liability** - A short-term indebtedness to be paid within a year.

**Cushion gas** - The gas required in a reservoir, used for storage of natural gas, so that reservoir pressure is such that the working gas may be recovered.

**Deferred charges** - Expenditures whose benefit will be realized in future years. The amounts will be charged against income over a period of years to properly match the expenses with the related benefit.

**Deferred credits** - Income items that have been received but not yet earned or liabilities incurred but not yet due. These will be recognized in the year they are earned.

**Depreciation** - An allocation of cost to reflect the gradual loss of productivity of a fixed asset by age or usage.

**Deregulation** - The act of ending certain federal government controls over the price of natural gas sold in interstate commerce.

**FERC Order 636** - Federal Energy Regulatory Commission order which finalized the unbundling of interstate pipeline services with a stated goal of increasing competition, primarily in the gas merchant function.

**Gross profit** - Operating revenues less purchased gas cost.

**Heating degree day** - A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. Heating degree days are used in the natural gas industry to measure the coldness of weather experienced and to compare relative temperatures between one geographic area and another.

**Industrial service** - Covers service to customers engaged primarily in a process which either involves the extraction of raw materials from the earth, or a change of raw or unfinished materials into another form or product. Also includes service to natural gas irrigation wells.

**LDC** - Local distribution company.

**Liabilities** - Amounts owed by the corporation to others.

**Line of credit** - Agreements by banks to make a loan not to exceed a specified amount when needed by the corporation.

**Long-term debt** - Debts to be repaid with a maturity of more than one year.

**Mcf** - Abbreviation for 1,000 cubic feet, which is the customary unit for measuring volumes of natural gas.

**MMcf** - Abbreviation for 1,000,000 (one million) cubic feet.

## GLOSSARY (Continued)

**Net income** - All revenues less all costs of doing business.

**Net income per share** - Net income divided by the average number of shares of common stock outstanding during the period.

**No notice service** - A FERC Order 636 interstate pipeline service combining transportation, storage and balancing functions generally designed to allow an LDC shipper to receive pipeline services with limited prior scheduling or notice to the pipeline.

**Operating income** - Excess of revenues over the related expenses; income before federal income taxes and interest.

**Peak-shaving** - Using sources of energy, such as natural gas from storage, to supplement the normal amounts delivered to customers during peak-use periods. Using these supplemental sources prevents pipelines from having to expand their delivery facilities just to accommodate short periods of extremely high demand.

**Pooling of interests** - A business combination in which the voting stock of one company is acquired by another through an exchange of stock and not through the disbursement of cash or other resources. The reported income of the constituents for prior periods is combined and restated as income of the combined corporation.

**Psia** - Abbreviation for pounds per square inch absolute. It is a measure of pressure.

**Public authority** - A municipal, state, federal, school, county or precinct account, i.e., account with any governmental subdivision.

**Purchase accounting** - A method of accounting for a business combination in which one company is acquired by another by paying cash, transferring assets, or by issuing debt. The acquiring corporation records at its cost the acquired assets less liabilities assumed. The reported income of the acquiring corporation includes the operations of the acquired company after acquisition.

**Registrar** - The institution appointed by the company to keep records of the issuance, transfer and cancellation of its common stock.

**Residential service** - Covers service to customers for domestic purposes (single, multifamily or mobile homes, etc.). In residential service, the number of housing units within a structure determines the customer classification.

**Retained earnings** - Cumulative earnings retained in the business.

**RSC (Rate Stabilization Clause)** - A mechanism by which an LDC can adjust rates for changes in expenses without making a standard rate filing.

**Shareholders' equity** - The financial investment shareholders have in the company. It is represented by the difference between total assets and total liabilities.

**SFAS No. 106** - Requires employers to accrue postretirement benefit costs other than pensions (primarily retiree health care costs) during the period of service when they are earned rather than on a pay–as–you–go basis.

**Stated value** - The nominal or face value of a security. It is not related to the actual value of the stock or the company.

**Subsidiary** - A corporation owned by a parent company through ownership of the subsidiary's voting stock.

**Unbundling** - Disaggregation of the services historically provided by gas pipeline and distribution companies as a single service, consisting of transportation, storage, and purchase and resale of gas.

**Underground gas storage fields** - Natural gas reservoirs located near gas users into which gas may be pumped during periods of low demand and recovered on peak demand days. This increases gas supply on peak demand days without incurring peak day demand charges from gas suppliers.

**Weather normalization adjustment (WNA)** - Rate adjustments approved by certain regulatory commissions that allow a company to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal.

**Working capital** - Excess of current assets over current liabilities.

## NOTES

# NOTES

# 2004

# ATMOS ENERGY CORPORATION

# STATISTICAL SUMMARY

The purpose of this summary is to provide historical financial and statistical information and current facts about Atmos Energy Corporation (the "Company"). It should be used in conjunction with the Company's 2004 Annual Report on Form 10-K. It is not intended to be used in any way in conjunction with the sale or purchase of any securities of Atmos Energy Corporation or its subsidiaries. The financial and operating data in this summary are presented on a consolidated basis without extensive footnoting and are unaudited. All prior periods have been restated for the pooling of interests with United Cities Gas Company in July 1997.

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## COMPANY PROFILE AND SERVICE AREAS

Atmos Energy Corporation and its subsidiaries (the "Company") are engaged primarily in the natural gas utility business as well as other natural gas nonutility businesses. As of September 30, 2004, we distributed natural gas through sales and transportation arrangements to approximately 1.7 million residential, commercial, public authority and industrial customers through our six regulated utility divisions, which covered service areas in 12 states. On October 1, 2004, we completed our acquisition of the natural gas distribution and pipeline operations of TXU Gas Company. The TXU Gas operations we acquired are regulated businesses engaged in the purchase, transmission, distribution and sale of natural gas in the north-central, eastern and western parts of Texas. Through these newly acquired operations, we provide gas distribution services to approximately 1.5 million residential and business customers in Texas, including the Dallas/Fort Worth metropolitan area. We also now own and operate a system consisting of 6,162 miles of gas transmission and gathering lines and five underground storage reservoirs, all within Texas. Our primary service areas are located in Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee and Texas. We have more limited service areas in Georgia, Illinois, Iowa, Missouri and Virginia. In addition, we transport natural gas for others through our distribution system.

Through our nonutility businesses, we provide natural gas management and marketing services to municipalities, other local gas distribution companies and industrial customers in 18 states. We supplement natural gas used by our customers through natural gas storage fields that we own or hold an interest in and which are located in Kentucky and Louisiana. We also provide natural gas management services to our utility operations which include aggregating and purchasing gas supply, arranging transportation and storage logistics and ultimately delivering the gas to our utility service areas at competitive prices.

Our operations are divided into three segments: the utility segment, which includes our related natural gas distribution and sales operations, the natural gas marketing segment, which includes a variety of natural gas management services and the other nonutility segment, which includes all of our other nonutility operations. Our Standard Industrial Classification (S.I.C.) Code is 4924.

The Company conducts its utility business in Texas under the names Atmos Energy West Texas Division and Atmos Energy Mid-Tex Division, in Louisiana under the name Atmos Energy Louisiana Division, in Kentucky under the name Atmos Energy Kentucky Division, in Colorado, Kansas and parts of Missouri under the name Atmos Energy Colorado-Kansas Division, in Illinois, Iowa, Georgia, Tennessee, Virginia and parts of Missouri under the name Atmos Energy Mid-States Division, and in Mississippi under the name Mississippi Valley Gas Company Division.

The Company was organized under the laws of the State of Texas in 1983 as Energas Company, a subsidiary of Pioneer Corporation ("Pioneer"), for the purpose of owning and operating Pioneer's natural gas distribution business in Texas. Immediately following the transfer by Pioneer to Energas of its gas distribution business, which Pioneer and its predecessors had operated since 1906, Pioneer distributed the outstanding stock of the Company to its shareholders. In September 1988, the Company changed its name from Energas Company to Atmos Energy Corporation. As a result of the merger with United Cities Company in July 1997, the Company also became incorporated in Virginia.

Since its organization, the Company has sought to expand its utility customer base and to diversify the effects of weather patterns, local economic conditions and regulatory jurisdictions to which its operations are subject. As part of this strategy, the Company acquired Trans Louisiana Gas Company, Inc. in January 1986, Western Kentucky Gas Utility Corporation in December 1987, merged with Greeley Gas Company in December 1993, merged with United Cities Gas Company in July 1997, purchased the Missouri natural gas distribution assets of Associated Natural Gas in May 2000, purchased from Citizens Communications Company the natural gas operations of its Louisiana Gas Service Company and its subsidiary LGS Natural Gas Company in July 2001, acquired Mississippi Valley Gas Company in December 2002 and purchased the natural gas distribution and pipeline operations of TXU Gas Company in October 2004. The Company acquired a 45 percent interest in Woodward Marketing, L.L.C. as a result of the merger of Atmos and United Cities Gas Company, which had acquired that interest in 1995. In April 2001, the Company acquired the remaining 55 percent interest in Woodward Marketing that it did not already own in exchange for 1,423,193 restricted shares of its common stock. For further information regarding acquisitions and mergers, please see the "Corporate Development" section on page 52.

The Company was formerly engaged in the retail and wholesale distribution of propane gas through United Cities Propane Gas, Inc. Through January 20, 2004, United Cities Propane Gas, Inc. owned an approximate 19 percent membership interest in U.S. Propane L.P. (USP), a joint venture formed in February 2000 with other utility companies to own a limited partnership interest in Heritage Propane Partners, L.P. (Heritage), a publicly-traded marketer of propane through a nationwide retail distribution network. During fiscal 2004, we sold our interest in USP and Heritage. As a result of these transactions, we no longer have an interest in the propane business.

The Company's principal executive offices are located at Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240, and the telephone number is (972) 934–9227.

# YEAR IN REVIEW

**Highlights for 2004**

**Improved Earnings**

The Company reported earnings of $86.2 million or $1.58 per diluted share for fiscal 2004 compared with $71.7 million or $1.54 per diluted share for fiscal 2003.

**Increased quarterly dividend 2% to $.305 per share**

The indicated annual dividend for fiscal 2004 was $1.22 per share, the Company's 17th consecutive annual dividend increase.

**Financial**

In July 2004, we sold 9.9 million shares of our common stock, including the underwriters' exercise of their overallotment option. The offering generated net proceeds of approximately $235.7 million after offering costs. In October 2004, we used the net proceeds from this offering, together with issuances in October 2004 of commercial paper to consummate the acquisition of TXU Gas (see below).

In August 2004, we filed a shelf registration statement with the SEC to issue, from time to time up to $2.2 billion in new common stock and/or debt, which was declared effective on September 15, 2004.

In October 2004, we sold 16.1 million common shares under the new shelf registration statement, including the underwriters' exercise of their overallotment option generating net proceeds of approximately $382.5 million before other offering costs. Additionally, we issued senior unsecured debt under the new shelf registration statement which generated approximately $1.39 billion in net proceeds. These proceeds were used primarily to refinance the $1.7 billion in commercial paper we used on October 1, 2004 to fund the TXU Gas acquisition (see below).

Our fiscal 2004 results reflect pretax gains from asset sales totaling $6.7 million attributable to the sale of our general and limited partnership interests in USP and the remaining limited partnership units in Heritage Propane Partners, L.P. formerly owned by USP during 2004 and the sale of real property. These asset sales provided $27.9 million in cash proceeds during 2004.

**Acquisitions**

On October 1, 2004, we completed our acquisition of the natural gas distribution and pipeline operations of TXU Gas Company. The purchase price for the TXU Gas acquisition was approximately $1.905 billion (after preliminary closing adjustments), which we paid in cash. The purchase price is subject to working capital and other adjustments which we anticipate will not be material. We funded the purchase price with approximately $235.7 million in net proceeds from our July 2004 equity offering (see above) and approximately $1.7 billion in net proceeds from our issuance on October 1, 2004 of commercial paper backstopped by a senior unsecured revolving credit agreement for bridge financing purposes. In October 2004, we paid off the commercial paper used to fund the acquisition through the issuance of senior unsecured notes which generated net proceeds of approximately $1.39 billion and the sale of 16.1 million shares of common stock which generated net proceeds of approximately $382.5 million before other offering costs (see above). As a result of this refinancing, we canceled the senior unsecured revolving bridge credit facility.

In March 2004, we acquired, for approximately $2.0 million cash, the natural gas distribution assets of ComFurT Gas Inc. which served approximately 1,800 customers.

**Ratemaking activity**

In May 2003, the Colorado-Kansas Division filed a rate case with the Kansas Corporation Commission for approximately $7.4 million in additional annual revenues. In January 2004, the Kansas Commission approved an increase of $2.5 million in rates effective March 1, 2004.

In April 2004, the Colorado-Kansas Division agreed to provide a one-time credit to our Colorado customers of $1.9 million pending approval of the agreement by the Colorado Public Utility Commission.

In February 2004, the Mid-States Division filed a rate case with the Virginia Corporation Commission (VCC) to request a $1.0 million increase in rates, WNA and recovery of certain costs. The VCC granted a rate increase in November 2004 of $0.4 million that was effective July 27, 2004. Additionally, the VCC authorized WNA beginning in July 2005 and the ability to recover certain costs.

In September 2003, the West Texas Division filed a rate case in its West Texas System to request a $7.7 million increase in annual revenues and WNA. In May 2004, the cities in our West Texas System approved a $3.2 million increase and approved WNA effective October 2004.

In October 2003, the West Texas Division filed a rate case in Lubbock, Texas, to request a $3.0 million increase in annual revenues and WNA. The City of Lubbock approved a $1.5 million increase effective March 1, 2004, as well as the proposed WNA effective April 2004.

The Mississippi Public Service Commission (MPSC) requires the Company to file for rate adjustments based on our expenses every six months typically in May and November of each year. We filed our second 2003 semiannual filing in November 2003, and received an annual rate increase of $5.9 million effective on December 1, 2003. We filed our first semiannual filing for 2004 in May 2004 and received an annual rate increase of $4.7 million effective on June 1, 2004. However, in the same ruling, the MPSC disallowed certain deferred costs totaling $2.8 million, which we are appealing. We filed our second semiannual filing for 2004 in November 2004.

## HIGHLIGHTS (1)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2004 | 2003 | 2002 | 2001 |
| **Balance Sheet Data at September 30** (In thousands) | | | | |
| Capital expenditures | $ 190,285 | $ 159,439 | $ 132,252 | $ 113,109 |
| Net property, plant and equipment | 1,722,521 | 1,624,394 | 1,380,070 | 1,409,432 |
| Working capital | 262,644 | 16,248 | (139,150) | (90,968) |
| Total assets | 2,869,883 | 2,625,495 | 2,059,631 | 2,108,841 |
| Shareholders' equity | 1,133,459 | 857,517 | 573,235 | 583,864 |
| Long-term debt, excluding current maturities | 861,311 | 862,500 | 668,959 | 691,026 |
| Total capitalization | 1,994,770 | 1,720,017 | 1,242,194 | 1,274,890 |
| **Income Statement Data** (In thousands, except per share data) | | | | |
| Operating revenues (2) | $ 2,920,037 | $ 2,799,916 | $ 1,650,964 | $ 1,725,481 |
| Gross profit (2) | 562,191 | 534,976 | 431,140 | 375,208 |
| Net income | 86,227 | 71,688 | 59,656 | 56,090 |
| Net income per share - diluted | 1.58 | 1.54 | 1.45 | 1.47 |
| **Common Stock Data** | | | | |
| Shares outstanding (In thousands) | | | | |
| End of year | 62,800 | 51,476 | 41,676 | 40,792 |
| Weighted average | 54,416 | 46,496 | 41,250 | 38,247 |
| Cash dividends per share | $1.22 | $1.20 | $1.18 | $1.16 |
| Shareholders of record | 27,555 | 28,510 | 28,829 | 30,524 |
| Market price - High | $26.86 | $25.45 | $24.46 | $26.25 |
| Low | $23.68 | $20.70 | $18.37 | $19.31 |
| End of year | $25.19 | $23.94 | $21.50 | $21.60 |
| Book value per share at end of year | $18.05 | $16.66 | $13.75 | $14.31 |
| Price/Earnings ratio at end of year | 15.94 | 15.55 | 14.83 | 14.69 |
| Market/Book ratio at end of year | 1.40 | 1.44 | 1.56 | 1.51 |
| Annualized dividend yield at end of year | 4.8% | 5.0% | 5.5% | 5.4% |
| **Customers and Volumes (as metered)** | | | | |
| Consolidated utility gas sales volumes (MMcf) | 173,219 | 184,512 | 145,488 | 156,544 |
| Consolidated utility gas transportation volumes (MMcf) | 72,814 | 63,453 | 63,053 | 61,230 |
| Consolidated utility throughput (MMcf) | 246,033 | 247,965 | 208,541 | 217,774 |
| Consolidated natural gas marketing throughput (MMcf) | 222,572 | 225,961 | 204,027 | 55,469 |
| Meters in service at end of year | 1,679,136 | 1,672,798 | 1,389,341 | 1,386,323 |
| Heating degree days (Excl. UCG before 1993) (3) | 3,271 | 3,473 | 3,368 | 4,124 |
| Degree days as a % of normal (3) | 96% | 101% | 94% | 115% |
| Utility average purchased gas cost per Mcf sold | $6.55 | $5.76 | $3.87 | $6.82 |
| Utility average transportation fee per Mcf | $0.36 | $0.43 | $0.41 | $0.41 |
| **Statistics** | | | | |
| Return on average shareholders' equity | 9.1% | 9.9% | 9.9% | 10.4% |
| Number of employees | 2,864 | 2,905 | 2,338 | 2,361 |
| Net utility plant per meter | $994 | $930 | $939 | $977 |
| Utility operation, maintenance and administrative expense per meter (4) | $116 | $115 | $101 | $130 |
| Meters per employee-utility | 612 | 594 | 616 | 603 |
| Times interest earned before income taxes | 3.05 | 2.75 | 2.55 | 2.83 |

(1) Amounts have been restated for poolings of interests with United Cities in July 1997, and share data have been adjusted for a 3-for-2 stock split in May 1994.

(2) In conjunction with the adoption of EITF 02-03 during fiscal 2003, energy trading contracts resulting in delivery of a commodity where we are the principal in the transaction are included as operating revenues or purchased gas cost. All prior periods have been reclassified to conform with this new presentation.

(3) Heating degree days for 2001 thru 2004 are adjusted for service areas with weather-normalized operations. Heating degree days for years prior to 2001 are not adjusted for service areas with weather-normalized operations, as that information was not available.

(4) Fiscal 2001 amount adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|
| $ 75,557 | $ 110,353 | $ 134,989 | $ 122,312 | $ 117,589 | $ 103,904 | $ 85,471 |
| 1,045,484 | 1,024,773 | 917,860 | 849,127 | 770,211 | 697,287 | 638,787 |
| (185,267) | (153,472) | (116,679) | (169,518) | (102,764) | (41,980) | (32,340) |
| 1,410,668 | 1,288,256 | 1,141,390 | 1,088,311 | 1,010,610 | 900,948 | 829,385 |
| 392,466 | 377,663 | 371,158 | 327,260 | 329,582 | 304,349 | 267,584 |
| 361,970 | 376,211 | 398,548 | 302,981 | 276,162 | 294,463 | 282,647 |
| 754,436 | 753,874 | 769,706 | 630,241 | 605,744 | 598,812 | 550,231 |
| | | | | | | |
| $ 850,152 | $ 690,196 | $ 848,208 | $ 906,835 | $ 886,691 | $ 749,555 | $ 826,302 |
| 325,706 | 299,794 | 331,836 | 329,654 | 324,412 | 300,158 | 297,020 |
| 35,918 | 17,744 | 55,265 | 23,838 | 41,151 | 28,808 | 26,772 |
| 1.14 | 0.58 | 1.84 | 0.81 | 1.42 | 1.06 | 1.05 |
| | | | | | | |
| 31,952 | 31,248 | 30,398 | 29,642 | 29,242 | 28,246 | 25,911 |
| 31,594 | 30,819 | 30,031 | 29,422 | 28,994 | 27,208 | 25,604 |
| $1.14 | $1.10 | $1.06 | $1.01 | $0.98 | $0.96 | $0.91 |
| 32,394 | 35,179 | 36,949 | 29,867 | 36,472 | 31,782 | 27,005 |
| $25.00 | $32.69 | $31.06 | $27.88 | $31.00 | $20.63 | $21.13 |
| $14.75 | $23.06 | $24.63 | $22.13 | $18.00 | $15.88 | $16.38 |
| $20.63 | $24.13 | $28.56 | $24.88 | $23.38 | $19.38 | $17.75 |
| $12.28 | $12.09 | $12.21 | $11.04 | $11.27 | $10.77 | $10.33 |
| 18.09 | 41.59 | 15.52 | 30.71 | 16.46 | 18.28 | 16.90 |
| 1.68 | 2.00 | 2.34 | 2.25 | 2.07 | 1.80 | 1.72 |
| 5.5% | 4.6% | 3.7% | 4.1% | 4.2% | 5.0% | 5.1% |
| | | | | | | |
| 119,470 | 125,279 | 159,373 | 164,208 | 178,293 | 166,656 | 170,691 |
| 59,365 | 55,468 | 56,224 | 48,800 | 44,146 | 47,647 | 47,882 |
| 178,835 | 180,747 | 215,597 | 213,008 | 222,439 | 214,303 | 218,573 |
| - | - | - | - | - | - | - |
| 1,096,599 | 1,037,995 | 1,004,532 | 985,448 | 976,308 | 949,213 | 943,728 |
| 2,096 | 3,374 | 3,799 | 3,909 | 4,043 | 3,706 | 3,855 |
| 82% | 85% | 95% | 98% | 101% | 93% | 97% |
| $3.67 | $2.74 | $3.24 | $3.51 | $3.15 | $2.70 | $3.10 |
| $0.37 | $0.39 | $0.43 | $0.41 | $0.43 | $0.42 | $0.45 |
| | | | | | | |
| 9.3% | 4.7% | 15.8% | 7.3% | 13.0% | 10.1% | 10.3% |
| 1,885 | 2,062 | 2,193 | 2,679 | 2,863 | 2,944 | 3,052 |
| $931 | $884 | $914 | $862 | $789 | $735 | $677 |
| | | | | | | |
| $135 | $146 | $136 | $183 | $160 | $163 | $169 |
| 591 | 547 | 475 | 379 | 350 | 330 | 316 |
| 2.28 | 1.56 | 3.09 | 2.04 | 3.00 | 2.44 | 2.45 |

## CONSOLIDATED BALANCE SHEETS

| ASSETS | September 30 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Property, plant and equipment | | | | |
| Utility plant | $2,526,827 | $2,378,626 | $2,021,663 | $2,008,761 |
| Nonutility plant | 68,547 | 85,366 | 81,765 | 47,225 |
| Construction in progress | 38,277 | 16,147 | 24,399 | 53,881 |
| | 2,633,651 | $2,480,139 | $2,127,827 | $2,109,867 |
| Less accumulated depreciation and amortization | 911,130 | 855,745 | 747,757 | 700,435 |
| Net property, plant & equipment | 1,722,521 | $1,624,394 | $1,380,070 | $1,409,432 |
| Current assets | | | | |
| Cash and cash equivalents | 201,932 | 15,683 | 47,991 | 15,263 |
| Cash held on deposit in margin account | - | 17,903 | 10,192 | 66,666 |
| Accounts receivable, net | 211,810 | 216,783 | 136,227 | 124,046 |
| Inventories | 2,626 | 3,917 | 3,769 | 6,041 |
| Gas stored underground | 200,134 | 168,765 | 91,783 | 89,555 |
| Assets from risk management activities | 44,440 | 22,259 | 27,984 | 95,968 |
| Deferred gas cost | - | 308 | - | 10,999 |
| Other current assets | 16,170 | 12,379 | 13,209 | 15,713 |
| Total current assets | 677,112 | 457,997 | 331,155 | 424,251 |
| Intangible assets | 4,160 | 5,030 | 5,365 | 12,125 |
| Goodwill | 234,112 | 268,469 | 185,015 | 64,745 |
| Noncurrent assets from risk management activities | 562 | 1,699 | 5,241 | 29,771 |
| Deferred charges and other assets | 231,416 | 267,906 | 152,785 | 168,517 |
| | $2,869,883 | $2,625,495 | $2,059,631 | $2,108,841 |

| CAPITALIZATION AND LIABILITIES | | | | |
|---|---|---|---|---|
| Shareholders' equity | | | | |
| Common stock | $ 314 | $ 257 | $ 208 | $ 204 |
| Additional paid-in capital | 1,005,644 | 736,180 | 508,265 | 489,948 |
| Retained earnings | 142,030 | 122,539 | 106,142 | 95,132 |
| Accum. other comprehensive income (loss) | (14,529) | (1,459) | (41,380) | (1,420) |
| Shareholders' equity | 1,133,459 | 857,517 | 573,235 | 583,864 |
| Long-term debt | 861,311 | 862,500 | 668,959 | 691,026 |
| Total capitalization | 1,994,770 | 1,720,017 | 1,242,194 | 1,274,890 |
| Current liabilities | | | | |
| Current maturities of long-term debt | 5,908 | 9,345 | 21,980 | 20,695 |
| Short-term debt | - | 118,595 | 145,791 | 201,247 |
| Accounts payable and accrued liabilities | 185,295 | 179,852 | 136,773 | 84,471 |
| Taxes payable | 22,930 | 9,746 | 15,626 | 11,620 |
| Customers' deposits | 44,474 | 41,068 | 31,147 | 32,351 |
| Liabilities from risk management activities | 39,458 | 20,790 | 18,487 | 119,484 |
| Deferred gas cost | 39,097 | - | 21,947 | - |
| Other current liabilities | 77,306 | 62,353 | 78,554 | 45,351 |
| Total current liabilities | 414,468 | 441,749 | 470,305 | 515,219 |
| Deferred income taxes | 213,930 | 223,350 | 134,540 | 138,934 |
| Noncurrent liabilities from risk management activities | 1,138 | 763 | 3,663 | 7,412 |
| Regulatory cost of removal obligation (1) | 103,579 | 102,371 | 73,716 | 69,844 |
| Deferred credits and other liabilities | 141,998 | 137,245 | 135,213 | 102,542 |
| | $2,869,883 | $2,625,495 | $2,059,631 | $2,108,841 |

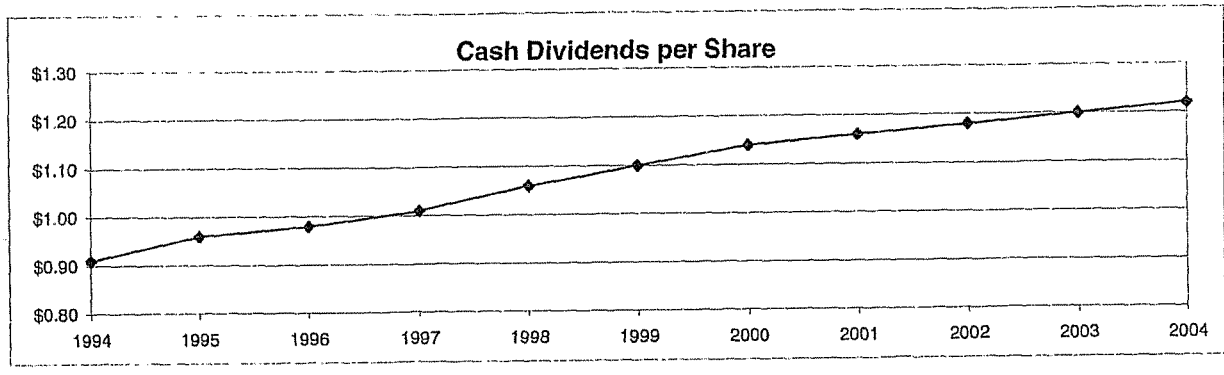
(1) In fiscal 2004, we retroactively reclassified our regulatory cost of removal obligation from accumulated depreciation to a liability. This amount was not reclassified for years prior to fiscal 1999, as that information was not available.

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|
| $1,512,764 | $1,454,228 | $1,258,301 | $1,218,372 | $1,123,758 | $1,028,836 | $933,886 |
| 33,805 | 72,606 | 75,255 | 82,632 | 74,799 | 69,157 | 73,496 |
| 33,234 | 22,424 | 112,864 | 31,668 | 21,217 | 8,871 | 9,678 |
| $1,579,803 | $1,549,258 | 1,446,420 | 1,332,672 | 1,219,774 | 1,106,864 | 1,017,060 |
| 534,319 | 524,485 | 528,560 | 483,545 | 449,563 | 409,577 | 378,273 |
| 1,045,484 | $1,024,773 | 917,860 | 849,127 | 770,211 | 697,287 | 638,787 |
| 7,379 | 8,585 | 4,735 | 6,016 | 11,134 | 9,296 | 5,511 |
| - | - | - | - | - | - | - |
| 77,264 | 70,564 | 34,887 | 71,217 | 103,415 | 90,718 | 81,519 |
| 6,456 | 8,209 | 15,219 | 12,333 | 13,895 | 12,657 | 11,830 |
| 64,222 | 44,653 | 48,909 | 48,122 | 43,350 | 27,401 | 39,108 |
| - | - | - | - | - | - | - |
| 37,184 | - | - | - | - | - | - |
| 8,101 | 3,142 | 3,630 | 6,017 | 2,809 | 4,775 | 4,356 |
| 200,606 | 135,153 | 107,380 | 143,705 | 174,603 | 144,847 | 142,324 |
| 878 | - | - | - | - | - | - |
| 3,110 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 160,590 | 128,330 | 116,150 | 95,479 | 65,796 | 58,814 | 48,274 |
| $1,410,668 | $1,288,256 | $1,141,390 | $1,088,311 | $1,010,610 | $900,948 | $829,385 |
| $ 160 | $ 156 | $ 152 | $ 148 | $ 146 | $ 141 | $ 130 |
| 306,887 | 293,359 | 271,637 | 251,174 | 241,658 | 230,630 | 196,487 |
| 83,154 | 83,231 | 99,369 | 75,938 | 87,778 | 73,578 | 70,967 |
| 2,265 | 917 | - | - | - | - | - |
| 392,466 | 377,663 | 371,158 | 327,260 | 329,582 | 304,349 | 267,584 |
| 361,970 | 376,211 | 398,548 | 302,981 | 276,162 | 294,463 | 282,647 |
| 754,436 | 753,874 | 769,706 | 630,241 | 605,744 | 598,812 | 550,231 |
| 17,566 | 17,848 | 57,783 | 15,201 | 16,679 | 16,155 | 10,068 |
| 250,047 | 168,304 | 66,400 | 167,300 | 128,488 | 65,813 | 64,288 |
| 73,031 | 64,167 | 44,742 | 62,626 | 80,321 | 56,525 | 53,110 |
| 10,844 | 848 | 12,736 | 416 | 11,201 | 4,083 | 9,278 |
| 9,923 | 9,657 | 12,029 | 15,098 | 16,812 | 16,220 | 14,985 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 24,462 | 27,801 | 30,369 | 52,582 | 23,866 | 28,031 | 22,935 |
| 385,873 | 288,625 | 224,059 | 313,223 | 277,367 | 186,827 | 174,664 |
| 131,619 | 112,610 | 80,213 | 87,828 | 72,073 | 64,719 | 54,755 |
| - | - | - | - | - | - | - |
| 59,761 | 57,141 | - | - | - | - | - |
| 78,979 | 76,006 | 67,412 | 57,019 | 55,426 | 50,590 | 49,735 |
| $1,410,668 | $1,288,256 | $1,141,390 | $1,088,311 | $1,010,610 | $900,948 | $829,385 |

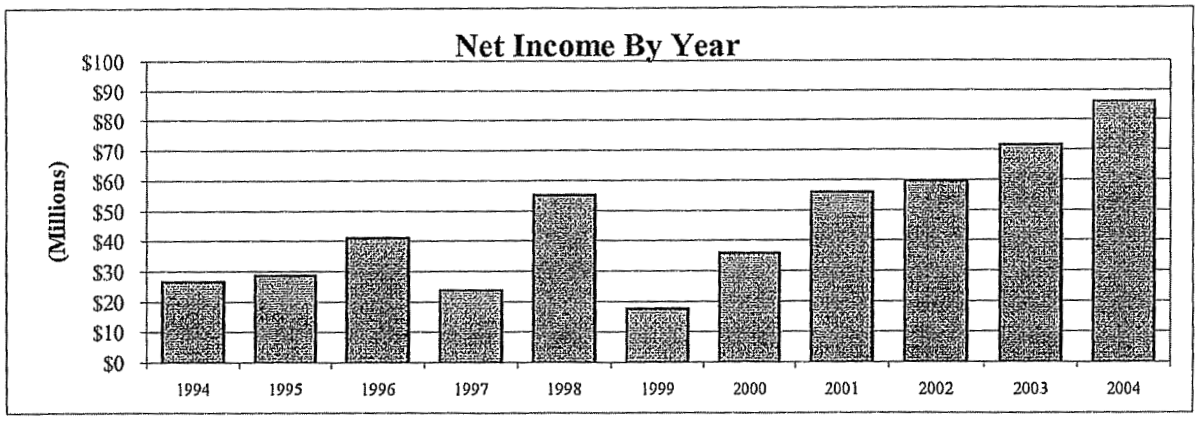
## CONSOLIDATED STATEMENTS OF INCOME (1)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2004 | 2003 | 2002 | 2001 |
| | (In thousands, except per share data) | | | |
| Operating revenues | | | | |
| Utility segment | $ 1,637,728 | $ 1,554,082 | $ 937,526 | $1,380,148 |
| Natural gas marketing segment | 1,618,602 | 1,668,493 | 1,031,874 | 447,096 |
| Other nonutility segment | 23,151 | 21,630 | 24,705 | 59,436 |
| Intersegment eliminations | (359,444) | (444,289) | (343,141) | (161,199) |
| Total operating revenues | 2,920,037 | 2,799,916 | 1,650,964 | 1,725,481 |
| Purchased gas cost (2) | | | | |
| Utility segment | 1,134,594 | 1,062,679 | 559,891 | 1,017,363 |
| Natural gas marketing segment | 1,571,971 | 1,644,328 | 994,318 | 445,504 |
| Other nonutility segment | 9,383 | 1,540 | 8,022 | 48,605 |
| Intersegment eliminations | (358,102) | (443,607) | (342,407) | (161,199) |
| Total purchased gas cost | 2,357,846 | 2,264,940 | 1,219,824 | 1,350,273 |
| Gross profit | 562,191 | 534,976 | 431,140 | 375,208 |
| Operating expenses | | | | |
| Operation | 203,590 | 193,973 | 150,283 | 133,240 |
| Maintenance | 10,880 | 11,117 | 7,836 | 6,368 |
| Depreciation and amortization | 96,647 | 87,001 | 81,469 | 67,664 |
| Taxes, other than income | 57,379 | 55,045 | 36,221 | 37,655 |
| Total operating expenses | 368,496 | 347,136 | 275,809 | 244,927 |
| Operating income | 193,695 | 187,840 | 155,331 | 130,281 |
| Other income (expense) | | | | |
| Equity in earnings of Woodward Marketing, L.L.C. | - | - | - | 8,062 |
| Interest income | 2,376 | 1,586 | 1,373 | 3,761 |
| Miscellaneous income (expense) | 7,131 | 605 | (2,694) | (5,635) |
| Total other income (expense) | 9,507 | 2,191 | (1,321) | 6,188 |
| Interest charges | 65,437 | 63,660 | 59,174 | 47,011 |
| Income tax expense | 51,538 | 46,910 | 35,180 | 33,368 |
| Income before cumulative effect of accounting change | 86,227 | 79,461 | 59,656 | 56,090 |
| Cumulative effect of accounting change, net of income tax benefit | - | (7,773) | - | - |
| Net income | $ 86,227 | $ 71,688 | $ 59,656 | $ 56,090 |
| Diluted net income per share | $1.58 | $1.54 | $1.45 | $1.47 |
| Weighted average shares outstanding - diluted | 54,416 | 46,496 | 41,250 | 38,247 |

(1) Restated for poolings of interests with United Cities in July 1997. Share data have been adjusted for a 3-for-2 stock split in May 1994.
(2) Purchased gas cost for fiscal 2001 thru 2004 is shown on a segment basis. Purchased gas cost for years prior to fiscal 2001 was not available on a segment basis; thus, those amounts are shown as utility gas cost.



| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|
| $ 734,835 | $ 617,313 | $ 738,445 | $ 805,252 | $ 778,217 | $ 707,680 | $ 780,791 |
| - | - | - | - | - | - | - |
| 115,317 | 72,883 | 109,763 | 101,583 | 108,474 | 41,875 | 45,511 |
| - | - | - | - | - | - | - |
| 850,152 | 690,196 | 848,208 | 906,835 | 886,691 | 749,555 | 826,302 |
| 524,446 | 390,402 | 516,372 | 577,181 | 562,279 | 449,397 | 529,282 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 524,446 | 390,402 | 516,372 | 577,181 | 562,279 | 449,397 | 529,282 |
| 325,706 | 299,794 | 331,836 | 329,654 | 324,412 | 300,158 | 297,020 |
| 140,249 | 148,065 | 131,336 | 173,683 | 148,196 | 146,624 | 150,984 |
| 7,648 | 9,141 | 10,278 | 11,974 | 11,719 | 11,350 | 12,483 |
| 63,855 | 56,874 | 47,555 | 45,257 | 41,666 | 40,597 | 36,712 |
| 28,638 | 31,475 | 29,788 | 32,131 | 30,254 | 29,626 | 28,346 |
| 240,390 | 245,555 | 218,957 | 263,045 | 231,835 | 228,197 | 228,525 |
| 85,316 | 54,239 | 112,879 | 66,609 | 92,577 | 71,961 | 68,495 |
| 7,307 | 7,156 | 3,920 | 3,254 | 1,997 | 1,354 | - |
| 738 | 765 | 1,510 | 2,156 | 1,870 | 1,936 | 1,018 |
| 6,699 | 2,202 | 4,341 | (288) | (300) | 287 | (164) |
| 14,744 | 10,123 | 9,771 | 5,122 | 3,567 | 3,577 | 854 |
| 43,823 | 37,063 | 35,579 | 33,595 | 31,677 | 30,186 | 28,107 |
| 20,319 | 9,555 | 31,806 | 14,298 | 23,316 | 16,544 | 14,470 |
| 35,918 | 17,744 | 55,265 | 23,838 | 41,151 | 28,808 | 26,772 |
| - | - | - | - | - | - | - |
| $ 35,918 | $ 17,744 | $ 55,265 | $ 23,838 | $ 41,151 | $ 28,808 | $ 26,772 |
| $1.14 | $0.58 | $1.84 | $0.81 | $1.42 | $1.06 | $1.05 |
| 31,594 | 30,819 | 30,031 | 29,422 | 28,994 | 27,208 | 25,604 |



## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income (loss) | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| | Number of Shares | Stated Value | | | | |
| | | | (In thousands, except share data) | | | |
| Balance, September 30, 1993 | 25,182,928 | $ 126 | $ 183,795 | $ - | $ 67,396 | $ 251,317 |
| Net income | - | - | - | - | 26,772 | 26,772 |
| Cash dividends and GGC distributions | - | - | - | - | (23,201) | (23,201) |
| Common stock issued | | | | | | |
| Restricted stock & stock options plans | 108,000 | 1 | 2,175 | - | - | 2,176 |
| Direct stock purchase and dividend reinvestment plans | 449,716 | 2 | 7,201 | - | - | 7,203 |
| Employee stock plan | 20,500 | - | 310 | - | - | 310 |
| ESOP | 149,463 | 1 | 2,713 | - | - | 2,714 |
| Other | - | - | 293 | - | - | 293 |
| Balance, September 30, 1994 | 25,910,607 | 130 | 196,487 | - | 70,967 | 267,584 |
| Net income | - | - | - | - | 28,808 | 28,808 |
| Cash dividends | - | - | - | - | (26,197) | (26,197) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 13,000 | - | 202 | - | - | 202 |
| Direct stock purchase plan | 388,484 | 2 | 5,832 | - | - | 5,834 |
| ESOP/401(K) plans | 233,789 | 1 | 4,173 | - | - | 4,174 |
| Woodward Marketing investment | 320,512 | 2 | 4,998 | - | - | 5,000 |
| Public offering | 1,380,000 | 6 | 18,893 | - | - | 18,899 |
| Other | - | - | 45 | - | - | 45 |
| Balance, September 30, 1995 | 28,246,392 | 141 | 230,630 | - | 73,578 | 304,349 |
| Net income | - | - | - | - | 41,151 | 41,151 |
| Cash dividends | - | - | - | - | (28,478) | (28,478) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 41,700 | 1 | 733 | - | - | 734 |
| Direct stock purchase plan | 251,224 | 1 | 4,322 | - | - | 4,323 |
| Long term stock plan for United Cities | 16,900 | - | 241 | - | - | 241 |
| Outside directors stock-for-fee plan | 3,389 | - | 76 | - | - | 76 |
| ESOP | 161,477 | 1 | 3,641 | - | - | 3,642 |
| Monarch Gas Co. Acquisition | 207,366 | 1 | 1,499 | - | 933 | 2,433 |
| Oceana Heights Acquisition | 313,411 | 1 | 304 | - | 594 | 899 |
| Other | - | - | 212 | - | - | 212 |
| Balance, September 30, 1996 | 29,241,859 | 146 | 241,658 | - | 87,778 | 329,582 |
| Net income | - | - | - | - | 23,838 | 23,838 |
| Cash dividends | - | - | - | - | (26,415) | (26,415) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 100,000 | 1 | 2,443 | - | - | 2,444 |
| Direct stock purchase plan | 85,243 | - | 1,888 | - | - | 1,888 |
| Outside directors stock-for-fee plan | 3,008 | - | 72 | - | - | 72 |
| ESOP | 212,327 | 1 | 5,113 | - | - | 5,114 |
| Less: UCGC net income for quarter ended 12/31/96 | - | - | - | - | (9,263) | (9,263) |
| Balance, September 30, 1997 | 29,642,437 | 148 | 251,174 | - | 75,938 | 327,260 |
| Net income | - | - | - | - | 55,265 | 55,265 |
| Cash dividends | - | - | - | - | (31,834) | (31,834) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 114,250 | 1 | 2,898 | - | - | 2,899 |
| Direct stock purchase plan | 531,353 | 3 | 14,482 | - | - | 14,485 |
| ESOP | 52,473 | - | 1,485 | - | - | 1,485 |
| Long-term stock plan for UCG | 55,500 | - | 1,533 | - | - | 1,533 |
| Outside directors stock-for-fee plan | 2,306 | - | 65 | - | - | 65 |
| Balance, September 30, 1998 | 30,398,319 | 152 | 271,637 | - | 99,369 | 371,158 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 17,744 | 17,744 |
| Unrealized holding gains on investments, net | - | - | - | 917 | - | 917 |
| Total comprehensive income | | | | | | 18,661 |
| Cash dividends | - | - | - | - | (33,882) | (33,882) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 56,850 | - | 1,732 | - | - | 1,732 |
| Direct stock purchase plan | 694,905 | 4 | 17,429 | - | - | 17,433 |
| ESOP | 89,435 | - | 2,362 | - | - | 2,362 |
| Long-term stock plan for UCG | 6,450 | - | 150 | - | - | 150 |
| Outside directors stock-for-fee plan | 1,841 | - | 49 | - | - | 49 |
| Balance, September 30, 1999 | 31,247,800 | $ 156 | $ 293,359 | $ 917 | $ 83,231 | $ 377,663 |

Shareholders' equity balances and share data have been restated for the poolings of interests with United Cities in July 1997, and a 3-for-2 stock split in May 1994.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Continued)

| | Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income (loss) | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| | Number of Shares | Stated Value | | | | |
| | (In thousands, except share data) | | | | | |
| Balance, September 30, 1999 | 31,247,800 | $ 156 | $ 293,359 | $ 917 | $ 83,231 | $ 377,663 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 35,918 | 35,918 |
| Unrealized holding gains on investments, net | - | - | - | 1,348 | - | 1,348 |
| Total comprehensive income | | | | | | 37,266 |
| Cash dividends | - | - | - | - | (35,995) | (35,995) |
| Common stock issued | | | | | | |
| Restricted stock grant plan (cancelled) | (1,300) | - | (18) | - | - | (18) |
| Direct stock purchase plan | 440,990 | 2 | 8,588 | - | - | 8,590 |
| Retirement savings plan | 258,049 | 1 | 4,842 | - | - | 4,843 |
| Long-term stock plan for UCG | 4,200 | - | 66 | - | - | 66 |
| Outside directors stock-for-fee plan | 2,601 | 1 | 50 | - | - | 51 |
| Balance, September 30, 2000 | 31,952,340 | 160 | 306,887 | 2,265 | 83,154 | 392,466 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 56,090 | 56,090 |
| Unrealized holding losses on investments, net | - | - | - | (3,685) | - | (3,685) |
| Total comprehensive income | | | | | | 52,405 |
| Cash dividends | - | - | - | - | (44,112) | (44,112) |
| Common stock issued | | | | | | |
| Direct stock purchase plan | 411,159 | 2 | 8,682 | - | - | 8,684 |
| Retirement savings plan | 225,945 | 1 | 5,098 | - | - | 5,099 |
| Long-term stock plan for UCG | 15,300 | - | 240 | - | - | 240 |
| Long-term incentive plan | 17,172 | - | 272 | - | - | 272 |
| Non-employee directors equity incentive compensation plan | 2,740 | - | 60 | - | - | 60 |
| Outside directors stock-for-fee plan | 2,152 | - | 50 | - | - | 50 |
| Woodward Marketing, L.L.C. acquisition | 1,423,193 | 7 | 26,650 | - | - | 26,657 |
| Public offering | 6,741,500 | 34 | 142,009 | - | - | 142,043 |
| Balance, September 30, 2001 | 40,791,501 | 204 | 489,948 | (1,420) | 95,132 | 583,864 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 59,656 | 59,656 |
| Minimum pension liability, net | - | - | - | (39,432) | - | (39,432) |
| Unrealized holding losses on investments, net | - | - | - | (528) | - | (528) |
| Total comprehensive income | | | | | | 19,696 |
| Cash dividends | - | - | - | - | (48,646) | (48,646) |
| Common stock issued | | | | | | |
| Direct stock purchase plan | 505,202 | 2 | 10,546 | - | - | 10,548 |
| Retirement savings plan | 326,335 | 2 | 7,137 | - | - | 7,139 |
| Long-term incentive plan | 50,465 | - | 579 | - | - | 579 |
| Outside directors stock-for-fee plan | 2,429 | - | 55 | - | - | 55 |
| Balance, September 30, 2002 | 41,675,932 | 208 | 508,265 | (41,380) | 106,142 | 573,235 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 71,688 | 71,688 |
| Minimum pension liability, net | - | - | - | 39,432 | - | 39,432 |
| Unrealized holding gains on investments, net | - | - | - | 489 | - | 489 |
| Total comprehensive income | | | | | | 111,609 |
| Cash dividends | - | - | - | - | (55,291) | (55,291) |
| Common stock issued | | | | | | |
| Public offering | 4,100,000 | 20 | 99,102 | - | - | 99,122 |
| Acquisition of MVG | 3,386,287 | 17 | 74,633 | - | - | 74,650 |
| Contribution to Pension Account Plan | 1,169,700 | 6 | 28,757 | - | - | 28,763 |
| Direct stock purchase plan | 585,743 | 3 | 13,209 | - | - | 13,212 |
| Retirement savings plan | 360,725 | 2 | 8,277 | - | - | 8,279 |
| Long-term incentive plan | 181,429 | 1 | 3,664 | - | - | 3,665 |
| Long-term stock plan for Mid-States Div | 13,000 | - | 206 | - | - | 206 |
| Outside directors stock-for-fee plan | 2,969 | - | 67 | - | - | 67 |
| Balance, September 30, 2003 | 51,475,785 | 257 | 736,180 | (1,459) | 122,539 | 857,517 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 86,227 | 86,227 |
| Unrealized holding gains on investments, net | - | - | - | 615 | - | 615 |
| Treasury lock agreements, net | - | - | - | (21,268) | - | (21,268) |
| Cash flow hedges, net | - | - | - | 7,583 | - | 7,583 |
| Total comprehensive income | | | | | | 73,157 |
| Cash dividends | - | - | - | - | (66,736) | (66,736) |
| Common stock issued | | | | | | |
| Public offering | 9,939,393 | 50 | 235,419 | - | - | 235,469 |
| Direct stock purchase plan | 556,856 | 3 | 13,726 | - | - | 13,729 |
| Retirement savings plan | 320,313 | 2 | 8,300 | - | - | 8,302 |
| Long-term incentive plan | 498,230 | 2 | 11,848 | - | - | 11,850 |
| Long-term stock plan for Mid-States Div | 6,000 | - | 94 | - | - | 94 |
| Outside directors stock-for-fee plan | 3,133 | - | 77 | - | - | 77 |
| Balance, September 30, 2004 | 62,799,710 | $ 314 | $1,005,644 | $ (14,529) | $ 142,030 | $ 1,133,459 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2004 | 2003 | 2002 | 2001 |
| | (In thousands) | | | |
| Cash flows from operating activities | | | | |
| Net income | $ 86,227 | $ 71,688 | $ 59,656 | $ 56,090 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | |
| Cumulative effect of accounting change, net of income tax benefit | - | 7,773 | - | - |
| Depreciation and amortization | | | | |
| Charged to depreciation and amortization | 96,647 | 87,001 | 81,469 | 67,664 |
| Charged to other accounts | 1,465 | 2,193 | 2,452 | 2,806 |
| Deferred income taxes | 36,997 | 53,867 | 14,509 | 18,501 |
| Other | (1,772) | (5,885) | (3,371) | (979) |
| Net assets/liabilities from risk management activities | (24,074) | (129) | (9,576) | 13,881 |
| Loss (gain) on sales of assets | (6,700) | - | - | - |
| | 188,790 | 216,508 | 145,139 | 157,963 |
| Changes in assets and liabilities net of effect of acquisitions | | | | |
| (Increase) decrease in cash held on deposit in margin account | 17,903 | (7,711) | 56,474 | (62,181) |
| (Increase) decrease in accounts receivable | 2,158 | (60,026) | (12,181) | 65,032 |
| (Increase) decrease in inventories | 1,298 | 3,234 | 2,272 | 374 |
| (Increase) decrease in gas stored underground | (31,030) | (64,875) | (2,228) | (3,376) |
| (Increase) decrease in deferred gas cost | 41,529 | (24,160) | 32,946 | 15,440 |
| (Increase) decrease in other current assets | (3,013) | 5,308 | 2,504 | (6,646) |
| (Increase) decrease in deferred charges and other assets | 16,041 | 21,258 | (33,515) | (12,143) |
| Increase (decrease) in accounts payable and accrued liabilities | 4,586 | 19,417 | 52,302 | (94,769) |
| Increase (decrease) in taxes payable | 12,520 | (4,323) | 4,006 | 791 |
| Increase (decrease) in customers' deposits | 3,434 | (767) | (1,204) | 6,078 |
| Increase (decrease) in other current liabilities | 9,462 | (35,546) | 31,393 | 9,019 |
| Increase (decrease) in deferred credits and other liabilities | 7,056 | (18,866) | 19,487 | 7,413 |
| Net cash provided by operating activities | 270,734 | 49,451 | 297,395 | 82,995 |
| Cash flows used in investing activities | | | | |
| Capital expenditures | (190,285) | (159,439) | (132,252) | (113,109) |
| Acquisitions, net of cash received | (1,957) | (74,650) | (15,747) | (354,755) |
| Retirements of property, plant and equipment, net | (570) | 704 | (1,725) | (1,460) |
| Assets for leasing activities | - | - | (8,511) | (5,377) |
| Proceeds from sale of assets, net | 27,919 | - | - | 6,625 |
| Net cash used in investing activities | (164,893) | (233,385) | (158,235) | (468,076) |
| Cash flows from financing activities | | | | |
| Net increase (decrease) in short-term debt | (118,595) | (27,196) | (55,456) | (48,800) |
| Net proceeds from issuance of long-term debt | 5,000 | 253,267 | - | 347,099 |
| Proceeds from bridge loan | - | 147,000 | - | - |
| Repayment of bridge loan | - | (147,000) | - | - |
| Repayment of long-term debt | (9,713) | (73,165) | (20,651) | (17,670) |
| Repayment of Mississippi Valley Gas debt | - | (70,938) | - | - |
| Cash dividends paid | (66,736) | (55,291) | (48,646) | (44,112) |
| Issuance of common stock | 34,715 | 25,720 | 18,321 | 14,405 |
| Net proceeds from equity offering | 235,737 | 99,229 | - | 142,043 |
| Net cash provided (used) by financing activities | 80,408 | 151,626 | (106,432) | 392,965 |
| Net increase (decrease) in cash and cash equivalents | 186,249 | (32,308) | 32,728 | 7,884 |
| Cash and cash equivalents at beginning of year | 15,683 | 47,991 | 15,263 | 7,379 |
| Cash and cash equivalents at end of year | $ 201,932 | $ 15,683 | $ 47,991 | $ 15,263 |

(1) Includes UCGC operations only for the nine months ended September 30, 1997, because UCGC operations for the quarter ended December 31, 1996 are reflected in fiscal year 1996 results.

| 2000 | 1999 | 1998 | 1997 (1) | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|
| $ 35,918 | $ 17,744 | $ 55,265 | $ 14,575 | $ 41,151 | $ 28,808 | $ 26,772 |
| - | - | - | - | - | - | - |
| 63,855 | 56,874 | 47,555 | 39,970 | 41,666 | 40,597 | 36,712 |
| 3,065 | 4,800 | 5,861 | 2,237 | 3,580 | 3,601 | 1,485 |
| 18,251 | 31,874 | (3,968) | 5,807 | 7,585 | 4,652 | 1,545 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (5,831) | - | (3,335) | - | (1,866) | 293 | 1,716 |
| 115,258 | 111,292 | 101,378 | 62,589 | 92,116 | 77,951 | 68,230 |
| - | - | - | - | - | - | - |
| (11,260) | (29,576) | 36,330 | 32,198 | (12,697) | (9,199) | 597 |
| 2,037 | 7,010 | (2,886) | 1,562 | (1,238) | (827) | 58 |
| (17,518) | 4,256 | (787) | (4,772) | (15,949) | 11,707 | 4,478 |
| (31,353) | (6,101) | - | - | - | - | - |
| (4,930) | 488 | 2,387 | (3,208) | 1,966 | (419) | 2,937 |
| (13,053) | (12,012) | (20,671) | (29,683) | (4,623) | (10,832) | (4,105) |
| 8,643 | 19,425 | (17,884) | (17,695) | 23,796 | 3,415 | (14,458) |
| 9,607 | (11,888) | 8,673 | (837) | 7,099 | 162 | 1,206 |
| (909) | (2,372) | (3,069) | (1,714) | 592 | 1,235 | (4,861) |
| (4,866) | (4,418) | (22,213) | 28,716 | (4,165) | 5,096 | 7,343 |
| 2,540 | 8,594 | 10,393 | 1,593 | 4,836 | 854 | 7,562 |
| 54,196 | 84,698 | 91,651 | 68,749 | 91,733 | 79,143 | 68,987 |
| (75,557) | (110,353) | (134,989) | (122,312) | (117,589) | (103,904) | (85,471) |
| (32,000) | - | - | - | - | - | - |
| 957 | 757 | 178 | 1,189 | 5,708 | 2,456 | 1,374 |
| - | - | - | - | - | - | - |
| 6,467 | - | 15,997 | - | - | - | - |
| (100,133) | (109,596) | (118,814) | (121,123) | (111,881) | (101,448) | (84,097) |
| 81,743 | 101,904 | (100,900) | 38,812 | 62,675 | (38,475) | 45,725 |
| - | - | 154,445 | 40,000 | - | 67,000 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (14,567) | (61,000) | (16,296) | (14,659) | (20,734) | (10,347) | (17,683) |
| - | - | - | - | - | - | - |
| (35,995) | (33,882) | (31,834) | (26,415) | (28,478) | (26,197) | (23,201) |
| 13,550 | 21,726 | 20,467 | 9,518 | 8,523 | 34,109 | 12,696 |
| - | - | - | - | - | - | - |
| 44,731 | 28,748 | 25,882 | 47,256 | 21,986 | 26,090 | 17,537 |
| (1,206) | 3,850 | (1,281) | (5,118) | 1,838 | 3,785 | 2,427 |
| 8,585 | 4,735 | 6,016 | 11,134 | 9,296 | 5,511 | 3,084 |
| $ 7,379 | $ 8,585 | $ 4,735 | $ 6,016 | $ 11,134 | $ 9,296 | $ 5,511 |

## PROPERTY, PLANT AND EQUIPMENT

| Year ended | Balance at beginning of period | Additions at cost (1) | Retirements or sales | Other | Balance at end of period |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| September 30, 1994 | $ 942,823 | $ 85,471 | $ 11,234 | $ - | $ 1,017,060 |
| September 30, 1995 | $ 1,017,060 | $ 105,154 | $ 15,350 | $ - | $ 1,106,864 |
| Utility plant | $ 1,028,836 | $ 106,282 | $ 11,360 | $ - | $ 1,123,758 |
| Nonutility Plant | 69,157 | 6,630 | 988 | - | 74,799 |
| Construction in progress | 8,871 | 12,346 | - | - | 21,217 |
| September 30, 1996 | $ 1,106,864 | $ 125,258 | $ 12,348 | $ - | $ 1,219,774 |
| Utility plant | $ 1,123,758 | $ 102,231 | $ 7,618 | $ - | $ 1,218,371 |
| Nonutility Plant | 74,799 | 9,630 | 1,796 | - | 82,633 |
| Construction in progress | 21,217 | 10,451 | - | - | 31,668 |
| September 30, 1997 | $ 1,219,774 | $ 122,312 | $ 9,414 | $ - | $ 1,332,672 |
| Utility plant | $ 1,218,371 | $ 47,317 | $ 7,387 | $ - | $ 1,258,301 |
| Nonutility Plant | 82,633 | 7,452 | 14,830 | - | 75,255 |
| Construction in progress | 31,668 | 80,220 | (976) | - | 112,864 |
| September 30, 1998 | $ 1,332,672 | $ 134,989 | $ 21,241 | $ - | $ 1,446,420 |
| Utility plant | $ 1,258,301 | $ 199,127 | $ 3,200 | $ - | $ 1,454,228 |
| Nonutility Plant | 75,255 | 868 | 3,517 | - | 72,606 |
| Construction in progress | 112,864 | (89,642) | 798 | - | 22,424 |
| September 30, 1999 | $ 1,446,420 | $ 110,353 | $ 7,515 | $ - | $ 1,549,258 |
| Utility plant | $ 1,454,228 | $ 95,842 | $ 37,306 | $ - | $ 1,512,764 |
| Nonutility Plant | 72,606 | 1,128 | 39,929 | - | 33,805 |
| Construction in progress | 22,424 | 10,587 | (223) | - | 33,234 |
| September 30, 2000 | $ 1,549,258 | $ 107,557 | $ 77,012 | $ - | $ 1,579,803 |
| Utility plant | $ 1,512,764 | $ 563,857 | $ 67,860 | $ - | $ 2,008,761 |
| Nonutility Plant | 33,805 | 504 | 1,525 | 14,441 | 47,225 |
| Construction in progress | 33,234 | 20,995 | 348 | - | 53,881 |
| September 30, 2001 | $ 1,579,803 | $ 585,356 | $ 69,733 | $ 14,441 | $ 2,109,867 |
| Utility plant | $ 2,008,761 | $ 166,479 | $ 134,657 | $ (18,920) | $ 2,021,663 |
| Nonutility Plant | 47,225 | 15,993 | 373 | 18,920 | 81,765 |
| Construction in progress | 53,881 | (29,482) | - | - | 24,399 |
| September 30, 2002 | $ 2,109,867 | $ 152,990 | $ 135,030 | $ - | $ 2,127,827 |
| Utility plant | $ 2,021,663 | $ 431,358 | $ 73,663 | $ (732) | $ 2,378,626 |
| Nonutility Plant | 81,765 | 3,816 | 947 | 732 | 85,366 |
| Construction in progress | 24,399 | (8,252) | - | - | 16,147 |
| September 30, 2003 | $ 2,127,827 | $ 426,922 | $ 74,610 | $ - | $ 2,480,139 |
| Utility plant | $ 2,378,626 | $ 169,526 | $ 38,953 | $ 17,628 | $ 2,526,827 |
| Nonutility Plant | 85,366 | 994 | 185 | (17,628) | 68,547 |
| Construction in progress | 16,147 | 22,130 | - | - | 38,277 |
| September 30, 2004 | $ 2,480,139 | $ 192,650 | $ 39,138 | $ - | $ 2,633,651 |

(1) Additions at cost include capital expenditures and acquisitions treated as a purchase.

## ACCUMULATED DEPRECIATION AND AMORTIZATION

| Year ended | Balance at beginning of period | Additions charged to costs and expenses | Deductions-retirements, renewals and replacements | Other | Balance at end of period |
|---|---|---|---|---|---|
| | | (In thousands) | | | |
| September 30, 1994 | $ 349,936 | $ 38,197 | $ 9,860 | $ - | $ 378,273 |
| September 30, 1995 | $ 378,273 | $ 44,198 | $ 12,894 | $ - | $ 409,577 |
| September 30, 1996 | $ 409,577 | $ 45,246 | $ 6,640 | $ 1,380 | $ 449,563 |
| September 30, 1997 | $ 449,563 | $ 42,207 | $ 8,225 | $ - | $ 483,545 |
| September 30, 1998 | $ 483,545 | $ 53,416 | $ 8,401 | $ - | $ 528,560 |
| September 30, 1999 | $ 528,560 | $ 61,674 | $ 6,758 | $ (58,991) | $ 524,485 |
| September 30, 2000 | $ 524,485 | $ 66,920 | $ 57,086 | $ - | $ 534,319 |
| September 30, 2001 | $ 534,319 | $ 70,470 | $ 35,456 | $ 131,102 | $ 700,435 |
| September 30, 2002 | $ 700,435 | $ 83,921 | $ 33,365 | $ (3,234) | $ 747,757 |
| September 30, 2003 | $ 747,757 | $ 89,194 | $ 115,759 | $ 134,553 | $ 855,745 |
| September 30, 2004 | $ 855,745 | $ 98,112 | $ 43,201 | $ 474 | $ 911,130 |

Depreciation is provided at various rates on a straight-line basis over the estimated useful lives of the assets.

## LONG-TERM AND SHORT-TERM DEBT

| | September 30 | | | |
|---|---|---|---|---|
| | 2004 | 2003 | 2002 | 2001 |
| | (In thousands) | | | |
| Long-term Debt | | | | |
| Unsecured 7.95% Senior Notes, payable in annual installments of $1,000,000 from 8/31/1997 thru 2006 | $ - | $ - | $ 4,000 | $ 5,000 |
| Unsecured 9.57% Senior Notes, payable in annual installments of $2,000,000 from 9/30/1997 thru 2006 | - | - | 8,000 | 10,000 |
| Unsecured 9.76% Senior Notes, payable in annual installments of $3,000,000 from 12/30/1995 thru 2004 | - | - | 9,000 | 12,000 |
| Unsecured 9 3/4% Senior Notes, payable in varying annual installments through 12/30/1996 | - | - | - | - |
| Unsecured 10% Notes, due 12/31/2011 | 2,303 | 2,303 | 2,303 | 2,303 |
| Unsecured 7.375% Senior Notes, due 5/15/2011 | 350,000 | 350,000 | 350,000 | 350,000 |
| Unsecured 5.125% Senior Notes, due 1/15/2013 | 250,000 | 250,000 | - | - |
| Unsecured 11.2% Senior Notes, due in annual installments of $2,000,000 from 12/30/1993 thru 12/30/2002 | - | - | 2,000 | 4,000 |
| Notes payable to banks refinanced with long-term debt | - | - | - | - |
| Unsecured 8.07% Senior Notes, payable in annual installments of $4,000,000 beginning October 31, 2002 through October 31, 2006 with semiannual interest payments | - | - | 20,000 | 20,000 |
| Unsecured 8.26% Senior Notes, payable in annual installments of $1,818,182 beginning October 31, 2004 through October 31, 2014 with semiannual interest payments | - | - | 20,000 | 20,000 |
| Unsecured Note, 6.09% due 11/25/1998 | - | - | - | - |
| Unsecured 6.75% Debentures due 7/15/2028 | 150,000 | 150,000 | 150,000 | 150,000 |
| Subtotal long-term debt this page | 752,303 | 752,303 | 565,303 | 573,303 |

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|
| $ 6,000 | $ 7,000 | $ 8,000 | $ 9,000 | $ 10,000 | $ 10,000 | $ 10,000 |
| 12,000 | 14,000 | 16,000 | 18,000 | 20,000 | 20,000 | 20,000 |
| 15,000 | 18,000 | 21,000 | 24,000 | 27,000 | 30,000 | 30,000 |
| - | - | - | - | 1,000 | 3,000 | 5,000 |
| 2,303 | 2,303 | 2,303 | 2,303 | 2,303 | 2,303 | 2,303 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 6,000 | 8,000 | 10,000 | 12,000 | 14,000 | 16,000 | 18,000 |
| - | - | - | - | - | - | 40,000 |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | - |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | - |
| - | - | 40,000 | 40,000 | - | - | - |
| 150,000 | 150,000 | 150,000 | - | - | - | - |
| 231,303 | 239,303 | 287,303 | 145,303 | 114,303 | 121,303 | 125,303 |

## LONG-TERM AND SHORT-TERM DEBT (CONTINUED)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2004 | 2003 | 2002 | 2001 |
| | (In thousands, except percents) | | | |
| Long-term Debt (continued) | | | | |
| First Mortgage Bonds-- | | | | |
| Series J, 9.4%, due 2021 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 |
| Series N, 8.69%, due 2000 | - | - | - | - |
| Series P, 10.43%, due 2013 | 11,250 | 13,750 | 16,250 | 18,750 |
| Series Q, 9.75%, due 2020 | 16,000 | 17,000 | 18,000 | 19,000 |
| Series R, 11.32%, due 2004 | - | 2,160 | 4,300 | 6,440 |
| Series S, 8.71%, due 1997 | - | - | - | - |
| Series T, 9.32%, due 2021 | 18,000 | 18,000 | 18,000 | 18,000 |
| Series U, 8.77%, due 2022 | 20,000 | 20,000 | 20,000 | 20,000 |
| Series V, 7.50%, due 2007 | 4,167 | 6,733 | 10,000 | 10,000 |
| Medium term notes, 6.20% through 6.67%, due 2000 through 2025 | 20,000 | 20,000 | 20,000 | 20,000 |
| Senior secured storage term notes, 7.45%, due in installments through 2007 | - | - | - | 5,949 |
| Rental property adjustable rate term notes due in installments through 1997 | - | - | - | - |
| Rental property fixed rate term note 7.9%, due in installments through 2013 | 1,179 | 1,310 | 1,440 | 1,571 |
| Propane term note, 6.99% due in installments through 1998 | - | - | - | - |
| Other long-term obligations due in installments through 2008 | 8,651 | 5,007 | 2,150 | 3,081 |
| Subtotal long-term debt this page | 116,247 | 120,960 | 127,140 | 139,791 |
| Subtotal long-term debt previous page | 752,303 | 752,303 | 565,303 | 573,303 |
| Total face amount Long-term Debt | 868,550 | 873,263 | 692,443 | 713,094 |
| Less original issue discount (2) | (1,331) | (1,418) | (1,504) | (1,373) |
| Less amounts classified as current | (5,908) | (9,345) | (21,980) | (20,695) |
| Total Net Long-term Debt | $ 861,311 | $ 862,500 | $ 668,959 | $ 691,026 |
| Short-term Debt | | | | |
| Current maturities of long-term debt | $ 5,908 | $ 9,345 | $ 21,980 | $ 20,695 |
| Short-term debt | - | 118,595 | 145,791 | 201,247 |
| Total short-term debt | $ 5,908 | $ 127,940 | $ 167,771 | $ 221,942 |
| Weighted Average Cost of Debt (1) | | | | |
| Long-term debt (including current maturities) | 6.9% | 6.8% | 7.8% | 7.8% |
| Short-term debt | 1.1% | 1.7% | 2.9% | 5.8% |
| Total | 6.0% | 6.4% | 6.9% | 7.4% |

(1) The calculation of the weighted average cost of debt does not include data for United Cities prior to 1996.
(2) In fiscal 2004, we reclassified our original issue discount costs from deferred charges and other assets to long-term debt.

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|
| $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 |
| - | 1,000 | 3,000 | 5,000 | 7,000 | 10,000 | 14,000 |
| 21,250 | 22,500 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 8,580 | 10,720 | 12,860 | 15,000 | 15,000 | 15,000 | 15,000 |
| - | - | - | - | - | 7,000 | 7,000 |
| 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| 22,000 | 22,000 | 22,000 | 22,000 | 22,000 | 22,000 | - |
| 6,769 | 7,530 | 8,237 | 8,893 | 9,353 | 9,926 | 10,436 |
| - | - | - | 1,329 | 4,497 | 5,691 | 6,839 |
| 1,702 | 1,833 | 1,964 | 2,095 | 2,161 | 2,292 | 4,137 |
| - | - | 3,750 | 4,250 | 4,500 | 5,000 | - |
| 4,160 | 5,445 | 7,217 | 4,312 | 4,027 | 2,406 | - |
| 149,461 | 156,028 | 169,028 | 172,879 | 178,538 | 189,315 | 167,412 |
| 231,303 | 239,303 | 287,303 | 145,303 | 114,303 | 121,303 | 125,303 |
| 380,764 | 395,331 | 456,331 | 318,182 | 292,841 | 310,618 | 292,715 |
| (1,228) | (1,272) | - | - | - | - | - |
| (17,566) | (17,848) | (57,783) | (15,201) | (16,679) | (16,155) | (10,068) |
| $ 361,970 | $ 376,211 | $ 398,548 | $ 302,981 | $ 276,162 | $ 294,463 | $ 282,647 |
| $ 17,566 | $ 17,848 | $ 57,783 | $ 15,201 | $ 16,679 | $ 16,155 | $ 10,068 |
| 250,047 | 168,304 | 66,400 | 167,300 | 128,488 | 65,813 | 64,288 |
| $ 267,613 | $ 186,152 | $ 124,183 | $ 182,501 | $ 145,167 | $ 81,968 | $ 74,356 |
| 8.1% | 8.2% | 8.1% | 9.0% | 9.0% | 9.5% | 9.8% |
| 6.4% | 5.7% | 6.2% | 6.1% | 6.3% | 7.0% | 5.6% |
| 7.4% | 7.5% | 7.9% | 8.0% | 8.2% | 9.0% | 8.9% |

## SINKING FUND REQUIREMENTS

| Year ending September 30 | Long-term Debt Outstanding 9/30/2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| | | | (In thousands) | | | |
| 10% Notes | $ 2,303 | $ - | $ - | $ - | $ - | $ - |
| 5.125% Senior Notes | 250,000 | - | - | - | - | - |
| 6.75% Debentures | 150,000 | - | - | - | - | - |
| 7.375% Senior Notes | 350,000 | - | - | - | - | - |
| First Mortgage Bonds-- | | | | | | |
| Series J, 9.4%, due 2021 | 17,000 | - | - | - | - | - |
| Series P, 10.43%, due 2013 | 11,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 |
| Series Q, 9.75%, due 2020 | 16,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Series T, 9.32%, due 2021 | 18,000 | - | 1,125 | 1,125 | 1,125 | 1,125 |
| Series U, 8.77%, due 2022 | 20,000 | - | - | 1,250 | 1,250 | 1,250 |
| Series V, 7.50%, due 2007 | 4,167 | 1,667 | 1,667 | 833 | - | - |
| Medium term notes, 6.20% through 6.67% | 20,000 | - | - | - | - | - |
| US Bancorp | 4,632 | 917 | 967 | 1,020 | 1,074 | 654 |
| Rental property fixed rate term note | 1,179 | 131 | 131 | 131 | 131 | 131 |
| Wells Fargo Equipment | 3,220 | 612 | 647 | 685 | 1,276 | - |
| Other Propane Notes | 799 | 331 | 268 | 100 | 100 | - |
| Sub-total at September 30, 2004 | 868,550 | 5,908 | 7,055 | 7,394 | 7,206 | 5,410 |
| TXU Gas Financing: | | | | | | |
| Floating Rate Senior Notes due 2007 | 300,000 | - | - | - | 300,000 | - |
| 4.00% Senior Notes due 2009 | 400,000 | - | - | - | - | - |
| 4.95% Senior Notes due 2014 | 500,000 | - | - | - | - | - |
| 5.95% Senior Notes due 2034 | 200,000 | - | - | - | - | - |
| | $ 2,268,550 | $ 5,908 | $ 7,055 | $ 7,394 | $ 307,206 | $ 5,410 |

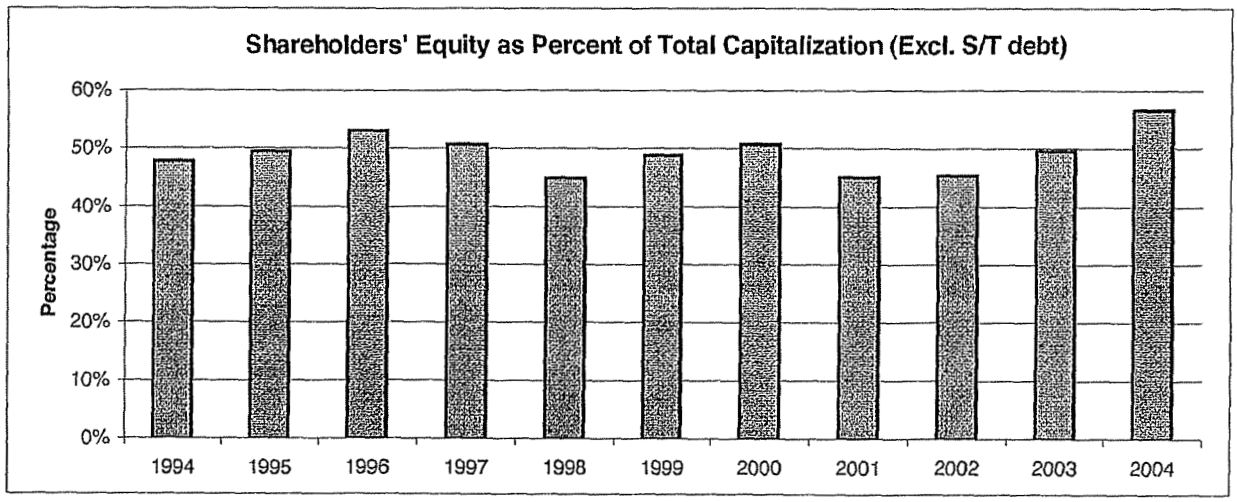
## SINKING FUND REQUIREMENTS (continued)

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 - 2035 |
|---|---|---|---|---|---|---|---|---|
| $ - | $ - | $ 2,303 | $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | 250,000 | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 150,000 |
| - | 350,000 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 17,000 |
| 1,250 | 1,250 | 1,250 | 1,250 | - | - | - | - | - |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 3,000 |
| 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 4,500 |
| 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 6,250 |
| - | - | - | - | - | - | - | - | - |
| - | 10,000 | - | - | - | - | - | - | 10,000 |
| - | - | - | - | - | - | - | - | - |
| 131 | 131 | 131 | 131 | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 4,756 | 364,756 | 7,059 | 254,756 | 3,375 | 3,375 | 3,375 | 3,375 | 190,750 |
| - | - | - | - | - | - | - | - | - |
| 400,000 | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 500,000 | - | - | - |
| - | - | - | - | - | - | - | - | 200,000 |
| $ 404,756 | $ 364,756 | $ 7,059 | $ 254,756 | $ 3,375 | $ 503,375 | $ 3,375 | $ 3,375 | $ 390,750 |

## CAPITALIZATION AND RATIOS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2004 | 2003 | 2002 | 2001 |
| | (In thousands, except percents) | | | |
| Capitalization | | | | |
| Shareholders' equity | | | | |
| Common stock | $ 314 | $ 257 | $ 208 | $ 204 |
| Additional paid-in capital | 1,005,644 | 736,180 | 508,265 | 489,948 |
| Retained earnings | 142,030 | 122,539 | 106,142 | 95,132 |
| Accum. other comprehensive income (loss) | (14,529) | (1,459) | (41,380) | (1,420) |
| Shareholders' equity | 1,133,459 | 857,517 | 573,235 | 583,864 |
| Long-term debt (including current maturities) | 867,219 | 871,845 | 690,939 | 711,721 |
| Total capitalization (excluding short-term debt) | 2,000,678 | 1,729,362 | 1,264,174 | 1,295,585 |
| Short-term debt | - | 118,595 | 145,791 | 201,247 |
| Total capitalization (including short-term debt) | $2,000,678 | $1,847,957 | $1,409,965 | $1,496,832 |
| Capitalization Ratios | | | | |
| Shareholders' equity | 56.7% | 49.6% | 45.3% | 45.1% |
| Long-term debt (including current maturities) | 43.3% | 50.4% | 54.7% | 54.9% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| Including Short-term debt | | | | |
| Shareholders' equity | 56.7% | 46.4% | 40.7% | 39.0% |
| Long-term debt (including current maturities) | 43.3% | 47.2% | 49.0% | 47.6% |
| Short-term debt | 0.0% | 6.4% | 10.3% | 13.4% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|
| $ 160 | $ 156 | $ 152 | $ 148 | $ 146 | $ 141 | $ 130 |
| 306,887 | 293,359 | 271,637 | 251,174 | 241,658 | 230,630 | 196,487 |
| 83,154 | 83,231 | 99,369 | 75,938 | 87,778 | 73,578 | 70,967 |
| 2,265 | 917 | - | - | - | - | - |
| 392,466 | 377,663 | 371,158 | 327,260 | 329,582 | 304,349 | 267,584 |
| 379,536 | 394,059 | 456,331 | 318,182 | 292,841 | 310,618 | 292,715 |
| 772,002 | 771,722 | 827,489 | 645,442 | 622,423 | 614,967 | 560,299 |
| 250,047 | 168,304 | 66,400 | 167,300 | 128,488 | 65,813 | 64,288 |
| $ 1,022,049 | $ 940,026 | $ 893,889 | $ 812,742 | $ 750,911 | $ 680,780 | $ 624,587 |
| 50.8% | 48.9% | 44.9% | 50.7% | 53.0% | 49.5% | 47.8% |
| 49.2% | 51.1% | 55.1% | 49.3% | 47.0% | 50.5% | 52.2% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 38.4% | 40.2% | 41.5% | 40.3% | 43.9% | 44.7% | 42.8% |
| 37.1% | 41.9% | 51.1% | 39.1% | 39.0% | 45.6% | 46.9% |
| 24.5% | 17.9% | 7.4% | 20.6% | 17.1% | 9.7% | 10.3% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

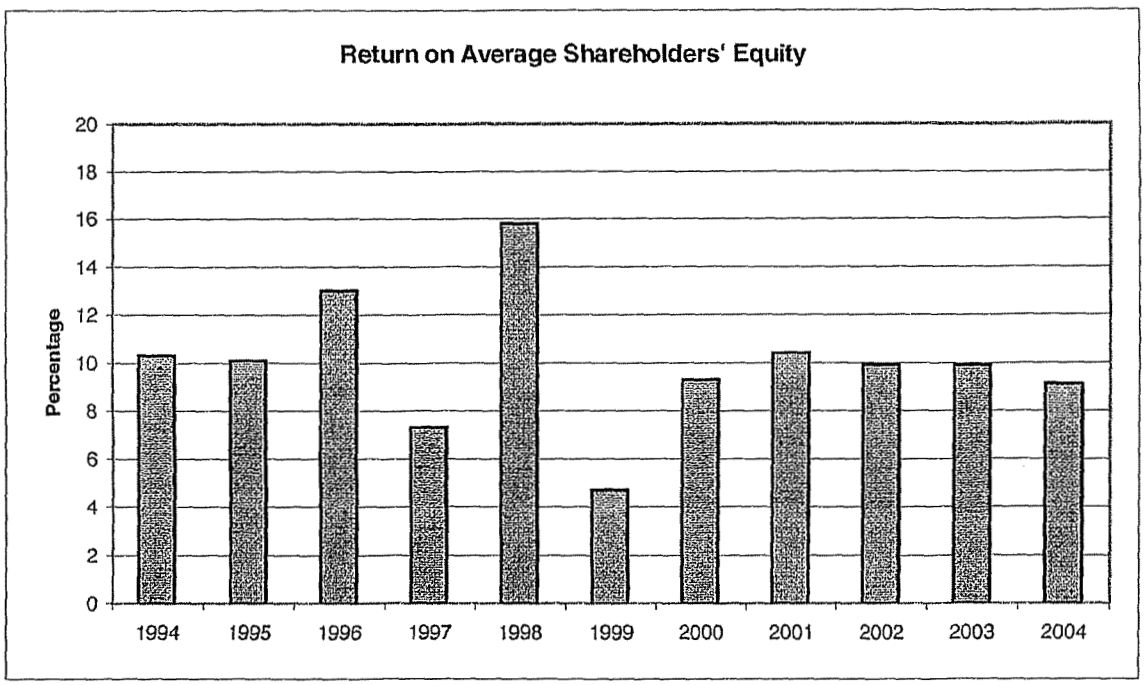


## FINANCIAL AND OPERATING STATISTICS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2004 | 2003 | 2002 | 2001 |
| Utility Property Statistics | | | | |
| Gross plant per meter | $ 1,528 | $ 1,432 | $ 1,467 | $ 1,475 |
| Net plant per meter | 994 | 930 | 939 | 977 |
| Utility Expense Statistics | | | | |
| O & M expense per meter | | | | |
| Operation | $ 110 | $ 108 | $ 96 | $ 124 |
| Maintenance | 6 | 7 | 5 | 6 |
| Total | $ 116 | $ 115 | $ 101 | $ 130 (1) |
| Financial Statistics | | | | |
| Return on average shareholders' equity | 9.1 % | 9.9 % | 9.9 % | 10.4 % |
| Times interest earned before income taxes | 3.05 | 2.75 | 2.55 | 2.83 |
| Market price at year end | $ 25.19 | $ 23.94 | $ 21.50 | $ 21.60 |
| Book value per share at end of year | $ 18.05 | $ 16.66 | $ 13.75 | $ 14.31 |
| Price/Earnings ratio at end of year | 15.94 | 15.55 | 14.83 | 14.69 |
| Market/Book ratio at end of year | 1.40 | 1.44 | 1.56 | 1.51 |
| Annualized dividend yield at end of year | 4.8 % | 5.0 % | 5.5 % | 5.4 % |
| Payout ratio | 77.2 % | 77.9 % | 81.4 % | 78.9 % |
| Operating Statistics | | | | |
| Meters per employee - utility | 612 | 594 | 616 | 603 |
| Number of employees | 2,864 | 2,905 | 2,338 | 2,361 |
| Miles of pipe | 47,616 | 45,267 | 39,157 | 38,938 |

(1) Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|
| $ 1,410 | $ 1,423 | $ 1,440 | $ 1,352 | $ 1,249 | $ 1,166 | $ 1,078 |
| 931 | 941 | 914 | 862 | 789 | 735 | 677 |
| $ 128 | $ 137 | $ 126 | $ 171 | $ 148 | $ 151 | $ 156 |
| 7 | 9 | 10 | 12 | 12 | 12 | 13 |
| $ 135 | $ 146 | $ 136 | $ 183 | $ 160 | $ 163 | $ 169 |
| 9.3 % | 4.7 % | 15.8 % | 7.3 % | 13.0 % | 10.1 % | 10.3 % |
| 2.28 | 1.56 | 3.09 | 2.04 | 3.00 | 2.44 | 2.45 |
| $ 20.63 | $ 24.13 | $ 28.56 | $ 24.88 | $ 23.38 | $ 19.38 | $ 17.75 |
| $ 12.28 | $ 12.09 | $ 12.21 | $ 11.04 | $ 11.27 | $ 10.77 | $ 10.33 |
| 18.09 | 41.59 | 15.52 | 30.71 | 16.46 | 18.28 | 16.90 |
| 1.68 | 2.00 | 2.34 | 2.25 | 2.07 | 1.80 | 1.72 |
| 5.5 % | 4.6 % | 3.7 % | 4.1 % | 4.2 % | 5.0 % | 5.1 % |
| 100.0 % | 189.7 % | 57.6 % | 125.0 % | 69.2 % | 90.8 % | 86.3 % |
| 591 | 547 | 475 | 379 | 350 | 330 | 309 |
| 1,885 | 2,062 | 2,193 | 2,679 | 2,863 | 2,944 | 3,052 |
| 30,029 | 30,670 | 30,108 | 30,902 | 30,163 | 29,474 | 28,991 |



## CUSTOMERS AND VOLUMES

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2004 | 2003 | 2002 | 2001 |
| Utility meters in service (end of year) | | | | |
| Residential | 1,506,777 | 1,498,586 | 1,247,247 | 1,243,625 |
| Commercial | 151,381 | 151,008 | 122,156 | 122,274 |
| Industrial | 2,436 | 3,799 | 2,118 | 1,838 |
| Agricultural | 8,397 | 9,514 | 10,576 | 11,182 |
| Public authority and other | 10,145 | 9,891 | 7,244 | 7,404 |
| Total utility meters | 1,679,136 | 1,672,798 | 1,389,341 | 1,386,323 |
| Natural gas marketing customers | | | | |
| Industrial | 638 | 644 | 641 | 531 |
| Municipal | 80 | 94 | 101 | 68 |
| Other | 237 | 202 | 117 | 125 |
| Propane (2) | - | - | - | - |
| Total natural gas marketing customers | 955 | 940 | 859 | 724 |
| Utility meters (% of total) | | | | |
| Residential | 89.7 % | 89.6 % | 89.8 % | 89.7 % |
| Commercial | 9.0 | 9.0 | 8.8 | 8.8 |
| Public authority and other | 0.6 | 0.6 | 0.5 | 0.6 |
| Weather sensitive customers | 99.3 | 99.2 | 99.1 | 99.1 |
| Industrial | 0.2 | 0.2 | 0.1 | 0.1 |
| Agricultural | 0.5 | 0.6 | 0.8 | 0.8 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Average utility meters in service | 1,672,403 | 1,675,328 | 1,390,687 | 1,381,365 |
| Heating degree days | | | | |
| (Excl. UCG prior to 1993) (3) | 3,271 | 3,473 | 3,368 | 4,124 |
| Degree days as a % of normal | 96 % | 101 % | 94 % | 115 % |
| Consolidated utility gas sales volumes (MMcf) (1) | | | | |
| Residential | 92,208 | 97,953 | 77,386 | 79,000 |
| Commercial | 44,226 | 45,611 | 35,796 | 36,922 |
| Public authority and other | 9,813 | 9,326 | 5,875 | 6,892 |
| Weather sensitive customers | 146,247 | 152,890 | 119,057 | 122,814 |
| Industrial | 22,330 | 23,738 | 14,499 | 19,243 |
| Agricultural | 4,642 | 7,884 | 10,988 | 7,070 |
| Total gas sales volumes | 173,219 | 184,512 | 144,544 | 149,127 |
| Transportation volumes (MMcf) (1) | 72,814 | 63,453 | 63,997 | 68,647 |
| Consolidated utility throughput (MMcf)(1) | 246,033 | 247,965 | 208,541 | 217,774 |
| Consolidated natural gas marketing throughput (MMcf) (1) | 222,572 | 225,961 | 204,027 | 55,469 |
| Propane Gallons (000's) (2) | - | - | - | - |
| Consolidated utility gas sales volumes (% of total) | | | | |
| Residential | 53.2 % | 53.1 % | 53.5 % | 53.0 % |
| Commercial | 25.5 | 24.7 | 24.8 | 24.8 |
| Public authority and other | 5.7 | 5.1 | 4.1 | 4.6 |
| Weather sensitive customers | 84.4 | 82.9 | 82.4 | 82.4 |
| Industrial | 12.9 | 12.9 | 10.0 | 12.9 |
| Agricultural | 2.7 | 4.2 | 7.6 | 4.7 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

(1) Volumes are reported as metered in million cubic feet ("MMcf").
(2) The propane business was exchanged for an indirect interest in Heritage Propane Partners in August 2000; interest sold in fiscal 2004.
(3) Heating degree days for 2001 thru 2004 are adjusted for service areas with weather-normalized operations. Heating degree days for years prior to 2001 are not adjusted for service areas with weather-normalized operations, as that information was not available.

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|
| 970,873 | 919,012 | 889,074 | 870,747 | 860,229 | 834,376 | 825,310 |
| 104,019 | 98,268 | 94,302 | 92,703 | 91,960 | 90,093 | 93,250 |
| 1,878 | 1,552 | 1,449 | 1,157 | 1,862 | 1,759 | 1,799 |
| 12,381 | 12,777 | 14,873 | 16,060 | 17,541 | 18,003 | 18,420 |
| 7,448 | 6,386 | 4,834 | 4,781 | 4,716 | 4,982 | 4,949 |
| 1,096,599 | 1,037,995 | 1,004,532 | 985,448 | 976,308 | 949,213 | 943,728 |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 39,539 | 37,400 | 29,097 | 26,108 | 23,359 | 21,693 |
| - | 39,539 | 37,400 | 29,097 | 26,108 | 23,359 | 21,693 |
| | | | | | | |
| 88.5 % | 88.5 % | 88.5 % | 88.4 % | 88.1 % | 87.9 % | 87.4 % |
| 9.5 | 9.5 | 9.4 | 9.4 | 9.4 | 9.5 | 9.9 |
| 0.7 | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| 98.7 | 98.6 | 98.4 | 98.3 | 98.0 | 97.9 | 97.8 |
| 0.2 | 0.2 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| 1.1 | 1.2 | 1.5 | 1.6 | 1.8 | 1.9 | 2.0 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| | | | | | | |
| 1,061,066 | 1,020,971 | 1,004,369 | 984,835 | 974,767 | 947,358 | 940,574 |
| | | | | | | |
| 2,096 | 3,374 | 3,799 | 3,909 | 4,043 | 3,706 | 3,855 |
| 82 % | 85 % | 95 % | 98 % | 101 % | 93 % | 97 % |
| | | | | | | |
| 63,285 | 67,128 | 73,472 | 75,215 | 77,001 | 69,666 | 72,561 |
| 30,707 | 31,457 | 36,083 | 37,382 | 38,247 | 34,921 | 35,250 |
| 5,520 | 5,793 | 4,937 | 5,195 | 5,182 | 4,779 | 5,242 |
| 99,512 | 104,378 | 114,492 | 117,792 | 120,430 | 109,366 | 113,053 |
| 18,546 | 19,934 | 26,967 | 32,783 | 37,784 | 36,379 | 36,600 |
| 20,141 | 15,807 | 17,914 | 13,633 | 20,079 | 20,911 | 21,038 |
| 138,199 | 140,119 | 159,373 | 164,208 | 178,293 | 166,656 | 170,691 |
| 59,365 | 55,468 | 56,224 | 48,800 | 44,146 | 47,647 | 47,882 |
| 197,564 | 195,587 | 215,597 | 213,008 | 222,439 | 214,303 | 218,573 |
| | | | | | | |
| - | - | - | - | - | - | - |
| 19,329 | 22,291 | 23,412 | 25,204 | 33,637 | 28,854 | 23,175 |
| | | | | | | |
| 45.8 % | 47.9 % | 46.1 % | 45.7 % | 43.1 % | 41.8 % | 42.4 % |
| 22.2 | 22.5 | 22.6 | 22.8 | 21.5 | 20.9 | 20.7 |
| 4.0 | 4.1 | 3.1 | 3.2 | 2.9 | 2.9 | 3.1 |
| 72.0 | 74.5 | 71.8 | 71.7 | 67.5 | 65.6 | 66.2 |
| 13.4 | 14.2 | 16.9 | 20.0 | 21.2 | 21.8 | 21.5 |
| 14.6 | 11.3 | 11.3 | 8.3 | 11.3 | 12.6 | 12.3 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

# UTILITY OPERATIONS SALES AND STATISTICAL DATA - 2004

The following table provides key statistical characteristics about the Company's divisions for utility operations.

| | Year ended September 30, 2004 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Colorado-Kansas | Kentucky | Louisiana | Mid-States | West Texas | Mississippi | Total Utility |
| **Meters in service** - at end of year | | | | | | | |
| Residential | 205,028 | 159,214 | 348,390 | 274,662 | 270,854 | 248,629 | 1,506,777 |
| Commercial | 19,190 | 18,077 | 22,754 | 36,187 | 25,818 | 29,355 | 151,381 |
| Industrial | 85 | 409 | - | 712 | 548 | 682 | 2,436 |
| Agricultural | 295 | - | - | - | 8,102 | - | 8,397 |
| Public authority and other | 1,757 | 1,655 | 931 | 880 | 2,158 | 2,764 | 10,145 |
| Total | 226,355 | 179,355 | 372,075 | 312,441 | 307,480 | 281,430 | 1,679,136 |
| **Heating Degree Days (system average) (1)** | | | | | | | |
| Actual | 5,490 | 4,283 | 1,515 | 3,631 | 3,252 | 2,734 | 3,271 |
| Normal | 5,527 | 4,364 | 1,637 | 3,831 | 3,598 | 2,711 | 3,410 |
| Percent of normal | 99% | 98% | 93% | 95% | 90% | 101% | 96% |
| **Sales Volumes - MMcf (2) (3)** | | | | | | | |
| Residential | 16,271 | 10,980 | 14,997 | 17,257 | 18,402 | 14,301 | 92,208 |
| Commercial | 6,093 | 4,865 | 6,699 | 12,502 | 6,953 | 7,114 | 44,226 |
| Industrial | 304 | 1,713 | - | 7,852 | 3,393 | 9,068 | 22,330 |
| Agricultural | 526 | - | - | - | 4,116 | - | 4,642 |
| Public authority and other | 1,491 | 1,451 | 814 | 249 | 2,157 | 3,651 | 9,813 |
| Total | 24,685 | 19,009 | 22,510 | 37,860 | 35,021 | 34,134 | 173,219 |
| **Transportation Volumes - MMcf (2) (3)** | 8,879 | 27,059 | 7,073 | 22,001 | 20,579 | 2,155 | 87,746 |
| **Total Volumes Delivered - MMcf (2) (3)** | 33,564 | 46,068 | 29,583 | 59,861 | 55,600 | 36,289 | 260,965 |
| **Operating Revenues (000's) (3)** | $ 220,486 | $ 195,116 | $ 265,708 | $ 379,887 | $ 301,667 | $ 274,864 | $ 1,637,728 |
| **Other Statistics at year end** | | | | | | | |
| Miles of pipe | 6,405 | 3,851 | 8,063 | 7,878 | 15,125 | 6,294 | 47,616 |
| Employees (4) | 278 | 239 | 431 | 427 | 349 | 519 | 2,243 |

(1) A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. See Glossary for further information. Heating degree day information is adjusted for service areas with weather normalized operations.
(2) Volumes are reported as metered in million cubic feet (MMcf).
(3) Sales volumes and revenues reflect segment operations, including intercompany sales and transportation amounts.
(4) Does not include 499 shared employees in the shared services office and customer support centers and 122 employees in nonutility operations.

# UTILITY OPERATIONS SALES AND STATISTICAL DATA - 2003

The following table provides key statistical characteristics about the Company's divisions for utility operations.

| | Year ended September 30, 2003 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Colorado-Kansas | Kentucky | Louisiana | Mid-States | West Texas | Mississippi | Total Utility |
| **Meters in service** - at end of year | | | | | | | |
| Residential | 199,853 | 159,024 | 346,866 | 274,025 | 271,198 | 247,620 | 1,498,586 |
| Commercial | 18,759 | 18,077 | 22,843 | 35,889 | 26,228 | 29,212 | 151,008 |
| Industrial | 36 | 406 | - | 729 | 933 | 1,695 | 3,799 |
| Agricultural | 413 | - | - | - | 9,101 | - | 9,514 |
| Public authority and other | 1,584 | 1,661 | 930 | 750 | 2,208 | 2,758 | 9,891 |
| Total | 220,645 | 179,168 | 370,639 | 311,393 | 309,668 | 281,285 | 1,672,798 |
| **Heating Degree Days (system average) (1)** | | | | | | | |
| Actual | 5,704 | 4,364 | 1,735 | 3,843 | 3,487 | 2,243 | 3,473 |
| Normal | 5,621 | 4,340 | 1,630 | 3,820 | 3,579 | 2,229 | 3,434 |
| Percent of normal | 101% | 101% | 106% | 101% | 97% | 101% | 101% |
| **Sales Volumes - MMcf (2) (3)** | | | | | | | |
| Residential | 17,419 | 12,700 | 16,066 | 18,780 | 20,091 | 12,897 | 97,953 |
| Commercial | 6,506 | 5,442 | 6,841 | 13,106 | 7,448 | 6,268 | 45,611 |
| Industrial | 313 | 2,613 | - | 8,332 | 4,149 | 8,331 | 23,738 |
| Agricultural | 858 | - | - | - | 7,026 | - | 7,884 |
| Public authority and other | 1,233 | 1,559 | 867 | 277 | 2,342 | 3,048 | 9,326 |
| Total | 26,329 | 22,314 | 23,774 | 40,495 | 41,056 | 30,544 | 184,512 |
| **Transportation Volumes - MMcf (2) (3)** | 9,615 | 24,848 | 7,960 | 20,011 | 5,671 | 2,054 | 70,159 |
| **Total Volumes Delivered - MMcf (2) (3)** | 35,944 | 47,162 | 31,734 | 60,506 | 46,727 | 32,598 | 254,671 |
| **Operating Revenues (000's) (3)** | $ 206,653 | $ 177,613 | $ 261,896 | $ 374,725 | $ 274,520 | $ 258,675 | $ 1,554,082 |
| **Other Statistics at year end** | | | | | | | |
| Miles of pipe | 6,341 | 3,840 | 7,952 | 7,790 | 13,261 | 6,083 | 45,267 |
| Employees (4) | 275 | 237 | 450 | 453 | 341 | 557 | 2,313 |

(1) A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. See Glossary for further information. Heating degree day information is adjusted for service areas with weather normalized operations.
(2) Volumes are reported as metered in million cubic feet (MMcf).
(3) Sales volumes and revenues reflect segment operations, including intercompany sales and transportation amounts.
(4) Does not include 504 shared employees in the shared services office and customer support centers and 88 employees in nonutility operations.

## GAS SALES AND TRANSPORTATION REVENUES

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2004 | 2003 | 2002 | 2001 |
| Utility revenues (000's): | | | | |
| Residential | $ 923,773 | $ 873,375 | $ 535,981 | $ 788,902 |
| Commercial | 400,704 | 367,961 | 221,728 | 342,945 |
| Industrial | 187,187 | 192,676 | 98,765 | 148,180 |
| Public authority and other | 77,178 | 65,921 | 31,731 | 58,539 |
| Total gas sales revenues | 1,588,842 | 1,499,933 | 888,205 | 1,338,566 |
| Transportation revenues | 30,622 | 29,583 | 36,591 | 28,668 |
| Other gas revenues | 17,172 | 23,341 | 11,258 | 10,925 |
| Total utility revenues | 1,636,636 | 1,552,857 | 936,054 | 1,378,159 |
| Natural gas marketing revenues | 1,279,424 | 1,234,447 | 700,519 | 291,152 |
| Propane revenues (1) | - | - | - | - |
| Other nonutility revenues | 3,977 | 12,612 | 14,391 | 56,170 |
| Total operating revenues | $ 2,920,037 | $ 2,799,916 | $ 1,650,964 | $ 1,725,481 |
| Gas sales revenue percent | | | | |
| Residential | 58.1 % | 58.2 % | 60.3 % | 58.9 % |
| Commercial | 25.2 | 24.5 | 25.0 | 25.6 |
| Industrial | 11.8 | 12.9 | 11.1 | 11.1 |
| Public authority and other | 4.9 | 4.4 | 3.6 | 4.4 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Utility average gas revenues per Mcf | | | | |
| Residential | $10.02 | $8.92 | $6.93 | $9.99 |
| Commercial | $9.06 | $8.07 | $6.19 | $9.29 |
| Industrial | $6.94 | $6.09 | $3.88 | $5.63 |
| Public authority and other | $7.86 | $7.07 | $5.40 | $8.49 |
| Total | $9.17 | $8.17 | $6.21 | $8.99 |
| Utility average transportation revenue per Mcf | $0.36 | $0.43 | $0.41 | $0.41 |
| Utility average cost of gas per Mcf sold | $6.55 | $5.76 | $3.87 | $6.82 |

(1) Propane revenues represent only 10 months of operations for 2000 as it was combined with Heritage Propane Partners effective August 10, 2000.

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|
| $ 405,552 | $ 349,691 | $ 410,538 | $ 452,864 | $ 409,039 | $ 337,768 | $ 375,450 |
| 176,712 | 144,836 | 184,046 | 193,302 | 186,032 | 150,949 | 165,883 |
| 171,447 | 117,382 | 161,382 | 168,386 | 187,693 | 171,591 | 188,791 |
| 27,198 | 22,330 | 20,504 | 23,898 | 21,738 | 18,185 | 22,463 |
| 780,909 | 634,239 | 776,470 | 838,450 | 804,502 | 678,493 | 752,587 |
| 23,610 | 23,101 | 23,971 | 19,885 | 18,872 | 19,913 | 21,325 |
| 4,674 | 4,500 | 8,121 | 6,385 | 13,751 | 9,374 | 6,879 |
| 809,193 | 661,840 | 808,562 | 864,720 | 837,125 | 707,780 | 780,791 |
| 929 | - | - | - | - | - | - |
| 22,550 | 22,944 | 29,091 | 33,194 | 38,372 | 24,651 | 18,510 |
| 17,480 | 5,412 | 10,555 | 8,921 | 11,194 | 17,224 | 27,001 |
| $ 850,152 | $ 690,196 | $ 848,208 | $ 906,835 | $ 886,691 | $ 749,655 | $ 826,302 |
| 51.9 % | 55.1 % | 52.9 % | 54.0 % | 50.8 % | 49.8 % | 49.9 % |
| 22.6 | 22.8 | 23.7 | 23.1 | 23.1 | 22.2 | 22.0 |
| 22.0 | 18.6 | 20.8 | 20.0 | 23.4 | 25.3 | 25.1 |
| 3.5 | 3.5 | 2.6 | 2.9 | 2.7 | 2.7 | 3.0 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| $6.41 | $5.21 | $5.59 | $6.02 | $5.31 | $4.85 | $5.17 |
| $5.75 | $4.60 | $5.10 | $5.17 | $4.86 | $4.32 | $4.71 |
| $4.43 | $3.28 | $3.60 | $3.63 | $3.24 | $3.00 | $3.28 |
| $4.93 | $3.85 | $4.15 | $4.60 | $4.19 | $3.81 | $4.29 |
| $5.91 | $4.71 | $4.87 | $5.11 | $4.51 | $4.07 | $4.41 |
| $0.37 | $0.39 | $0.43 | $0.41 | $0.43 | $0.42 | $0.45 |
| $3.67 | $2.74 | $3.24 | $3.51 | $3.15 | $2.70 | $3.10 |

## THE REVENUE DOLLAR

| | Weighted average 1994 - 2004 | Year ended September 30 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|
| Operating revenue | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ |
| Purchased gas cost | 72.32 | 80.75 | 80.89 | 73.89 | 78.25 |
| Gross profit | 27.68 | 19.25 | 19.11 | 26.11 | 21.75 |
| Operation and maintenance | 12.33 | 7.34 | 7.32 | 9.58 | 8.09 |
| Taxes (including other taxes) | 4.67 | 3.73 | 3.64 | 4.32 | 4.12 |
| Interest, net of other income (expense) | 2.77 | 1.92 | 2.20 | 3.66 | 2.37 |
| Subtotal | 7.91 | 6.26 | 5.95 | 8.55 | 7.17 |
| Depreciation and amortization | 4.48 | 3.31 | 3.11 | 4.93 | 3.92 |
| Cumulative effect of acctg change, net | (0.05) | - | (0.28) | - | - |
| Net income | 3.38 | 2.95 | 2.56 | 3.62 | 3.25 |
| Dividends | 2.83 | 2.28 | 1.97 | 2.95 | 2.56 |
| Retained in business | 0.55 ¢ | 0.67 ¢ | 0.59 ¢ | 0.67 ¢ | 0.69 ¢ |

**Internally Generated Cash Flow Reinvested in Business Compared to Dividends Paid:**

| | | | | | |
|---|---|---|---|---|---|
| Depreciation and amortization | 4.48 ¢ | 3.31 ¢ | 3.11 ¢ | 4.93 ¢ | 3.92 ¢ |
| Retained in business | 0.55 | 0.67 | 0.59 | 0.67 | 0.69 |
| Reinvested in business | 5.03 | 3.98 | 3.70 | 5.60 | 4.61 |
| Dividends | 2.83 | 2.28 | 1.97 | 2.95 | 2.56 |
| Reinvested in business in excess of dividends | 2.20 ¢ | 1.70 ¢ | 1.73 ¢ | 2.65 ¢ | 2.05 ¢ |

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|
| 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ |
| 61.69 | 56.56 | 60.88 | 63.65 | 63.41 | 59.96 | 64.05 |
| 38.31 | 43.44 | 39.12 | 36.35 | 36.59 | 40.04 | 35.95 |
| 17.40 | 22.78 | 16.70 | 20.47 | 18.04 | 21.08 | 19.78 |
| 5.76 | 5.94 | 7.26 | 5.12 | 6.04 | 6.16 | 5.18 |
| 3.42 | 3.90 | 3.04 | 3.14 | 3.17 | 3.55 | 3.30 |
| 11.73 | 10.82 | 12.12 | 7.62 | 9.34 | 9.25 | 7.69 |
| 7.51 | 8.24 | 5.61 | 4.99 | 4.70 | 5.42 | 4.44 |
| - | - | - | - | - | - | - |
| 4.22 | 2.58 | 6.51 | 2.63 | 4.64 | 3.83 | 3.25 |
| 4.23 | 4.91 | 3.75 | 2.91 | 3.21 | 3.50 | 2.81 |
| (0.01) ¢ | (2.33) ¢ | 2.76 ¢ | (0.28) ¢ | 1.43 ¢ | 0.33 ¢ | 0.44 ¢ |

| | | | | | | |
|---|---|---|---|---|---|---|
| 7.51 ¢ | 8.24 ¢ | 5.61 ¢ | 4.99 ¢ | 4.70 ¢ | 5.42 ¢ | 4.44 ¢ |
| (0.01) | (2.33) | 2.76 | (0.28) | 1.43 | 0.33 | 0.44 |
| 7.50 | 5.91 | 8.37 | 4.71 | 6.13 | 5.75 | 4.88 |
| 4.23 | 4.91 | 3.75 | 2.91 | 3.21 | 3.50 | 2.81 |
| 3.27 ¢ | 1.00 ¢ | 4.62 ¢ | 1.80 ¢ | 2.92 ¢ | 2.25 ¢ | 2.07 ¢ |

# REGULATION AND RATES

## Regulation

Each of our utility divisions is regulated by various state or local public utility authorities. The Company's operations in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Mississippi, Missouri, Tennessee and Virginia are under the jurisdiction of their respective state regulatory commissions which regulate utility services, rates, issuance of securities and other maters.

In the Company's Texas distribution system, the governing body of each municipality served by the Company has original jurisdiction over all utility rates, operations and services within its city limits except with respect to sales of natural gas for vehicle fuel and agricultural use. The Company operates pursuant to non-exclusive franchises granted by the municipalities it serves, which are subject to renewal from time to time. The Railroad Commission of Texas has exclusive appellate jurisdiction over all rate and regulatory orders and ordinances of the municipalities and exclusive original jurisdiction over rates and services to customers not located within the limits of a municipality. Rates may be negotiated with industrial customers and are subject to review by the respective original jurisdiction regulatory authority. Agricultural sales in Texas are not regulated except that prices for agricultural sales cannot exceed the prices the Company charges the majority of its commercial or other similar large-volume users.

The Company's operations in Louisiana are under the jurisdiction of the Louisiana Public Service Commission which regulates utility services, rates and other matters. However, direct sales of natural gas to industrial customers in Louisiana who utilize the gas for fuel or in manufacturing processes are exempt from regulation.

The Company is subject to regulation by the United States Department of Transportation with respect to safety requirements in the operation and maintenance of its gas distribution facilities. The Company's distribution operations are also subject to various state and federal laws regulating pipeline safety and environmental matters.

## Rates

Approximately 97 percent of the Company's utility revenues in fiscal year 2004 were derived from sales at rates set by or subject to approval by local or state authorities. The method of determining regulated rates varies among the states in which our natural gas utility divisions operate. The regulators have the responsibility of ensuring that utilities under their jurisdiction operate in the best interests of customers while providing utility companies the opportunity to earn a reasonable return on investment. In a general rate case, the applicable regulatory authority, which is typically the state public utility commission, establishes rates which allow a utility company an opportunity to collect revenue from customers to recover the cost of providing utility service.

Rates established by regulatory authorities are adjusted for increases and decreases in our purchased gas cost through purchased gas adjustment mechanisms. Purchased gas adjustment mechanisms provide gas utility companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case to address all of the utility's non-gas costs. These mechanisms are commonly utilized when regulatory authorities recognize a particular type of expense, such as purchased gas costs, that (i) is subject to significant price fluctuations compared to the utility's other costs, (ii) represents a large component of the utility's cost of service and (iii) is generally outside the control of the gas utility. There is no gross profit generated through purchased gas adjustments, but they do provide a dollar-for-dollar offset to increases or decreases in utility gas costs. Although substantially all of our utility sales to our customers fluctuate with the cost of gas that we purchase, utility gross profit (which is defined as operating revenues less purchased gas cost) is generally not affected by fluctuations in the cost of gas due to the purchased gas adjustment mechanism.

Additionally, certain jurisdictions have introduced performance-based ratemaking adjustments to provide incentives to natural gas utilities to minimize purchased gas costs through improved storage management and use of financial hedges to lock in gas costs. Under the performance-based ratemaking adjustment, purchased gas cost savings are shared between the utility and the customer. Also, we have approved weather normalization adjustments (WNA) in Tennessee, Georgia, Kentucky, Mississippi, Kansas, Amarillo, Texas and Lubbock, Texas which help to mitigate the effects of weather that is above or below normal. WNA allows us to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal. Effective for the 2004-2005 heating season, we will have WNA in the majority of our West Texas distribution system. Beginning in July 2005, we will also have WNA in Virginia.

## REGULATION AND RATES (Continued)

The following table sets forth the major rate requests (excluding industrial and agricultural) made by the Company during the most recent 10 fiscal years through September 30, 2004 (in thousands):

| Jurisdiction | | Effective Date | Amount Requested | Amount Received (Reduced) |
|---|---|---|---|---|
| Colorado | | 1/21/98 | - | (1,600) (6) |
| | | 5/04/01 | 4,200 | 2,750 |
| | | 4/01/04 | - | (1,900) (6) |
| Georgia | | 12/02/96 | 5,003 | 3,160 |
| | | 5/01/99 | - | - (15) |
| Illinois | | 7/09/97 | 1,234 | 428 |
| | | 10/23/00 | 3,100 | 1,367 |
| Iowa | | 5/17/96 | 750 | 410 |
| | | 3/05/01 | - | (326) (5) |
| Kansas | | 9/01/95 | 4,230 | 2,700 (10) |
| | | 3/01/04 | 7,400 | 2,500 (12) |
| Kentucky | | 11/01/95 | 7,665 | 2,300 (4) |
| | | 3/01/96 | - | 1,000 (4) |
| | | 12/21/99 | 14,127 | 9,900 (8) |
| Louisiana: | Trans La System | 3/01/95 | - | 1,071 (3) |
| | | 11/01/02 | - | 364 (2) |
| | LGS System | 11/01/02 | - | 11,890 (11) |
| | | 10/01/04 | - | 225 |
| Mississippi: | FY 2003 | - | 5,771 | - (14) |
| | FY 2004 | - | 11,593 | 10,545 (14) |
| Missouri | | 10/14/95 | 1,100 | 903 |
| Tennessee | | 11/15/95 | 3,951 | 2,227 |
| | | 4/01/99 | - | - (15) |
| Texas: | West Texas System | 11/18/94 | 2,581 | 1,702 (1) |
| | | 11/01/96 | 7,676 | 5,800 (1) |
| | | 12/01/00 | 9,827 | 3,011 (7) |
| | | 5/01/04 | 7,700 | 3,200 |
| | Amarillo | 1/01/00 | 4,354 | 2,200 |
| | | 9/01/03 | 5,118 | 2,825 |
| | Lubbock System | 3/01/04 | 3,000 | 1,525 |
| Virginia | | 9/29/95 | 810 | 103 |
| | | 10/1/98 | - | (248) (9) |
| | | 4/01/01 | 2,100 | (534) |
| | | 8/01/04 | 1,000 | 372 (13) |

Notes

(1) The increases included $200,000 and $500,000 applicable to areas outside the city limits which became effective in January 1995 and April 1997.

(2) The Louisiana Public Service Commission approved, in October 1999, a rate stabilization clause for three years for our former Trans La Division. The rate stabilization clause will allow the Trans La system to earn a return on equity within certain ranges that will be monitored on an annual basis. In 2002, we submitted our 2001 rate stabilization filing and received tariff revisions which resulted in an increase in annual revenues of $0.5 million during the first 24-month period. Subsequent to the first 24-month period, adjusted rates will provide an increase in annual revenues of $0.4 million.

(3) The September 1992 rate order approved a Rate Stabilization Clause ("RSC") for three years which provided for an annual adjustment of rates to reflect changes in expenses and investment. The RSC provided the Company the opportunity to earn a return on common equity between 11.75% and 12.25%.

(4) The Kentucky rate order provided an increase of $2,300,000, lowered depreciation rates effective November 1, 1995 and provided an additional $1,000,000 beginning March 1, 1996. The order also included a provision for a pilot demand side management program which could cost up to $450,000 annually.

(5) Rate reduction as a result of an agreement initiated by the Iowa Consumer Advocate Division of the Department of Justice.

(6) Rate reduction as a result of settlement in a case initiated by the Colorado Office of Consumer Council.

(7) In addition to the revenue increase, the Railroad Commission approved a new rate design to mitigate the effect of warmer than normal weather.

(8) The Kentucky rate order also included a provision for a five-year pilot program for weather normalization beginning in November 2000.

(9) Rate reduction as a result of a settlement with the Virginia State Corporation Commission staff.

(10) This increase is applicable to the service area transferred from the United Cities Division to the Greeley Division in 1999.

(11) On January 29, 2001, the Louisiana Public Service Commission approved a rate stabilization clause for our LGS system for a three-year period beginning January 1, 2001. Under the rate stabilization clause, our LGS system will be allowed to earn a return on equity within certain ranges that will be monitored on an annual basis. In 2002, we submitted our 2001 rate stabilization filing and received tariff revisions which resulted in an increase in annual revenues of $15.3 million during the first 24-month period. Subsequent to the first 24-month period, adjusted rates will provide an increase in annual revenues of $11.9 million.

(12) Agreement stipulates that we will not file another full rate case prior to September 1, 2005.

(13) Agreement includes a provision to allow us to recover the gas cost component of bad debt expense.

(14) The Mississippi Public Service Commission requires that we file for rate adjustments every six months. The rate filings are made in May and November of each year and the rate adjustments typically become effective in June and December. See Form 10-K for the year ended September 30, 2004 for further information.

(15) Effective April 1, 1999, the Tennessee Regulatory Authority approved a performance-based ratemaking mechanism related to gas procurement and gas transportation activities. Effective May 1, 2002, the Georgia Public Service Commission renewed our performance-based ratemaking program. See our Form 10-K for the year ended September 30, 2004 for more detailed information.

## REGULATION AND RATES (Continued)

**Regulatory Commissions**

**Railroad Commission of Texas** (www.rrc.state.tx.us)

Three Commissioners who are elected by statewide general election for staggered six-year terms.

- Victor G. Carrillo, Chairman - Term expires 2010; appointed to serve the unexpired term of Tony Garza who became Ambassador to Mexico; former petroleum geophysicist; former attorney.
- Charles R. Matthews, - Elected to the commission in 1994; won re-election to a second term in 2000; businessman, former Mayor of Garland, TX.
- Michael L. Williams - Term expires 2008; appointed to serve the unexpired term of Carole Keeton Rylander; former general counsel to a Texas-based high-tech corporation.

**Kentucky Public Service Commission** (www.psc.state.ky.us)

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- Mark David Goss, Chairman - Term expires 2007; former partner in the law firm of Goss & Goss Attorneys in Harlan.
- Ellen C. Williams, Vice Chairman - Term expires 2005; Former Chairman and Executive Director of the Republican Party of Kentucky.
- W. Gregory "Greg" Coker - Term expires 2008; Former Vice President of ALL TEL Kentucky. Prior executive with BellSouth Telecommunications.

**Louisiana Public Service Commission** (www.lpsc.org)

Five Commissioners elected from single-member districts for staggered six-year terms.

- Jack A. "Jay" Blossman, Jr. Chairman, District 1 - Term expires 2009; former attorney.
- Jimmy Field, District 2 - Term expires 2007; former attorney in private practice.
- Lambert C. Boissiere III, District 3 - New Commissioner, January 1, 2005. Biographical data not yet updated.
- C. Dale Sittig, District 4 - Term expires 2005; former State Representative.
- Foster L. Campbell, District 5 - Term expires 2009; former school teacher and owner/operator of an insurance agency.

**Kansas Corporation Commission** (www.kcc.state.ks.us)

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- Michael Moffet - Term expires March 2008; former counsel to the U.S. Senate Committee on Commerce, Science & Transportation, Aviation Subcommittee, and as a legislative assistant to former Sen. Nancy Landon Kassebaum.
- Robert Krehbiel - Term expires March 2007; former attorney with Phillips Petroleum Company, Energy Resources Group, Inc., and Imperial Oil Company prior to having a private practice that focused on oil and gas law.
- Brian J. Moline, Chairperson - Term expires March 2006; former General Counsel to the KCC.

**Colorado Public Utilities Commission** (www.dora.state.co.us)

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- Gregory E. Sopkin, Chairman - Term expires January 2007; former Assistant Attorney General, representing PUC.
- Carl Miller, Commissioner - Commissioner since July 1, 2004; worked in underground mining for 27 years.
- Polly Page - Commissioner, term expires January 2008; former Arapahoe County Commissioner (1995-2000) and former Aurora City Council Member (1987-1995).

**Mississippi Public Service Commission** (www.psc.state.ms.us)

Three Commissioners who are elected.

- Dorlos "Bo" Robinson, Chairman - Term expires 2007; co-owner, with his son, of Robinson Farms; also co-owner of Hamilton Gin and Cotton Company, Cottonhouse, Inc., M & R Farms, and R & W Land Company.
- Nielsen Cochran, Vice Chairman - Term expires November 2007; former professional baseball player for the Baltimore Orioles.
- Michael Callahan, Commissioner - Term expires January 2007; former Criminal Investigator and Assistant District Attorney for the Twelfth Judicial District in Hattiesburg.

**Regulatory Commissions (Continued)**

**Missouri Public Service Commission** (www.psc.state.mo.us)

Five Commissioners who are appointed by the Governor for staggered four-year terms.

- Jeff Davis, Commissioner - Term expires April 2008; former General Counsel and Chief of Staff for Missouri Senate President Pro Tem Peter Kinder.
- Linward "Lin" Appling, Commissioner - Term expires 2008; former Director of the Division of Facilities Management within the Office of Administration. He is a retired Army Lieutenant Colonel.
- Steve Gaw, Chairman - Term expires January 2007; former Speaker of the Missouri House.
- Connie Murray, Commissioner - Term expires April 2007; former state representative.
- Robert M. Clayton III, Commissioner - Term expires April 2009; attorney in private law practice in Hannibal.

**Illinois Commerce Commission** (www.icc.state.il.us)

Five Commissioners who are appointed by the Governor and confirmed by the Senate for five year terms.

- Erin M. O'Connell-Diaz, Commissioner - Term expires 2008; former Assistant Manager, Administrative Law Judge Division, ICC (2000-2003).
- Lula M. Ford, Commissioner - Term expires 2008; former Math and Science Teacher and Assistant Superintendent, Chicago Public Schools.
- Kevin K. Wright, Commissioner - Term expires 2007; former deputy chief of staff to Governor George H. Ryan.
- Scott Wiseman, Executive Director - former Chief of Staff for the Illinois Department of Revenue.
- Edward C. Hurley, Chairman - Term expires 2009; former General Counsel of Custom Coffee Service Corp.

**Georgia Public Service Commission** (www.psc.state.ga.us)

Five Commissioners elected state wide by general public for seven year terms.

- David L. Burgess - Term expires 2006; the first former PSC staff member to hold a Commission seat.
- Angela Speir, Vice-Chairman - Term expires 2008; Former Assistant Administrator of the medical complex at the United Methodist Children's Home providing medical aid and counseling to abused children.
- Stan Wise - Term expires 2006; Former Cobb County Commissioner and member of Board of Zoning Appeals; former President of the S.E. Assoc. of Regulatory Utility Commissioners.
- Bobby Baker, Jr. - Term expires 2010; Former Attorney with the Southeastern Legal Foundation.
- Doug Everett, Chairman - Term expires 2008; former employee of Albany First Federal Savings and Loan before starting his own business in 1974, Southern Appraisal Company that specializes in appraising large commercial and industrial properties.

**Virginia State Corporation Commission** (www.scc.virginia.gov)

Three Commissioners elected by the General Assembly for staggered six year terms.

- Theodore V. Morrison, Jr., Chairman - Term expires 2007; Former Attorney and member of the Va. Code Commission.
- Mark C. Christie - Term expires 2010; Former counsel to the Speaker of the House of Delegates of the Virginia General Assembly.
- Clinton Miller - Term expires 2008; Former Attorney and member of the Va. House of Delegates.

**Iowa Utilities Board** (www.state.ia.us/government/com/util)

Three Commissioners who are appointed by the Governor with Senate approval and minority party representation.

- Diane Munns, Chairperson - Term expires 2009; former General Counsel for the Iowa Utilities Board.
- Mark Lambert - Term expires 2005; former executive director of the Iowa Environmental Council.
- Elliott Smith - Term expires 2007; former attorney for two civil law firms and legislative liaison and a policy planner for the Iowa Department of Economic Development.

**Tennessee Regulatory Authority** (www.state.tn.us/tra)

Four Directors who are appointed for 6 years by the Governor, Speaker of House, and Lieutenant Governor.

- Sara Kyle, Chairman - Term expires 2008; Former City Judge in Memphis, Tn.
- Deborah Taylor Tate - Term expires 2008; recently served as Director of the State and Local Policy Center at Vanderbilt University.
- Pat Miller - Term expires 2008; served as Chief of Staff to the Lt. Governor and Speaker of the Senate from 1997 to 2002.
- Ron Jones - Term expires 2008; a 16 year veteran of utility regulation.

## GAS SUPPLY

The Company receives gas deliveries in our utility operations through 37 pipeline transportation companies, both interstate and intrastate, to satisfy its natural gas needs. The pipeline transportation agreements are firm and many of them have "pipeline no-notice" storage service which provides for daily balancing between system requirements and nominated flowing supplies. These agreements have been negotiated with the shortest term necessary while still maintaining our right of first refusal.

We purchase our gas supply from various producers and marketers. Supply arrangements are contracted on a firm basis with various terms at market prices. The firm supply consists of both base load and swing supply quantities. Base load quantities are those that flow at a constant level throughout the month and swing supply quantities provide the flexibility to change daily quantities to match increases or decreases in requirements related to weather conditions. Except for local production purchases, we select suppliers through a competitive bidding process by requesting proposals from suppliers that have demonstrated that they can provide reliable service. We select these suppliers based on their ability to deliver gas supply to our designated firm pipeline receipt points at the lowest cost.

The Kentucky Division's gas supply is delivered primarily by the following pipelines: Texas Gas Transmission LLC, Tennessee Gas Pipeline Company, Trunkline Gas Company and Midwestern Pipeline.

The Mid-States Division is served by 13 interstate pipelines. The majority of the volumes are transported through East Tennessee Pipeline, Southern Natural Gas, Tennessee Gas Pipeline and Columbia Gulf.

Colorado Interstate Gas Company, Southern Star Central Pipeline, Public Service Company of Colorado and Northwest Pipeline are the principal transporters of the Colorado-Kansas Division's requirements. Additionally, the Colorado-Kansas Division purchases substantial volumes from producers that are connected directly to its distribution system.

Louisiana Intrastate Gas Company, Acadian Pipeline, Trans Louisiana Gas Pipeline, Inc., Gulf South and Texas Gas Transmission LLC pipelines deliver most of the Louisiana Division's natural gas requirements.

Our West Texas Division receives transportation service from ONEOK Pipeline and commodity from third parties. In Amarillo, Texas, the Company purchases a significant portion of its supply from Pioneer Natural Resources which is connected directly to our Amarillo, Texas distribution system.

Our Mid-Tex Division's gas supply is provided by Atmos Pipeline - Texas Division, which represents the pipeline and storage operations of TXU Gas Company we acquired on October 1, 2004.

The majority of the Mississippi Valley Gas Company Division's gas supply is delivered by Gulf South Pipeline Company, Tennessee Gas Pipeline Company, Southern Natural Gas Company, Texas Eastern Transmission, Texas Gas Transmission LLC, Trunkline Gas Co. LLC and Enbridge Marketing LP.

The Company also owns or holds an interest in and operates numerous natural gas storage facilities in Kansas, Kentucky, Mississippi and Louisiana which are used to help meet customer requirements during peak demand periods and to reduce the need to contract for additional pipeline capacity to meet such peak demand periods. Additionally, the Company operates one propane plant and a liquefied natural gas plant for peak shaving purposes. The Company also contracts for storage service in underground storage facilities on many of the interstate pipelines serving them.

During fiscal 2004, the Company purchased the majority of its gas from the following suppliers:

1) Atmos Energy Marketing, LLC
2) Tenaska Marketing
3) Anadarko Energy Services
4) BP Energy Company
5) ChevronTexaco Natural Gas
6) Enbridge Marketing (US) L.P.
7) Pioneer Natural Resources
8) Prior Energy Corporation
9) Duke Energy Trading and Marketing
10) Sempra Energy Trading Corporation

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## UNDERGROUND STORAGE FACILITIES

Our utility and other nonutility segments own underground gas storage facilities in several states to supplement the supply of natural gas in periods of peak demand. The following table summarizes key information regarding our underground gas storage facilities:

| Facility | Location | Usable Capacity (Mcf) | Cushion Gas (Mcf) (1) | Total Capacity (Mcf) | Maximum Daily Delivery Capability (Mcf) |
|---|---|---|---|---|---|
| *Utility Segment* | | | | | |
| St. Charles | Hopkins County, Ky | 3,560,600 | 3,470,000 | 7,030,600 | 44,600 |
| Liberty North (2) | Montgomery County, Ks | 2,800,000 | 2,000,000 | 4,800,000 | 40,000 |
| Goodwin | Monroe County, Ms | 743,998 | 1,393,280 | 2,137,278 | 18,000 |
| Amory | Monroe County, Ms | 800,635 | 788,457 | 1,589,092 | 30,000 |
| Bon Harbor | Daviess County, Ky | 778,600 | 1,300,000 | 2,078,600 | 24,000 |
| Hickory | Daviess County, Ky | 451,600 | 850,000 | 1,301,600 | 24,000 |
| Columbus LNG Plant | Muscogee County, Ga | 450,000 | 50,000 | 500,000 | 30,000 |
| Liberty South (2) | Montgomery County, Ks | 439,000 | 300,000 | 739,000 | 5,000 |
| Grandview | Daviess County, Ky | 305,400 | 350,000 | 655,400 | 4,500 |
| Buffalo (2) | Wilson County, Ks | 200,000 | 180,000 | 380,000 | 5,000 |
| Fredonia (2) | Wilson County, Ks | 200,000 | 160,000 | 360,000 | 5,000 |
| Kirkwood | Hopkins County, Ky | 221,900 | 400,000 | 621,900 | 12,000 |
| *Total Utility Segment* | | 10,951,733 | 11,241,737 | 22,193,470 | 242,100 |
| *Other Nonutility Segment* | | | | | |
| East Diamond | Hopkins County, Ky | 2,160,000 | 1,640,000 | 3,800,000 | 40,000 |
| Barnsley | Hopkins County, Ky | 1,278,900 | 1,600,000 | 2,878,900 | 30,000 |
| Napoleonville (3) | Assumption Parish, La | 438,583 | 300,973 | 739,556 | 56,000 |
| Crofton | Christian County, Ky | 54,000 | 55,000 | 109,000 | 1,000 |
| Bethel (6) | Howard, Tx | 7,100,000 | 3,000,000 | 10,100,000 | 600,000 |
| Lake Dallas (6) | Denton, Tx | 2,825,000 | 1,450,000 | 4,275,000 | 120,000 |
| LaPan (6) | Bellevue, Tx | 3,425,000 | 1,070,000 | 4,495,000 | 120,000 |
| New York City (6) | Bellevue, Tx | 5,650,000 | 1,715,000 | 7,365,000 | 120,000 |
| Tri-Cities (6) | Malakoff, Tx | 19,993,475 | 5,660,000 | 25,653,475 | 275,000 |
| *Total Other Nonutility Segment* | | 42,924,958 | 16,490,973 | 59,415,931 | 1,362,000 |
| **Total** | | 53,876,691 | 27,732,710 | 81,609,401 | 1,604,100 |

(1) Cushion gas represents the volume of gas that must be retained in a facility to maintain reservoir pressure.
(2) This field was transferred from the Other Nonutility segment to the Atmos Energy Colorado-Kansas Division during fiscal 2004.
(3) We own 25 percent of this facility and Acadian Gas Pipeline System owns the remaining 75 percent of this facility. Acadian Gas Pipeline System operates this facility.
(4) Maximum daily withdrawal quantity (MDWQ) amounts will fluctuate depending upon the season and the month. Unless otherwise noted, MDWQ amounts represent the MDWQ amounts as of November 1, which is the beginning of the winter heating season.
(5) We contract for storage service in two underground storage facilities, Wiseman and Ellis, from this company.
(6) Acquired in connection with the TXU Gas acquisition on October 1, 2004.

## UNDERGROUND STORAGE FACILITIES (CONTINUED)

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

| Division/Company | Contractor | Maximum Storage Quantity (MMBtu) | Maximum Daily Withdrawal Quantity (MMBtu) (4) |
|---|---|---|---|
| *Utility Segment* | | | |
| Colorado-Kansas Division | Southern Star Central Pipeline | 2,699,598 | 44,217 |
| | Tenaska Marketing Ventures | 500,000 | 7,000 |
| | Public Service Company of Colorado | 434,997 | 15,000 |
| | Colorado Interstate Gas Company | 422,142 | 12,985 |
| | Kinder Morgan, Inc. | 90,000 | 2,000 |
| | Centerpoint Energy Gas Transmission | 28,500 | 950 |
| Kentucky Division | Texas Gas Transmission | 3,841,150 | 41,060 |
| | Tennessee Gas Pipeline Company | 1,313,538 | 22,698 |
| Louisiana Division | Gulf South | 1,941,280 | 97,064 |
| | Louisiana Intrastate Gas Company | 600,000 | 60,000 |
| | Sonat | 4,771 | 102 |
| | Tennessee Gas Pipeline Company | 4,466 | 91 |
| Mid-States Division | Atmos Energy Marketing | 2,173,543 | 19,634 |
| | Southern Natural Gas Company | 1,423,374 | 28,741 |
| | Texas Eastern Transmission Company | 1,165,734 | 19,636 |
| | Panhandle Eastern Pipeline | 972,462 | 15,241 |
| | Tennessee Gas Pipeline Company | 835,674 | 20,000 |
| | Gallagher Drilling Company (5) | 640,000 | 5,000 |
| | ANR Pipeline Company | 633,034 | 12,661 |
| | Dominion | 609,008 | 8,136 |
| | Transco | 521,580 | 12,212 |
| | Virginia Gas Pipeline Company | 200,000 | 20,000 |
| | Egyptian Gas Storage Corp. | 400,000 | 5,000 |
| | East Tennessee | 339,900 | 52,633 |
| | Natural Gas Pipeline Company | 312,750 | 5,580 |
| | Texas Gas Transmission | 239,576 | 5,108 |
| | CMS Trunkline Gas Company | 220,455 | 2,940 |
| | MRT Energy Marketing | 137,493 | 2,395 |
| West Texas Division | ONEOK Texas Gas Storage LLP | 1,125,000 | 50,000 |
| Mississippi Valley Gas Company Division | Gulf South | 1,237,500 | 61,875 |
| | Southern Natural Gas | 1,049,436 | 21,191 |
| | Texas Gas Transmission | 826,390 | 36,420 |
| | Texas Eastern | 518,220 | 8,637 |
| | Hattiesburg Gas Storage Company | 400,000 | 40,000 |
| | Trunkline Gas Company | 24,840 | 331 |
| | Tennessee Gas Pipeline Company | 3,394 | 113 |
| *Total Utility Segment* | | 27,889,805 | 756,651 |
| *Natural Gas Marketing Segment* | | | |
| Atmos Energy Marketing, LLC | TCO | 1,197,000 | 25,000 |
| | Virginia Gas Pipeline Company | 170,000 | 17,000 |
| *Total Natural Gas Marketing Segment* | | 1,367,000 | 42,000 |
| *Other Nonutility Segment* | | | |
| Trans Louisiana Gas Pipeline, Inc. | Gulf South Pipeline Company | 750,000 | 20,000 |
| | Bridgeline Gas Distribution LLC | 300,000 | 30,000 |
| *Total Other Nonutility Segment* | | 1,050,000 | 50,000 |
| ***Total Contracted Storage Capacity*** | | 30,306,805 | 848,651 |

## DESCRIPTION OF COMMON STOCK

The authorized capital stock of the Company consists of 100,000,000 shares of common stock, no par value. In February 2005, the shareholders of the Company will vote to increase the authorized shares to 200,000,000. Each share of common stock is entitled to one vote on all matters voted upon by shareholders. Holders of the common stock do not have cumulative voting rights. The shares of common stock issued and outstanding are fully paid and non-assessable. There are no redemption or sinking fund provisions applicable to the shares of common stock, and such shares are not entitled to any preemptive rights. Holders of shares of common stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors from the assets of the Company legally available therefore and, upon any liquidation of the Company, a pro rata share of all assets of the Company available for distribution to shareholders.

Under the provisions of its loan agreements, the Company has agreed to restrictions on the payment of cash dividends under certain circumstances. At September 30, 2004, under the most restrictive of such covenants, approximately $103.6 million of retained earnings was unrestricted.

On November 12, 1997, our Board of Directors declared a dividend distribution of one right for each outstanding share of our common stock to shareholders of record at the close of business on May 10, 1998. Each right entitles the registered holder to purchase from us a one-tenth share of our common stock at a purchase price of $8.00 per share, subject to adjustment. The description and terms of the rights are set forth in a rights agreement between us and the rights agent. The rights expire on May 10, 2008, unless extended prior thereto by our board or earlier if redeemed by us. The rights will not have any voting rights.

As part of the consideration for our Mississippi Valley Gas Company acquisition in December 2002, we issued shares of common stock under an exemption from registration under the Securities Act of 1933, as amended. As of September 30, 2004, 1,193,143 shares were covered by the registration rights agreement.

In addition, in connection with our funding of the Atmos Energy Corporation Pension Account Plan, we issued, in June 2003, to the Atmos Energy Corporation Master Retirement Trust, for the benefit of the Pension Account Plan, 1,169,700 shares of common stock under an exemption from registration under the Securities Act. For more information regarding these exemptions and rights agreements, as well as other shareholders' equity items, please see footnote 7, "Shareholders' Equity", in our Form 10-K for the year ended September 30, 2004.

The Company's common stock is traded on the NYSE under the trading symbol ATO. Prior to October 1988, it was traded over-the-counter and was quoted on NASDAQ/NMS under the symbol EGAS. Trading in the over-the-counter market began December 28, 1983 and ended in October 1988 when the stock was listed on the NYSE.

The Company also has a Direct Stock Purchase Plan ("DSPP"). Participants in the DSPP may have all or part of their cash dividends paid quarterly in additional shares of our common stock. Through March 31, 2004, participants were permitted to reinvest their cash dividends at a three percent discount from market prices. Effective April 1, 2004, the three percent discount on reinvested dividends was eliminated and the minimum initial investment required to join the plan was increased to $1,250. DSPP participants may purchase additional shares of Company common stock as often as weekly with voluntary cash payments of at least $25, up to an annual maximum of $100,000.

The following table sets forth, for the periods indicated, the high and low closing prices as reported on the NYSE Composite Tape since the Company listed with the NYSE, dividends paid, record holders at fiscal year end, net income (loss) per share and average shares outstanding. Share and dividend data have been adjusted where appropriate to reflect a three-for-two split in May 1994. High and low share prices reflect actual Atmos closing stock quotes as adjusted for stock splits. Other amounts below have been restated under pooling of interests accounting for the merger with United Cities Gas Company in July 1997.

## COMMON STOCK DATA

| Quarter ended: | High | Low |
|---|---|---|
| Fiscal 1994 | | |
| Dec. 31, 1993 | $ 21.13 | $ 16.75 |
| Mar. 31, 1994 | 20.00 | 17.75 |
| Jun. 30, 1994 | 20.25 | 18.00 |
| Sep. 30, 1994 | 19.00 | 16.38 |
| Fiscal 1995 | | |
| Dec. 31, 1994 | $ 18.00 | $ 15.88 |
| Mar. 31, 1995 | 18.50 | 16.13 |
| Jun. 30, 1995 | 20.25 | 17.50 |
| Sep. 30, 1995 | 20.63 | 19.00 |
| Fiscal 1996 | | |
| Dec. 31, 1995 | $ 23.00 | $ 18.00 |
| Mar. 31, 1996 | 23.00 | 21.00 |
| Jun. 30, 1996 | 31.00 | 22.75 |
| Sep. 30, 1996 | 30.63 | 20.88 |
| Fiscal 1997 | | |
| Dec. 31, 1996 | $ 24.75 | $ 22.63 |
| Mar. 31, 1997 | 26.25 | 22.13 |
| Jun. 30, 1997 | 25.50 | 22.50 |
| Sep. 30, 1997 | 27.88 | 24.50 |
| Fiscal 1998 | | |
| Dec. 31, 1997 | $ 30.44 | $ 24.63 |
| Mar. 31, 1998 | 30.31 | 26.31 |
| Jun. 30, 1998 | 31.06 | 28.81 |
| Sep. 30, 1998 | 30.88 | 25.75 |

| Quarter ended: | High | Low |
|---|---|---|
| Fiscal 1999 | | |
| Dec. 31, 1998 | $ 32.25 | $ 28.38 |
| Mar. 31, 1999 | 32.69 | 23.06 |
| Jun. 30, 1999 | 26.31 | 24.00 |
| Sep. 30, 1999 | 26.38 | 23.88 |
| Fiscal 2000 | | |
| Dec. 31, 1999 | $ 25.00 | $ 20.00 |
| Mar. 31, 2000 | 20.19 | 15.56 |
| Jun. 30, 2000 | 20.56 | 14.75 |
| Sep. 30, 2000 | 23.25 | 18.50 |
| Fiscal 2001 | | |
| Dec. 31, 2000 | $ 26.25 | $ 19.31 |
| Mar. 31, 2001 | 25.25 | 21.50 |
| Jun. 30, 2001 | 24.46 | 21.45 |
| Sep. 30, 2001 | 23.64 | 19.79 |
| Fiscal 2002 | | |
| Dec. 31, 2001 | $ 22.10 | $ 19.46 |
| Mar. 31, 2002 | 24.20 | 20.26 |
| Jun. 30, 2002 | 24.46 | 21.25 |
| Sep. 30, 2002 | 22.75 | 18.37 |
| Fiscal 2003 | | |
| Dec. 31, 2002 | $ 23.63 | $ 20.70 |
| Mar. 31, 2003 | 24.20 | 20.95 |
| Jun. 30, 2003 | 25.45 | 21.43 |
| Sep. 30, 2003 | 25.07 | 23.20 |
| Fiscal 2004 | | |
| Dec. 31, 2003 | $ 24.99 | $ 24.15 |
| Mar. 31, 2004 | 26.86 | 24.32 |
| Jun. 30, 2004 | 26.05 | 23.68 |
| Sep. 30, 2004 | 25.86 | 24.61 |

| | Cash dividends | Record holders at year end | Net income per diluted share | Avg. shares outstanding (000's) |
|---|---|---|---|---|
| Fiscal 1994 | $0.91 | 27,005 | $1.05 | 25,604 |
| Fiscal 1995 | $0.96 | 31,782 | $1.06 | 27,208 |
| Fiscal 1996 | $0.98 | 36,472 | $1.42 | 28,994 |
| Fiscal 1997 | $1.01 | 29,867 | $0.81 | 29,422 |
| Fiscal 1998 | $1.06 | 36,949 | $1.84 | 30,031 |

| | Cash dividends | Record holders at year end | Net income per diluted share | Avg. shares outstanding (000's) |
|---|---|---|---|---|
| Fiscal 1999 | $1.10 | 35,179 | $0.58 | 30,819 |
| Fiscal 2000 | $1.14 | 32,394 | $1.14 | 31,594 |
| Fiscal 2001 | $1.16 | 30,524 | $1.47 | 38,247 |
| Fiscal 2002 | $1.18 | 28,829 | $1.45 | 41,250 |
| Fiscal 2003 | $1.20 | 28,510 | $1.54 | 46,496 |
| Fiscal 2004 | $1.22 | 27,555 | $1.58 | 54,416 |

## SHARED SERVICES

The following table sets forth certain information regarding the shared services officers of the Company as of September 30, 2004.

| Name | Age | Years of Service | Office Currently Held |
|---|---|---|---|
| Robert W. Best | 57 | 7 | Chairman, President and Chief Executive Officer |
| J. Patrick Reddy | 51 | 6 | Senior Vice President and Chief Financial Officer |
| R. Earl Fischer | 65 | 42 | Senior Vice President, Utility Operations |
| JD Woodward III | 54 | 3 | Senior Vice President, Non-Utility Operations |
| Louis P. Gregory | 49 | 4 | Senior Vice President and General Counsel |
| Wynn D. McGregor | 51 | 16 | Vice President, Human Resources |
| Leslie H. Duncan | 56 | 3 | Vice President, Chief Information Officer |
| Susan C. Kappes | 50 | 2 | Vice President, Investor Relations and Corporate Communications |
| Gordon J. Roy | 55 | 34 | Vice President, Security and Compliance |
| Robert E. Mattingly | 56 | 33 | Vice President, Gas Supply |
| Verlon R. Aston, Jr. | 53 | 12 | Vice President, Governmental Affairs |
| Conrad E. Gruber | 44 | 13 | Vice President, Strategic Planning |
| Fred E. Meisenheimer | 60 | 4 | Vice President and Controller |
| Laurie M. Sherwood | 43 | 6 | Vice President, Corporate Development and Treasurer |
| Dwala J. Kuhn | 47 | 5 | Corporate Secretary |

**Robert W. Best** was named Chairman of the Board, President and Chief Executive Officer in March 1997. He previously served as Senior Vice President - Regulated Businesses of Consolidated Natural Gas Company (1996 - March 1997) and was responsible for its transmission and distribution companies. Prior to that, he served as Senior Vice President of Transco Energy Company and President of Transcontinental Gas Pipe Line Corporation (1992-1995); and President of Texas Gas Transmission Corporation (1985-1995).

**J. Patrick Reddy** was named Senior Vice President and Chief Financial Officer in September 2000. From April 2000 to September 2000, he was Senior Vice President, Chief Financial Officer and Treasurer. Mr. Reddy previously served the Company as Vice President, Corporate Development and Treasurer from December 1998 to March 2000. He joined the Company in August 1998 from Pacific Enterprises, a Los Angeles, California based utility holding company whose principal subsidiary was Southern California Gas Co. where he was Vice President of Planning and Advisory Services responsible for corporate development and merger and acquisition activities. Mr. Reddy was with Pacific Enterprises from 1980 to 1998 in various management and financial positions.

**R. Earl Fischer** was named Senior Vice President, Utility Operations in May 2000. He previously served the Company as President of the Energas Division from January 1999 to April 2000 and as President of the Western Kentucky Division from February 1989 to December 1998.

**JD Woodward III** was named Senior Vice President, Non-Utility Operations in April 2001. Prior to joining the Company, Mr. Woodward was President of Woodward Marketing, L.L.C. from January 1995 to March 2001.

**Louis P. Gregory** joined the Company as Senior Vice President and General Counsel in September 2000. Prior to joining the Company, he practiced law from April 1999 to August 2000 with the law firm of McManemin & Smith. Prior to that, he served as a consultant and independent contractor from August 1996 to December 1998 for Nomas Corp. (formerly known as Lomas Mortgage USA, Inc.) and Siena Holdings, Inc. (formerly known as Lomas Financial Corporation). He served in various legal positions with Lomas Financial Corporation, a diversified financial services company, and its affiliates, from August 1988 to June 1996, ultimately as Senior Vice President and General Counsel.

## SHARED SERVICES (Continued)

**Wynn D. McGregor** was named Vice President, Human Resources in January 1994. He previously served the Company as Director of Human Resources from February 1991 to December 1993 and as Manager, Compensation and Employment from December 1987 to January 1991.

**Leslie H. Duncan** was named Vice President, Chief Information Officer in July, 2001. Previously, he had been Senior Vice President and CIO for Jo-Ann Stores, Inc., Vice President and CIO for The Limited and Director of Information Services for British Petroleum Company PLC.

**Susan C. Kappes** was named Vice President, Investor Relations and Corporate Communications in June 2002. She joined Atmos in January 2002 as Director of Accounting Services. Before coming to Atmos Energy, she was responsible for financial reporting at Pioneer Natural Resources Company from September 2000 to January 2002. She also had worked as team leader for business reporting at Nokia, Inc. from August 1999 to September 2000 and as a senior professional accountant for Oryx Energy from January 1989 to August 1999.

**Gordon J. Roy** was named Vice President, Security and Compliance in June 2002. He previously served as Vice President, Gas Supply from May 1995 to June 2002, as Vice President, Gas Supply and Large Volume Services from May 1993 to May 1995, as Vice President, Operations from February 1989 to May 1993, as President of the Western Kentucky Division from August 1988 to February 1989, as Senior Division Vice President of the Western Kentucky Division from January 1988 to August 1988 and as Division Vice President from November 1987 to January 1988. Prior to November 1987, he was a District Manager in the Trans La Division and Trans La Gas for approximately three years. Mr. Roy retired on December 1, 2004.

**Robert E. Mattingly** was named Vice President, Gas Supply in June 2002. He previously served as Vice President, New Business Ventures and Retail Services February 1998 to June 2002 and as Vice President, Business Development from 1995 to February 1998. He began his career with Atmos in 1971 with Western Kentucky Gas Company and has held various positions in gas control, gas supply, and marketing. Mr. Mattingly retired on December 1, 2004.

**Verlon R. Aston Jr.** was named Vice President, Governmental Affairs in May 2003. He previously served as Vice President of Marketing of the West Texas Division from October 2000 to May 2003, as Manager of Public Affairs from March 1997 to September 2000 in the West Texas Division and as a marketing representative from November 1991 to February 1997 in the West Texas Division. From 1980 to 1991, he was a contract petroleum land/permit agent in West Texas for Exxon Company, U.S.A.

**Conrad E. Gruber** was named Vice President, Strategic Planning in July 2004. He previously served as President of the Louisiana Division from June 2001 to June 2004, as President of the Western Kentucky Division from 1999 to 2001, as Vice President, Technical Services for the Greeley Gas Division from 1994 to 1999 and as Engineering and Measurement Coordinator in the Dallas headquarters from 1991 to 1994.

**Fred E. Meisenheimer** was named Vice President and Controller in July 2000. He joined Atmos from Vartec Telecom, Inc., a privately-held telecom services provider, where he was controller and responsible for all accounting and treasury operations. Previously, he served as assistant controller and general auditor for Oryx Energy Company from 1988 to 1999 and as assistant controller for Sun Exploration and Production Company from 1979 to 1988. He also served as audit manager at Deloitte & Touche LLP from 1970 to 1979.

**Laurie M. Sherwood** was promoted to Vice President and Treasurer in September 2000. She joined Atmos as Assistant Treasurer in May 1999 from Oryx Energy Company, where she was manager of corporate finance and trust investments. She joined Oryx's predecessor, Sun Exploration and Production Company, in 1982 and served in various financial and management positions.

**Dwala J. Kuhn** was named Corporate Secretary in April 2003. She joined Atmos Energy in September 1999 as Executive Assistant to Robert W. Best, Chairman, President and CEO. Previously, she held executive assistant positions at Gemini Exploration Company and Mesa, Inc.

## OPERATING DIVISION OFFICERS

### West Texas Division

Gary W. Gregory
President

D. K. Howey
Vice President, Human Resources

Kelvin J. Betzen
Vice President,
Operations - Northern Region

Clay C. Cash
Vice President,
Operations - Southern Region

Bronson Blodgett
Vice President, Finance

Kelley G. Grimes
Vice President, Marketing

Richard L. Kissinger
Vice President, Technical Services

Bill W. Guy
Vice President Rates & Regulatory Affairs

**Location**
**5110 80th Street**
**Lubbock, TX 79424**

**Mailing address**
**P.O. Box 1121**
**Lubbock, TX 79408**

**Phone no. (806) 798-4497**
**Fax no. (806) 798-4494**

### Colorado-Kansas Division

Gary L. Schlessman
President

Joann B. Mikolajczak
Vice President, Human Resources

David L. Anglin
Vice President,
Colorado Region Operations

Joe T. Christian
Vice President Rates & Regulatory Affairs

Alan J. Foster
Vice President,
Kansas Region Operations

Wanda J. Lilly
Vice President, Finance

**Location**
**1301 Pennsylvania St., #800**
**Denver, CO 80203**

**Mailing address**
**1301 Pennsylvania St., #800**
**Denver, CO 80203**

**Phone no. (303) 831-5661**
**Fax no. (303) 837-9549**

### Louisiana Division

Tom S. Hawkins, Jr.
President

Thomas G. Meyers
Vice President, Technical Services

Ricky A. Burke
Vice President,
Eastern Region

Mellisa A. Bowers
Vice President, Finance

Mike D. Mancil
Vice President,
Western Region

David P. Hebert
Vice President, Human Resources

Frank J. Marino
Vice President, Marketing

Christine A. Tabor
Vice President Rates & Regulatory Affairs

**Location**
**450 Laurel Street**
**Suite 2100**
**Baton Rouge, LA 70801**

**Mailing Address**
**450 Laurel Street**
**Suit 2100**
**Baton Rouge, LA 70801**

**Phone no. (225) 376-4600**
**Fax no. (225) 346-1962**

### Kentucky Division

John A. Paris
President

Betty L. Adams
Vice President, Finance

David E. Gates
Vice President, Operations

Steve H. Loyal
Vice President, Human Resources

William H. Greer
Vice President, Eastern Region

Gary L. Smith
Vice President Marketing & Regulatory Affairs

Rad Cook
Vice President,
Technical Services

**Location**
**2401 New Hartford Road**
**Owensboro, KY 42303**

**Mailing address**
**2401 New Hartford Road**
**Owensboro, KY 42303**

**Phone no. (270) 685-8000**
**Fax no. (270) 685-8052**

### Mid-States Division

Thomas R. Blose, Jr.
President

Wendy A. Sadler
Vice President, Human Resources

Bob Elam
Vice President,
Operations - Eastern Region

Mike Ellis
Vice President, Marketing

Patricia D. Childers
Vice President Rates & Regulatory Affairs

Roger D. Nash
Vice President,
Operations - Central Region

Brandon W. Mulkey
Vice President, Finance

Dan L. Lindsey
Vice President,
Technical Services

**Location**
**810 Crescent Centre Dr., Ste. 600**
**Franklin, TN 37067-6226**

**Mailing address**
**810 Crescent Centre Dr., Ste. 600**
**Franklin, TN 37067-6226**

**Phone no. (615) 771-8300**
**Fax no. (615) 771-8301**

### Mississippi Valley Gas Company Division

Kevin J. Akers
President

Ross L. Aven
Vice President, Human Resources

John S. Mcdill
Vice President, Operations

David H. Doggette
Vice President,
Technical Services

Kenneth L. Smith
Vice President, Operations

William J. Senter, Jr.
Vice President Rates & Regulatory Affairs

Gary G. Rehm
Vice President, Marketing

Thomas Gilbert
Vice President, Finance

**Location**
**711 West Capitol**
**Jackson, MS 39203-2608**

**Mailing address**
**711 West Capitol**
**Jackson, MS 39203-2608**

**Phone no. (601) 961-6900**
**Fax no. (601) 961-6767**

### Non-Utility

JD Woodward
Sr. Vice President,
Non-Utility Operations

Richard C. Alford
Sr. Vice President,
Finance & Administration

Ron W. McDowell
Vice President,
New Business Ventures

Stacey Littlefield
Manager,
Human Resources

**Location**
**11251 Northwest Freeway**
**Suite 400**
**Houston, TX 77092**

**Mailing address**
**11251 Northwest Freeway**
**Suite 400**
**Houston, TX 77092**

**Phone no. (713) 688-7771**
**Fax no. (713) 688-5124**

## CORPORATE OFFICE

**Location**
5430 LBJ Freeway
1800 Three Lincoln Centre
Dallas, Texas 75240

**Phone number**
(972) 934–9227

**Mailing address**
P.O. Box 650205
Dallas, TX 75265–0205

**Fax numbers**

| | |
|---|---|
| Corporate office | (972) 855–3075 |
| Investor Relations | (972) 855–3040 |

## CORPORATE INFORMATION

**Common Stock Listing**
New York Stock Exchange

**Trading Symbol**
ATO

**Stock Transfer Agent and Registrar**
American Stock Transfer and Trust Company
59 Maiden Lane, Plaza Level
New York, New York 10038

**Rights Agent**
American Stock Transfer and Trust Company
59 Maiden Lane, Plaza Level
New York, New York 10038

**Trustee for 9.4% Series J GGC First Mortgage Bonds**
U.S. Bank Trust National Association
Chicago, Illinois

**Auditors**
Ernst & Young LLP
2121 San Jacinto, Suite 1500
Dallas, Texas 75201

**Trustee for United Cities Bonds and Term Notes**
U.S. Bank Trust National Association
Chicago, Illinois

**Interactive Voice Response System**
1–800–543–3038
Have your Atmos Energy shareholder account number and Social Security or federal taxpayer ID number ready.

**Administrator for Direct Stock Purchase Plan**
American Stock Transfer and Trust Company
59 Maiden Lane, Plaza Level
New York, New York 10038

**Trustee for Retirement Savings Plan and Trust for Employees of Atmos Energy Corporation**
Retirement Savings Plan Trust Committee; Dallas, Texas

**Trustee For Company's Retirement Plans**
State Street Bank
New York, New York

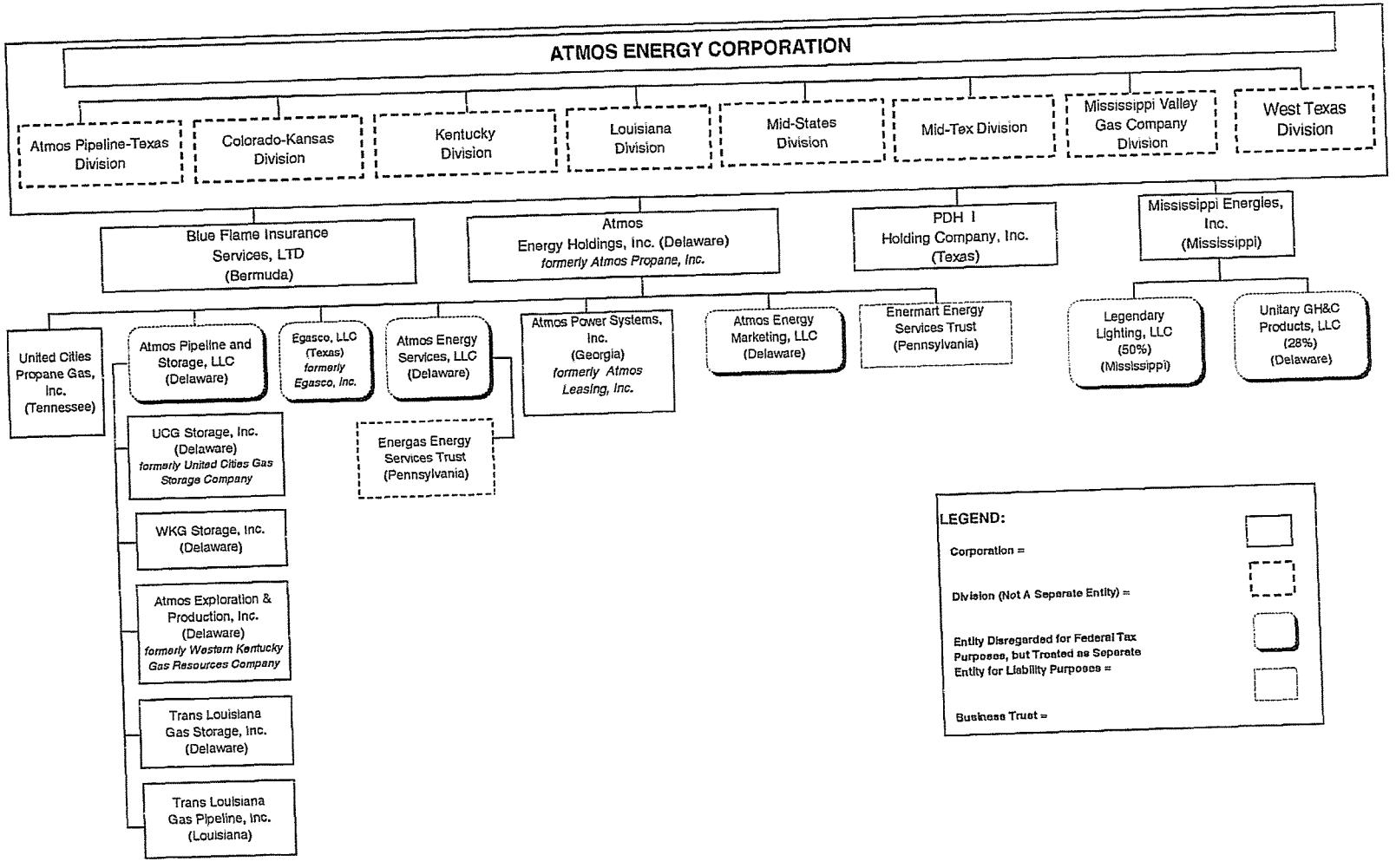
## ATMOS ENERGY CORPORATION CONTACTS

**World Wide Web Address**
http://www.atmosenergy.com

**Financial Information for Securities Analysts and Investment Managers**
Susan Kappes (972) 855–3729 (office)
(972) 855–3040 (fax)
InvestorRelations@atmosenergy.com (e-mail)

**Shareholder and Direct Stock Purchase Plan Information**
(972) 855-3729
8:00 a.m. - 5:00 p.m. Central Time

# CORPORATE STRUCTURE - December 1, 2004



## OPERATING DIVISIONS AND SUBSIDIARY COMPANIES

| | Year of incorporation | State of incorporation | Principal business office |
|---|---|---|---|
| **Atmos Energy Corporation** | 1983<br>1997 | Texas<br>Virginia | Dallas, TX |
| **Operating Divisions:** | | | |
| West Texas | | | Lubbock, TX |
| Mid-Tex | | | Dallas, TX |
| Colorado-Kansas | | | Denver, CO |
| Kentucky | | | Owensboro, KY |
| Louisiana | | | Baton Rouge, LA |
| Mid-States | | | Franklin, TN |
| Mississippi Valley Gas Company | | | Jackson, MS |
| **Subsidiaries:** | | | |
| Atmos Energy Holdings, Inc. | 2000 | Delaware | Dallas, TX |
| Mississippi Energies, Inc. | 1981 | Mississippi | Jackson, MS |
| Blue Flame Insurance Services, LTD | 2003 | Bermuda | Bermuda |
| PDH I Holding Company, Inc. (1) | 2004 | Texas | Dallas, TX |
| Atmos Energy Services, LLC | 1996 | Delaware | Dallas, TX |
| EGASCO, LLC | 1999 | Texas | Dallas, TX |
| Energas Energy Services Trust | 1999 | Pennsylvania | Dallas, TX |
| United Cities Propane Gas, Inc. | 1976 | Tennessee | Franklin, TN |
| Enermart Energy Services Trust | 1994 | Pennsylvania | Dallas, TX |
| Atmos Energy Marketing, LLC | 1999 | Delaware | Dallas, TX |
| Atmos Power Systems, Inc. | 1987 | Georgia | Franklin, TN |
| Atmos Pipeline and Storage, LLC | 1999 | Delaware | Dallas, TX |
| UCG Storage, Inc. | 1989 | Delaware | Franklin, TN |
| WKG Storage, Inc. | 1999 | Delaware | Dallas, TX |
| Atmos Exploration & Production, Inc. | 1934 | Delaware | Dallas, TX |
| Trans Louisiana Gas Pipeline, Inc. | 1983 | Louisiana | Lafayette, LA |
| Trans Louisiana Gas Storage, Inc. | 2000 | Delaware | Dallas, TX |

(1) PDH I Holding Company, Inc., a Texas corporation, became a wholly-owned subsidiary of Atmos Energy Corporation, as a result of its acquisition on October 1, 2004 from TXU Gas Company.

## SEASONALITY AND QUARTERLY INFORMATION

The Company's natural gas distribution business and irrigation sales business is seasonal and dependent upon weather conditions in the Company's service areas. Natural gas sales to residential, commercial and public authority customers are affected by winter heating season requirements. This generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Sales to industrial customers are much less weather sensitive. Sales to agricultural customers, who typically use natural gas to power irrigation pumps during the period from March through September, are affected by rainfall amounts. The Company's management believes that the Company has lessened its sensitivity to weather risk by diversifying its operations into geographic areas having different weather patterns and through other measures.

The following table sets forth the Company's quarterly operating revenues, quarterly operating revenues as a percentage of annual operating revenues, quarterly net income (loss), and quarterly net income (loss) as a percentage of annual net income.

| | | Quarter ended | | | | |
|---|---|---|---|---|---|---|
| Year ended September 30 | | Dec. 31 | Mar. 31 | Jun. 30 | Sept. 30 | Total |
| | | (Dollars in thousands) | | | | |
| 1994 | Operating revenues | $231,177 | $322,512 | $149,743 | $122,870 | $826,302 |
| | | 28 % | 39 % | 18 % | 15 % | 100 % |
| | Net income (loss) | $13,475 | $27,478 | ($4,544) | ($9,637) | $26,772 |
| | | 50 % | 103 % | (17) % | (36) % | 100 % |
| 1995 | Operating revenues | $219,677 | $273,769 | $137,400 | $118,709 | $749,555 |
| | | 29 % | 37 % | 18 % | 16 % | 100 % |
| | Net income (loss) | $13,962 | $27,272 | ($3,880) | ($8,546) | $28,808 |
| | | 48 % | 95 % | (13) % | (30) % | 100 % |
| 1996 | Operating revenues | $253,439 | $341,867 | $175,240 | $116,145 | $886,691 |
| | | 29 % | 38 % | 20 % | 13 % | 100 % |
| | Net income (loss) | $18,496 | $35,906 | ($2,795) | ($10,456) | $41,151 |
| | | 45 % | 87 % | (7) % | (25) % | 100 % |
| 1997 | Operating revenues | $280,624 | $362,636 | $143,714 | $119,861 | $906,835 |
| | | 31 % | 40 % | 16 % | 13 % | 100 % |
| | Net income (loss) | $18,155 | $30,625 | ($3,018) | ($21,924) | $23,838 |
| | | 76 % | 129 % | (13) % | (92) % | 100 % |
| 1998 | Operating revenues | $295,331 | $288,550 | $137,311 | $127,016 | $848,208 |
| | | 35 % | 34 % | 16 % | 15 % | 100 % |
| | Net income (loss) | $20,122 | $37,398 | $1,676 | ($3,931) | $55,265 |
| | | 36 % | 68 % | 3 % | (7) % | 100 % |
| 1999 | Operating revenues | $210,227 | $261,426 | $109,590 | $108,953 | $690,196 |
| | | 30 % | 38 % | 16 % | 16 % | 100 % |
| | Net income (loss) | $15,380 | $28,795 | ($5,295) | ($21,136) | $17,744 |
| | | 87 % | 162 % | (30) % | (119) % | 100 % |
| 2000 | Operating revenues | $224,458 | $314,197 | $152,362 | $159,135 | $850,152 |
| | | 26 % | 37 % | 18 % | 19 % | 100 % |
| | Net income (loss) | $14,324 | $29,573 | ($4,396) | ($3,583) | $35,918 |
| | | 40 % | 82 % | (12) % | (10) % | 100 % |
| 2001 | Operating revenues | $442,790 | $675,113 | $305,863 | $301,715 | $1,725,481 |
| | | 26 % | 39 % | 18 % | 17 % | 100 % |
| | Net income (loss) | $22,972 | $44,074 | ($3,400) | ($7,556) | $56,090 |
| | | 41 % | 79 % | (6) % | (14) % | 100 % |
| 2002 | Operating revenues | $440,154 | $530,259 | $388,105 | $292,446 | $1,650,964 |
| | | 27 % | 32 % | 23 % | 18 % | 100 % |
| | Net income (loss) | $20,633 | $41,378 | $3,254 | ($5,609) | $59,656 |
| | | 35 % | 69 % | 5 % | (9) % | 100 % |
| 2003 | Operating revenues | $680,432 | $1,194,142 | $488,470 | $436,872 | $2,799,916 |
| | | 24 % | 43 % | 17 % | 16 % | 100 % |
| | Net income (loss) | $25,793 | $48,532 | ($201) | ($2,436) | $71,688 |
| | | 36 % | 68 % | - % | (4) % | 100 % |
| 2004 | Operating revenues | $763,616 | $1,117,485 | $546,058 | $492,878 | $2,920,037 |
| | | 26 % | 38 % | 19 % | 17 % | 100 % |
| | Net income (loss) | $29,541 | $58,305 | $4,765 | ($6,384) | $86,227 |
| | | 34 % | 68 % | 6 % | (8) % | 100 % |

## UTILITY AND NONUTILITY DATA

The following table summarizes certain information regarding the operation of the utility and nonutility businesses of the Company for each of the last eleven years. Prior periods have been restated to reflect the pooling of interests with United Cities Gas Company in July 1997.

| | Operating Revenues | Net Income | Identifiable Assets |
|---|---|---|---|
| 1994 Utility | $ 780,791 | $ 22,496 | $ 766,549 |
| Nonutility | 45,511 | 4,276 | 62,836 |
| Total | $ 826,302 | $ 26,772 | $ 829,385 |
| 1995 Utility | $ 707,680 | $ 24,618 | $ 829,849 |
| Nonutility | 41,875 | 4,190 | 71,099 |
| Total | $ 749,555 | $ 28,808 | $ 900,948 |
| 1996 Utility | $ 778,217 | $ 31,905 | $ 926,935 |
| Nonutility | 108,474 | 9,246 | 83,675 |
| Total | $ 886,691 | $ 41,151 | $ 1,010,610 |
| 1997 Utility | $ 805,252 | $ 19,739 | $ 1,001,455 |
| Nonutility | 101,583 | 4,099 | 86,856 |
| Total | $ 906,835 | $ 23,838 | $ 1,088,311 |
| 1998 Utility | $ 738,445 | $ 43,332 | $ 1,052,225 |
| Nonutility | 109,763 | 11,933 | 89,165 |
| Total | $ 848,208 | $ 55,265 | $ 1,141,390 |
| 1999 Utility | $ 617,313 | $ 10,800 | $ 1,183,410 |
| Nonutility | 72,883 | 6,944 | 104,846 |
| Total | $ 690,196 | $ 17,744 | $ 1,288,256 |
| 2000 Utility | $ 734,835 | $ 22,459 | $ 1,308,692 |
| Nonutility | 115,317 | 13,459 | 101,976 |
| Total | $ 850,152 | $ 35,918 | $ 1,410,668 |
| 2001 Utility | $ 1,378,159 | $ 49,881 | $ 1,804,957 |
| Natural Gas Marketing | 291,152 | 2,551 | 251,238 |
| Nonutility | 56,170 | 3,658 | 52,646 |
| Total | $ 1,725,481 | $ 56,090 | $ 2,108,841 |
| 2002 Utility | $ 936,054 | $ 42,994 | $ 1,670,081 |
| Natural Gas Marketing | 700,519 | 12,614 | 275,367 |
| Other Nonutility | 14,391 | 4,048 | 114,183 |
| Total | $ 1,650,964 | $ 59,656 | $ 2,059,631 |
| 2003 Utility | $ 1,552,857 | $ 62,137 | $ 2,238,773 |
| Natural Gas Marketing | 1,234,447 | (970) | 182,095 |
| Other Nonutility | 12,612 | 10,521 | 204,627 |
| Total | $ 2,799,916 | $ 71,688 | $ 2,625,495 |
| 2004 Utility | $ 1,636,636 | $ 63,096 | $ 2,538,090 |
| Natural Gas Marketing | 1,279,424 | 16,633 | 235,645 |
| Other Nonutility | 3,977 | 6,498 | 96,148 |
| Total | $ 2,920,037 | $ 86,227 | $ 2,869,883 |

The utility business is comprised of the Company's six regulated utility divisions: Colorado-Kansas Division, Kentucky Division, Louisiana Division, Mid-States Division, Mississippi Valley Gas Company Division and West Texas Division.

The nonutility business primarily includes the operations of Atmos Energy Marketing, LLC, Atmos Pipeline and Storage, L.L.C. and Atmos Power Systems, Inc. For an expanded discussion of each of these companies and other nonutility operations, please see the Company's Form 10-K for the year ended September 30, 2004.

## CORPORATE DEVELOPMENT

### Acquisitions and Mergers

The Company has achieved eight significant acquisitions as summarized below:

| | |
|---|---|
| 1. Property | Trans Louisiana Gas Company, Inc. |
| Business | Intrastate natural gas distributor in Louisiana |
| Meters in service | 69,000 (at acquisition) |
| Acquisition date | January 1, 1986 |
| Acquisition cost | $34.1 million inclusive of acquisition expenses plus assumption of approximately $10 million in long-term debt |
| Regulatory body | Louisiana Public Service Commission |
| Accounting method | Purchase |
| Financing | $35,000,000 Revolving credit/term facility with a bank |
| 2. Property | Western Kentucky Gas Utility Corporation |
| Business | Intrastate natural gas distributor in Kentucky |
| Meters in service | 147,000 (at acquisition) |
| Acquisition date | December 1, 1987 |
| Acquisition cost | $67.5 million inclusive of acquisition expenses plus assumption of approximately $17.6 million in long-term debt |
| Regulatory body | Kentucky Public Service Commission |
| Accounting method | Purchase |
| Financing | Initially funded with $31,500,000 interim revolving credit facility with a bank and $30,000,000 Senior Notes. Interim revolving credit facility was retired with proceeds of equity offering in June 1988. |
| 3. Property | Greeley Gas Company |
| Business | Intrastate natural gas distributor in Co., Ks., and Mo. |
| Meters in service | 98,000 (at acquisition) |
| Acquisition date | December 22, 1993 |
| Acquisition cost | Approximately 3.5 million (post-split) shares of Atmos stock, the assumption of approx. $20 million in long-term debt, and $1.7 million in acquisition expenses |
| Regulatory bodies | Colorado Public Utilities Commission, Kansas Corporation Commission, and Missouri Public Service Commission |
| Accounting method | Pooling of interests |
| Financing | Exchanged 3,493,995 (post-split) shares of Atmos stock for all the outstanding shares of GGC |
| 4. Property | United Cities Gas Company |
| Business | Intrastate natural gas distributor in Ga., Tn., Va., S.C., Il., Ia., and Mo. |
| Meters in service | 307,000 (at merger) |
| Merger Date | July 31, 1997 |
| Merger cost | Approximately 13.3 million shares of Atmos stock, the assumption of approx. $149 million in long-term debt, and $49 million in merger and integration costs |
| Regulatory bodies | Missouri Public Service Commission, Georgia Public Service Commission, South Carolina Public Service Commission, Tennessee Regulatory Authority, Illinois Commerce Commission, Iowa Utilities Board, Virginia State Corporation Commission |
| Accounting method | Pooling of interests |
| Financing | Exchanged 13,320,221 shares of Atmos stock for all the outstanding shares of United Cities Gas Company |
| 5. Property | Remaining 55 percent interest in Woodward Marketing, L.L.C. |
| Business | Management of natural gas requirements for municipalities, local gas utility companies and industrial customers |
| Acquisition date | April 1, 2001 |
| Acquisition cost | $26.7 million inclusive of acquisition expenses |
| Accounting method | Purchase |
| Financing | Exchanged 1,423,193 restricted shares of Atmos common stock |

## CORPORATE DEVELOPMENT (Continued)

**Acquisitions and Mergers (continued)**

| | |
|---|---|
| 6. Property | Louisiana Gas Service Company |
| Business | Intrastate natural gas distributor in Louisiana |
| Meters in service | 279,000 (at acquisition) |
| Acquisition date | July 1, 2001 |
| Acquisition cost | $363.4 million inclusive of acquisition expenses |
| Regulatory body | Louisiana Public Service Commission |
| Accounting method | Purchase |
| Financing | Primarily funded with a $350 million debt offering |
| 7. Property | Mississippi Valley Gas Company |
| Business | Intrastate natural gas distributor in Mississippi |
| Meters in service | 260,000 (at acquisition) |
| Acquisition date | December 3, 2002 |
| Acquisition cost | $75.0 million cash, $75.0 million of Atmos common stock and the repayment of approx. $45.0 million of outstanding long-term debt. |
| Regulatory body | Mississippi Public Service Commission |
| Accounting method | Purchase |
| Financing | Issued 3,386,287 shares of Atmos common stock and used a $150.0 million short-term unsecured committed credit facility to provide the initial funding for the cash portion of the acquisition and the repayment of the outstanding long-term debt. The short-term credit facility was replaced with a $250 million debt offering in January 2003. |
| 8. Property | TXU Gas Company |
| Business | Intrastate natural gas distributor and pipeline operations in Texas |
| Meters in service | 1,500,000 (at acquisition) |
| Acquisition date | October 1, 2004 |
| Acquisition cost | $1.905 billion (after preliminary closing adjustments) cash, subject to working capital and other adjustments |
| Regulatory body | Various municipalities we serve, with exclusive appellate jurisdiction by the Texas Railroad Commission |
| Accounting method | Purchase |
| Financing | Issued 9,939,393 shares of Atmos common stock (net proceeds of $235.7 million) and issued $1.7 billion in commercial paper backstopped by a senior unsecured revolving credit agreement. In October 2004, the commercial paper was paid off with the issuance of $1.4 billion of senior unsecured notes and the issuance of 16.1 million shares of Atmos common stock (net proceeds of $382.5 million before other offering costs). |

The Company has also achieved several small acquisitions including Oceana Heights Gas Company in Thibodaux, Louisiana and distribution systems in Winn Parish and LaFourche Parish, Louisiana. In May 2000, the Company acquired the Missouri natural gas distribution assets of Associated Natural Gas for approximately $32.0 million, serving approximately 48,000 meters. In March 2004, the Company acquired the natural gas distribution assets of ComFurT Gas Inc. for approximately $2.0 million which served approximately 1,800 customers.

In May 2001, the Company's subsidiary, Atmos Power Systems, Inc., entered into a definitive agreement with the City of Bolivar, Tennessee Electric Department to construct a 20-megawatt electric generating plant and associated facilities which was completed by the end of fiscal 2001. In September 2002, Atmos Power Systems completed construction of a 20-megawatt natural gas fueled power plant in Tennessee which was place in operation in October 2002.

During the fourth quarter of fiscal year 2001, Woodward Marketing completed the purchases of Southern Resources, Inc. and certain assets of Innovative Gas Services, Incorporated thereby expanding our gas marketing operations. In November 2001, the Company completed the acquisition of certain storage assets in Kentucky.

## GLOSSARY

**Amortize** - An allocation of cost to reflect a reduction to asset book value each year until only the salvage value, if any, remains.

**Assets** - Items of value owned by the company, typically items such as cash, property, and debts owed to the company.

**Bcf** - Abbreviation for 1,000,000,000 (one billion) cubic feet.

**Balance sheet** - A statement of financial position at a stated date that shows the assets, liabilities and shareholders' equity of a company.

**Capitalize** - To record and carry forward into future years any expenditure that will produce revenue or a benefit during those future years.

**Cash equivalents** - The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Commercial service** - Covers service to customers engaged in wholesale or retail trade, communications, finance, fisheries, forestry, government, insurance, real estate, transportation, etc., and to customers not directly involved in other classes of service.

**Consolidated financial statements** - Statements showing the financial condition and operating results of the parent and subsidiary companies as if they were one organization.

**Contingent liability** - An obligation that may arise in the future that relates to a past transaction or event. The obligation is deemed possible but not probable.

**Current asset** - Cash and any other items the company owns that will be converted to cash or useful goods or services within a year.

**Current liability** - A short-term indebtedness to be paid within a year.

**Cushion gas** - The gas required in a reservoir, used for storage of natural gas, so that reservoir pressure is such that the working gas may be recovered.

**Deferred charges** - Expenditures whose benefit will be realized in future years. The amounts will be charged against income over a period of years to properly match the expenses with the related benefit.

**Deferred credits** - Income items that have been received but not yet earned or liabilities incurred but not yet due. These will be recognized in the year they are earned.

**Depreciation** - An allocation of cost to reflect the gradual loss of productivity of a fixed asset by age or usage.

**Deregulation** - The act of ending certain federal government controls over the price of natural gas sold in interstate commerce.

**FERC Order 636** - Federal Energy Regulatory Commission order which finalized the unbundling of interstate pipeline services with a stated goal of increasing competition, primarily in the gas merchant function.

**Gross profit** - Operating revenues less purchased gas cost.

**Heating degree day** - A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. Heating degree days are used in the natural gas industry to measure the coldness of weather experienced and to compare relative temperatures between one geographic area and another.

**Industrial service** - Covers service to customers engaged primarily in a process which either involves the extraction of raw materials from the earth, or a change of raw or unfinished materials into another form or product. Also includes service to natural gas irrigation wells.

**LDC** - Local distribution company.

**Liabilities** - Amounts owed by the corporation to others.

**Line of credit** - Agreements by banks to make a loan not to exceed a specified amount when needed by the corporation.

**Long-term debt** - Debts to be repaid with a maturity of more than one year.

**Mcf** - Abbreviation for 1,000 cubic feet, which is the customary unit for measuring volumes of natural gas.

**MMcf** - Abbreviation for 1,000,000 (one million) cubic feet.

## GLOSSARY (Continued)

**Net income** - All revenues less all costs of doing business.

**Net income per share** - Net income divided by the average number of shares of common stock outstanding during the period.

**No notice service** - A FERC Order 636 interstate pipeline service combining transportation, storage and balancing functions generally designed to allow an LDC shipper to receive pipeline services with limited prior scheduling or notice to the pipeline.

**Operating income** - Excess of revenues over the related expenses; income before federal income taxes and interest.

**Peak-shaving** - Using sources of energy, such as natural gas from storage, to supplement the normal amounts delivered to customers during peak-use periods. Using these supplemental sources prevents pipelines from having to expand their delivery facilities just to accommodate short periods of extremely high demand.

**Pooling of interests** - A business combination in which the voting stock of one company is acquired by another through an exchange of stock and not through the disbursement of cash or other resources. The reported income of the constituents for prior periods is combined and restated as income of the combined corporation.

**Psia** - Abbreviation for pounds per square inch absolute. It is a measure of pressure.

**Public authority** - A municipal, state, federal, school, county or precinct account, i.e., account with any governmental subdivision.

**Purchase accounting** - A method of accounting for a business combination in which one company is acquired by another by paying cash, transferring assets, or by issuing debt. The acquiring corporation records at its cost the acquired assets less liabilities assumed. The reported income of the acquiring corporation includes the operations of the acquired company after acquisition.

**Registrar** - The institution appointed by the company to keep records of the issuance, transfer and cancellation of its common stock.

**Residential service** - Covers service to customers for domestic purposes (single, multifamily or mobile homes, etc.). In residential service, the number of housing units within a structure determines the customer classification.

**Retained earnings** - Cumulative earnings retained in the business.

**RSC (Rate Stabilization Clause)** - A mechanism by which an LDC can adjust rates for changes in expenses without making a standard rate filing.

**Shareholders' equity** - The financial investment shareholders have in the company. It is represented by the difference between total assets and total liabilities.

**SFAS No. 106** - Requires employers to accrue postretirement benefit costs other than pensions (primarily retiree health care costs) during the period of service when they are earned rather than on a pay–as–you–go basis.

**Stated value** - The nominal or face value of a security. It is not related to the actual value of the stock or the company.

**Subsidiary** - A corporation owned by a parent company through ownership of the subsidiary's voting stock.

**Unbundling** - Disaggregation of the services historically provided by gas pipeline and distribution companies as a single service, consisting of transportation, storage, and purchase and resale of gas.

**Underground gas storage fields** - Natural gas reservoirs located near gas users into which gas may be pumped during periods of low demand and recovered on peak demand days. This increases gas supply on peak demand days without incurring peak day demand charges from gas suppliers.

**Weather normalization adjustment (WNA)** - Rate adjustments approved by certain regulatory commissions that allow a company to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal.

**Working capital** - Excess of current assets over current liabilities.

# NOTES

# NOTES

# 2005

# ATMOS ENERGY CORPORATION

# STATISTICAL SUMMARY

The purpose of this summary is to provide historical financial and statistical information and current facts about Atmos Energy Corporation (the "Company"). It should be used in conjunction with the Company's 2005 Annual Report on Form 10-K. It is not intended to be used in any way in conjunction with the sale or purchase of any securities of Atmos Energy Corporation or its subsidiaries. The financial and operating data in this summary are presented on a consolidated basis without extensive footnoting and are unaudited. All prior periods have been restated for the pooling of interests with United Cities Gas Company in July 1997.

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## COMPANY PROFILE AND SERVICE AREAS

Atmos Energy Corporation and its subsidiaries (the "Company") are engaged primarily in the natural gas utility business as well as other natural gas nonutility businesses. We are one of the country's largest natural-gas-only distributors based on number of customers and one of the largest intrastate pipeline operators in Texas based upon miles of pipe. As of September 30, 2005, we distributed natural gas through sales and transportation arrangements to approximately 3.2 million residential, commercial, public authority and industrial customers through our seven regulated utility divisions, which covered service areas in 12 states. Our primary service areas are located in Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee and Texas. We have more limited service areas in Georgia, Illinois, Iowa, Missouri and Virginia. In addition, we transport natural gas for others through our distribution system.

Through our nonutility businesses, we primarily provide natural gas management and marketing services to municipalities, other local gas distribution companies and industrial customers in 22 states and natural gas transportation and storage services to certain of our utility divisions and to third parties. We supplement natural gas used by our customers through natural gas storage fields that we own or hold an interest in and which are located in Texas, Kentucky and Louisiana. We also provide natural gas management services to our utility operations, other than the Mid-Tex Division, which include aggregating and purchasing gas supply, arranging transportation and storage logistics and ultimately delivering the gas to our utility service areas at competitive prices.

Our operations are divided into four segments: the utility segment, which includes our regulated natural gas distribution and related sales operations, the natural gas marketing segment, which includes a variety of nonregulated natural gas management services, the pipeline and storage segment, which includes our regulated and nonregulated natural gas transportation and storage services and the other nonutility segment, which includes all of our other nonregulated nonutility operations. Our Standard Industrial Classification (S.I.C.) Code is 4924.

The Company conducts its utility business in Texas under the names Atmos Energy West Texas Division and Atmos Energy Mid-Tex Division, in Louisiana under the name Atmos Energy Louisiana Division, in Kentucky under the name Atmos Energy Kentucky Division, in Colorado, Kansas and parts of Missouri under the name Atmos Energy Colorado-Kansas Division, in Illinois, Iowa, Georgia, Tennessee, Virginia and parts of Missouri under the name Atmos Energy Mid-States Division, and in Mississippi under the name Mississippi Division.

The Company was organized under the laws of the State of Texas in 1983 as Energas Company, a subsidiary of Pioneer Corporation ("Pioneer"), for the purpose of owning and operating Pioneer's natural gas distribution business in Texas. Immediately following the transfer by Pioneer to Energas of its gas distribution business, which Pioneer and its predecessors had operated since 1906, Pioneer distributed the outstanding stock of the Company to its shareholders. In September 1988, the Company changed its name from Energas Company to Atmos Energy Corporation. As a result of the merger with United Cities Company in July 1997, the Company also became incorporated in Virginia.

Since its organization, the Company has sought to expand its utility customer base and to diversify the effects of weather patterns, local economic conditions and regulatory jurisdictions to which its operations are subject. As part of this strategy, the Company acquired Trans Louisiana Gas Company, Inc. in January 1986, Western Kentucky Gas Utility Corporation in December 1987, merged with Greeley Gas Company in December 1993, merged with United Cities Gas Company in July 1997, purchased the Missouri natural gas distribution assets of Associated Natural Gas in May 2000, purchased from Citizens Communications Company the natural gas operations of its Louisiana Gas Service Company and its subsidiary LGS Natural Gas Company in July 2001, acquired Mississippi Valley Gas Company in December 2002 and purchased the natural gas distribution and pipeline operations of TXU Gas Company in October 2004. The Company acquired a 45 percent interest in Woodward Marketing, L.L.C. as a result of the merger of Atmos and United Cities Gas Company, which had acquired that interest in 1995. In April 2001, the Company acquired the remaining 55 percent interest in Woodward Marketing that it did not already own in exchange for 1,423,193 restricted shares of its common stock. For further information regarding acquisitions and mergers, please see the "Corporate Development" section on page 52.

The Company was formerly engaged in the retail and wholesale distribution of propane gas through United Cities Propane Gas, Inc. Through January 20, 2004, United Cities Propane Gas, Inc. owned an approximate 19 percent membership interest in U.S. Propane L.P. (USP), a joint venture formed in February 2000 with other utility companies to own a limited partnership interest in Heritage Propane Partners, L.P. (Heritage), a publicly-traded marketer of propane through a nationwide retail distribution network. During fiscal 2004, we sold our interest in USP and Heritage. As a result of these transactions, we no longer have an interest in the propane business.

The Company's principal executive offices are located at Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240, and the telephone number is (972) 934–9227.

# YEAR IN REVIEW

**Highlights for 2005**

**Improved Earnings**

The Company reported earnings of $135.8 million or $1.72 per diluted share for fiscal 2005 compared with $86.2 million or $1.58 per diluted share for fiscal 2004. Strong performance in our complementary nonutility businesses offset weather, adjusted for jurisdictions with weather normalized operations, that was 11% warmer than normal.

**Increased quarterly dividend 2% to $.31 per share**

The indicated annual dividend for fiscal 2005 was $1.24 per share, the Company's 18th consecutive annual dividend increase.

**Financial**

On June 30, 2005, we elected to utilize excess cash to repay $72.5 million in principal on five series of our First Mortgage Bonds prior to their scheduled maturity. In connection with the repayment, we paid a $25.0 million make-whole premium in accordance with the terms of the agreements and accrued interest of approximately $1.0 million. In accordance with regulatory requirements, the premium has been deferred and will be recognized over the remaining original lives of the First Mortgage Bonds that were repaid.

In July 2004, we sold 9.9 million shares of our common stock, including the underwriters' exercise of their over allotment option. The offering generated net proceeds of approximately $235.7 million after offering costs. In October 2004, we used the net proceeds from this offering, together with issuances in October 2004 of commercial paper to consummate the acquisition of TXU Gas (see below).

In October 2004, we sold 16.1 million common shares under the new shelf registration statement, including the underwriters' exercise of their over allotment option generating net proceeds of approximately $382.5 million before other offering costs. Additionally, we issued senior unsecured debt under the new shelf registration statement which generated approximately $1.39 billion in net proceeds. These proceeds were used primarily to refinance the $1.7 billion in commercial paper we used on October 1, 2004 to fund the TXU Gas acquisition (see below).

Hurricane Katrina adversely affected net income by $3.8 million or $0.05 per diluted share for fiscal 2005.

**Acquisitions**

On October 1, 2004, we completed our acquisition of the natural gas distribution and pipeline operations of TXU Gas Company. The purchase price for the TXU Gas acquisition was approximately $1.9 billion (after closing adjustments and before transaction costs and expenses), which we paid in cash. We funded the purchase price with approximately $235.7 million in net proceeds from our offering of approximately 9.9 million shares of common stock which we completed on July 19, 2004 and approximately $1.7 billion in net proceeds from our issuance on October 1, 2004 of commercial paper backstopped by a senior unsecured revolving credit agreement which we entered into on September 24, 2004 for bridge financing for the TXU Gas acquisition. In October 2004, we repaid the outstanding commercial paper used to fund the acquisition through the issuance of senior unsecured notes on October 22, 2004, which generated net proceeds of approximately $1.39 billion and the sale of 16.1 million shares of common stock on October 27, 2004 which generated net proceeds of approximately $382.5 million before other offering costs (see above).

As a result of the acquisition, effective October 1, 2004, we created the pipeline and storage segment which includes the regulated pipeline and storage operations of the Atmos Pipeline–Texas Division and the nonregulated pipeline and storage operations of Atmos Pipeline and Storage, LLC, which was previously included in our other nonutility segment.

**Ratemaking activity**

During fiscal 2005, net annual revenue increases resulting from ratemaking activity totaled $6.3 million. This increase was made up of $1.8 million for Atmos Pipeline - Texas, $0.2 million for Louisiana and $4.3 million for Mississippi.

Additionally, during fiscal 2005, $26.5 million in revenue was requested through rate filings initiated through out our jurisdictions that had not been completed as of September 30, 2005. Atmos Pipeline - Texas requested $1.9 million, the Louisiana Division requested $3.3 million, the Mid-States Division requested $4.0 million, the Mid-Tex Division requested $13.5 million and the West Texas Division requested $3.8 million.

For more information regarding ratemaking activities, see the "Regulation and Rates" section on page 34 of this document or the "Ratemaking Activity" section in Part 1, Item 1 of our Form 10-K for the year ended September 30, 2005.

## HIGHLIGHTS (1)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 |
| **Balance Sheet Data at September 30** (In thousands) | | | | |
| Capital expenditures | $ 333,183 | $ 190,285 | $ 159,439 | $ 132,252 |
| Net property, plant and equipment | 3,374,367 | 1,722,521 | 1,624,394 | 1,380,070 |
| Working capital | 151,675 | 283,310 | 16,248 | (139,150) |
| Total assets | 5,653,527 | 2,912,627 | 2,625,495 | 2,059,631 |
| Shareholders' equity | 1,602,422 | 1,133,459 | 857,517 | 573,235 |
| Long-term debt, excluding current maturities | 2,183,104 | 861,311 | 862,500 | 668,959 |
| Total capitalization | 3,785,526 | 1,994,770 | 1,720,017 | 1,242,194 |
| **Income Statement Data** (In thousands, except per share data) | | | | |
| Operating revenues (2) | $ 4,973,326 | $ 2,920,037 | $ 2,799,916 | $ 1,650,964 |
| Gross profit (2) | 1,129,090 | 562,191 | 534,976 | 431,140 |
| Net income | 135,785 | 86,227 | 71,688 | 59,656 |
| Net income per share - diluted | 1.72 | 1.58 | 1.54 | 1.45 |
| **Common Stock Data** | | | | |
| Shares outstanding (In thousands) | | | | |
| End of year | 80,539 | 62,800 | 51,476 | 41,676 |
| Weighted average diluted shares | 79,012 | 54,416 | 46,496 | 41,250 |
| Cash dividends per share | $1.24 | $1.22 | $1.20 | $1.18 |
| Shareholders of record | 26,242 | 27,555 | 28,510 | 28,829 |
| Market price - High | $29.76 | $26.86 | $25.45 | $24.46 |
| Low | $24.85 | $23.68 | $20.70 | $18.37 |
| End of year | $28.25 | $25.19 | $23.94 | $21.50 |
| Book value per share at end of year | $19.90 | $18.05 | $16.66 | $13.75 |
| Price/Earnings ratio at end of year | 16.42 | 15.94 | 15.55 | 14.83 |
| Market/Book ratio at end of year | 1.42 | 1.40 | 1.44 | 1.56 |
| Annualized dividend yield at end of year | 4.4% | 4.8% | 5.0% | 5.5% |
| **Customers and Volumes (as metered)** | | | | |
| Consolidated utility gas sales volumes (MMcf) | 296,283 | 173,219 | 184,512 | 145,488 |
| Consolidated utility gas transportation volumes (MMcf) | 114,851 | 72,814 | 63,453 | 63,053 |
| Consolidated utility throughput (MMcf) | 411,134 | 246,033 | 247,965 | 208,541 |
| Consolidated natural gas marketing throughput (MMcf) | 238,097 | 222,572 | 225,961 | 204,027 |
| Consolidated pipeline throughput (MMcf) | 375,604 | - | - | - |
| Meters in service at end of year | 3,157,840 | 1,679,136 | 1,672,798 | 1,389,341 |
| Heating degree days (3) | 2,587 | 3,271 | 3,473 | 3,368 |
| Degree days as a % of normal (3) | 89% | 96% | 101% | 94% |
| Utility average purchased gas cost per Mcf sold | $7.41 | $6.55 | $5.76 | $3.87 |
| Utility average transportation fee per Mcf | $0.49 | $0.36 | $0.43 | $0.41 |
| **Statistics** | | | | |
| Return on average shareholders' equity | 9.0% | 9.1% | 9.9% | 9.9% |
| Number of employees | 4,543 | 2,864 | 2,905 | 2,338 |
| Net utility plant per meter | $927 | $994 | $930 | $939 |
| Utility operation, maintenance and administrative expense per meter (4) | $110 | $116 | $115 | $101 |
| Meters per employee-utility | 730 | 612 | 594 | 616 |
| Times interest earned before income taxes | 2.59 | 3.05 | 2.75 | 2.55 |

(1) Amounts have been restated for pooling of interests with United Cities in July 1997.

(2) In conjunction with the adoption of EITF 02-03 during fiscal 2003, energy trading contracts resulting in delivery of a commodity where we are the principal in the transaction are included as operating revenues or purchased gas cost. All prior periods have been reclassified to conform with this new presentation.

(3) Heating degree days for 2001 thru 2005 are adjusted for service areas with weather-normalized operations. Heating degree days for years prior to 2001 are not adjusted for service areas with weather-normalized operations, as that information was not available.

(4) Fiscal 2001 amount adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|
| $ 113,109 | $ 75,557 | $ 110,353 | $ 134,989 | $ 122,312 | $ 117,589 | $ 103,904 |
| 1,409,432 | 1,045,484 | 1,024,773 | 917,860 | 849,127 | 770,211 | 697,287 |
| (90,968) | (185,267) | (153,472) | (116,679) | (169,518) | (102,764) | (41,980) |
| 2,108,841 | 1,410,668 | 1,288,256 | 1,141,390 | 1,088,311 | 1,010,610 | 900,948 |
| 583,864 | 392,466 | 377,663 | 371,158 | 327,260 | 329,582 | 304,349 |
| 691,026 | 361,970 | 376,211 | 398,548 | 302,981 | 276,162 | 294,463 |
| 1,274,890 | 754,436 | 753,874 | 769,706 | 630,241 | 605,744 | 598,812 |
| | | | | | | |
| $ 1,725,481 | $ 850,152 | $ 690,196 | $ 848,208 | $ 906,835 | $ 886,691 | $ 749,555 |
| 375,208 | 325,706 | 299,794 | 331,836 | 329,654 | 324,412 | 300,158 |
| 56,090 | 35,918 | 17,744 | 55,265 | 23,838 | 41,151 | 28,808 |
| 1.47 | 1.14 | 0.58 | 1.84 | 0.81 | 1.42 | 1.06 |
| | | | | | | |
| 40,792 | 31,952 | 31,248 | 30,398 | 29,642 | 29,242 | 28,246 |
| 38,247 | 31,594 | 30,819 | 30,031 | 29,422 | 28,994 | 27,208 |
| $1.16 | $1.14 | $1.10 | $1.06 | $1.01 | $0.98 | $0.96 |
| 30,524 | 32,394 | 35,179 | 36,949 | 29,867 | 36,472 | 31,782 |
| $26.25 | $25.00 | $32.69 | $31.06 | $27.88 | $31.00 | $20.63 |
| $19.31 | $14.75 | $23.06 | $24.63 | $22.13 | $18.00 | $15.88 |
| $21.60 | $20.63 | $24.13 | $28.56 | $24.88 | $23.38 | $19.38 |
| $14.31 | $12.28 | $12.09 | $12.21 | $11.04 | $11.27 | $10.77 |
| 14.69 | 18.09 | 41.59 | 15.52 | 30.71 | 16.46 | 18.28 |
| 1.51 | 1.68 | 2.00 | 2.34 | 2.25 | 2.07 | 1.80 |
| 5.4% | 5.5% | 4.6% | 3.7% | 4.1% | 4.2% | 5.0% |
| | | | | | | |
| 156,544 | 119,470 | 125,279 | 159,373 | 164,208 | 178,293 | 166,656 |
| 61,230 | 59,365 | 55,468 | 56,224 | 48,800 | 44,146 | 47,647 |
| 217,774 | 178,835 | 180,747 | 215,597 | 213,008 | 222,439 | 214,303 |
| 55,469 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 1,386,323 | 1,096,599 | 1,037,995 | 1,004,532 | 985,448 | 976,308 | 949,213 |
| 4,124 | 2,096 | 3,374 | 3,799 | 3,909 | 4,043 | 3,706 |
| 115% | 82% | 85% | 95% | 98% | 101% | 93% |
| $6.82 | $3.67 | $2.74 | $3.24 | $3.51 | $3.15 | $2.70 |
| $0.41 | $0.37 | $0.39 | $0.43 | $0.41 | $0.43 | $0.42 |
| | | | | | | |
| 10.4% | 9.3% | 4.7% | 15.8% | 7.3% | 13.0% | 10.1% |
| 2,361 | 1,885 | 2,062 | 2,193 | 2,679 | 2,863 | 2,944 |
| $977 | $931 | $884 | $914 | $862 | $789 | $735 |
| | | | | | | |
| $130 | $135 | $146 | $136 | $183 | $160 | $163 |
| 603 | 591 | 547 | 475 | 379 | 350 | 330 |
| 2.83 | 2.28 | 1.56 | 3.09 | 2.04 | 3.00 | 2.44 |

## CONSOLIDATED BALANCE SHEETS

| ASSETS | September 30 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Property, plant and equipment | | | | |
| Regulated plant | $4,562,621 | $2,526,827 | $2,378,626 | $2,021,663 |
| Nonregulated plant | 69,063 | 68,547 | 85,366 | 81,765 |
| Construction in progress | 133,926 | 38,277 | 16,147 | 24,399 |
| | 4,765,610 | 2,633,651 | 2,480,139 | 2,127,827 |
| Less accumulated depreciation and amortization | 1,391,243 | 911,130 | 855,745 | 747,757 |
| Net property, plant & equipment | 3,374,367 | 1,722,521 | 1,624,394 | 1,380,070 |
| Current assets | | | | |
| Cash and cash equivalents | 40,116 | 201,932 | 15,683 | 47,991 |
| Cash held on deposit in margin account | 80,956 | - | 17,903 | 10,192 |
| Accounts receivable, net | 454,313 | 211,810 | 216,783 | 136,227 |
| Inventories | 7,502 | 2,626 | 3,917 | 3,769 |
| Gas stored underground | 450,807 | 200,134 | 168,765 | 91,783 |
| Assets from risk management activities | 107,913 | 44,440 | 22,259 | 27,984 |
| Deferred gas cost | 38,173 | 8,756 | 308 | - |
| Other current assets | 84,650 | 43,497 | 12,379 | 13,209 |
| Total current assets | 1,264,430 | 713,195 | 457,997 | 331,155 |
| Intangible assets | 3,507 | 4,160 | 5,030 | 5,365 |
| Goodwill | 734,280 | 241,368 | 268,469 | 185,015 |
| Noncurrent assets from risk management activities | 735 | 562 | 1,699 | 5,241 |
| Deferred charges and other assets | 276,208 | 230,821 | 267,906 | 152,785 |
| | $5,653,527 | $2,912,627 | $2,625,495 | $2,059,631 |

| CAPITALIZATION AND LIABILITIES | | | | |
|---|---|---|---|---|
| Shareholders' equity | | | | |
| Common stock | $ 403 | $ 314 | $ 257 | $ 208 |
| Additional paid-in capital | 1,426,523 | 1,005,644 | 736,180 | 508,265 |
| Retained earnings | 178,837 | 142,030 | 122,539 | 106,142 |
| Accum. other comprehensive income (loss) | (3,341) | (14,529) | (1,459) | (41,380) |
| Shareholders' equity | 1,602,422 | 1,133,459 | 857,517 | 573,235 |
| Long-term debt | 2,183,104 | 861,311 | 862,500 | 668,959 |
| Total capitalization | 3,785,526 | 1,994,770 | 1,720,017 | 1,242,194 |
| Current liabilities | | | | |
| Current maturities of long-term debt | 3,264 | 5,908 | 9,345 | 21,980 |
| Short-term debt | 144,809 | - | 118,595 | 145,791 |
| Accounts payable and accrued liabilities | 461,314 | 185,295 | 179,852 | 136,773 |
| Taxes payable | 66,083 | 22,930 | 9,746 | 15,626 |
| Customers' deposits | 89,918 | 44,474 | 41,068 | 31,147 |
| Liabilities from risk management activities | 61,920 | 39,458 | 20,790 | 18,487 |
| Deferred gas cost | 134,048 | 54,514 | - | 21,947 |
| Other current liabilities | 151,399 | 77,306 | 62,353 | 78,554 |
| Total current liabilities | 1,112,755 | 429,885 | 441,749 | 470,305 |
| Deferred income taxes | 292,207 | 241,257 | 223,350 | 134,540 |
| Noncurrent liabilities from risk management activities | 15,316 | 1,138 | 763 | 3,663 |
| Regulatory cost of removal obligation (1) | 263,424 | 103,579 | 102,371 | 73,716 |
| Deferred credits and other liabilities | 184,299 | 141,998 | 137,245 | 135,213 |
| | $5,653,527 | $2,912,627 | $2,625,495 | $2,059,631 |

(1) In fiscal 2004, we retroactively reclassified our regulatory cost of removal obligation from accumulated depreciation to a liability. This amount was not reclassified for years prior to fiscal 1999, as that information was not available.

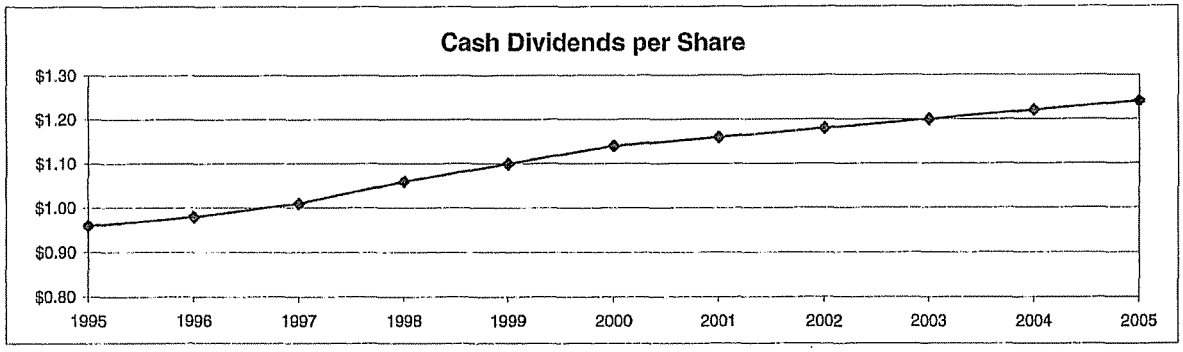
| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|
| $2,008,761 | $1,512,764 | $1,454,228 | $1,258,301 | $1,218,372 | $1,123,758 | $1,028,836 |
| 47,225 | 33,805 | 72,606 | 75,255 | 82,632 | 74,799 | 69,157 |
| 53,881 | 33,234 | 22,424 | 112,864 | 31,668 | 21,217 | 8,871 |
| 2,109,867 | 1,579,803 | 1,549,258 | 1,446,420 | 1,332,672 | 1,219,774 | 1,106,864 |
| 700,435 | 534,319 | 524,485 | 528,560 | 483,545 | 449,563 | 409,577 |
| 1,409,432 | 1,045,484 | 1,024,773 | 917,860 | 849,127 | 770,211 | 697,287 |
| 15,263 | 7,379 | 8,585 | 4,735 | 6,016 | 11,134 | 9,296 |
| 66,666 | - | - | - | - | - | - |
| 124,046 | 77,264 | 70,564 | 34,887 | 71,217 | 103,415 | 90,718 |
| 6,041 | 6,456 | 8,209 | 15,219 | 12,333 | 13,895 | 12,657 |
| 89,555 | 64,222 | 44,653 | 48,909 | 48,122 | 43,350 | 27,401 |
| 95,968 | - | - | - | - | - | - |
| 10,999 | 37,184 | - | - | - | - | - |
| 15,713 | 8,101 | 3,142 | 3,630 | 6,017 | 2,809 | 4,775 |
| 424,251 | 200,606 | 135,153 | 107,380 | 143,705 | 174,603 | 144,847 |
| 12,125 | 878 | - | - | - | - | - |
| 64,745 | 3,110 | - | - | - | - | - |
| 29,771 | - | - | - | - | - | - |
| 168,517 | 160,590 | 128,330 | 116,150 | 95,479 | 65,796 | 58,814 |
| $2,108,841 | $1,410,668 | $1,288,256 | $1,141,390 | $1,088,311 | $1,010,610 | $900,948 |
| $ 204 | $ 160 | $ 156 | $ 152 | $ 148 | $ 146 | $ 141 |
| 489,948 | 306,887 | 293,359 | 271,637 | 251,174 | 241,658 | 230,630 |
| 95,132 | 83,154 | 83,231 | 99,369 | 75,938 | 87,778 | 73,578 |
| (1,420) | 2,265 | 917 | - | - | - | - |
| 583,864 | 392,466 | 377,663 | 371,158 | 327,260 | 329,582 | 304,349 |
| 691,026 | 361,970 | 376,211 | 398,548 | 302,981 | 276,162 | 294,463 |
| 1,274,890 | 754,436 | 753,874 | 769,706 | 630,241 | 605,744 | 598,812 |
| 20,695 | 17,566 | 17,848 | 57,783 | 15,201 | 16,679 | 16,155 |
| 201,247 | 250,047 | 168,304 | 66,400 | 167,300 | 128,488 | 65,813 |
| 84,471 | 73,031 | 64,167 | 44,742 | 62,626 | 80,321 | 56,525 |
| 11,620 | 10,844 | 848 | 12,736 | 416 | 11,201 | 4,083 |
| 32,351 | 9,923 | 9,657 | 12,029 | 15,098 | 16,812 | 16,220 |
| 119,484 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 45,351 | 24,462 | 27,801 | 30,369 | 52,582 | 23,866 | 28,031 |
| 515,219 | 385,873 | 288,625 | 224,059 | 313,223 | 277,367 | 186,827 |
| 138,934 | 131,619 | 112,610 | 80,213 | 87,828 | 72,073 | 64,719 |
| 7,412 | - | - | - | - | - | - |
| 69,844 | 59,761 | 57,141 | - | - | - | - |
| 102,542 | 78,979 | 76,006 | 67,412 | 57,019 | 55,426 | 50,590 |
| $2,108,841 | $1,410,668 | $1,288,256 | $1,141,390 | $1,088,311 | $1,010,610 | $900,948 |

## CONSOLIDATED STATEMENTS OF INCOME (1)

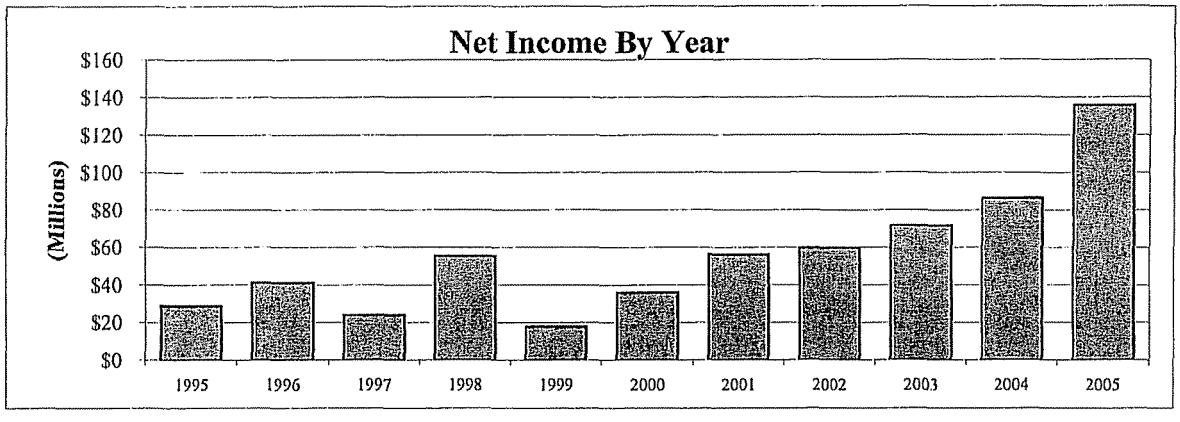
| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 |
| | (In thousands, except per share data) | | | |
| Operating revenues (2) | | | | |
| Utility segment | $ 3,103,140 | $ 1,637,728 | $ 1,554,082 | $ 937,526 |
| Natural gas marketing segment | 2,106,278 | 1,618,602 | 1,668,493 | 1,031,874 |
| Pipeline and storage segment | 164,742 | 19,758 | 20,298 | 18,720 |
| Other nonutility segment | 5,302 | 3,393 | 2,853 | 5,985 |
| Intersegment eliminations | (406,136) | (359,444) | (445,810) | (343,141) |
| Total operating revenues | 4,973,326 | 2,920,037 | 2,799,916 | 1,650,964 |
| Purchased gas cost (2) | | | | |
| Utility segment | 2,195,774 | 1,134,594 | 1,062,679 | 559,891 |
| Natural gas marketing segment | 2,044,305 | 1,571,971 | 1,644,328 | 994,318 |
| Pipeline and storage segment | 6,811 | 9,383 | 3,061 | 5,673 |
| Other nonutility segment | - | - | - | 2,349 |
| Intersegment eliminations | (402,654) | (358,102) | (445,128) | (342,407) |
| Total purchased gas cost | 3,844,236 | 2,357,846 | 2,264,940 | 1,219,824 |
| Gross profit | 1,129,090 | 562,191 | 534,976 | 431,140 |
| Operating expenses | | | | |
| Operation | 398,978 | 203,590 | 193,973 | 150,283 |
| Maintenance | 28,756 | 10,880 | 11,117 | 7,836 |
| Depreciation and amortization | 178,005 | 96,647 | 87,001 | 81,469 |
| Taxes, other than income | 174,696 | 57,379 | 55,045 | 36,221 |
| Total operating expenses | 780,435 | 368,496 | 347,136 | 275,809 |
| Operating income | 348,655 | 193,695 | 187,840 | 155,331 |
| Other income (expense) | | | | |
| Equity in earnings of Woodward Marketing, L.L.C. | - | - | - | - |
| Interest income | 4,003 | 2,376 | 1,586 | 1,373 |
| Miscellaneous income (expense) | (1,982) | 7,131 | 605 | (2,694) |
| Total other income (expense) | 2,021 | 9,507 | 2,191 | (1,321) |
| Interest charges | 132,658 | 65,437 | 63,660 | 59,174 |
| Income tax expense | 82,233 | 51,538 | 46,910 | 35,180 |
| Income before cumulative effect of accounting change | 135,785 | 86,227 | 79,461 | 59,656 |
| Cumulative effect of accounting change, net of income tax benefit | - | - | (7,773) | - |
| Net income | $ 135,785 | $ 86,227 | $ 71,688 | $ 59,656 |
| Diluted net income per share | $1.72 | $1.58 | $1.54 | $1.45 |
| Weighted average shares outstanding - diluted | 79,012 | 54,416 | 46,496 | 41,250 |

(1) Restated for poolings of interests with United Cities in July 1997.

(2) Revenue and purchased gas cost for fiscal 2001 thru 2005 is shown on a segment basis. Revenue and purchased gas cost for years prior to fiscal 2001 was not available on a segment basis; thus, those amounts are shown as other nonutility segment revenue and utility gas cost.



| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|
| $ 1,380,148 | $ 734,835 | $ 617,313 | $ 738,445 | $ 805,252 | $ 778,217 | $ 707,680 |
| 447,096 | - | - | - | - | - | - |
| 29,996 | - | - | - | - | - | - |
| 29,440 | 115,317 | 72,883 | 109,763 | 101,583 | 108,474 | 41,875 |
| (161,199) | - | - | - | - | - | - |
| 1,725,481 | 850,152 | 690,196 | 848,208 | 906,835 | 886,691 | 749,555 |
| 1,017,363 | 524,446 | 390,402 | 516,372 | 577,181 | 562,279 | 449,397 |
| 445,504 | - | - | - | - | - | - |
| 23,687 | - | - | - | - | - | - |
| 24,918 | - | - | - | - | - | - |
| (161,199) | - | - | - | - | - | - |
| 1,350,273 | 524,446 | 390,402 | 516,372 | 577,181 | 562,279 | 449,397 |
| 375,208 | 325,706 | 299,794 | 331,836 | 329,654 | 324,412 | 300,158 |
| 133,240 | 140,249 | 148,065 | 131,336 | 173,683 | 148,196 | 146,624 |
| 6,368 | 7,648 | 9,141 | 10,278 | 11,974 | 11,719 | 11,350 |
| 67,664 | 63,855 | 56,874 | 47,555 | 45,257 | 41,666 | 40,597 |
| 37,655 | 28,638 | 31,475 | 29,788 | 32,131 | 30,254 | 29,626 |
| 244,927 | 240,390 | 245,555 | 218,957 | 263,045 | 231,835 | 228,197 |
| 130,281 | 85,316 | 54,239 | 112,879 | 66,609 | 92,577 | 71,961 |
| 8,062 | 7,307 | 7,156 | 3,920 | 3,254 | 1,997 | 1,354 |
| 3,761 | 738 | 765 | 1,510 | 2,156 | 1,870 | 1,936 |
| (5,635) | 6,699 | 2,202 | 4,341 | (288) | (300) | 287 |
| 6,188 | 14,744 | 10,123 | 9,771 | 5,122 | 3,567 | 3,577 |
| 47,011 | 43,823 | 37,063 | 35,579 | 33,595 | 31,677 | 30,186 |
| 33,368 | 20,319 | 9,555 | 31,806 | 14,298 | 23,316 | 16,544 |
| 56,090 | 35,918 | 17,744 | 55,265 | 23,838 | 41,151 | 28,808 |
| - | - | - | - | - | - | - |
| $ 56,090 | $ 35,918 | $ 17,744 | $ 55,265 | $ 23,838 | $ 41,151 | $ 28,808 |
| $1.47 | $1.14 | $0.58 | $1.84 | $0.81 | $1.42 | $1.06 |
| 38,247 | 31,594 | 30,819 | 30,031 | 29,422 | 28,994 | 27,208 |



## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | Common Stock | | Additional | Accumulated Other | Retained | |
|---|---|---|---|---|---|---|
| | Number of Shares | Stated Value | Paid-in Capital | Comprehensive Income (loss) | Earnings | Total |
| | | | (In thousands, except share data) | | | |
| Balance, September 30, 1994 | 25,910,607 | $ 130 | $ 196,487 | $ - | $ 70,967 | $ 267,584 |
| Net income | - | - | - | - | 28,808 | 28,808 |
| Cash dividends | - | - | - | - | (26,197) | (26,197) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 13,000 | - | 202 | - | - | 202 |
| Direct stock purchase plan | 388,484 | 2 | 5,832 | - | - | 5,834 |
| ESOP/401(K) plans | 233,789 | 1 | 4,173 | - | - | 4,174 |
| Woodward Marketing investment | 320,512 | 2 | 4,998 | - | - | 5,000 |
| Public offering | 1,380,000 | 6 | 18,893 | - | - | 18,899 |
| Other | - | - | 45 | - | - | 45 |
| Balance, September 30, 1995 | 28,246,392 | 141 | 230,630 | - | 73,578 | 304,349 |
| Net income | - | - | - | - | 41,151 | 41,151 |
| Cash dividends | - | - | - | - | (28,478) | (28,478) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 41,700 | 1 | 733 | - | - | 734 |
| Direct stock purchase plan | 251,224 | 1 | 4,322 | - | - | 4,323 |
| Long term stock plan for United Cities | 16,900 | - | 241 | - | - | 241 |
| Outside directors stock-for-fee plan | 3,389 | - | 76 | - | - | 76 |
| ESOP | 161,477 | 1 | 3,641 | - | - | 3,642 |
| Monarch Gas Co. Acquisition | 207,366 | 1 | 1,499 | - | 933 | 2,433 |
| Oceana Heights Acquisition | 313,411 | 1 | 304 | - | 594 | 899 |
| Other | - | - | 212 | - | - | 212 |
| Balance, September 30, 1996 | 29,241,859 | 146 | 241,658 | - | 87,778 | 329,582 |
| Net income | - | - | - | - | 23,838 | 23,838 |
| Cash dividends | - | - | - | - | (26,415) | (26,415) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 100,000 | 1 | 2,443 | - | - | 2,444 |
| Direct stock purchase plan | 85,243 | - | 1,888 | - | - | 1,888 |
| Outside directors stock-for-fee plan | 3,008 | - | 72 | - | - | 72 |
| ESOP | 212,327 | 1 | 5,113 | - | - | 5,114 |
| Less: UCGC net income for quarter ended 12/31/96 | - | - | - | - | (9,263) | (9,263) |
| Balance, September 30, 1997 | 29,642,437 | 148 | 251,174 | - | 75,938 | 327,260 |
| Net income | - | - | - | - | 55,265 | 55,265 |
| Cash dividends | - | - | - | - | (31,834) | (31,834) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 114,250 | 1 | 2,898 | - | - | 2,899 |
| Direct stock purchase plan | 531,353 | 3 | 14,482 | - | - | 14,485 |
| ESOP | 52,473 | - | 1,485 | - | - | 1,485 |
| Long-term stock plan for UCG | 55,500 | - | 1,533 | - | - | 1,533 |
| Outside directors stock-for-fee plan | 2,306 | - | 65 | - | - | 65 |
| Balance, September 30, 1998 | 30,398,319 | 152 | 271,637 | - | 99,369 | 371,158 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 17,744 | 17,744 |
| Unrealized holding gains on investments, net | - | - | - | 917 | - | 917 |
| Total comprehensive income | | | | | | 18,661 |
| Cash dividends | - | - | - | - | (33,882) | (33,882) |
| Common stock issued | | | | | | |
| Restricted stock grant plan | 56,850 | - | 1,732 | - | - | 1,732 |
| Direct stock purchase plan | 694,905 | 4 | 17,429 | - | - | 17,433 |
| ESOP | 89,435 | - | 2,362 | - | - | 2,362 |
| Long-term stock plan for UCG | 6,450 | - | 150 | - | - | 150 |
| Outside directors stock-for-fee plan | 1,841 | - | 49 | - | - | 49 |
| Balance, September 30, 1999 | 31,247,800 | 156 | 293,359 | 917 | 83,231 | 377,663 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 35,918 | 35,918 |
| Unrealized holding gains on investments, net | - | - | - | 1,348 | - | 1,348 |
| Total comprehensive income | | | | | | 37,266 |
| Cash dividends | - | - | - | - | (35,995) | (35,995) |
| Common stock issued | | | | | | |
| Restricted stock grant plan (cancelled) | (1,300) | - | (18) | - | - | (18) |
| Direct stock purchase plan | 440,990 | 2 | 8,588 | - | - | 8,590 |
| Retirement savings plan | 258,049 | 1 | 4,842 | - | - | 4,843 |
| Long-term stock plan for UCG | 4,200 | - | 66 | - | - | 66 |
| Outside directors stock-for-fee plan | 2,601 | 1 | 50 | - | - | 51 |
| Balance, September 30, 2000 | 31,952,340 | $ 160 | $ 306,887 | $ 2,265 | $ 83,154 | $ 392,466 |

Shareholders' equity balances and share data have been restated for the poolings of interests with United Cities in July 1997.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Continued)

| | 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 data) | | | | | |
| Balance, September 30, 2000 | 31,952,340 | $ 160 | $ 306,887 | $ 2,265 | $ 83,154 | $ 392,466 |
| *Comprehensive income:* | | | | | | |
| Net income | - | - | - | - | 56,090 | 56,090 |
| Unrealized holding losses on investments, net | - | - | - | (3,685) | - | (3,685) |
| Total comprehensive income | | | | | | 52,405 |
| Cash dividends | - | - | - | - | (44,112) | (44,112) |
| Common stock issued | | | | | | |
| Direct stock purchase plan | 411,159 | 2 | 8,682 | - | - | 8,684 |
| Retirement savings plan | 225,945 | 1 | 5,098 | - | - | 5,099 |
| Long-term stock plan for UCG | 15,300 | - | 240 | - | - | 240 |
| Long-term incentive plan | 17,172 | - | 272 | - | - | 272 |
| Non-employee directors equity incentive compensation plan | 2,740 | - | 60 | - | - | 60 |
| Outside directors stock-for-fee plan | 2,152 | - | 50 | - | - | 50 |
| Woodward Marketing, L.L.C. acquisition | 1,423,193 | 7 | 26,650 | - | - | 26,657 |
| Public offering | 6,741,500 | 34 | 142,009 | - | - | 142,043 |
| Balance, September 30, 2001 | 40,791,501 | 204 | 489,948 | (1,420) | 95,132 | 583,864 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 59,656 | 59,656 |
| Minimum pension liability, net | - | - | - | (39,432) | - | (39,432) |
| Unrealized holding losses on investments, net | - | - | - | (528) | - | (528) |
| Total comprehensive income | | | | | | 19,696 |
| *Cash dividends* | - | - | - | - | (48,646) | (48,646) |
| Common stock issued | | | | | | |
| Direct stock purchase plan | 505,202 | 2 | 10,546 | - | - | 10,548 |
| Retirement savings plan | 326,335 | 2 | 7,137 | - | - | 7,139 |
| Long-term incentive plan | 50,465 | - | 579 | - | - | 579 |
| Outside directors stock-for-fee plan | 2,429 | - | 55 | - | - | 55 |
| Balance, September 30, 2002 | 41,675,932 | 208 | 508,265 | (41,380) | 106,142 | 573,235 |
| *Comprehensive income:* | | | | | | |
| Net income | - | - | - | - | 71,688 | 71,688 |
| Minimum pension liability, net | - | - | - | 39,432 | - | 39,432 |
| Unrealized holding gains on investments, net | - | - | - | 489 | - | 489 |
| Total comprehensive income | | | | | | 111,609 |
| Cash dividends | - | - | - | - | (55,291) | (55,291) |
| Common stock issued | | | | | | |
| *Public offering* | 4,100,000 | 20 | 99,102 | - | - | 99,122 |
| Acquisition of MVG | 3,386,287 | 17 | 74,633 | - | - | 74,650 |
| Contribution to Pension Account Plan | 1,169,700 | 6 | 28,757 | - | - | 28,763 |
| Direct stock purchase plan | 585,743 | 3 | 13,209 | - | - | 13,212 |
| Retirement savings plan | 360,725 | 2 | 8,277 | - | - | 8,279 |
| Long-term incentive plan | 181,429 | 1 | 3,664 | - | - | 3,665 |
| Long-term stock plan for Mid-States Div | 13,000 | - | 206 | - | - | 206 |
| Outside directors stock-for-fee plan | 2,969 | - | 67 | - | - | 67 |
| Balance, September 30, 2003 | 51,475,785 | 257 | 736,180 | (1,459) | 122,539 | 857,517 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 86,227 | 86,227 |
| Unrealized holding gains on investments, net | - | - | - | 615 | - | 615 |
| Treasury lock agreements, net | - | - | - | (21,268) | - | (21,268) |
| Cash flow hedges, net | - | - | - | 7,583 | - | 7,583 |
| *Total comprehensive income* | | | | | | 73,157 |
| Cash dividends | - | - | - | - | (66,736) | (66,736) |
| Common stock issued | | | | | | |
| Public offering | 9,939,393 | 50 | 235,419 | - | - | 235,469 |
| Direct stock purchase plan | 556,856 | 3 | 13,726 | - | - | 13,729 |
| Retirement savings plan | 320,313 | 2 | 8,300 | - | - | 8,302 |
| Long-term incentive plan | 498,230 | 2 | 11,848 | - | - | 11,850 |
| Long-term stock plan for Mid-States Div | 6,000 | - | 94 | - | - | 94 |
| Outside directors stock-for-fee plan | 3,133 | - | 77 | - | - | 77 |
| Balance, September 30, 2004 | 62,799,710 | 314 | 1,005,644 | (14,529) | 142,030 | 1,133,459 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | - | 135,785 | 135,785 |
| *Unrealized holding gains* on investments, net | - | - | - | 1,528 | - | 1,528 |
| Treasury lock agreements, net | - | - | - | (2,714) | - | (2,714) |
| Cash flow hedges, net | - | - | - | 12,374 | - | 12,374 |
| Total comprehensive income | | | | | | 146,973 |
| Cash dividends | - | - | - | - | (98,978) | (98,978) |
| Common stock issued | | | | | | |
| Public offering | 16,100,000 | 80 | 381,271 | - | - | 381,351 |
| Direct stock purchase plan | 450,212 | 3 | 12,486 | - | - | 12,489 |
| Retirement savings plan | 441,350 | 2 | 11,767 | - | - | 11,769 |
| Long-term incentive plan | 745,788 | 4 | 14,116 | - | - | 14,120 |
| Amortization of restricted stock | - | - | 1,175 | - | - | 1,175 |
| Outside directors stock-for-fee plan | 2,341 | - | 64 | - | - | 64 |
| Balance, September 30, 2005 | 80,539,401 | $ 403 | $1,426,523 | $ (3,341) | $ 178,837 | $ 1,602,422 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 |
| | (In thousands) | | | |
| Cash flows from operating activities | | | | |
| Net income | $ 135,785 | $ 86,227 | $ 71,688 | $ 59,656 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | |
| Cumulative effect of accounting change, net of income tax benefit | - | - | 7,773 | - |
| Depreciation and amortization | | | | |
| Charged to depreciation and amortization | 178,005 | 96,647 | 87,001 | 81,469 |
| Charged to other accounts | 791 | 1,465 | 2,193 | 2,452 |
| Deferred income taxes | 12,669 | 36,997 | 53,867 | 14,509 |
| Other | 11,522 | (1,772) | (5,885) | (3,371) |
| Net assets/liabilities from risk management activities | 27,257 | (24,074) | (129) | (9,576) |
| Loss (gain) on sales of assets | - | (6,700) | - | - |
| | 366,029 | 188,790 | 216,508 | 145,139 |
| Changes in assets and liabilities net of effect of acquisitions | | | | |
| (Increase) decrease in cash held on deposit in margin account | (80,956) | 17,903 | (7,711) | 56,474 |
| (Increase) decrease in accounts receivable | (166,692) | 2,158 | (60,026) | (12,181) |
| (Increase) decrease in inventories | 1,958 | 1,298 | 3,234 | 2,272 |
| (Increase) decrease in gas stored underground | (112,796) | (31,030) | (64,875) | (2,228) |
| (Increase) decrease in deferred gas cost | 47,606 | 41,529 | (24,160) | 32,946 |
| (Increase) decrease in other current assets | 14,145 | (3,013) | 5,308 | 2,504 |
| (Increase) decrease in deferred charges and other assets | 30,232 | 16,041 | 21,258 | (33,515) |
| Increase (decrease) in accounts payable and accrued liabilities | 224,375 | 4,586 | 19,417 | 52,302 |
| Increase (decrease) in taxes payable | 27,079 | 12,520 | (4,323) | 4,006 |
| Increase (decrease) in customers' deposits | 23,066 | 3,434 | (767) | (1,204) |
| Increase (decrease) in other current liabilities | 34,781 | 9,462 | (35,546) | 31,393 |
| Increase (decrease) in deferred credits and other liabilities | (21,883) | 7,056 | (18,866) | 19,487 |
| Net cash provided by operating activities | 386,944 | 270,734 | 49,451 | 297,395 |
| Cash flows used in investing activities | | | | |
| Capital expenditures | (333,183) | (190,285) | (159,439) | (132,252) |
| Acquisitions, net of cash received | (1,916,696) | (1,957) | (74,650) | (15,747) |
| Other, net | (2,131) | (570) | 704 | (1,725) |
| Assets for leasing activities | - | - | - | (8,511) |
| Proceeds from sale of assets, net | - | 27,919 | - | - |
| Net cash used in investing activities | (2,252,010) | (164,893) | (233,385) | (158,235) |
| Cash flows from financing activities | | | | |
| Net increase (decrease) in short-term debt | 144,809 | (118,595) | (27,196) | (55,456) |
| Net proceeds from issuance of long-term debt | 1,385,847 | 5,000 | 253,267 | - |
| Settlement of Treasury lock agreements | (43,770) | - | - | - |
| Proceeds from bridge loan | - | - | 147,000 | - |
| Repayment of bridge loan | - | - | (147,000) | - |
| Repayment of long-term debt | (103,425) | (9,713) | (73,165) | (20,651) |
| Repayment of Mississippi Valley Gas debt | - | - | (70,938) | - |
| Cash dividends paid | (98,978) | (66,736) | (55,291) | (48,646) |
| Issuance of common stock | 37,183 | 34,715 | 25,720 | 18,321 |
| Net proceeds from equity offering | 381,584 | 235,737 | 99,229 | - |
| Net cash provided (used) by financing activities | 1,703,250 | 80,408 | 151,626 | (106,432) |
| Net increase (decrease) in cash and cash equivalents | (161,816) | 186,249 | (32,308) | 32,728 |
| Cash and cash equivalents at beginning of year | 201,932 | 15,683 | 47,991 | 15,263 |
| Cash and cash equivalents at end of year | $ 40,116 | $ 201,932 | $ 15,683 | $ 47,991 |

(1) Includes UCGC operations only for the nine months ended September 30, 1997, because UCGC operations for the quarter ended December 31, 1996 are reflected in fiscal year 1996 results.

| 2001 | 2000 | 1999 | 1998 | 1997 (1) | 1996 | 1995 |
|---|---|---|---|---|---|---|
| $ 56,090 | $ 35,918 | $ 17,744 | $ 55,265 | $ 14,575 | $ 41,151 | $ 28,808 |
| - | - | - | - | - | - | - |
| 67,664 | 63,855 | 56,874 | 47,555 | 39,970 | 41,666 | 40,597 |
| 2,806 | 3,065 | 4,800 | 5,861 | 2,237 | 3,580 | 3,601 |
| 18,501 | 18,251 | 31,874 | (3,968) | 5,807 | 7,585 | 4,652 |
| (979) | - | - | - | - | - | - |
| 13,881 | - | - | - | - | - | - |
| - | (5,831) | - | (3,335) | - | (1,866) | 293 |
| 157,963 | 115,258 | 111,292 | 101,378 | 62,589 | 92,116 | 77,951 |
| (62,181) | - | - | - | - | - | - |
| 65,032 | (11,260) | (29,576) | 36,330 | 32,198 | (12,697) | (9,199) |
| 374 | 2,037 | 7,010 | (2,886) | 1,562 | (1,238) | (827) |
| (3,376) | (17,518) | 4,256 | (787) | (4,772) | (15,949) | 11,707 |
| 15,440 | (31,353) | (6,101) | - | - | - | - |
| (6,646) | (4,930) | 488 | 2,387 | (3,208) | 1,966 | (419) |
| (12,143) | (13,053) | (12,012) | (20,671) | (29,683) | (4,623) | (10,832) |
| (94,769) | 8,643 | 19,425 | (17,884) | (17,695) | 23,796 | 3,415 |
| 791 | 9,607 | (11,888) | 8,673 | (837) | 7,099 | 162 |
| 6,078 | (909) | (2,372) | (3,069) | (1,714) | 592 | 1,235 |
| 9,019 | (4,866) | (4,418) | (22,213) | 28,716 | (4,165) | 5,096 |
| 7,413 | 2,540 | 8,594 | 10,393 | 1,593 | 4,836 | 854 |
| 82,995 | 54,196 | 84,698 | 91,651 | 68,749 | 91,733 | 79,143 |
| (113,109) | (75,557) | (110,353) | (134,989) | (122,312) | (117,589) | (103,904) |
| (354,755) | (32,000) | - | - | - | - | - |
| (1,460) | 957 | 757 | 178 | 1,189 | 5,708 | 2,456 |
| (5,377) | - | - | - | - | - | - |
| 6,625 | 6,467 | - | 15,997 | - | - | - |
| (468,076) | (100,133) | (109,596) | (118,814) | (121,123) | (111,881) | (101,448) |
| (48,800) | 81,743 | 101,904 | (100,900) | 38,812 | 62,675 | (38,475) |
| 347,099 | - | - | 154,445 | 40,000 | - | 67,000 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (17,670) | (14,567) | (61,000) | (16,296) | (14,659) | (20,734) | (10,347) |
| - | - | - | - | - | - | - |
| (44,112) | (35,995) | (33,882) | (31,834) | (26,415) | (28,478) | (26,197) |
| 14,405 | 13,550 | 21,726 | 20,467 | 9,518 | 8,523 | 34,109 |
| 142,043 | - | - | - | - | - | - |
| 392,965 | 44,731 | 28,748 | 25,882 | 47,256 | 21,986 | 26,090 |
| 7,884 | (1,206) | 3,850 | (1,281) | (5,118) | 1,838 | 3,785 |
| 7,379 | 8,585 | 4,735 | 6,016 | 11,134 | 9,296 | 5,511 |
| $ 15,263 | $ 7,379 | $ 8,585 | $ 4,735 | $ 6,016 | $ 11,134 | $ 9,296 |

## PROPERTY, PLANT AND EQUIPMENT

| Year ended | Balance at beginning of period | Additions at cost (1) | Retirements or sales | Other | Balance at end of period |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| September 30, 1995 | $ 1,017,060 | $ 105,154 | $ 15,350 | $ - | $ 1,106,864 |
| September 30, 1996 | $ 1,106,864 | $ 125,258 | $ 12,348 | $ - | $ 1,219,774 |
| Regulated plant | $ 1,123,758 | $ 102,231 | $ 7,618 | $ - | $ 1,218,371 |
| Nonregulated plant | 74,799 | 9,630 | 1,796 | - | 82,633 |
| Construction in progress | 21,217 | 10,451 | - | - | 31,668 |
| September 30, 1997 | $ 1,219,774 | $ 122,312 | $ 9,414 | $ - | $ 1,332,672 |
| Regulated plant | $ 1,218,371 | $ 47,317 | $ 7,387 | $ - | $ 1,258,301 |
| Nonregulated plant | 82,633 | 7,452 | 14,830 | - | 75,255 |
| Construction in progress | 31,668 | 80,220 | (976) | - | 112,864 |
| September 30, 1998 | $ 1,332,672 | $ 134,989 | $ 21,241 | $ - | $ 1,446,420 |
| Regulated plant | $ 1,258,301 | $ 199,127 | $ 3,200 | $ - | $ 1,454,228 |
| Nonregulated plant | 75,255 | 868 | 3,517 | - | 72,606 |
| Construction in progress | 112,864 | (89,642) | 798 | - | 22,424 |
| September 30, 1999 | $ 1,446,420 | $ 110,353 | $ 7,515 | $ - | $ 1,549,258 |
| Regulated plant | $ 1,454,228 | $ 95,842 | $ 37,306 | $ - | $ 1,512,764 |
| Nonregulated plant | 72,606 | 1,128 | 39,929 | - | 33,805 |
| Construction in progress | 22,424 | 10,587 | (223) | - | 33,234 |
| September 30, 2000 | $ 1,549,258 | $ 107,557 | $ 77,012 | $ - | $ 1,579,803 |
| Regulated plant | $ 1,512,764 | $ 563,857 | $ 67,860 | $ - | $ 2,008,761 |
| Nonregulated plant | 33,805 | 504 | 1,525 | 14,441 | 47,225 |
| Construction in progress | 33,234 | 20,995 | 348 | - | 53,881 |
| September 30, 2001 | $ 1,579,803 | $ 585,356 | $ 69,733 | $ 14,441 | $ 2,109,867 |
| Regulated plant | $ 2,008,761 | $ 166,479 | $ 134,657 | $ (18,920) | $ 2,021,663 |
| Nonregulated plant | 47,225 | 15,993 | 373 | 18,920 | 81,765 |
| Construction in progress | 53,881 | (29,482) | - | - | 24,399 |
| September 30, 2002 | $ 2,109,867 | $ 152,990 | $ 135,030 | $ - | $ 2,127,827 |
| Regulated plant | $ 2,021,663 | $ 431,358 | $ 73,663 | $ (732) | $ 2,378,626 |
| Nonregulated plant | 81,765 | 3,816 | 947 | 732 | 85,366 |
| Construction in progress | 24,399 | (8,252) | - | - | 16,147 |
| September 30, 2003 | $ 2,127,827 | $ 426,922 | $ 74,610 | $ - | $ 2,480,139 |
| Regulated plant | $ 2,378,626 | $ 169,526 | $ 38,953 | $ 17,628 | $ 2,526,827 |
| Nonregulated plant | 85,366 | 994 | 185 | (17,628) | 68,547 |
| Construction in progress | 16,147 | 22,130 | - | - | 38,277 |
| September 30, 2004 | $ 2,480,139 | $ 192,650 | $ 39,138 | $ - | $ 2,633,651 |
| Regulated plant | $ 2,526,827 | $ 2,068,684 | $ 34,988 | $ 2,098 | $ 4,562,621 |
| Nonregulated plant | 68,547 | 516 | - | - | 69,063 |
| Construction in progress | 38,277 | 95,649 | - | - | 133,926 |
| September 30, 2005 | $ 2,633,651 | $ 2,164,849 | $ 34,988 | $ 2,098 | $ 4,765,610 |

(1) Additions at cost include capital expenditures and acquisitions treated as a purchase.

## ACCUMULATED DEPRECIATION AND AMORTIZATION

| Year ended | Balance at beginning of period | Additions charged to costs and expenses | Deductions-retirements, renewals and replacements | Other (1) | Balance at end of period |
|---|---|---|---|---|---|
| | | (In thousands) | | | |
| September 30, 1995 | $ 378,273 | $ 44,198 | $ 12,894 | $ - | $ 409,577 |
| September 30, 1996 | $ 409,577 | $ 45,246 | $ 6,640 | $ 1,380 | $ 449,563 |
| September 30, 1997 | $ 449,563 | $ 42,207 | $ 8,225 | $ - | $ 483,545 |
| September 30, 1998 | $ 483,545 | $ 53,416 | $ 8,401 | $ - | $ 528,560 |
| September 30, 1999 | $ 528,560 | $ 61,674 | $ 6,758 | $ (58,991) | $ 524,485 |
| September 30, 2000 | $ 524,485 | $ 66,920 | $ 57,086 | $ - | $ 534,319 |
| September 30, 2001 | $ 534,319 | $ 70,470 | $ 35,456 | $ 131,102 | $ 700,435 |
| September 30, 2002 | $ 700,435 | $ 83,921 | $ 33,365 | $ (3,234) | $ 747,757 |
| September 30, 2003 | $ 747,757 | $ 89,194 | $ 115,759 | $ 134,553 | $ 855,745 |
| September 30, 2004 | $ 855,745 | $ 98,112 | $ 43,201 | $ 474 | $ 911,130 |
| September 30, 2005 | $ 911,130 | $ 178,796 | $ 71,167 | $ 372,484 | $ 1,391,243 |

Depreciation is provided at various rates on a straight-line basis over the estimated useful lives of the assets.

(1) Other includes accumulated amortization from acquisitions treated as a purchase.

## LONG-TERM AND SHORT-TERM DEBT

| | September 30 | | | |
|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 |
| | (In thousands) | | | |
| Long-term Debt | | | | |
| Unsecured 7.95% Senior Notes, payable in annual installments of $1,000,000 from 8/31/1997 thru 2006 | $ - | $ - | $ - | $ 4,000 |
| Unsecured 9.57% Senior Notes, payable in annual installments of $2,000,000 from 9/30/1997 thru 2006 | - | - | - | 8,000 |
| Unsecured 9.76% Senior Notes, payable in annual installments of $3,000,000 from 12/30/1995 thru 2004 | - | - | - | 9,000 |
| Unsecured 9 3/4% Senior Notes, payable in varying annual installments through 12/30/1996 | - | - | - | - |
| Unsecured floating rate Senior Notes, due 10/15/2007 | 300,000 | - | - | - |
| Unsecured 4.00% Senior Notes, due 10/15/2009 | 400,000 | - | - | - |
| Unsecured 10% Notes, due 12/31/2011 | 2,303 | 2,303 | 2,303 | 2,303 |
| Unsecured 7.375% Senior Notes, due 5/15/2011 | 350,000 | 350,000 | 350,000 | 350,000 |
| Unsecured 5.125% Senior Notes, due 1/15/2013 | 250,000 | 250,000 | 250,000 | - |
| Unsecured 4.95% Senior Notes, due 10/15/2014 | 500,000 | - | - | - |
| Unsecured 5.95% Senior Notes, due 10/15/2034 | 200,000 | - | - | - |
| Unsecured 11.2% Senior Notes, due in annual installments of $2,000,000 from 12/30/1993 thru 12/30/2002 | - | - | - | 2,000 |
| Unsecured 8.07% Senior Notes, payable in annual installments of $4,000,000 beginning October 31, 2002 through October 31, 2006 with semiannual interest payments | - | - | - | 20,000 |
| Unsecured 8.26% Senior Notes, payable in annual installments of $1,818,182 beginning October 31, 2004 through October 31, 2014 with semiannual interest payments | - | - | - | 20,000 |
| Unsecured Note, 6.09% due 11/25/1998 | - | - | - | - |
| Unsecured 6.75% Debentures due 7/15/2028 | 150,000 | 150,000 | 150,000 | 150,000 |
| Subtotal long-term debt this page | $2,152,303 | $ 752,303 | $ 752,303 | $ 565,303 |

| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|
| $ 5,000 | $ 6,000 | $ 7,000 | $ 8,000 | $ 9,000 | $ 10,000 | $ 10,000 |
| 10,000 | 12,000 | 14,000 | 16,000 | 18,000 | 20,000 | 20,000 |
| 12,000 | 15,000 | 18,000 | 21,000 | 24,000 | 27,000 | 30,000 |
| - | - | - | - | - | 1,000 | 3,000 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 2,303 | 2,303 | 2,303 | 2,303 | 2,303 | 2,303 | 2,303 |
| 350,000 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 4,000 | 6,000 | 8,000 | 10,000 | 12,000 | 14,000 | 16,000 |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| - | - | - | 40,000 | 40,000 | - | - |
| 150,000 | 150,000 | 150,000 | 150,000 | - | - | - |
| $ 573,303 | $ 231,303 | $ 239,303 | $ 287,303 | $ 145,303 | $ 114,303 | $ 121,303 |

## LONG-TERM AND SHORT-TERM DEBT (CONTINUED)

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 |
| | | (In thousands, except percents) | | |
| Long-term Debt (continued) | | | | |
| First Mortgage Bonds-- | | | | |
| Series J, 9.4%, due 2021 | $ - | $ 17,000 | $ 17,000 | $ 17,000 |
| Series N, 8.69%, due 2000 | - | - | - | - |
| Series P, 10.43%, due 2013 | 10,000 | 11,250 | 13,750 | 16,250 |
| Series Q, 9.75%, due 2020 | - | 16,000 | 17,000 | 18,000 |
| Series R, 11.32%, due 2004 | - | - | 2,160 | 4,300 |
| Series S, 8.71%, due 1997 | - | - | - | - |
| Series T, 9.32%, due 2021 | - | 18,000 | 18,000 | 18,000 |
| Series U, 8.77%, due 2022 | - | 20,000 | 20,000 | 20,000 |
| Series V, 7.50%, due 2007 | - | 4,167 | 6,733 | 10,000 |
| Medium term notes, 6.20% through 6.67%, due 2000 through 2025 | 20,000 | 20,000 | 20,000 | 20,000 |
| Senior secured storage term notes, 7.45%, due in installments through 2007 | - | - | - | - |
| Rental property adjustable rate term notes due in installments through 1997 | - | - | - | - |
| Rental property fixed rate term note 7.9%, due in installments through 2013 | 1,048 | 1,179 | 1,310 | 1,440 |
| Propane term note, 6.99% due in installments through 1998 | - | - | - | - |
| Other long-term obligations due in installments through 2008 | 6,791 | 8,651 | 5,007 | 2,150 |
| Subtotal long-term debt this page | 37,839 | 116,247 | 120,960 | 127,140 |
| Subtotal long-term debt previous page | 2,152,303 | 752,303 | 752,303 | 565,303 |
| Total face amount Long-term Debt | 2,190,142 | 868,550 | 873,263 | 692,443 |
| Less original issue discount (2) | (3,774) | (1,331) | (1,418) | (1,504) |
| Less amounts classified as current | (3,264) | (5,908) | (9,345) | (21,980) |
| Total Net Long-term Debt | $ 2,183,104 | $ 861,311 | $ 862,500 | $ 668,959 |
| Short-term Debt | | | | |
| Current maturities of long-term debt | $ 3,264 | $ 5,908 | $ 9,345 | $ 21,980 |
| Short-term debt | 144,809 | - | 118,595 | 145,791 |
| Total short-term debt | $ 148,073 | $ 5,908 | $ 127,940 | $ 167,771 |
| Weighted Average Cost of Debt (1) | | | | |
| Long-term debt (including current maturities) | 5.6% | 6.9% | 6.8% | 7.8% |
| Short-term debt | 3.3% | 1.1% | 1.7% | 2.9% |
| Total | 5.6% | 6.0% | 6.4% | 6.9% |

(1) The calculation of the weighted average cost of debt does not include data for United Cities prior to 1996.
(2) In fiscal 2004, we reclassified our original issue discount costs from deferred charges and other assets to long-term debt.

| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|
| $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 | $ 17,000 |
| - | - | 1,000 | 3,000 | 5,000 | 7,000 | 10,000 |
| 18,750 | 21,250 | 22,500 | 25,000 | 25,000 | 25,000 | 25,000 |
| 19,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 6,440 | 8,580 | 10,720 | 12,860 | 15,000 | 15,000 | 15,000 |
| - | - | - | - | - | - | 7,000 |
| 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 |
| 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| 20,000 | 22,000 | 22,000 | 22,000 | 22,000 | 22,000 | 22,000 |
| 5,949 | 6,769 | 7,530 | 8,237 | 8,893 | 9,353 | 9,926 |
| - | - | - | - | 1,329 | 4,497 | 5,691 |
| 1,571 | 1,702 | 1,833 | 1,964 | 2,095 | 2,161 | 2,292 |
| - | - | - | 3,750 | 4,250 | 4,500 | 5,000 |
| 3,081 | 4,160 | 5,445 | 7,217 | 4,312 | 4,027 | 2,406 |
| 139,791 | 149,461 | 156,028 | 169,028 | 172,879 | 178,538 | 189,315 |
| 573,303 | 231,303 | 239,303 | 287,303 | 145,303 | 114,303 | 121,303 |
| 713,094 | 380,764 | 395,331 | 456,331 | 318,182 | 292,841 | 310,618 |
| (1,373) | (1,228) | (1,272) | - | - | - | - |
| (20,695) | (17,566) | (17,848) | (57,783) | (15,201) | (16,679) | (16,155) |
| $ 691,026 | $ 361,970 | $ 376,211 | $ 398,548 | $ 302,981 | $ 276,162 | $ 294,463 |
| $ 20,695 | $ 17,566 | $ 17,848 | $ 57,783 | $ 15,201 | $ 16,679 | $ 16,155 |
| 201,247 | 250,047 | 168,304 | 66,400 | 167,300 | 128,488 | 65,813 |
| $ 221,942 | $ 267,613 | $ 186,152 | $ 124,183 | $ 182,501 | $ 145,167 | $ 81,968 |
| 7.8% | 8.1% | 8.2% | 8.1% | 9.0% | 9.0% | 9.5% |
| 5.8% | 6.4% | 5.7% | 6.2% | 6.1% | 6.3% | 7.0% |
| 7.4% | 7.4% | 7.5% | 7.9% | 8.0% | 8.2% | 9.0% |

## SINKING FUND REQUIREMENTS

| Year ending September 30 | Long-term Debt Outstanding 9/30/2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| | | (In thousands) | | | |
| 10% Notes, due December 2011 | $ 2,303 | $ - | $ - | $ - | $ - |
| 5.125% Sr. Notes, due July 2013 | 250,000 | - | - | - | - |
| 6.75% Debentures, due July 2028 | 150,000 | - | - | - | - |
| 7.375% Sr. Notes, due May 2011 | 350,000 | - | - | - | - |
| Floating Rate Sr. Notes due October 2007 | 300,000 | - | - | 300,000 | - |
| 4.00% Sr. Notes due October 2009 | 400,000 | - | - | - | - |
| 4.95% Sr. Notes due October 2014 | 500,000 | - | - | - | - |
| 5.95% Sr. Notes due October 2034 | 200,000 | - | - | - | - |
| First Mortgage Bonds-- Series P, 10.43%, due November 2013 | 10,000 | 1,250 | 1,250 | 1,250 | 1,250 |
| Medium term notes, 6.27% through 6.67%, due December 2010 and December 2025 | 20,000 | - | - | - | - |
| US Bancorp, due April 2009 | 3,714 | 967 | 1,020 | 1,074 | 653 |
| Rental property fixed rate term note, due July 2013 | 1,048 | 131 | 131 | 131 | 131 |
| Wells Fargo Equipment, due May 2008 | 2,609 | 648 | 685 | 1,276 | - |
| Other Propane Notes | 468 | 268 | 100 | 100 | - |
| | $ 2,190,142 | $ 3,264 | $ 3,186 | $ 303,831 | $ 2,034 |

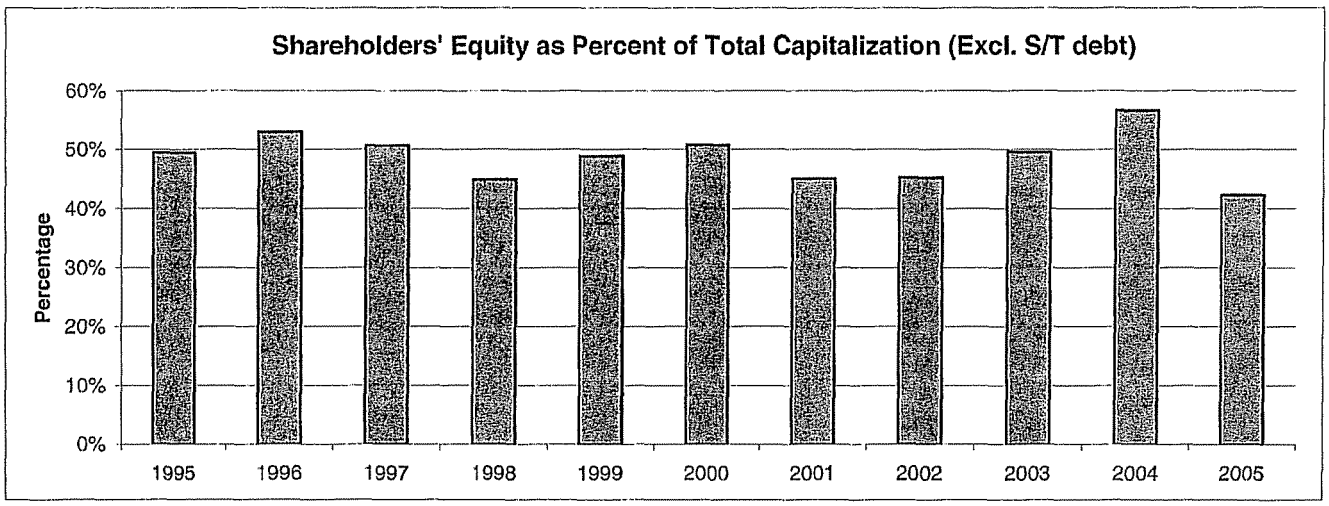
## SINKING FUND REQUIREMENTS (continued)

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016-2035 |
|---|---|---|---|---|---|---|
| $ - | $ - | $ 2,303 | $ - | $ - | $ - | $ - |
| - | - | - | 250,000 | - | - | - |
| - | - | - | - | - | - | 150,000 |
| - | 350,000 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 400,000 | - | - | - | - | - | - |
| - | - | - | - | - | 500,000 | - |
| - | - | - | - | - | - | 200,000 |
| 1,250 | 1,250 | 1,250 | 1,250 | - | - | - |
| - | 10,000 | - | - | - | - | 10,000 |
| - | - | - | - | - | - | - |
| 131 | 131 | 131 | 131 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| $ 401,381 | $ 361,381 | $ 3,684 | $ 251,381 | $ - | $ 500,000 | $ 360,000 |

## CAPITALIZATION AND RATIOS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 |
| Capitalization | | (In thousands, except percents) | | |
| Shareholders' equity | | | | |
| Common stock | $ 403 | $ 314 | $ 257 | $ 208 |
| Additional paid-in capital | 1,426,523 | 1,005,644 | 736,180 | 508,265 |
| Retained earnings | 178,837 | 142,030 | 122,539 | 106,142 |
| Accum. other comprehensive income (loss) | (3,341) | (14,529) | (1,459) | (41,380) |
| Shareholders' equity | 1,602,422 | 1,133,459 | 857,517 | 573,235 |
| Long-term debt (including current maturities) | 2,186,368 | 867,219 | 871,845 | 690,939 |
| Total capitalization (excluding short-term debt) | 3,788,790 | 2,000,678 | 1,729,362 | 1,264,174 |
| Short-term debt | 144,809 | - | 118,595 | 145,791 |
| Total capitalization (including short-term debt) | $3,933,599 | $2,000,678 | $1,847,957 | $1,409,965 |
| Capitalization Ratios | | | | |
| Shareholders' equity | 42.3% | 56.7% | 49.6% | 45.3% |
| Long-term debt (including current maturities) | 57.7% | 43.3% | 50.4% | 54.7% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| Including Short-term debt | | | | |
| Shareholders' equity | 40.7% | 56.7% | 46.4% | 40.7% |
| Long-term debt (including current maturities) | 55.6% | 43.3% | 47.2% | 49.0% |
| Short-term debt | 3.7% | 0.0% | 6.4% | 10.3% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|
| $ 204 | $ 160 | $ 156 | $ 152 | $ 148 | $ 146 | $ 141 |
| 489,948 | 306,887 | 293,359 | 271,637 | 251,174 | 241,658 | 230,630 |
| 95,132 | 83,154 | 83,231 | 99,369 | 75,938 | 87,778 | 73,578 |
| (1,420) | 2,265 | 917 | - | - | - | - |
| 583,864 | 392,466 | 377,663 | 371,158 | 327,260 | 329,582 | 304,349 |
| 711,721 | 379,536 | 394,059 | 456,331 | 318,182 | 292,841 | 310,618 |
| 1,295,585 | 772,002 | 771,722 | 827,489 | 645,442 | 622,423 | 614,967 |
| 201,247 | 250,047 | 168,304 | 66,400 | 167,300 | 128,488 | 65,813 |
| $ 1,496,832 | $ 1,022,049 | $ 940,026 | $ 893,889 | $ 812,742 | $ 750,911 | $ 680,780 |
| 45.1% | 50.8% | 48.9% | 44.9% | 50.7% | 53.0% | 49.5% |
| 54.9% | 49.2% | 51.1% | 55.1% | 49.3% | 47.0% | 50.5% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 39.0% | 38.4% | 40.2% | 41.5% | 40.3% | 43.9% | 44.7% |
| 47.6% | 37.1% | 41.9% | 51.1% | 39.1% | 39.0% | 45.6% |
| 13.4% | 24.5% | 17.9% | 7.4% | 20.6% | 17.1% | 9.7% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

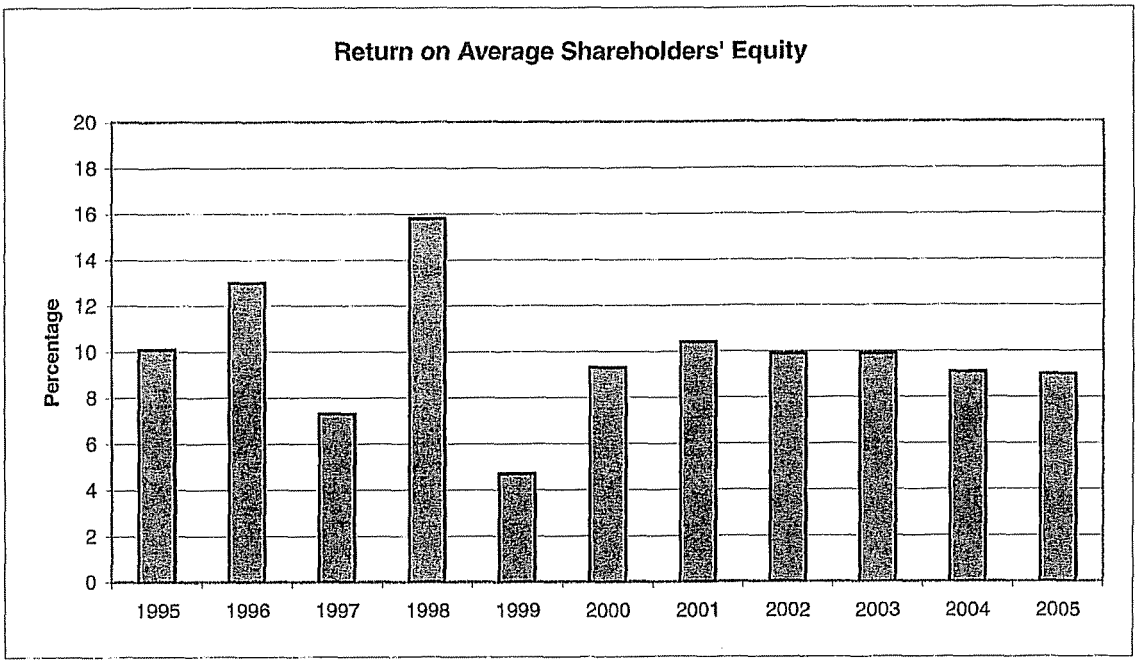


## FINANCIAL AND OPERATING STATISTICS

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 |
| Utility Property Statistics | | | | |
| Gross plant per meter | $ 1,246 | $ 1,528 | $ 1,432 | $ 1,467 |
| Net plant per meter | 927 | 994 | 930 | 939 |
| Utility Expense Statistics | | | | |
| O & M expense per meter | | | | |
| Operation | $ 103 | $ 110 | $ 108 | $ 96 |
| Maintenance | 7 | 6 | 7 | 5 |
| Total | $ 110 | $ 116 | $ 115 | $ 101 |
| Financial Statistics | | | | |
| Return on average shareholders' equity | 9.0 % | 9.1 % | 9.9 % | 9.9 % |
| Times interest earned before income taxes | 2.59 | 3.05 | 2.75 | 2.55 |
| Market price at year end | $ 28.25 | $ 25.19 | $ 23.94 | $ 21.50 |
| Book value per share at end of year | $ 19.90 | $ 18.05 | $ 16.66 | $ 13.75 |
| Price/Earnings ratio at end of year | 16.42 | 15.94 | 15.55 | 14.83 |
| Market/Book ratio at end of year | 1.42 | 1.40 | 1.44 | 1.56 |
| Annualized dividend yield at end of year | 4.4 % | 4.8 % | 5.0 % | 5.5 % |
| Payout ratio | 72.1 % | 77.2 % | 77.9 % | 81.4 % |
| Operating Statistics | | | | |
| Meters per employee - utility | 730 | 612 | 594 | 616 |
| Number of employees | 4,543 | 2,864 | 2,905 | 2,338 |
| Miles of pipe | 81,604 | 47,616 | 45,267 | 39,157 |

(1) Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|
| $ 1,475 | $ 1,410 | $ 1,423 | $ 1,440 | $ 1,352 | $ 1,249 | $ 1,166 |
| 977 | 931 | 941 | 914 | 862 | 789 | 735 |
| $ 124 | $ 128 | $ 137 | $ 126 | $ 171 | $ 148 | $ 151 |
| 6 | 7 | 9 | 10 | 12 | 12 | 12 |
| $ 130 (1) | $ 135 | $ 146 | $ 136 | $ 183 | $ 160 | $ 163 |
| 10.4 % | 9.3 % | 4.7 % | 15.8 % | 7.3 % | 13.0 % | 10.1 % |
| 2.83 | 2.28 | 1.56 | 3.09 | 2.04 | 3.00 | 2.44 |
| $ 21.60 | $ 20.63 | $ 24.13 | $ 28.56 | $ 24.88 | $ 23.38 | $ 19.38 |
| $ 14.31 | $ 12.28 | $ 12.09 | $ 12.21 | $ 11.04 | $ 11.27 | $ 10.77 |
| 14.69 | 18.09 | 41.59 | 15.52 | 30.71 | 16.46 | 18.28 |
| 1.51 | 1.68 | 2.00 | 2.34 | 2.25 | 2.07 | 1.80 |
| 5.4 % | 5.5 % | 4.6 % | 3.7 % | 4.1 % | 4.2 % | 5.0 % |
| 78.9 % | 100.0 % | 189.7 % | 57.6 % | 125.0 % | 69.2 % | 90.8 % |
| 603 | 591 | 547 | 475 | 379 | 350 | 330 |
| 2,361 | 1,885 | 2,062 | 2,193 | 2,679 | 2,863 | 2,944 |
| 38,938 | 30,029 | 30,670 | 30,108 | 30,902 | 30,163 | 29,474 |



## CUSTOMERS AND VOLUMES

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 |
| Utility meters in service (end of year) | | | | |
| Residential | 2,862,822 | 1,506,777 | 1,498,586 | 1,247,247 |
| Commercial | 274,536 | 151,381 | 151,008 | 122,156 |
| Industrial | 2,715 | 2,436 | 3,799 | 2,118 |
| Agricultural | 9,639 | 8,397 | 9,514 | 10,576 |
| Public authority and other | 8,128 | 10,145 | 9,891 | 7,244 |
| Total utility meters | 3,157,840 | 1,679,136 | 1,672,798 | 1,389,341 |
| Nonutility customers | | | | |
| Industrial | 624 | 638 | 644 | 641 |
| Municipal | 69 | 80 | 94 | 101 |
| Other | 401 | 237 | 202 | 117 |
| Propane (2) | - | - | - | - |
| Total nonutility customers | 1,094 | 955 | 940 | 859 |
| Utility meters (% of total) | | | | |
| Residential | 90.6 % | 89.7 % | 89.6 % | 89.8 % |
| Commercial | 8.7 | 9.0 | 9.0 | 8.8 |
| Public authority and other | 0.3 | 0.6 | 0.6 | 0.5 |
| Weather sensitive customers | 99.6 | 99.3 | 99.2 | 99.1 |
| Industrial | 0.1 | 0.2 | 0.2 | 0.1 |
| Agricultural | 0.3 | 0.5 | 0.6 | 0.8 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Average utility meters in service | 3,157,705 | 1,672,403 | 1,675,328 | 1,390,687 |
| Heating degree days (3) | 2,587 | 3,271 | 3,473 | 3,368 |
| Degree days as a % of normal | 89 % | 96 % | 101 % | 94 % |
| Consolidated utility gas sales volumes (MMcf) (1) | | | | |
| Residential | 162,016 | 92,208 | 97,953 | 77,386 |
| Commercial | 92,401 | 44,226 | 45,611 | 35,796 |
| Public authority and other | 9,084 | 9,813 | 9,326 | 5,875 |
| Weather sensitive customers | 263,501 | 146,247 | 152,890 | 119,057 |
| Industrial | 29,434 | 22,330 | 23,738 | 14,499 |
| Agricultural | 3,348 | 4,642 | 7,884 | 10,988 |
| Total gas sales volumes | 296,283 | 173,219 | 184,512 | 144,544 |
| Transportation volumes (MMcf) (1) | 114,851 | 72,814 | 63,453 | 63,997 |
| Consolidated utility throughput (MMcf)(1) | 411,134 | 246,033 | 247,965 | 208,541 |
| Consolidated natural gas marketing throughput (MMcf) (1) | 238,097 | 222,572 | 225,961 | 204,027 |
| Consolidated pipeline throughput (MMcf)(1) | 375,604 | - | - | - |
| Propane Gallons (000's) (2) | - | - | - | - |
| Consolidated utility gas sales volumes (% of total) | | | | |
| Residential | 54.7 % | 53.2 % | 53.1 % | 53.5 % |
| Commercial | 31.2 | 25.5 | 24.7 | 24.8 |
| Public authority and other | 3.1 | 5.7 | 5.1 | 4.1 |
| Weather sensitive customers | 89.0 | 84.4 | 82.9 | 82.4 |
| Industrial | 9.9 | 12.9 | 12.9 | 10.0 |
| Agricultural | 1.1 | 2.7 | 4.2 | 7.6 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

(1) Volumes are reported as metered in million cubic feet ("MMcf").
(2) The propane business was exchanged for an indirect interest in Heritage Propane Partners in August 2000; interest sold in fiscal 2004.
(3) Heating degree days for 2001 thru 2005 are adjusted for service areas with weather-normalized operations. Heating degree days for years prior to 2001 are not adjusted for service areas with weather-normalized operations, as that information was not available.

| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|
| 1,243,625 | 970,873 | 919,012 | 889,074 | 870,747 | 860,229 | 834,376 |
| 122,274 | 104,019 | 98,268 | 94,302 | 92,703 | 91,960 | 90,093 |
| 1,838 | 1,878 | 1,552 | 1,449 | 1,157 | 1,862 | 1,759 |
| 11,182 | 12,381 | 12,777 | 14,873 | 16,060 | 17,541 | 18,003 |
| 7,404 | 7,448 | 6,386 | 4,834 | 4,781 | 4,716 | 4,982 |
| 1,386,323 | 1,096,599 | 1,037,995 | 1,004,532 | 985,448 | 976,308 | 949,213 |
| | | | | | | |
| 531 | - | - | - | - | - | - |
| 68 | - | - | - | - | - | - |
| 125 | - | - | - | - | - | - |
| - | - | 39,539 | 37,400 | 29,097 | 26,108 | 23,359 |
| 724 | - | 39,539 | 37,400 | 29,097 | 26,108 | 23,359 |
| | | | | | | |
| 89.7 % | 88.5 % | 88.5 % | 88.5 % | 88.4 % | 88.1 % | 87.9 % |
| 8.8 | 9.5 | 9.5 | 9.4 | 9.4 | 9.4 | 9.5 |
| 0.6 | 0.7 | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 |
| 99.1 | 98.7 | 98.6 | 98.4 | 98.3 | 98.0 | 97.9 |
| 0.1 | 0.2 | 0.2 | 0.1 | 0.1 | 0.2 | 0.2 |
| 0.8 | 1.1 | 1.2 | 1.5 | 1.6 | 1.8 | 1.9 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| | | | | | | |
| 1,381,365 | 1,061,066 | 1,020,971 | 1,004,369 | 984,835 | 974,767 | 947,358 |
| | | | | | | |
| 4,124 | 2,096 | 3,374 | 3,799 | 3,909 | 4,043 | 3,706 |
| 115 % | 82 % | 85 % | 95 % | 98 % | 101 % | 93 % |
| | | | | | | |
| 79,000 | 63,285 | 67,128 | 73,472 | 75,215 | 77,001 | 69,666 |
| 36,922 | 30,707 | 31,457 | 36,083 | 37,382 | 38,247 | 34,921 |
| 6,892 | 5,520 | 5,793 | 4,937 | 5,195 | 5,182 | 4,779 |
| 122,814 | 99,512 | 104,378 | 114,492 | 117,792 | 120,430 | 109,366 |
| 19,243 | 18,546 | 19,934 | 26,967 | 32,783 | 37,784 | 36,379 |
| 7,070 | 20,141 | 15,807 | 17,914 | 13,633 | 20,079 | 20,911 |
| 149,127 | 138,199 | 140,119 | 159,373 | 164,208 | 178,293 | 166,656 |
| 68,647 | 59,365 | 55,468 | 56,224 | 48,800 | 44,146 | 47,647 |
| 217,774 | 197,564 | 195,587 | 215,597 | 213,008 | 222,439 | 214,303 |
| | | | | | | |
| 55,469 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 19,329 | 22,291 | 23,412 | 25,204 | 33,637 | 28,854 |
| | | | | | | |
| 53.0 % | 45.8 % | 47.9 % | 46.1 % | 45.7 % | 43.1 % | 41.8 % |
| 24.8 | 22.2 | 22.5 | 22.6 | 22.8 | 21.5 | 20.9 |
| 4.6 | 4.0 | 4.1 | 3.1 | 3.2 | 2.9 | 2.9 |
| 82.4 | 72.0 | 74.5 | 71.8 | 71.7 | 67.5 | 65.6 |
| 12.9 | 13.4 | 14.2 | 16.9 | 20.0 | 21.2 | 21.8 |
| 4.7 | 14.6 | 11.3 | 11.3 | 8.3 | 11.3 | 12.6 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

# UTILITY OPERATIONS SALES AND STATISTICAL DATA - 2005

The following table provides key statistical characteristics about the Company's divisions for utility operations.

| | Year ended September 30, 2005 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Colorado-Kansas | Kentucky | Louisiana | Mid-States | West Texas | Mississippi | Mid-Tex | Total Utility |
| **Meters in service - at end of year** | | | | | | | | |
| Residential | 209,321 | 159,216 | 348,576 | 276,667 | 267,278 | 244,136 | 1,357,628 | 2,862,822 |
| Commercial | 20,914 | 18,350 | 23,850 | 36,519 | 25,410 | 28,350 | 121,143 | 274,536 |
| Industrial | 81 | 239 | - | 684 | 816 | 664 | 231 | 2,715 |
| Agricultural | 279 | - | - | - | 9,360 | - | - | 9,639 |
| Public authority and other | 476 | 1,650 | - | 1,066 | 2,139 | 2,797 | - | 8,128 |
| Total | 231,071 | 179,455 | 372,426 | 314,936 | 305,003 | 275,947 | 1,479,002 | 3,157,840 |
| **Heating Degree Days (system average) (1)** | | | | | | | | |
| Actual | 5,437 | 4,241 | 1,301 | 3,510 | 3,536 | 2,583 | 1,904 | 2,587 |
| Normal | 5,515 | 4,337 | 1,674 | 3,758 | 3,579 | 2,695 | 2,372 | 2,904 |
| Percent of normal | 99% | 98% | 78% | 93% | 99% | 96% | 80% | 89% |
| **Sales Volumes - MMcf (2) (3)** | | | | | | | | |
| Residential | 16,404 | 10,741 | 13,134 | 16,222 | 19,292 | 12,985 | 73,238 | 162,016 |
| Commercial | 5,929 | 4,891 | 6,811 | 11,806 | 7,493 | 6,711 | 48,760 | 92,401 |
| Industrial | 338 | 1,858 | - | 8,205 | 4,477 | 9,057 | 5,499 | 29,434 |
| Agricultural | 246 | - | - | - | 3,102 | - | - | 3,348 |
| Public authority and other | 1,355 | 1,396 | - | 241 | 2,296 | 3,796 | - | 9,084 |
| Total | 24,272 | 18,886 | 19,945 | 36,474 | 36,660 | 32,549 | 127,497 | 296,283 |
| **Transportation Volumes - MMcf (2) (3)** | 8,388 | 26,066 | 7,046 | 20,142 | 12,390 | 1,309 | 46,757 | 122,098 |
| **Total Volumes Delivered - MMcf (2) (3)** | 32,660 | 44,952 | 26,991 | 56,616 | 49,050 | 33,858 | 174,254 | 418,381 |
| **Operating Margin (000's) (3)** | $ 70,542 | $ 52,302 | $ 94,350 | $ 110,012 | $ 90,316 | $ 91,610 | $ 398,234 | $ 907,366 |
| **Other Statistics at year end** | | | | | | | | |
| Miles of pipe | 6,530 | 3,908 | 8,151 | 7,958 | 15,000 | 6,356 | 33,701 | 81,604 |
| Employees (4) | 267 | 236 | 421 | 412 | 346 | 467 | 1,398 | 3,547 |

(1) A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. See Glossary for further information. Heating degree day information is adjusted for service areas with weather normalized operations.
(2) Volumes are reported as metered in million cubic feet (MMcf).
(3) Sales volumes and operating margin reflect segment operations, including intercompany sales and transportation amounts.
(4) Does not include 780 shared employees in the shared services office and customer support centers and 216 employees in nonutility operations.

# UTILITY OPERATIONS SALES AND STATISTICAL DATA - 2004

The following table provides key statistical characteristics about the Company's divisions for utility operations.

| | Year ended September 30, 2004 | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Colorado-Kansas* | Kentucky | Louisiana | Mid-States | West Texas | Mississippi | Total Utility |
| **Meters in service** - at end of year | | | | | | | |
| Residential | 205,028 | 159,214 | 348,390 | 274,662 | 270,854 | 248,629 | 1,506,777 |
| Commercial | 19,190 | 18,077 | 22,754 | 36,187 | 25,818 | 29,355 | 151,381 |
| Industrial | 85 | 409 | - | 712 | 548 | 682 | 2,436 |
| Agricultural | 295 | - | - | - | 8,102 | - | 8,397 |
| Public authority and other | 1,757 | 1,655 | 931 | 880 | 2,158 | 2,764 | 10,145 |
| Total | 226,355 | 179,355 | 372,075 | 312,441 | 307,480 | 281,430 | 1,679,136 |
| **Heating Degree Days (system average) (1)** | | | | | | | |
| Actual | 5,490 | 4,283 | 1,515 | 3,631 | 3,252 | 2,734 | 3,271 |
| Normal | 5,527 | 4,364 | 1,637 | 3,831 | 3,598 | 2,711 | 3,410 |
| *Percent of normal* | 99% | 98% | 93% | 95% | 90% | 101% | 96% |
| **Sales Volumes - MMcf (2) (3)** | | | | | | | |
| Residential | 16,271 | 10,980 | 14,997 | 17,257 | 18,402 | 14,301 | 92,208 |
| Commercial | 6,093 | 4,865 | 6,699 | 12,502 | 6,953 | 7,114 | 44,226 |
| Industrial | 304 | 1,713 | - | 7,852 | 3,393 | 9,068 | 22,330 |
| Agricultural | 526 | - | - | - | 4,116 | - | 4,642 |
| Public authority and other | 1,491 | 1,451 | 814 | 249 | 2,157 | 3,651 | 9,813 |
| Total | 24,685 | 19,009 | 22,510 | 37,860 | 35,021 | 34,134 | 173,219 |
| **Transportation Volumes - MMcf (2) (3)** | 8,879 | 27,059 | 7,073 | 22,001 | 20,579 | 2,155 | 87,746 |
| **Total Volumes Delivered - MMcf (2) (3)** | 33,564 | 46,068 | 29,583 | 59,861 | 55,600 | 36,289 | 260,965 |
| **Operating Margin (000's) (3)** | $ 65,539 | $ 52,567 | $ 106,184 | $ 112,904 | $ 85,805 | $ 80,135 | $ 503,134 |
| **Other Statistics at year end** | | | | | | | |
| Miles of pipe | 6,405 | 3,851 | 8,063 | 7,878 | 15,125 | 6,294 | 47,616 |
| Employees (4) | 278 | 239 | 431 | 427 | 349 | 519 | 2,243 |

(1) A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. See Glossary for further information. Heating degree day information is adjusted for service areas with weather normalized operations.
(2) Volumes are reported as metered in million cubic feet (MMcf).
(3) Sales volumes and operating margin reflect segment operations, including intercompany sales and transportation amounts.
(4) Does not include 499 shared employees in the shared services office and customer support centers and 122 employees in nonutility operations.

## GAS SALES AND TRANSPORTATION REVENUES

| | Year ended September 30 | | | |
|---|---|---|---|---|
| | 2005 | 2004 | 2003 | 2002 |
| Utility revenues (000's) (2): | | | | |
| Residential | $ 1,791,172 | $ 923,773 | $ 873,375 | $ 535,981 |
| Commercial | 869,722 | 400,704 | 367,961 | 221,728 |
| Industrial | 229,649 | 155,336 | 151,969 | 70,164 |
| Agricultural | 27,889 | 31,851 | 48,625 | 37,951 |
| Public authority and other | 86,853 | 77,178 | 65,921 | 31,731 |
| Total gas sales revenues | 3,005,285 | 1,588,842 | 1,507,851 | 897,555 |
| Transportation revenues | 58,897 | 30,622 | 29,236 | 27,314 |
| Other gas revenues | 37,859 | 17,172 | 15,770 | 11,185 |
| Total utility revenues | 3,102,041 | 1,636,636 | 1,552,857 | 936,054 |
| Natural gas marketing revenues | 1,783,926 | 1,279,424 | 1,234,447 | 700,519 |
| Pipeline and storage revenues (2) | 85,333 | 1,617 | 11,280 | 8,865 |
| Propane revenues (1) | - | - | - | - |
| Other nonutility revenues | 2,026 | 2,360 | 1,332 | 5,526 |
| Total operating revenues | $ 4,973,326 | $ 2,920,037 | $ 2,799,916 | $ 1,650,964 |
| Gas sales revenue percent (2) | | | | |
| Residential | 59.6 % | 58.1 % | 57.9 % | 59.7 % |
| Commercial | 28.9 | 25.2 | 24.4 | 24.7 |
| Industrial | 7.7 | 9.8 | 10.1 | 7.8 |
| Agricultural | 0.9 | 2.0 | 3.2 | 4.2 |
| Public authority and other | 2.9 | 4.9 | 4.4 | 3.6 |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Utility average gas revenues per Mcf (2) | | | | |
| Residential | $11.06 | $10.02 | $8.92 | $6.93 |
| Commercial | $9.41 | $9.06 | $8.07 | $6.19 |
| Industrial | $7.80 | $6.96 | $6.40 | $4.84 |
| Agricultural | $8.33 | $6.86 | $6.17 | $3.45 |
| Public authority and other | $9.56 | $7.86 | $7.07 | $5.40 |
| Total | $10.14 | $9.17 | $8.17 | $6.21 |
| Utility average transportation revenue per Mcf | $0.49 | $0.36 | $0.43 | $0.41 |
| Utility average cost of gas per Mcf sold | $7.41 | $6.55 | $5.76 | $3.87 |

(1) Propane revenues represent only 10 months of operations for 2000 as it was combined with Heritage Propane Partners effective August 10, 2000.

(2) Revenue for fiscal 2001 thru 2005 is shown on a segment basis. Revenue for years prior to fiscal 2001 was not available on a segment basis; thus, those amounts are shown as other nonutility segment revenue. Also, utility revenue for fiscal 2001 thru 2005 is shown by Residential, Commercial, Industrial, Agricultural and Public authority and other customer classes. Revenue for the Agricultural customer class for years prior to fiscal 2001 was not separately available; thus, those amounts are included in the Industrial customer class of revenue.

| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|
| $ 788,902 | $ 405,552 | $ 349,691 | $ 410,538 | $ 452,864 | $ 409,039 | $ 337,768 |
| 342,945 | 176,712 | 144,836 | 184,046 | 193,302 | 186,032 | 150,949 |
| 120,770 | 171,447 | 117,382 | 161,382 | 168,386 | 187,693 | 171,591 |
| 28,753 | - | - | - | - | - | - |
| 58,539 | 27,198 | 22,330 | 20,504 | 23,898 | 21,738 | 18,185 |
| 1,339,909 | 780,909 | 634,239 | 776,470 | 838,450 | 804,502 | 678,493 |
| 26,761 | 23,610 | 23,101 | 23,971 | 19,885 | 18,872 | 19,913 |
| 11,489 | 4,674 | 4,500 | 8,121 | 6,385 | 13,751 | 9,374 |
| 1,378,159 | 809,193 | 661,840 | 808,562 | 864,720 | 837,125 | 707,780 |
| 291,152 | 929 | - | - | - | - | - |
| 26,730 | - | - | - | - | - | - |
| - | 22,550 | 22,944 | 29,091 | 33,194 | 38,372 | 24,651 |
| 29,440 | 17,480 | 5,412 | 10,555 | 8,921 | 11,194 | 17,224 |
| $ 1,725,481 | $ 850,152 | $ 690,196 | $ 848,208 | $ 906,835 | $ 886,691 | $ 749,655 |
| | | | | | | |
| 58.9 % | 51.9 % | 55.1 % | 52.9 % | 54.0 % | 50.8 % | 49.8 % |
| 25.6 | 22.6 | 22.8 | 23.7 | 23.1 | 23.1 | 22.2 |
| 9.0 | 22.0 | 18.6 | 20.8 | 20.0 | 23.4 | 25.3 |
| 2.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.4 | 3.5 | 3.5 | 2.6 | 2.9 | 2.7 | 2.7 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| | | | | | | |
| $9.99 | $6.41 | $5.21 | $5.59 | $6.02 | $5.31 | $4.85 |
| $9.29 | $5.75 | $4.60 | $5.10 | $5.17 | $4.86 | $4.32 |
| $6.28 | $4.43 | $3.28 | $3.60 | $3.63 | $3.24 | $3.00 |
| $4.07 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| $8.49 | $4.93 | $3.85 | $4.15 | $4.60 | $4.19 | $3.81 |
| $8.99 | $5.65 | $4.53 | $4.87 | $5.11 | $4.51 | $4.07 |
| | | | | | | |
| $0.41 | $0.37 | $0.39 | $0.43 | $0.41 | $0.43 | $0.42 |
| | | | | | | |
| $6.82 | $3.67 | $2.74 | $3.24 | $3.51 | $3.15 | $2.70 |

## THE REVENUE DOLLAR

| | Weighted average 1995 - 2005 | Year ended September 30 | | | |
|---|---|---|---|---|---|
| | | 2005 | 2004 | 2003 | 2002 |
| Operating revenue | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ |
| Purchased gas cost | 73.98 | 77.30 | 80.75 | 80.89 | 73.89 |
| Gross profit | 26.02 | 22.70 | 19.25 | 19.11 | 26.11 |
| Operation and maintenance | 11.03 | 8.60 | 7.34 | 7.32 | 9.58 |
| Taxes (including other taxes) | 4.78 | 5.17 | 3.73 | 3.64 | 4.32 |
| Interest, net of other income (expense) | 2.71 | 2.62 | 1.92 | 2.20 | 3.66 |
| Subtotal | 7.50 | 6.31 | 6.26 | 5.95 | 8.55 |
| Depreciation and amortization | 4.24 | 3.58 | 3.31 | 3.11 | 4.93 |
| Cumulative effect of acctg change, net | (0.04) | - | - | (0.28) | - |
| Net income | 3.22 | 2.73 | 2.95 | 2.56 | 3.62 |
| Dividends | 2.61 | 1.99 | 2.28 | 1.97 | 2.95 |
| Retained in business | 0.61 ¢ | 0.74 ¢ | 0.67 ¢ | 0.59 ¢ | 0.67 ¢ |

**Internally Generated Cash Flow Reinvested in Business Compared to Dividends Paid:**

| | | | | | |
|---|---|---|---|---|---|
| Depreciation and amortization | 4.24 ¢ | 3.58 ¢ | 3.31 ¢ | 3.11 ¢ | 4.93 ¢ |
| Retained in business | 0.61 | 0.74 | 0.67 | 0.59 | 0.67 |
| Reinvested in business | 4.85 | 4.32 | 3.98 | 3.70 | 5.60 |
| Dividends | 2.61 | 1.99 | 2.28 | 1.97 | 2.95 |
| Reinvested in business in excess of dividends | 2.24 ¢ | 2.33 ¢ | 1.70 ¢ | 1.73 ¢ | 2.65 ¢ |

| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|
| 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ | 100.00 ¢ |
| 78.25 | 61.69 | 56.56 | 60.88 | 63.65 | 63.41 | 59.96 |
| 21.75 | 38.31 | 43.44 | 39.12 | 36.35 | 36.59 | 40.04 |
| 8.09 | 17.40 | 22.78 | 16.70 | 20.47 | 18.04 | 21.08 |
| 4.12 | 5.76 | 5.94 | 7.26 | 5.12 | 6.04 | 6.16 |
| 2.37 | 3.42 | 3.90 | 3.04 | 3.14 | 3.17 | 3.55 |
| 7.17 | 11.73 | 10.82 | 12.12 | 7.62 | 9.34 | 9.25 |
| 3.92 | 7.51 | 8.24 | 5.61 | 4.99 | 4.70 | 5.42 |
| - | - | - | - | - | - | - |
| 3.25 | 4.22 | 2.58 | 6.51 | 2.63 | 4.64 | 3.83 |
| 2.56 | 4.23 | 4.91 | 3.75 | 2.91 | 3.21 | 3.50 |
| 0.69 ¢ | (0.01) ¢ | (2.33) ¢ | 2.76 ¢ | (0.28) ¢ | 1.43 ¢ | 0.33 ¢ |
| 3.92 ¢ | 7.51 ¢ | 8.24 ¢ | 5.61 ¢ | 4.99 ¢ | 4.70 ¢ | 5.42 ¢ |
| 0.69 | (0.01) | (2.33) | 2.76 | (0.28) | 1.43 | 0.33 |
| 4.61 | 7.50 | 5.91 | 8.37 | 4.71 | 6.13 | 5.75 |
| 2.56 | 4.23 | 4.91 | 3.75 | 2.91 | 3.21 | 3.50 |
| 2.05 ¢ | 3.27 ¢ | 1.00 ¢ | 4.62 ¢ | 1.80 ¢ | 2.92 ¢ | 2.25 ¢ |

# REGULATION AND RATES

**Regulation**

Each of our utility divisions is regulated by various state or local public utility authorities. The Company's operations in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Mississippi, Missouri, Tennessee and Virginia are under the jurisdiction of their respective state regulatory commissions which regulate utility services, rates, issuance of securities and other maters.

In the Company's Texas distribution systems, the governing body of each municipality served by the Company has original jurisdiction over all utility rates, operations and services within its city limits except with respect to sales of natural gas for vehicle fuel and agricultural use. The Company operates pursuant to non-exclusive franchises granted by the municipalities it serves, which are subject to renewal from time to time. The Railroad Commission of Texas has exclusive appellate jurisdiction over all rate and regulatory orders and ordinances of the municipalities and exclusive original jurisdiction over rates and services to customers not located within the limits of a municipality. The Atmos Pipeline - Texas division which was acquired as part of the TXU Gas acquisition is also regulated by the Railroad Commission of Texas. Rates may be negotiated with industrial customers and are subject to review by the respective original jurisdiction regulatory authority. Agricultural sales in Texas are not regulated except that prices for agricultural sales cannot exceed the prices the Company charges the majority of its commercial or other similar large-volume users.

The Company's operations in Louisiana are under the jurisdiction of the Louisiana Public Service Commission which regulates utility services, rates and other matters. However, direct sales of natural gas to industrial customers in Louisiana who utilize the gas for fuel or in manufacturing processes are exempt from regulation.

The Company is subject to regulation by the United States Department of Transportation with respect to safety requirements in the operation and maintenance of its gas distribution facilities. The Company's distribution operations are also subject to various state and federal laws regulating pipeline safety and environmental matters.

**Rates**

Approximately 97 percent of the Company's utility revenues in fiscal year 2005 were derived from sales at rates set by or subject to approval by local or state authorities. The method of determining regulated rates varies among the states in which our natural gas utility divisions operate. The regulators have the responsibility of ensuring that utilities under their jurisdictions operate in the best interests of customers while providing utility companies the opportunity to earn a reasonable return on investment. Generally, each regulatory authority reviews our rate request and establishes a rate structure intended to generate revenue sufficient to cover our costs of doing business and provide a reasonable return on invested capital.

Rates established by regulatory authorities are adjusted for increases and decreases in our purchased gas cost through purchased gas adjustment mechanisms. Purchased gas adjustment mechanisms provide gas utility companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case to address all of the utility's non-gas costs. These mechanisms are commonly utilized when regulatory authorities recognize a particular type of expense, such as purchased gas costs, that (i) is subject to significant price fluctuations compared to the utility's other costs, (ii) represents a large component of the utility's cost of service and (iii) is generally outside the control of the gas utility. There is no gross profit generated through purchased gas adjustments, but they do provide a dollar-for-dollar offset to increases or decreases in utility gas costs. Although substantially all of our utility sales to our customers fluctuate with the cost of gas that we purchase, utility gross profit (which is defined as operating revenues less purchased gas cost) is generally not affected by fluctuations in the cost of gas due to the purchased gas adjustment mechanism.

Additionally, certain jurisdictions have introduced performance-based ratemaking adjustments to provide incentives to natural gas utilities to minimize purchased gas costs through improved storage management and use of financial hedges to lock in gas costs. Under the performance-based ratemaking adjustment, purchased gas cost savings are shared between the utility and the customers. Also, we have approved weather normalization adjustments (WNA) in Tennessee, Georgia, Kentucky, Mississippi, Kansas, Virginia, Amarillo, Texas, Lubbock, Texas and our West Texas distribution system which helps to mitigate the effects of weather that is above or below normal. WNA allows us to increase customers' bills to offset lower gas usage when weather is warmer than normal and decrease customers bills to offset higher gas usage when weather is colder than normal.

## REGULATION AND RATES (Continued)

The following table sets forth the major rate requests (excluding industrial and agricultural) made by the Company during the most recent 10 fiscal years through September 30, 2005 (in thousands):

| Jurisdiction | | Effective Date | Amount Received (Reduced) | |
|---|---|---|---|---|
| **Atmos Pipeline - Texas** | | 04/01/05 | 1,802 | |
| **Colorado** | | 1/21/98 | (1,600) | (5) |
| | | 5/04/01 | 2,750 | |
| | | 4/01/04 | (1,900) | (5) |
| **Georgia** | | 12/02/96 | 3,160 | |
| | | 5/01/99 | - | (13) |
| **Illinois** | | 7/09/97 | 428 | |
| | | 10/23/00 | 1,367 | |
| **Iowa** | | 5/17/96 | 410 | |
| | | 3/05/01 | (326) | (4) |
| **Kansas** | | 3/01/04 | 2,500 | (10) |
| **Kentucky** | | 11/01/95 | 2,300 | (3) |
| | | 3/01/96 | 1,000 | (3) |
| | | 12/21/99 | 9,900 | (7) |
| **Louisiana:** | Trans La System | 11/01/02 | 364 | (2) |
| | LGS System | 11/01/02 | 11,890 | (9) |
| | | 10/01/04 | 225 | |
| **Mississippi:** | FY 2003 | - | - | (12) |
| | FY 2004 | - | 10,545 | (12) |
| | FY 2005 | - | 4,300 | (12) |
| **Missouri** | | 10/14/95 | 903 | |
| **Tennessee** | | 11/15/95 | 2,227 | |
| | | 4/01/99 | - | (13) |
| **Texas:** | West Texas System | 11/01/96 | 5,800 | (1) |
| | | 12/01/00 | 3,011 | (6) |
| | | 5/01/04 | 3,200 | |
| | Amarillo | 1/01/00 | 2,200 | |
| | | 9/01/03 | 2,825 | |
| | Lubbock System | 3/01/04 | 1,525 | |
| **Virginia** | | 10/1/98 | (248) | (8) |
| | | 4/01/01 | (534) | |
| | | 8/01/04 | 372 | (11) |

Notes

(1) The increase included $500,000 applicable to areas outside the city limits which became effective in April 1997.

(2) The Louisiana Public Service Commission approved, in October 1999, a rate stabilization clause for three years for our former Trans La Division. The rate stabilization clause will allow the Trans La system to earn a return on equity within certain ranges that will be monitored on an annual basis. In 2002, we submitted our 2001 rate stabilization filing and received tariff revisions which resulted in an increase in annual revenues of $0.5 million during the first 24-month period. Subsequent to the first 24-month period, adjusted rates will provide an increase in annual revenues of $0.4 million.

(3) The Kentucky rate order provided an increase of $2,300,000, lowered depreciation rates effective November 1, 1995 and provided an additional $1,000,000 beginning March 1, 1996. The order also included a provision for a pilot demand side management program which could cost up to $450,000 annually.

(4) Rate reduction as a result of an agreement initiated by the Iowa Consumer Advocate Division of the Department of Justice.

(5) Rate reduction as a result of settlement in a case initiated by the Colorado Office of Consumer Council.

(6) In addition to the revenue increase, the Railroad Commission approved a new rate design to mitigate the effect of warmer than normal weather.

(7) The Kentucky rate order also included a provision for a five-year pilot program for weather normalization beginning in November 2000.

(8) Rate reduction as a result of a settlement with the Virginia State Corporation Commission staff.

(9) On January 29, 2001, the Louisiana Public Service Commission approved a rate stabilization clause for our LGS system for a three-year period beginning January 1, 2001. Under the rate stabilization clause, our LGS system will be allowed to earn a return on equity within certain ranges that will be monitored on an annual basis. In 2002, we submitted our 2001 rate stabilization filing and received tariff revisions which resulted in an increase in annual revenues of $15.3 million during the first 24-month period. Subsequent to the first 24-month period, adjusted rates will provide an increase in annual revenues of $11.9 million.

(10) Agreement stipulated that we would not file another full rate case prior to September 1, 2005.

(11) Agreement includes a provision to allow us to recover the gas cost component of bad debt expense.

(12) Through May 2005, The Mississippi Public Service Commission required that we file for rate adjustments every six months. The rate filings were made in May and November of each year and the rate adjustments typically became effective in June and December. In October 2005, our rate design was changed to provide for, among other things, annual filings beginning in September 2006. See Form 10-K for the year ended September 30, 2005 for further information.

(13) Effective April 1, 1999, the Tennessee Regulatory Authority approved a performance-based ratemaking mechanism related to gas procurement and gas transportation activities. Effective May 1, 2002, the Georgia Public Service Commission renewed our performance-based ratemaking program.

## REGULATION AND RATES (Continued)

**Regulatory Commissions**

***Railroad Commission of Texas*** *(www.rrc.state.tx.us)*

Three Commissioners who are elected by statewide general election for staggered six-year terms.

- Victor G. Carrillo - Term expires 2010; appointed to serve the unexpired term of Tony Garza who became Ambassador to Mexico; former petroleum geophysicist; former attorney.
- Elizabeth Ames Jones, Chairman - Term expires 2006; Appointed to the commission in 2005 by Governor Rick Perry to serve the unexpired term of Charles Matthews. Previously served 3 terms in the Texas House of Representatives.
- Michael L. Williams - Term expires 2008; appointed to serve the unexpired term of Carole Keeton Rylander; former general counsel to a Texas-based high-tech corporation.

**Kentucky Public Service Commission** (www.psc.state.ky.us)

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- Mark David Goss, Chairman - Term expires 2007; former partner in the law firm of Goss & Goss Attorneys in Harlan.
- Teresa J. Hill, Vice Chairman - Term expires 2009; Former partner in law firm Bown and Hill, PLLC in Corbin.
- W. Gregory "Greg" Coker - Term expires 2008; Former Vice President of ALL TEL Kentucky. Prior executive with BellSouth Telecommunications.

**Louisiana Public Service Commission** (www.lpsc.org)

Five Commissioners elected from single-member districts for staggered six-year terms.

- Jack A. "Jay" Blossman, Jr. Chairman, District 1 - Term expires 2009; former attorney.
- Jimmy Field, District 2 - Term expires 2007; former attorney in private practice.
- Lambert C. Boissiere III, District 3 - New Commissioner, January 1, 2005. Biographical data not yet updated.
- C. Dale Sittig, District 4 - Term expires 2011; former State Representative.
- Foster L. Campbell, District 5 - Term expires 2009; former school teacher and owner/operator of an insurance agency.

**Kansas Corporation Commission** (www.kcc.state.ks.us)

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- Michael Moffet - Term expires March 2008; former counsel to the U.S. Senate Committee on Commerce, Science & Transportation, Aviation Subcommittee, and as a legislative assistant to former Sen. Nancy Landon Kassebaum.
- Robert Krehbiel - Term expires March 2007; former attorney with Phillips Petroleum Company, Energy Resources Group, Inc., and Imperial Oil Company prior to having a private practice that focused on oil and gas law.
- Brian J. Moline, Chairperson - Term expires March 2006; former General Counsel to the KCC.

**Colorado Public Utilities Commission** (www.dora.state.co.us)

Three Commissioners who are appointed by the Governor for staggered four-year terms.

- Gregory E. Sopkin, Chairman - Term expires January 2007; former Assistant Attorney General, representing PUC.
- Carl Miller, Commissioner - Commissioner since July 1, 2004, term expires 2009; Former State Representative; worked in underground mining for 27 years.
- Polly Page - Commissioner, term expires January 2008; former Arapahoe County Commissioner (1995-2000) and former Aurora City Council Member (1987-1995).

**Mississippi Public Service Commission** (www.psc.state.ms.us)

Three Commissioners who are elected.

- Dorlos "Bo" Robinson, Chairman - Term expires 2007; co-owner, with his son, of Robinson Farms; also co-owner of Hamilton Gin and Cotton Company, Cottonhouse, Inc., M & R Farms, and R & W Land Company.
- Nielsen Cochran, Vice Chairman - Term expires November 2007; former professional baseball player for the Baltimore Orioles.
- Vacant Position for Southern District, pending Governor appointment.

**Regulatory Commissions (Continued)**

**Missouri Public Service Commission** (www.psc.state.mo.us)

Five Commissioners who are appointed by the Governor for staggered four-year terms.

- Jeff Davis, Chairman - Term expires April 2008; former General Counsel and Chief of Staff for Missouri Senate President Pro Tem Peter Kinder.
- Linward "Lin" Appling, Commissioner - Term expires 2008; former Director of the Division of Facilities Management within the Office of Administration. He is a retired Army Lieutenant Colonel.
- Steve Gaw, Commissioner - Term expires January 2007; former Speaker of the Missouri House.
- Connie Murray, Commissioner - Term expires April 2007; former state representative.
- Robert M. Clayton III, Commissioner - Term expires April 2009; attorney in private law practice in Hannibal and former State Representative.

**Illinois Commerce Commission** (www.icc.state.il.us)

Five Commissioners who are appointed by the Governor and confirmed by the Senate for five year terms.

- Charles Box, Chairman - New commissioner January 2006, biographical data not yet available.
- Erin M. O'Connell-Diaz, Commissioner - Term expires 2008; former Assistant Manager, Administrative Law Judge Division, ICC (2000-2003).
- Lula M. Ford, Commissioner - Term expires 2008; former Math and Science Teacher and Assistant Superintendent, Chicago Public Schools.
- Kevin K. Wright, Commissioner - Term expires 2007; former deputy chief of staff to Governor George H. Ryan.
- Robert F. Leiberman, Commissioner - Term expires 2010; Former Director of Office of Research and Planning and CEO of the Center for Neighborhood Technology.

**Georgia Public Service Commission** (www.psc.state.ga.us)

Five Commissioners elected state wide by general public for seven year terms.

- David L. Burgess - Term expires 2006; the first former PSC staff member to hold a Commission seat.
- Angela Speir, Chairman - Term expires 2008; Former Assistant Administrator of the medical complex at the United Methodist Children's Home providing medical aid and counseling to abused children.
- Stan Wise - Term expires 2006; Former Cobb County Commissioner and member of Board of Zoning Appeals; former President of the S.E. Assoc. of Regulatory Utility Commissioners.
- Bobby Baker, Jr., Vice Chairman - Term expires 2010; Former Attorney with the Southeastern Legal Foundation.
- Doug Everett - Term expires 2008; former employee of Albany First Federal Savings and Loan before starting his own business in 1974, Southern Appraisal Company that specializes in appraising large commercial and industrial properties; former State Representative.

**Virginia State Corporation Commission** (www.scc.virginia.gov)

Three Commissioners elected by the General Assembly for staggered six year terms.

- Theodore V. Morrison, Jr. - Term expires 2007; Former Attorney and member of the Va. Code Commission and Va. House of Delegates.
- Mark C. Christie - Term expires 2010; Former counsel to the Speaker of the House of Delegates of the Virginia General Assembly.
- Clinton Miller, Chairman - Term expires 2008; Former Attorney and member of the Va. House of Delegates.

**Iowa Utilities Board** (www.state.ia.us/government/com/util)

Three Commissioners who are appointed by the Governor with Senate approval and minority party representation.

- Diane Munns - Term expires 2009; former General Counsel for the Iowa Utilities Board.
- John Norris, Chairperson - Term expires 2011; Formerly Chief of Staff for Governor Vilsack.
- Curt Stamp - Appointed by Governor Tom Vilsack to fill the unexpired term of Elliott Smith through April 2007; formerly an attorney in private practice.

**Tennessee Regulatory Authority** (www.state.tn.us/tra)

Four Directors who are appointed for 6 years by the Governor, Speaker of House, and Lieutenant Governor.

- Sara Kyle - Term expires 2008; Former City Judge in Memphis, Tn.
- Deborah Taylor Tate - Term expires 2008; recently served as Director of the State and Local Policy Center at Vanderbilt University.
- Pat Miller - Term expires 2008; served as Chief of Staff to the Lt. Governor and Speaker of the Senate from 1997 to 2002.
- Ron Jones, Chairman - Term expires 2008; a 19 year veteran of utility regulation.

## GAS SUPPLY

The Company receives gas deliveries for all of our utility divisions, except for our Mid-Tex Division, through 37 pipeline transportation companies, both interstate and intrastate, to satisfy its natural gas needs. The pipeline transportation agreements are firm and many of them have "pipeline no-notice" storage service which provides for daily balancing between system requirements and nominated flowing supplies. These agreements have been negotiated with the shortest term necessary while still maintaining our right of first refusal. The natural gas supply for our Mid-Tex Division is delivered by our Atmos Pipeline - Texas Division, which was formed from the natural gas transmission and storage operations that we acquired in the TXU Gas acquisition.

We purchase our gas supply from various producers and marketers. Supply arrangements are contracted on a firm basis with various terms at market prices. The firm supply consists of both base load and swing supply quantities. Base load quantities are those that flow at a constant level throughout the month and swing supply quantities provide the flexibility to change daily quantities to match increases or decreases in requirements related to weather conditions. Except for local production purchases, we select suppliers through a competitive bidding process by requesting proposals from suppliers that have demonstrated that they can provide reliable service. We select these suppliers based on their ability to deliver gas supply to our designated firm pipeline receipt points at the lowest cost.

Colorado Interstate Gas Company, Northwest Pipeline, Public Service Company of Colorado and Southern Star Central Pipeline are the principal transporters of the Colorado-Kansas Division's requirements. Additionally, the Colorado-Kansas Division purchases substantial volumes from producers that are connected directly to its distribution system.

The Kentucky Division's gas supply is delivered primarily by the following pipelines: Midwestern Pipeline, Texas Gas Transmission LLC, Tennessee Gas Pipeline Company and Trunkline Gas Company.

Acadian Pipeline, Gulf South, Louisiana Intrastate Gas Company, Texas Gas Transmission LLC and Trans Louisiana Gas Pipeline, Inc., a subsidiary of Atmos Pipeline and Storage, LLC are the principal transporters of the Louisiana Division's natural gas requirements.

The Mid-States Division is served by 13 interstate pipelines. The majority of the volumes are transported through Columbia Gulf, East Tennessee Pipeline, Southern Natural Gas and Tennessee Gas Pipeline.

Our Mid-Tex Division's gas supply is provided by Atmos Pipeline - Texas Division, which represents the pipeline and storage operations of TXU Gas Company we acquired on October 1, 2004.

The majority of the Mississippi Division's gas supply is delivered by Gulf South Pipeline Company, Tennessee Gas Pipeline Company, Southern Natural Gas Company, Texas Eastern Transmission, Texas Gas Transmission LLC, Trunkline Gas Co. LLC and Enbridge Marketing LP.

Our West Texas Division receives transportation service from ONEOK Pipeline and commodity from third parties. The West Texas Division purchases a significant portion of its supply from Pioneer Natural Resources which is connected directly to our Amarillo, Texas distribution system.

The Company also owns or holds an interest in and operates numerous natural gas storage facilities in Kansas, Kentucky, Mississippi, Texas and Louisiana which are used to help meet customer requirements during peak demand periods and to reduce the need to contract for additional pipeline capacity to meet such peak demand periods. Additionally, the Company operates one propane plant and a liquefied natural gas plant for peak shaving purposes. The Company also contracts for storage service in underground storage facilities on many of the interstate pipelines serving them.

During fiscal 2005, the Company purchased the majority of its gas from the following suppliers:

1) Atmos Energy Marketing, LLC
2) Tenaska Marketing
3) Devon Gas Services, L.P.
4) BP Energy Company
5) Cross Timbers Energy Services, Inc.
6) Chevron Corporation
7) Enbridge Marketing (US), L.P.
8) Anadarko Energy Services
9) ConocoPhillips Company
10) Oneok Energy Services Company, L.P.

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## UNDERGROUND STORAGE FACILITIES

Our utility and pipeline and storage segments own underground gas storage facilities in several states to supplement the supply of natural gas in periods of peak demand. The following table summarizes key information regarding our underground gas storage facilities:

| Facility | Location | Usable Capacity (Mcf) | Cushion Gas (Mcf) (1) | Total Capacity (Mcf) | Maximum Daily Delivery Capability (Mcf) |
|---|---|---|---|---|---|
| *Utility Segment* | | | | | |
| Liberty North | Montgomery County, KS | 2,800,000 | 2,000,000 | 4,800,000 | 40,000 |
| St. Charles | Hopkins County, KY | 2,685,196 | 3,422,283 | 6,107,479 | 44,600 |
| Amory | Monroe County, MS | 800,635 | 788,457 | 1,589,092 | 30,000 |
| Bon Harbor | Daviess County, KY | 778,600 | 1,300,000 | 2,078,600 | 24,000 |
| Goodwin | Monroe County, MS | 743,998 | 1,393,280 | 2,137,278 | 18,000 |
| Hickory | Daviess County, KY | 451,600 | 850,000 | 1,301,600 | 24,000 |
| Columbus LNG Plant | Muscogee County, GA | 450,000 | 50,000 | 500,000 | 30,000 |
| Liberty South | Montgomery County, KS | 439,000 | 300,000 | 739,000 | 5,000 |
| Grandview | Daviess County, KY | 305,400 | 350,000 | 655,400 | 4,500 |
| Kirkwood | Hopkins County, KY | 221,900 | 400,000 | 621,900 | 12,000 |
| Buffalo | Wilson County, KS | 200,000 | 180,000 | 380,000 | 5,000 |
| Fredonia | Wilson County, KS | 200,000 | 160,000 | 360,000 | 5,000 |
| *Total Utility Segment* | | 10,076,329 | 11,194,020 | 21,270,349 | 242,100 |
| *Pipeline and Storage Segment* | | | | | |
| Tri-Cities (2) | Malakoff, TX | 19,993,475 | 5,660,000 | 25,653,475 | 275,000 |
| Bethel (2) | Howard, TX | 7,100,000 | 3,000,000 | 10,100,000 | 600,000 |
| New York City (2) | Bellevue, TX | 5,650,000 | 2,083,025 | 7,733,025 | 120,000 |
| Lapan (2) | Bellevue, TX | 3,425,000 | 1,070,000 | 4,495,000 | 120,000 |
| Lake Dallas (2) | Denton, TX | 2,960,000 | 1,315,000 | 4,275,000 | 120,000 |
| East Diamond | Hopkins County, KY | 2,160,000 | 1,640,000 | 3,800,000 | 40,000 |
| Barnsley | Hopkins County, KY | 1,278,900 | 1,600,000 | 2,878,900 | 30,000 |
| Napoleonville (3) | Assumption Parish, LA | 438,583 | 300,973 | 739,556 | 56,000 |
| Crofton | Christian County, KY | 54,000 | 55,000 | 109,000 | 1,000 |
| *Total Pipeline and Storage Segment* | | 43,059,958 | 16,723,998 | 59,783,956 | 1,362,000 |
| **Total** | | 53,136,287 | 27,918,018 | 81,054,305 | 1,604,100 |

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

(2) Acquired in connection with the TXU Gas acquisition on October 1, 2004.

(3) We own 25 percent of this facility and Acadian Gas Pipeline System owns the remaining 75 percent of this facility. Acadian Gas Pipeline System operates this facility.

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

(5) We contract for storage service in two underground storage facilities, Wiseman and Ellis, from this company.

## UNDERGROUND STORAGE FACILITIES (CONTINUED)

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

| Division/Company | Contractor | Maximum Storage Quantity (MMBtu) | Maximum Daily Withdrawal Quantity (MMBtu) (4) |
|---|---|---|---|
| *Utility Segment* | | | |
| Colorado-Kansas Division | Southern Star Central Pipeline | 2,719,101 | 82,397 |
| | Tenaska Marketing Ventures | 1,000,000 | 10,400 |
| | Colorado Interstate Gas Company | 422,142 | 12,985 |
| | Kinder Morgan, Inc. | 67,500 | 1,500 |
| | Centerpoint Energy Gas Transmission | 28,500 | 950 |
| Kentucky Division | Texas Gas Transmission | 3,841,150 | 41,060 |
| | Tennessee Gas Pipeline Company | 1,313,538 | 22,698 |
| Louisiana Division | Gulf South | 1,941,280 | 97,064 |
| | Louisiana Intrastate Gas Company | 600,000 | 60,000 |
| | Texas Gas Transmission | 11,372 | 1,194 |
| | Southern Natural Gas Company | 4,771 | 102 |
| | Tennessee Gas Pipeline Company | 4,466 | 91 |
| Mid-States Division | Atmos Energy Marketing | 1,993,543 | 16,634 |
| | Southern Natural Gas Company | 1,453,265 | 29,345 |
| | Panhandle Eastern Pipeline | 972,462 | 15,241 |
| | Tennessee Gas Pipeline Company | 835,674 | 20,000 |
| | Texas Eastern Transmission Company | 753,969 | 11,303 |
| | Gallagher Drilling Company (5) | 640,000 | 5,000 |
| | ANR Pipeline Company | 630,500 | 11,218 |
| | Dominion | 609,008 | 8,136 |
| | Transco | 568,674 | 12,710 |
| | Virginia Gas Pipeline Company | 380,000 | 23,000 |
| | East Tennessee | 339,900 | 52,633 |
| | Natural Gas Pipeline Company | 312,750 | 5,580 |
| | Texas Gas Transmission | 239,576 | 5,108 |
| | CMS Trunkline Gas Company | 220,455 | 2,940 |
| | MRT Energy Marketing | 137,493 | 2,395 |
| Mississippi Division | Gulf South | 1,237,500 | 61,875 |
| | Southern Natural Gas Company | 1,049,436 | 21,191 |
| | Texas Gas Transmission | 826,390 | 36,420 |
| | Texas Eastern | 518,220 | 8,637 |
| | Egan Storage | 400,000 | 40,000 |
| | Trunkline Gas Company | 24,840 | 331 |
| | Tennessee Gas Pipeline Company | 3,394 | 113 |
| West Texas Division | ONEOK Texas Gas Storage LLP | 1,125,000 | 50,000 |
| *Total Utility Segment* | | 27,225,869 | 770,251 |
| *Natural Gas Marketing Segment* | | | |
| Atmos Energy Marketing, LLC | Gulf South | 5,992,015 | 85,686 |
| | Egan | 1,500,000 | 90,000 |
| | Atmos Pipeline-Texas | 1,000,000 | 24,000 |
| | Virginia Gas Pipeline Company | 170,000 | 17,000 |
| *Total Natural Gas Marketing Segment* | | 8,662,015 | 216,686 |
| *Pipeline and Storage Segment* | | | |
| Trans Louisiana Gas Pipeline, Inc. | Gulf South Pipeline Company | 750,000 | 20,000 |
| | Bridgeline Gas Distribution LLC | 300,000 | 30,000 |
| *Total Pipeline and Storage Segment* | | 1,050,000 | 50,000 |
| **Total Contracted Storage Capacity** | | 36,937,884 | 1,036,937 |

## DESCRIPTION OF COMMON STOCK

The authorized capital stock of the Company consists of 200,000,000 shares of common stock, no par value. Each share of common stock is entitled to one vote on all matters voted upon by shareholders. Holders of the common stock do not have cumulative voting rights. The shares of common stock issued and outstanding are fully paid and non-assessable. There are no redemption or sinking fund provisions applicable to the shares of common stock, and such shares are not entitled to any preemptive rights. Holders of shares of common stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors from the assets of the Company legally available therefore and, upon any liquidation of the Company, a pro rata share of all assets of the Company available for distribution to shareholders.

Under the provisions of its loan agreements, the Company has agreed to restrictions on the payment of cash dividends under certain circumstances. At September 30, 2005, under the most restrictive of such covenants, approximately $157.9 million of retained earnings was unrestricted.

On November 12, 1997, our Board of Directors declared a dividend distribution of one right for each outstanding share of our common stock to shareholders of record at the close of business on May 10, 1998. Each right entitles the registered holder to purchase from us a one-tenth share of our common stock at a purchase price of $8.00 per share, subject to adjustment. The description and terms of the rights are set forth in a rights agreement between us and the rights agent. The rights expire on May 10, 2008, unless extended prior thereto by our board or earlier if redeemed by us. The rights will not have any voting rights.

As part of the consideration for our Mississippi Valley Gas Company acquisition in December 2002, we issued shares of common stock under an exemption from registration under the Securities Act of 1933, as amended. As of September 30, 2005, 1,193,143 shares were covered by the registration rights agreement.

In addition, in connection with our funding of the Atmos Energy Corporation Pension Account Plan, we issued, in June 2003, to the Atmos Energy Corporation Master Retirement Trust, for the benefit of the Pension Account Plan, 1,169,700 shares of common stock under an exemption from registration under the Securities Act. For more information regarding these exemptions and rights agreements, as well as other shareholders' equity items, please see footnote 7, "Shareholders' Equity", in our Form 10-K for the year ended September 30, 2005.

The Company's common stock is traded on the NYSE under the trading symbol ATO. Prior to October 1988, it was traded over-the-counter and was quoted on NASDAQ/NMS under the symbol EGAS. Trading in the over-the-counter market began December 28, 1983 and ended in October 1988 when the stock was listed on the NYSE.

The Company also has a Direct Stock Purchase Plan ("DSPP"). Participants in the DSPP may have all or part of their cash dividends paid quarterly in additional shares of our common stock. Through March 31, 2004, participants were permitted to reinvest their cash dividends at a three percent discount from market prices. Effective April 1, 2004, the three percent discount on reinvested dividends was eliminated and the minimum initial investment required to join the plan was increased to $1,250. DSPP participants may purchase additional shares of Company common stock as often as weekly with voluntary cash payments of at least $25, up to an annual maximum of $100,000.

The following table sets forth, for the periods indicated, the high and low closing prices as reported on the NYSE Composite Tape, dividends paid, record holders at fiscal year end, net income (loss) per share and average shares outstanding. High and low share prices reflect actual Atmos closing stock quotes as adjusted for stock splits. Other amounts below have been restated under pooling of interests accounting for the merger with United Cities Gas Company in July 1997.

## COMMON STOCK DATA

| Quarter ended: | High | Low |
|---|---|---|
| Fiscal 1995 | | |
| Dec. 31, 1994 | $ 18.00 | $ 15.88 |
| Mar. 31, 1995 | 18.50 | 16.13 |
| Jun. 30, 1995 | 20.25 | 17.50 |
| Sep. 30, 1995 | 20.63 | 19.00 |
| Fiscal 1996 | | |
| Dec. 31, 1995 | $ 23.00 | $ 18.00 |
| Mar. 31, 1996 | 23.00 | 21.00 |
| Jun. 30, 1996 | 31.00 | 22.75 |
| Sep. 30, 1996 | 30.63 | 20.88 |
| Fiscal 1997 | | |
| Dec. 31, 1996 | $ 24.75 | $ 22.63 |
| Mar. 31, 1997 | 26.25 | 22.13 |
| Jun. 30, 1997 | 25.50 | 22.50 |
| Sep. 30, 1997 | 27.88 | 24.50 |
| Fiscal 1998 | | |
| Dec. 31, 1997 | $ 30.44 | $ 24.63 |
| Mar. 31, 1998 | 30.31 | 26.31 |
| Jun. 30, 1998 | 31.06 | 28.81 |
| Sep. 30, 1998 | 30.88 | 25.75 |
| Fiscal 1999 | | |
| Dec. 31, 1998 | $ 32.25 | $ 28.38 |
| Mar. 31, 1999 | 32.69 | 23.06 |
| Jun. 30, 1999 | 26.31 | 24.00 |
| Sep. 30, 1999 | 26.38 | 23.88 |

| Quarter ended: | High | Low |
|---|---|---|
| Fiscal 2000 | | |
| Dec. 31, 1999 | $ 25.00 | $ 20.00 |
| Mar. 31, 2000 | 20.19 | 15.56 |
| Jun. 30, 2000 | 20.56 | 14.75 |
| Sep. 30, 2000 | 23.25 | 18.50 |
| Fiscal 2001 | | |
| Dec. 31, 2000 | $ 26.25 | $ 19.31 |
| Mar. 31, 2001 | 25.25 | 21.50 |
| Jun. 30, 2001 | 24.46 | 21.45 |
| Sep. 30, 2001 | 23.64 | 19.79 |
| Fiscal 2002 | | |
| Dec. 31, 2001 | $ 22.10 | $ 19.46 |
| Mar. 31, 2002 | 24.20 | 20.26 |
| Jun. 30, 2002 | 24.46 | 21.25 |
| Sep. 30, 2002 | 22.75 | 18.37 |
| Fiscal 2003 | | |
| Dec. 31, 2002 | $ 23.63 | $ 20.70 |
| Mar. 31, 2003 | 24.20 | 20.95 |
| Jun. 30, 2003 | 25.45 | 21.43 |
| Sep. 30, 2003 | 25.07 | 23.20 |
| Fiscal 2004 | | |
| Dec. 31, 2003 | $ 24.99 | $ 24.15 |
| Mar. 31, 2004 | 26.86 | 24.32 |
| Jun. 30, 2004 | 26.05 | 23.68 |
| Sep. 30, 2004 | 25.86 | 24.61 |
| Fiscal 2005 | | |
| Dec. 31, 2004 | $ 27.43 | $ 24.85 |
| Mar. 31, 2005 | 29.09 | 26.19 |
| Jun. 30, 2005 | 28.87 | 25.94 |
| Sep. 30, 2005 | 29.76 | 28.23 |

| | Cash dividends | Record holders at year end | Net income per diluted share | Avg. shares outstanding (000's) |
|---|---|---|---|---|
| Fiscal 1995 | $0.96 | 31,782 | $1.06 | 27,208 |
| Fiscal 1996 | $0.98 | 36,472 | $1.42 | 28,994 |
| Fiscal 1997 | $1.01 | 29,867 | $0.81 | 29,422 |
| Fiscal 1998 | $1.06 | 36,949 | $1.84 | 30,031 |
| Fiscal 1999 | $1.10 | 35,179 | $0.58 | 30,819 |

| | Cash dividends | Record holders at year end | Net income per diluted share | Avg. shares outstanding (000's) |
|---|---|---|---|---|
| Fiscal 2000 | $1.14 | 32,394 | $1.14 | 31,594 |
| Fiscal 2001 | $1.16 | 30,524 | $1.47 | 38,247 |
| Fiscal 2002 | $1.18 | 28,829 | $1.45 | 41,250 |
| Fiscal 2003 | $1.20 | 28,510 | $1.54 | 46,496 |
| Fiscal 2004 | $1.22 | 27,555 | $1.58 | 54,416 |
| Fiscal 2005 | $1.24 | 26,242 | $1.72 | 79,012 |

## SHARED SERVICES

The following table sets forth certain information regarding the shared services officers of the Company as of September 30, 2005.

| Name | Age | Years of Service | Office Currently Held |
|---|---|---|---|
| Robert W. Best | 58 | 8 | Chairman, President and Chief Executive Officer |
| J. Patrick Reddy | 52 | 7 | Senior Vice President and Chief Financial Officer |
| R. Earl Fischer | 66 | 43 | Senior Vice President, Utility Operations and President, Mid-Tex Division |
| JD Woodward III | 55 | 4 | Senior Vice President, Non-Utility Operations |
| Louis P. Gregory | 50 | 5 | Senior Vice President and General Counsel |
| Wynn D. McGregor | 52 | 17 | Vice President, Human Resources |
| Leslie H. Duncan | 57 | 4 | Vice President and Chief Information Officer |
| Susan C. Kappes | 51 | 3 | Vice President, Investor Relations and Corporate Communications |
| Verlon R. Aston, Jr. | 54 | 13 | Vice President, Governmental and Public Affairs |
| Conrad E. Gruber | 45 | 14 | Vice President, Strategic Planning |
| Fred E. Meisenheimer | 61 | 5 | Vice President and Controller |
| Laurie M. Sherwood | 44 | 7 | Vice President, Corporate Development and Treasurer |
| Dwala J. Kuhn | 48 | 6 | Corporate Secretary |

**Robert W. Best** was named Chairman of the Board, President and Chief Executive Officer in March 1997. He previously served as Senior Vice President - Regulated Businesses of Consolidated Natural Gas Company (1996 - March 1997) and was responsible for its transmission and distribution companies. Prior to that, he served as Senior Vice President of Transco Energy Company and President of Transcontinental Gas Pipe Line Corporation (1992-1995); and President of Texas Gas Transmission Corporation (1985-1995).

**J. Patrick Reddy** was named Senior Vice President and Chief Financial Officer in September 2000. From April 2000 to September 2000, he was Senior Vice President, Chief Financial Officer and Treasurer. Mr. Reddy previously served the Company as Vice President, Corporate Development and Treasurer from December 1998 to March 2000. He joined the Company in August 1998 from Pacific Enterprises, a Los Angeles, California based utility holding company whose principal subsidiary was Southern California Gas Co. where he was Vice President of Planning and Advisory Services responsible for corporate development and merger and acquisition activities. Mr. Reddy was with Pacific Enterprises from 1980 to 1998 in various management and financial positions.

**R. Earl Fischer** was named Senior Vice President, Utility Operations in May 2000 and President of the Mid-Tex Division in October 2004. Effective October 1, 2005, Mr. Fischer relinquished his duties as President of the Mid-Tex Division. He previously served the Company as President of the West Texas Division from January 1999 to April 2000 and as President of the Kentucky Division from February 1989 to December 1998.

**JD Woodward III** was named Senior Vice President, Non-Utility Operations in April 2001. Prior to joining the Company, Mr. Woodward was President of Woodward Marketing, L.L.C. from January 1995 to March 2001. Effective April 1, 2006, Mr. Woodward will retire from the Company and be succeeded by Mark H. Johnson, Vice President, Non-Utility Operations.

**Louis P. Gregory** joined the Company as Senior Vice President and General Counsel in September 2000. Prior to joining the Company, he practiced law from April 1999 to August 2000 with the law firm of McManemin & Smith. Prior to that, he served as a consultant and independent contractor from August 1996 to December 1998 for Nomas Corp. (formerly known as Lomas Mortgage USA, Inc.) and Siena Holdings, Inc. (formerly known as Lomas Financial Corporation). He served in various legal positions with Lomas Financial Corporation, a diversified financial services company, and its affiliates, from August 1988 to June 1996, ultimately as Senior Vice President and General Counsel.

## SHARED SERVICES (Continued)

**Wynn D. McGregor** was named Vice President, Human Resources in January 1994. He previously served the Company as Director of Human Resources from February 1991 to December 1993 and as Manager, Compensation and Employment from December 1987 to January 1991. Effective October 1, 2005, Mr. McGregor was named Senior Vice President Human Resources.

**Leslie H. Duncan** was named Vice President, Chief Information Officer in July, 2001. Previously, he had been Senior Vice President and CIO for Jo-Ann Stores, Inc., Vice President and CIO for The Limited and Director of Information Services for British Petroleum Company PLC.

**Susan C. Kappes** was named Vice President, Investor Relations and Corporate Communications in June 2002. She joined Atmos in January 2002 as Director of Accounting Services. Before coming to Atmos Energy, she was responsible for financial reporting at Pioneer Natural Resources Company from September 2000 to January 2002. She also had worked as team leader for business reporting at Nokia, Inc. from August 1999 to September 2000 and as a senior professional accountant for Oryx Energy from January 1989 to August 1999. Effective October 3, 2005 Cynthia Foor was named Vice President, Corporate Communications.

**Cynthia A. Foor** was named Vice President, Corporate Communications, in October 2005. She previously had been vice president of marketing communications for Pegasus Solutions in Dallas since July 2003. Prior to that, she held various management positions in communications with Masergy Communications, Inc., Sterling Software and EDS, all in Dallas.

**Verlon R. Aston Jr.** was named Vice President, Governmental and Public Affairs in May 2003. He previously served as Vice President of Marketing of the West Texas Division from October 2000 to May 2003, as Manager of Public Affairs from March 1997 to September 2000 in the West Texas Division and as a marketing representative from November 1991 to February 1997 in the West Texas Division. From 1980 to 1991, he was a contract petroleum land/permit agent in West Texas for Exxon Company, U.S.A.

**Conrad E. Gruber** was named Vice President, Strategic Planning in July 2004. He previously served as President of the Louisiana Division from June 2001 to June 2004, as President of the Kentucky Division from 1999 to 2001, as Vice President, Technical Services for the Colorado-Kansas Division from 1994 to 1999 and as Engineering and Measurement Coordinator in the Dallas headquarters from 1991 to 1994.

**Fred E. Meisenheimer** was named Vice President and Controller in July 2000. He joined Atmos from Vartec Telecom, Inc., a privately-held telecom services provider, where he was controller and responsible for all accounting and treasury operations. Previously, he served as assistant controller and general auditor for Oryx Energy Company from 1988 to 1999 and as assistant controller for Sun Exploration and Production Company from 1979 to 1988. He also served as audit manager at Deloitte & Touche LLP from 1970 to 1979.

**Laurie M. Sherwood** was promoted to Vice President and Treasurer in September 2000. She joined Atmos as Assistant Treasurer in May 1999 from Oryx Energy Company, where she was manager of corporate finance and trust investments. She joined Oryx's predecessor, Sun Exploration and Production Company, in 1982 and served in various financial and management positions.

**Dwala J. Kuhn** was named Corporate Secretary in April 2003. She joined Atmos Energy in September 1999 as Executive Assistant to Robert W. Best, Chairman, President and CEO. Previously, she held executive assistant positions at Gemini Exploration Company and Mesa, Inc.

## OPERATING DIVISION OFFICERS

### West Texas Division

Gary W. Gregory
President

D. K. Howey
Vice President, Human Resources

Kelvin J. Betzen
Vice President,
Operations - Northern Region

Clay C. Cash
Vice President,
Operations - Southern Region

Bronson Blodgett
Vice President, Finance

Kelley G. Grimes
Vice President, Marketing

Richard L. Kissinger
Vice President, Technical Services

Bill W. Guy
Vice President Rates & Regulatory Affairs

**Location**
**5110 80th Street**
**Lubbock, TX 79424**

**Mailing address**
**P.O. Box 1121**
**Lubbock, TX 79408**

**Phone no. (806) 798-4497**
**Fax no. (806) 798-4494**

### Colorado-Kansas Division

Gary L. Schlessman
President

Joann B. Mikolajczak
Vice President, Human Resources

David L. Anglin
Vice President,
Colorado Region Operations

Joe T. Christian
Vice President Rates & Regulatory Affairs

Alan J. Foster
Vice President,
Kansas Region Operations

John M. Willis
Vice President,
Technical Services

Wanda J. Lilly
Vice President, Finance

**Location**
**1301 Pennsylvania St., #800**
**Denver, CO 80203**

**Mailing address**
**1301 Pennsylvania St., #800**
**Denver, CO 80203**

**Phone no. (303) 831-5661**
**Fax no. (303) 837-9549**

### Louisiana Division

Tom S. Hawkins, Jr.
President

Mellisa A. Bowers
Vice President, Finance

Ricky A. Burke
Vice President,
Eastern Region

David P. Hebert
Vice President, Human Resources

Mike D. Mancil
Vice President,
Western Region

Christine A. Tabor
Vice President Rates & Regulatory Affairs

Frank J. Marino
Vice President, Marketing

**Location**
**450 Laurel Street**
**Suite 2100**
**Baton Rouge, LA 70801**

**Mailing Address**
**450 Laurel Street**
**Suit 2100**
**Baton Rouge, LA 70801**

**Phone no. (225) 376-4600**
**Fax no. (225) 346-1962**

### Kentucky Division

John A. Paris
President

Betty L. Adams
Vice President, Finance

David E. Gates
Vice President, Western Region

Steve H. Loyal
Vice President, Human Resources

William H. Greer
Vice President, Eastern Region

Gary L. Smith
Vice President Marketing & Regulatory Affairs

Rad Cook
Vice President,
Technical Services

**Location**
**2401 New Hartford Road**
**Owensboro, KY 42303**

**Mailing address**
**2401 New Hartford Road**
**Owensboro, KY 42303**

**Phone no. (270) 685-8000**
**Fax no. (270) 685-8052**

### Mid-States Division

John A. Paris
President

Wendy A. Sadler
Vice President, Human Resources

Bob Elam
Vice President, Operations - Southeastern Region

Mike Ellis
Vice President, Marketing

Roger D. Nash
Vice President,
Operations - Central Region

Patricia D. Childers
Vice President Rates & Regulatory Affairs

Dan L. Lindsey
Vice President,
Technical Services

**Location**
**810 Crescent Centre Dr., Ste. 600**
**Franklin, TN 37067-6226**

**Mailing address**
**810 Crescent Centre Dr., Ste. 600**
**Franklin, TN 37067-6226**

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### Mississippi Division

Kevin J. Akers
President

H. Glenn Partrick
Vice President, Human Resources

John S. Mcdill
Vice President, Operations - Southern Region

David H. Doggette
Vice President,
Technical Services

Kenneth L. Smith
Vice President, Operations - Northern Region

William J. Senter, Jr.
Vice President Rates & Regulatory Affairs

Thomas Gilbert
Vice President, Finance

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**Jackson, MS 39203-2608**

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**Jackson, MS 39203-2608**

**Phone no. (601) 961-6900**
**Fax no. (601) 961-6767**

### Mid-Tex Division

Richard A. Erskine
President, Mid-Tex Division
President, Atmos Pipeline Texas

Ralyn L. Fletcher
Vice President, Human Resources

Scott Powell
Vice President,
Metro Operations

Jeff J. Hardgrave
Vice President,
Non-metro Operations

Patti G. Richards
Vice President,
Technical Services

Charles R. Yarbrough, II
Vice President Rates & Regulatory Affairs

Barbara J. Weathersbee
Vice President, Finance

Gary G. Rehm
Vice President, Marketing

**Location**
**5420 LBJ Freeway**
**1800 Two Lincoln Centre**
**Dallas, TX 75240**

**Mailing address**
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**Dallas, TX 75222**

**Phone no. (214) 206-2170**
**Fax no. (214) 206-2116**

### Non-Utility

JD Woodward
Sr. Vice President,
Nonutility Operations

Richard C. Alford
Sr. Vice President,
Finance & Administration

Ron W. McDowell
Vice President,
New Business Ventures

Mark H. Johnson
Vice President, Other Nonutility
President, Atmos Energy Marketing

Stacey Littlefield
Manager,
Human Resources

**Location**
**11251 Northwest Freeway**
**Suite 400**
**Houston, TX 77092**

**Mailing address**
**11251 Northwest Freeway**
**Suite 400**
**Houston, TX 77092**

**Phone no. (713) 688-7771**
**Fax no. (713) 688-5124**

## CORPORATE OFFICE

**Location**
5430 LBJ Freeway
1800 Three Lincoln Centre
Dallas, Texas 75240

**Phone number**
(972) 934–9227

**Mailing address**
P.O. Box 650205
Dallas, TX 75265–0205

**Fax numbers**

| | |
|---|---|
| Corporate office | (972) 855–3075 |
| Investor Relations | (972) 855–3040 |

## CORPORATE INFORMATION

**Common Stock Listing**
New York Stock Exchange

**Trading Symbol**
ATO

**Stock Transfer Agent and Registrar**
American Stock Transfer and Trust Company
59 Maiden Lane, Plaza Level
New York, New York 10038

**Rights Agent**
American Stock Transfer and Trust Company
59 Maiden Lane, Plaza Level
New York, New York 10038

**Trustee for United Cities Bonds and Term Notes**
U.S. Bank Trust National Association
Chicago, Illinois

**Auditors**
Ernst & Young LLP
2100 Ross Avenue, Suite 1500
Dallas, Texas 75201

**Administrator for Direct Stock Purchase Plan**
American Stock Transfer and Trust Company
59 Maiden Lane, Plaza Level
New York, New York 10038

**Interactive Voice Response System**
1–800–543–3038
Have your Atmos Energy shareholder account number and Social Security or federal taxpayer ID number ready.

**Trustee For Company's Retirement Plans**
State Street Bank
New York, New York

**Trustee for Retirement Savings Plan and Trust for Employees of Atmos Energy Corporation**
Qualified Retirement Plans and Trust Committee;
Dallas, Texas

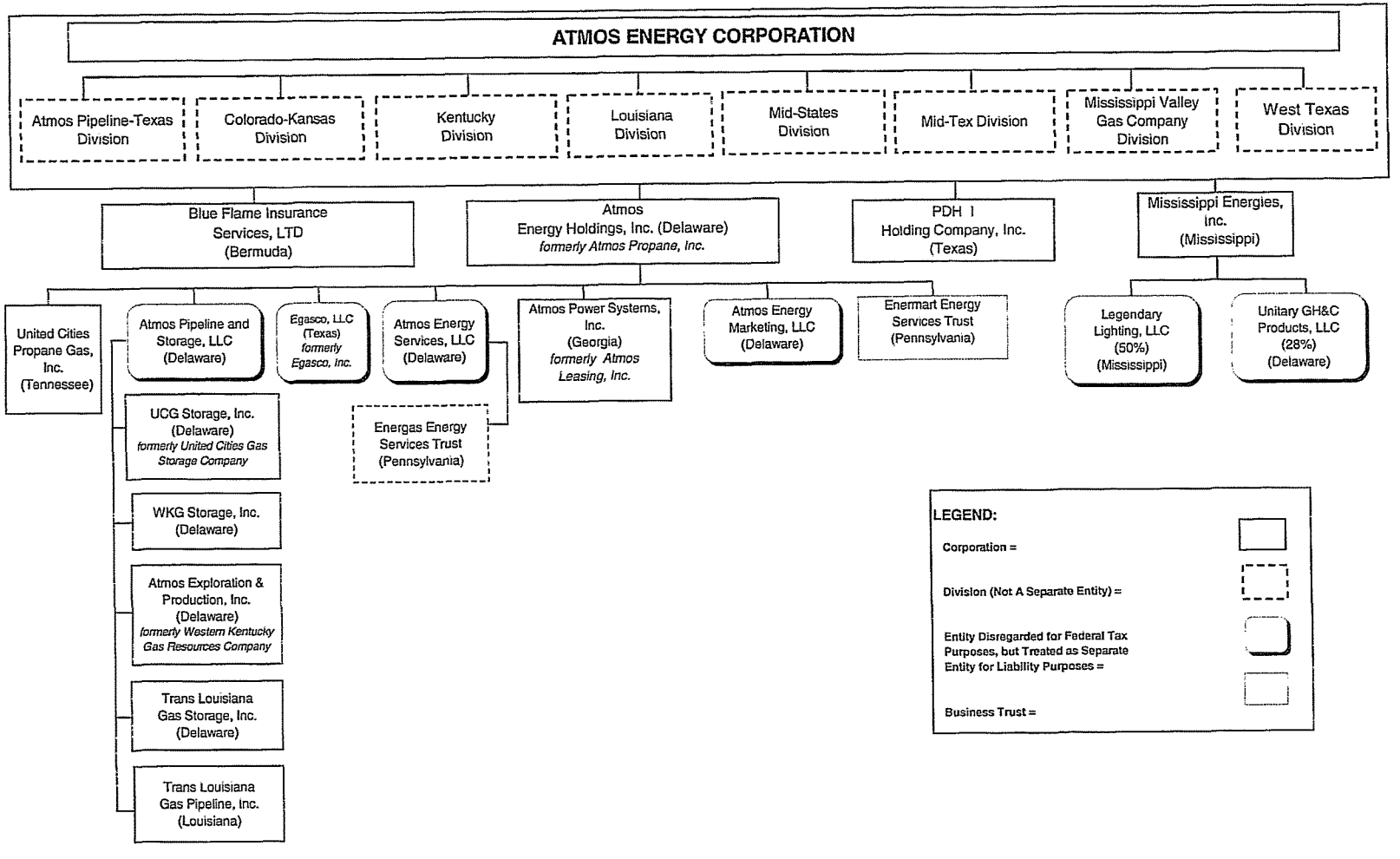
### ATMOS ENERGY CORPORATION CONTACTS

**World Wide Web Address**
http://www.atmosenergy.com

**Shareholder and Direct Stock Purchase Plan Information**
(972) 855-3729
8:00 a.m. - 5:00 p.m. Central Time

**Financial Information for Securities Analysts and Investment Managers**
Susan Kappes (972) 855–3729 (office)
(972) 855–3040 (fax)
InvestorRelations@atmosenergy.com (e-mail)

# CORPORATE STRUCTURE - Effective December 1, 2004



## OPERATING DIVISIONS AND SUBSIDIARY COMPANIES

| | Year of incorporation | State of incorporation | Principal business office |
|---|---|---|---|
| **Atmos Energy Corporation** | 1983<br>1997 | Texas<br>Virginia | Dallas, TX |
| **Operating Divisions:** | | | |
| West Texas | | | Lubbock, TX |
| Mid-Tex | | | Dallas, TX |
| Colorado-Kansas | | | Denver, CO |
| Kentucky | | | Owensboro, KY |
| Louisiana | | | Baton Rouge, LA |
| Mid-States | | | Franklin, TN |
| Mississippi | | | Jackson, MS |
| Atmos Pipeline - Texas (managed by Atmos Energy Holdings) | | | Dallas, TX |
| **Subsidiaries:** | | | |
| Atmos Energy Holdings, Inc. | 2000 | Delaware | Dallas, TX |
| Mississippi Energies, Inc. | 1981 | Mississippi | Jackson, MS |
| Blue Flame Insurance Services, LTD | 2003 | Bermuda | Bermuda |
| PDH I Holding Company, Inc. (1) | 2004 | Texas | Dallas, TX |
| Atmos Energy Services, LLC | 1996 | Delaware | Dallas, TX |
| EGASCO, LLC | 1999 | Texas | Dallas, TX |
| Energas Energy Services Trust | 1999 | Pennsylvania | Dallas, TX |
| United Cities Propane Gas, Inc. | 1976 | Tennessee | Franklin, TN |
| Enermart Energy Services Trust | 1994 | Pennsylvania | Dallas, TX |
| Atmos Energy Marketing, LLC | 1999 | Delaware | Houston, TX |
| Atmos Power Systems, Inc. | 1987 | Georgia | Franklin, TN |
| Atmos Pipeline and Storage, LLC | 1999 | Delaware | Dallas, TX |
| UCG Storage, Inc. | 1989 | Delaware | Franklin, TN |
| WKG Storage, Inc. | 1999 | Delaware | Dallas, TX |
| Atmos Exploration & Production, Inc. | 1934 | Delaware | Dallas, TX |
| Trans Louisiana Gas Pipeline, Inc. | 1983 | Louisiana | Lafayette, LA |
| Trans Louisiana Gas Storage, Inc. | 2000 | Delaware | Dallas, TX |

(1) PDH I Holding Company, Inc., a Texas corporation, became a wholly-owned subsidiary of Atmos Energy Corporation, as a result of its acquisition on October 1, 2004 from TXU Gas Company.

## SEASONALITY AND QUARTERLY INFORMATION

The Company's natural gas distribution business and irrigation sales business is seasonal and dependent upon weather conditions in the Company's service areas. Natural gas sales to residential, commercial and public authority customers are affected by winter heating season requirements. This generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Sales to industrial customers are much less weather sensitive. Sales to agricultural customers, who typically use natural gas to power irrigation pumps during the period from March through September, are affected by rainfall amounts. The Company's management believes that the Company has lessened its sensitivity to weather risk by diversifying its operations into geographic areas having different weather patterns and through other measures.

The following table sets forth the Company's quarterly operating revenues, quarterly operating revenues as a percentage of annual operating revenues, quarterly net income (loss), and quarterly net income (loss) as a percentage of annual net income.

| | | Quarter ended | | | | |
|---|---|---|---|---|---|---|
| Year ended September 30 | | Dec. 31 | Mar. 31 | Jun. 30 | Sept. 30 | Total |
| | | (Dollars in thousands) | | | | |
| 1995 | Operating revenues | $219,677 | $273,769 | $137,400 | $118,709 | $749,555 |
| | | 29 % | 37 % | 18 % | 16 % | 100 % |
| | Net income (loss) | $13,962 | $27,272 | ($3,880) | ($8,546) | $28,808 |
| | | 48 % | 95 % | (13) % | (30) % | 100 % |
| 1996 | Operating revenues | $253,439 | $341,867 | $175,240 | $116,145 | $886,691 |
| | | 29 % | 38 % | 20 % | 13 % | 100 % |
| | Net income (loss) | $18,496 | $35,906 | ($2,795) | ($10,456) | $41,151 |
| | | 45 % | 87 % | (7) % | (25) % | 100 % |
| 1997 | Operating revenues | $280,624 | $362,636 | $143,714 | $119,861 | $906,835 |
| | | 31 % | 40 % | 16 % | 13 % | 100 % |
| | Net income (loss) | $18,155 | $30,625 | ($3,018) | ($21,924) | $23,838 |
| | | 76 % | 129 % | (13) % | (92) % | 100 % |
| 1998 | Operating revenues | $295,331 | $288,550 | $137,311 | $127,016 | $848,208 |
| | | 35 % | 34 % | 16 % | 15 % | 100 % |
| | Net income (loss) | $20,122 | $37,398 | $1,676 | ($3,931) | $55,265 |
| | | 36 % | 68 % | 3 % | (7) % | 100 % |
| 1999 | Operating revenues | $210,227 | $261,426 | $109,590 | $108,953 | $690,196 |
| | | 30 % | 38 % | 16 % | 16 % | 100 % |
| | Net income (loss) | $15,380 | $28,795 | ($5,295) | ($21,136) | $17,744 |
| | | 87 % | 162 % | (30) % | (119) % | 100 % |
| 2000 | Operating revenues | $224,458 | $314,197 | $152,362 | $159,135 | $850,152 |
| | | 26 % | 37 % | 18 % | 19 % | 100 % |
| | Net income (loss) | $14,324 | $29,573 | ($4,396) | ($3,583) | $35,918 |
| | | 40 % | 82 % | (12) % | (10) % | 100 % |
| 2001 | Operating revenues | $442,790 | $675,113 | $305,863 | $301,715 | $1,725,481 |
| | | 26 % | 39 % | 18 % | 17 % | 100 % |
| | Net income (loss) | $22,972 | $44,074 | ($3,400) | ($7,556) | $56,090 |
| | | 41 % | 79 % | (6) % | (14) % | 100 % |
| 2002 | Operating revenues | $440,154 | $530,259 | $388,105 | $292,446 | $1,650,964 |
| | | 27 % | 32 % | 23 % | 18 % | 100 % |
| | Net income (loss) | $20,633 | $41,378 | $3,254 | ($5,609) | $59,656 |
| | | 35 % | 69 % | 5 % | (9) % | 100 % |
| 2003 | Operating revenues | $680,432 | $1,194,142 | $488,470 | $436,872 | $2,799,916 |
| | | 24 % | 43 % | 17 % | 16 % | 100 % |
| | Net income (loss) | $25,793 | $48,532 | ($201) | ($2,436) | $71,688 |
| | | 36 % | 68 % | - % | (4) % | 100 % |
| 2004 | Operating revenues | $763,616 | $1,117,485 | $546,058 | $492,878 | $2,920,037 |
| | | 26 % | 38 % | 19 % | 17 % | 100 % |
| | Net income (loss) | $29,541 | $58,305 | $4,765 | ($6,384) | $86,227 |
| | | 34 % | 68 % | 6 % | (8) % | 100 % |
| 2005 | Operating revenues | $1,370,973 | $1,687,774 | $909,952 | $1,004,627 | $4,973,326 |
| | | 28 % | 34 % | 18 % | 20 % | 100 % |
| | Net income (loss) | $59,599 | $88,502 | $4,486 | ($16,802) | $135,785 |
| | | 44 % | 65 % | 3 % | (12) % | 100 % |

## UTILITY AND NONUTILITY DATA

The following table summarizes certain information regarding the operation of the utility and nonutility businesses of the Company for each of the last eleven years. Prior periods have been restated to reflect the pooling of interests with United Cities Gas Company in July 1997.

| | Operating Revenues | Net Income | Identifiable Assets |
|---|---|---|---|
| 1995 Utility | $ 707,680 | $ 24,618 | $ 829,849 |
| Nonutility | 41,875 | 4,190 | 71,099 |
| Total | $ 749,555 | $ 28,808 | $ 900,948 |
| 1996 Utility | $ 778,217 | $ 31,905 | $ 926,935 |
| Nonutility | 108,474 | 9,246 | 83,675 |
| Total | $ 886,691 | $ 41,151 | $ 1,010,610 |
| 1997 Utility | $ 805,252 | $ 19,739 | $ 1,001,455 |
| Nonutility | 101,583 | 4,099 | 86,856 |
| Total | $ 906,835 | $ 23,838 | $ 1,088,311 |
| 1998 Utility | $ 738,445 | $ 43,332 | $ 1,052,225 |
| Nonutility | 109,763 | 11,933 | 89,165 |
| Total | $ 848,208 | $ 55,265 | $ 1,141,390 |
| 1999 Utility | $ 617,313 | $ 10,800 | $ 1,183,410 |
| Nonutility | 72,883 | 6,944 | 104,846 |
| Total | $ 690,196 | $ 17,744 | $ 1,288,256 |
| 2000 Utility | $ 734,835 | $ 22,459 | $ 1,308,692 |
| Nonutility | 115,317 | 13,459 | 101,976 |
| Total | $ 850,152 | $ 35,918 | $ 1,410,668 |
| 2001 Utility | $ 1,378,159 | $ 49,881 | $ 1,804,957 |
| Natural Gas Marketing | 291,152 | 2,551 | 251,238 |
| Pipeline and Storage (1) | 26,730 | 2,281 | - |
| Other Nonutility | 29,440 | 1,377 | 52,646 |
| Total | $ 1,725,481 | $ 56,090 | $ 2,108,841 |
| 2002 Utility | $ 936,054 | $ 42,994 | $ 1,670,081 |
| Natural Gas Marketing | 700,519 | 12,614 | 275,367 |
| Pipeline and Storage (1) | 8,865 | 4,344 | - |
| Other Nonutility | 5,526 | (296) | 114,183 |
| Total | $ 1,650,964 | $ 59,656 | $ 2,059,631 |
| 2003 Utility | $ 1,552,857 | $ 62,137 | $ 2,238,773 |
| Natural Gas Marketing | 1,234,447 | (970) | 182,095 |
| Pipeline and Storage (1) | 11,280 | 6,462 | - |
| Other Nonutility | 1,332 | 4,059 | 204,627 |
| Total | $ 2,799,916 | $ 71,688 | $ 2,625,495 |
| 2004 Utility | $ 1,636,636 | $ 63,096 | $ 2,575,396 |
| Natural Gas Marketing | 1,279,424 | 16,633 | 241,905 |
| Pipeline and Storage (1) | 1,617 | 2,767 | 66,867 |
| Other Nonutility | 2,360 | 3,731 | 28,459 |
| Total | $ 2,920,037 | $ 86,227 | $ 2,912,627 |
| 2005 Utility | $ 3,102,041 | $ 81,117 | $ 4,464,548 |
| Natural Gas Marketing | 1,783,926 | 23,404 | 538,770 |
| Pipeline and Storage (1) | 85,333 | 30,599 | 624,635 |
| Other Nonutility | 2,026 | 665 | 25,574 |
| Total | $ 4,973,326 | $ 135,785 | $ 5,653,527 |

The utility business is comprised of the Company's seven regulated utility divisions: Colorado-Kansas Division, Kentucky Division, Louisiana Division, Mid-States Division, Mississippi Division, Mid-Tex Division and West Texas Division.

Our nonutility businesses primarily include the operations of Atmos Energy Marketing, LLC, Atmos Pipeline and Storage, LLC, Atmos Pipeline - Texas and Atmos Power Systems, Inc. For an expanded discussion of each of these companies and other nonutility operations, please see the Company's Form 10-K for the year ended September 30, 2005.

(1) Prior to 2001, operating revenues and net income are not available for the Pipeline and Storage segment. Prior to 2004, identifiable assets are not available for the Pipeline and Storage segment. For those years prior to availability of the Pipeline and Storage information, the Pipeline and Storage amounts are included in the Other Nonutility segment.

## CORPORATE DEVELOPMENT

**Acquisitions and Mergers**

The Company has achieved eight significant acquisitions as summarized below:

| | |
|---|---|
| 1. Property | Trans Louisiana Gas Company, Inc. |
| Business | Intrastate natural gas distributor in Louisiana |
| Meters in service | 69,000 (at acquisition) |
| Acquisition date | January 1, 1986 |
| Acquisition cost | $34.1 million inclusive of acquisition expenses plus assumption of approximately $10 million in long-term debt |
| Regulatory body | Louisiana Public Service Commission |
| Accounting method | Purchase |
| Financing | $35,000,000 Revolving credit/term facility with a bank |
| 2. Property | Western Kentucky Gas Utility Corporation |
| Business | Intrastate natural gas distributor in Kentucky |
| Meters in service | 147,000 (at acquisition) |
| Acquisition date | December 1, 1987 |
| Acquisition cost | $67.5 million inclusive of acquisition expenses plus assumption of approximately $17.6 million in long-term debt |
| Regulatory body | Kentucky Public Service Commission |
| Accounting method | Purchase |
| Financing | Initially funded with $31,500,000 interim revolving credit facility with a bank and $30,000,000 Senior Notes. Interim revolving credit facility was retired with proceeds of equity offering in June 1988. |
| 3. Property | Greeley Gas Company |
| Business | Intrastate natural gas distributor in Co., Ks., and Mo. |
| Meters in service | 98,000 (at acquisition) |
| Acquisition date | December 22, 1993 |
| Acquisition cost | Approximately 3.5 million (post-split) shares of Atmos stock, the assumption of approx. $20 million in long-term debt, and $1.7 million in acquisition expenses |
| Regulatory bodies | Colorado Public Utilities Commission, Kansas Corporation Commission, and Missouri Public Service Commission |
| Accounting method | Pooling of interests |
| Financing | Exchanged 3,493,995 (post-split) shares of Atmos stock for all the outstanding shares of GGC |
| 4. Property | United Cities Gas Company |
| Business | Intrastate natural gas distributor in Ga., Tn., Va., S.C. (subsequently sold), Il., Ia., and Mo. |
| Meters in service | 307,000 (at merger) |
| Merger Date | July 31, 1997 |
| Merger cost | Approximately 13.3 million shares of Atmos stock, the assumption of approx. $149 million in long-term debt, and $49 million in merger and integration costs |
| Regulatory bodies | Missouri Public Service Commission, Georgia Public Service Commission, South Carolina Public Service Commission, Tennessee Regulatory Authority, Illinois Commerce Commission, Iowa Utilities Board, Virginia State Corporation Commission |
| Accounting method | Pooling of interests |
| Financing | Exchanged 13,320,221 shares of Atmos stock for all the outstanding shares of United Cities Gas Company |
| 5. Property | Remaining 55 percent interest in Woodward Marketing, L.L.C. |
| Business | Management of natural gas requirements for municipalities, local gas utility companies and industrial customers |
| Acquisition date | April 1, 2001 |
| Acquisition cost | $26.7 million inclusive of acquisition expenses |
| Accounting method | Purchase |
| Financing | Exchanged 1,423,193 restricted shares of Atmos common stock |

## CORPORATE DEVELOPMENT (Continued)

**Acquisitions and Mergers (continued)**

| | |
|---|---|
| 6. Property | Louisiana Gas Service Company |
| Business | Intrastate natural gas distributor in Louisiana |
| Meters in service | 279,000 (at acquisition) |
| Acquisition date | July 1, 2001 |
| Acquisition cost | $363.4 million inclusive of acquisition expenses |
| Regulatory body | Louisiana Public Service Commission |
| Accounting method | Purchase |
| Financing | Primarily funded with a $350 million debt offering |
| 7. Property | Mississippi Valley Gas Company |
| Business | Intrastate natural gas distributor in Mississippi |
| Meters in service | 260,000 (at acquisition) |
| Acquisition date | December 3, 2002 |
| Acquisition cost | $75.0 million cash, $75.0 million of Atmos common stock and the repayment of approx. $45.0 million of outstanding long-term debt. |
| Regulatory body | Mississippi Public Service Commission |
| Accounting method | Purchase |
| Financing | Issued 3,386,287 shares of Atmos common stock and used a $150.0 million short-term unsecured committed credit facility to provide the initial funding for the cash portion of the acquisition and the repayment of the outstanding long-term debt. The short-term credit facility was replaced with a $250 million debt offering in January 2003. |
| 8. Property | TXU Gas Company |
| Business | Intrastate natural gas distributor and pipeline operations in Texas |
| Meters in service | 1,500,000 (at acquisition) |
| Acquisition date | October 1, 2004 |
| Acquisition cost | $1.9 billion cash (after closing adjustments and before transaction costs and expenses) |
| Regulatory body | Various municipalities we serve, with exclusive appellate jurisdiction by the Texas Railroad Commission |
| Accounting method | Purchase |
| Financing | Issued 9,939,393 shares of Atmos common stock (net proceeds of $235.7 million) and issued $1.7 billion in commercial paper backstopped by a senior unsecured revolving credit agreement. In October 2004, the commercial paper was paid off with the issuance of $1.4 billion of senior unsecured notes and the issuance of 16.1 million shares of Atmos common stock (net proceeds of $382.5 million before other offering costs). |

The Company has also achieved several small acquisitions including Oceana Heights Gas Company in Thibodaux, Louisiana and distribution systems in Winn Parish and LaFourche Parish, Louisiana. In May 2000, the Company acquired the Missouri natural gas distribution assets of Associated Natural Gas for approximately $32.0 million, serving approximately 48,000 meters. In March 2004, the Company acquired the natural gas distribution assets of ComFurT Gas Inc. for approximately $2.0 million which served approximately 1,800 customers.

In May 2001, the Company's subsidiary, Atmos Power Systems, Inc., entered into a definitive agreement with the City of Bolivar, Tennessee Electric Department to construct a 20-megawatt electric generating plant and associated facilities which was completed by the end of fiscal 2001. In September 2002, Atmos Power Systems completed construction of a 20-megawatt natural gas fueled power plant in Tennessee which was placed in operation in October 2002.

During the fourth quarter of fiscal year 2001, Woodward Marketing completed the purchases of Southern Resources, Inc. and certain assets of Innovative Gas Services, Incorporated thereby expanding our gas marketing operations. In November 2001, the Company completed the acquisition of certain storage assets in Kentucky.

# GLOSSARY

**Amortize** - An allocation of cost to reflect a reduction to asset book value each year until only the salvage value, if any, remains.

**Assets** - Items of value owned by the company, typically items such as cash, property, and debts owed to the company.

**Bcf** - Abbreviation for 1,000,000,000 (one billion) cubic feet.

**Balance sheet** - A statement of financial position at a stated date that shows the assets, liabilities and shareholders' equity of a company.

**Capitalize** - To record and carry forward into future years any expenditure that will produce revenue or a benefit during those future years.

**Cash equivalents** - The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

**Commercial service** - Covers service to customers engaged in wholesale or retail trade, communications, finance, fisheries, forestry, government, insurance, real estate, transportation, etc., and to customers not directly involved in other classes of service.

**Consolidated financial statements** - Statements showing the financial condition and operating results of the parent and subsidiary companies as if they were one organization.

**Contingent liability** - An obligation that may arise in the future that relates to a past transaction or event. The obligation is deemed possible but not probable.

**Current asset** - Cash and any other items the company owns that will be converted to cash or useful goods or services within a year.

**Current liability** - A short-term indebtedness to be paid within a year.

**Cushion gas** - The gas required in a reservoir, used for storage of natural gas, so that reservoir pressure is such that the working gas may be recovered.

**Deferred charges** - Expenditures whose benefit will be realized in future years. The amounts will be charged against income over a period of years to properly match the expenses with the related benefit.

**Deferred credits** - Income items that have been received but not yet earned or liabilities incurred but not yet due. These will be recognized in the year they are earned.

**Depreciation** - An allocation of cost to reflect the gradual loss of productivity of a fixed asset by age or usage.

**Deregulation** - The act of ending certain federal government controls over the price of natural gas sold in interstate commerce.

**FERC Order 636** - Federal Energy Regulatory Commission order which finalized the unbundling of interstate pipeline services with a stated goal of increasing competition, primarily in the gas merchant function.

**Gross profit** - Operating revenues less purchased gas cost.

**Heating degree day** - A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The greater the number of heating degree days, the colder the climate. Heating degree days are used in the natural gas industry to measure the coldness of weather experienced and to compare relative temperatures between one geographic area and another.

**Industrial service** - Covers service to customers engaged primarily in a process which either involves the extraction of raw materials from the earth, or a change of raw or unfinished materials into another form or product. Also includes service to natural gas irrigation wells.

**LDC** - Local distribution company.

**Liabilities** - Amounts owed by the corporation to others.

**Line of credit** - Agreements by banks to make a loan not to exceed a specified amount when needed by the corporation.

**Long-term debt** - Debts to be repaid with a maturity of more than one year.

**Mcf** - Abbreviation for 1,000 cubic feet, which is the customary unit for measuring volumes of natural gas.

**MMcf** - Abbreviation for 1,000,000 (one million) cubic feet.

## GLOSSARY (Continued)

**Net income** - All revenues less all costs of doing business.

**Net income per share** - Net income divided by the average number of shares of common stock outstanding during the period.

**No notice service** - A FERC Order 636 interstate pipeline service combining transportation, storage and balancing functions generally designed to allow an LDC shipper to receive pipeline services with limited prior scheduling or notice to the pipeline.

**Operating income** - Excess of revenues over the related expenses; income before federal income taxes and interest.

**Peak-shaving** - Using sources of energy, such as natural gas from storage, to supplement the normal amounts delivered to customers during peak-use periods. Using these supplemental sources prevents pipelines from having to expand their delivery facilities just to accommodate short periods of extremely high demand.

**Pooling of interests** - A business combination in which the voting stock of one company is acquired by another through an exchange of stock and not through the disbursement of cash or other resources. The reported income of the constituents for prior periods is combined and restated as income of the combined corporation.

**Psia** - Abbreviation for pounds per square inch absolute. It is a measure of pressure.

**Public authority** - A municipal, state, federal, school, county or precinct account, i.e., account with any governmental subdivision.

**Purchase accounting** - A method of accounting for a business combination in which one company is acquired by another by paying cash, transferring assets, or by issuing debt. The acquiring corporation records at its cost the acquired assets less liabilities assumed. The reported income of the acquiring corporation includes the operations of the acquired company after acquisition.

**Registrar** - The institution appointed by the company to keep records of the issuance, transfer and cancellation of its common stock.

**Residential service** - Covers service to customers for domestic purposes (single, multifamily or mobile homes, etc.). In residential service, the number of housing units within a structure determines the customer classification.

**Retained earnings** - Cumulative earnings retained in the business.

**RSC (Rate Stabilization Clause)** - A mechanism by which an LDC can adjust rates for changes in expenses without making a standard rate filing.

**Shareholders' equity** - The financial investment shareholders have in the company. It is represented by the difference between total assets and total liabilities.

**SFAS No. 106** - Requires employers to accrue postretirement benefit costs other than pensions (primarily retiree health care costs) during the period of service when they are earned rather than on a pay–as–you–go basis.

**Stated value** - The nominal or face value of a security. It is not related to the actual value of the stock or the company.

**Subsidiary** - A corporation owned by a parent company through ownership of the subsidiary's voting stock.

**Unbundling** - Disaggregation of the services historically provided by gas pipeline and distribution companies as a single service, consisting of transportation, storage, and purchase and resale of gas.

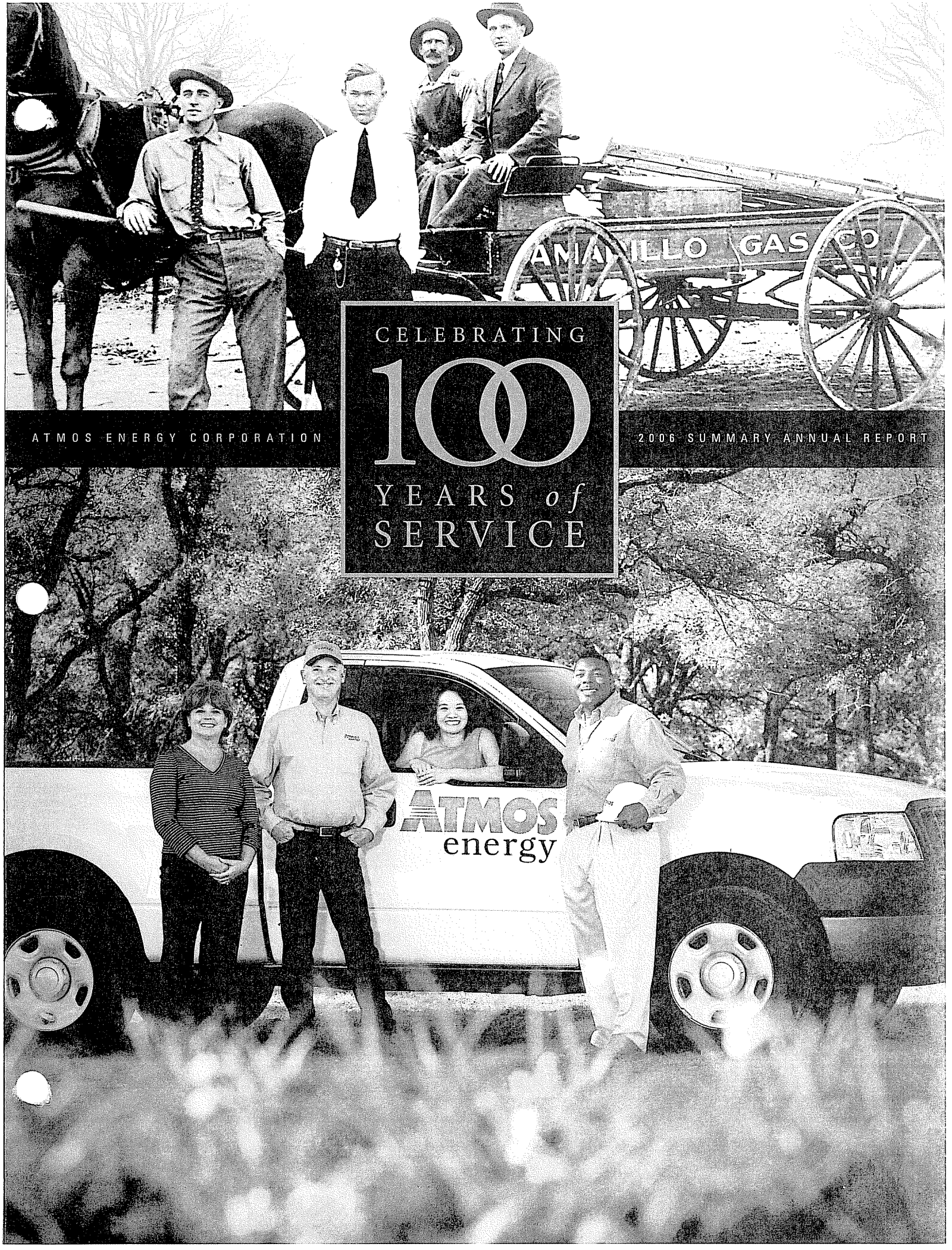
**Underground gas storage fields** - Natural gas reservoirs located near gas users into which gas may be pumped during periods of low demand and recovered on peak demand days. This increases gas supply on peak demand days without incurring peak day demand charges from gas suppliers.

**Weather normalization adjustment (WNA)** - Rate adjustments approved by certain regulatory commissions that allow a company to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal.

**Working capital** - Excess of current assets over current liabilities.

## NOTES

# NOTES



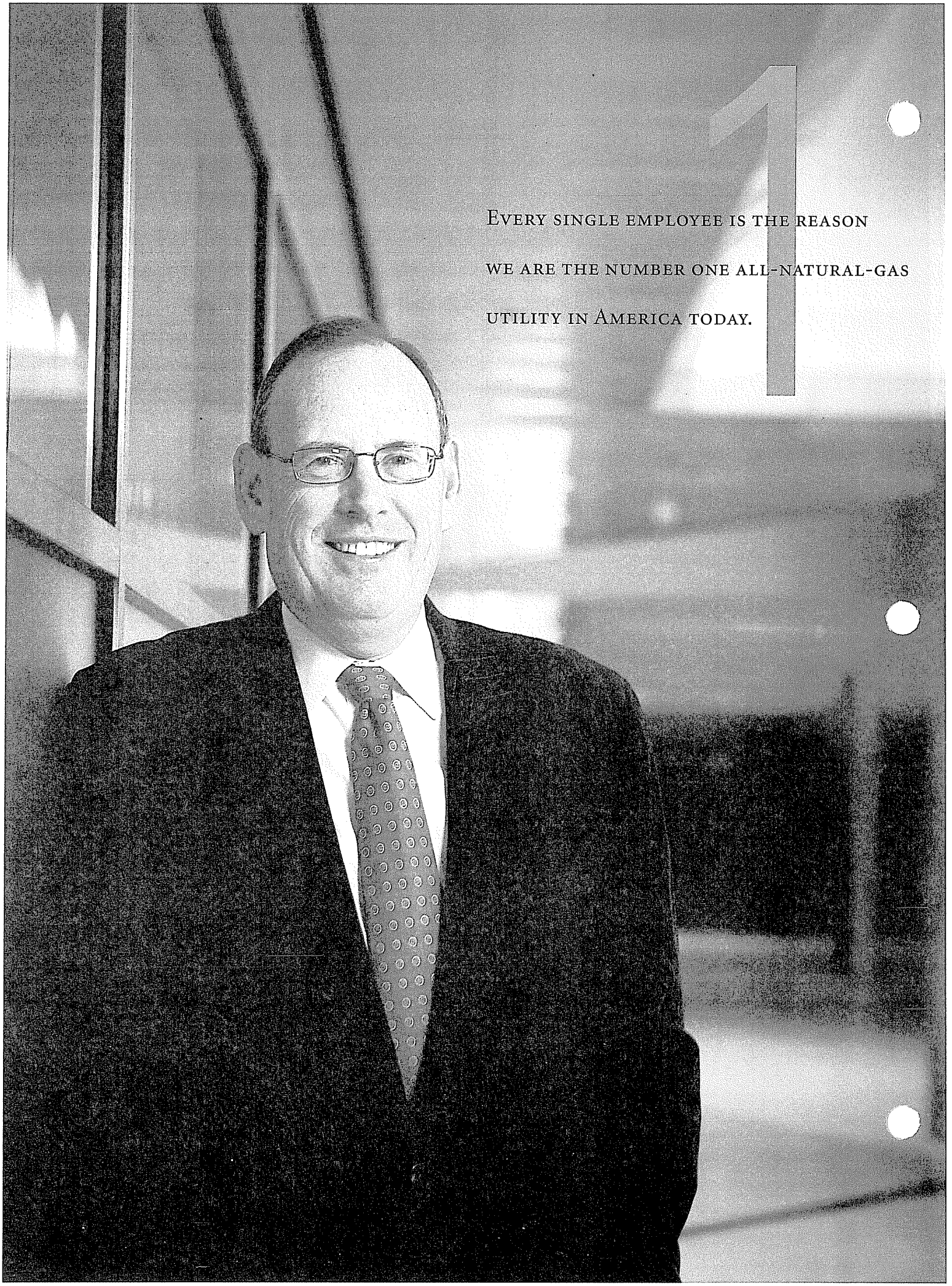

ATMOS ENERGY CORPORATION

# CELEBRATING 100 YEARS of SERVICE

2006 SUMMARY ANNUAL REPORT

100 years ago, a few visionary pioneers founded Amarillo Gas Company to bring energy to the frontier.

Today, some 4,600 Atmos Energy employees keep that energy alive for 3.2 million customers across the nation.


EVERY SINGLE EMPLOYEE IS THE REASON
WE ARE THE NUMBER ONE ALL-NATURAL-GAS
UTILITY IN AMERICA TODAY.

In 2006, we celebrated a century of bringing the energy of America to homes and businesses across our vast countryside. In this annual report, I'm proud to share with you the literally hundreds of great things about our 100-year-old company. Our spirit has remained strong through the decades. From the early days of finding and delivering natural gas, to innovation in our homes and places of business, to the unwavering commitment in the wake of disasters like Hurricane Katrina, the spirit of our employees remains stronger than ever as we look forward to our next 100 years.

—Robert W. Best
*Chairman, President & CEO*

**1906:** Amarillo Gas Company was founded by brothers J.C. and Frank Storm to manufacture coal gas on the Texas frontier.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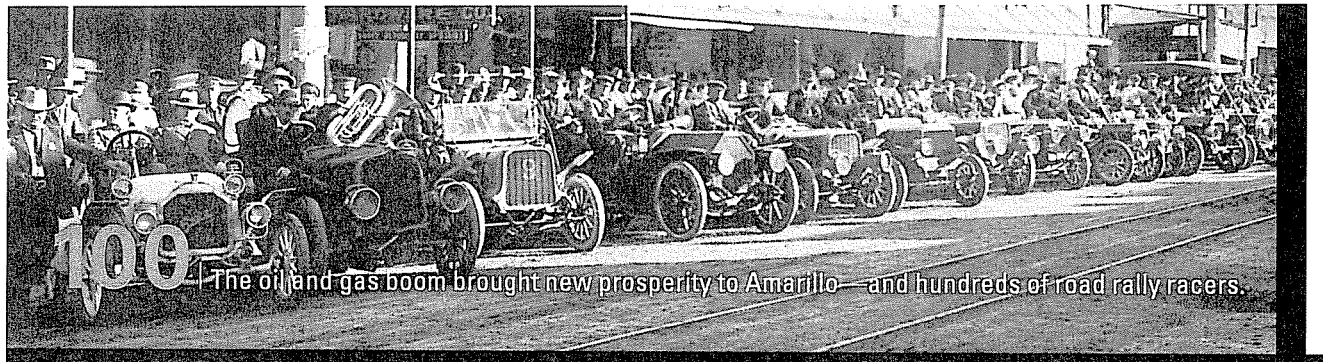
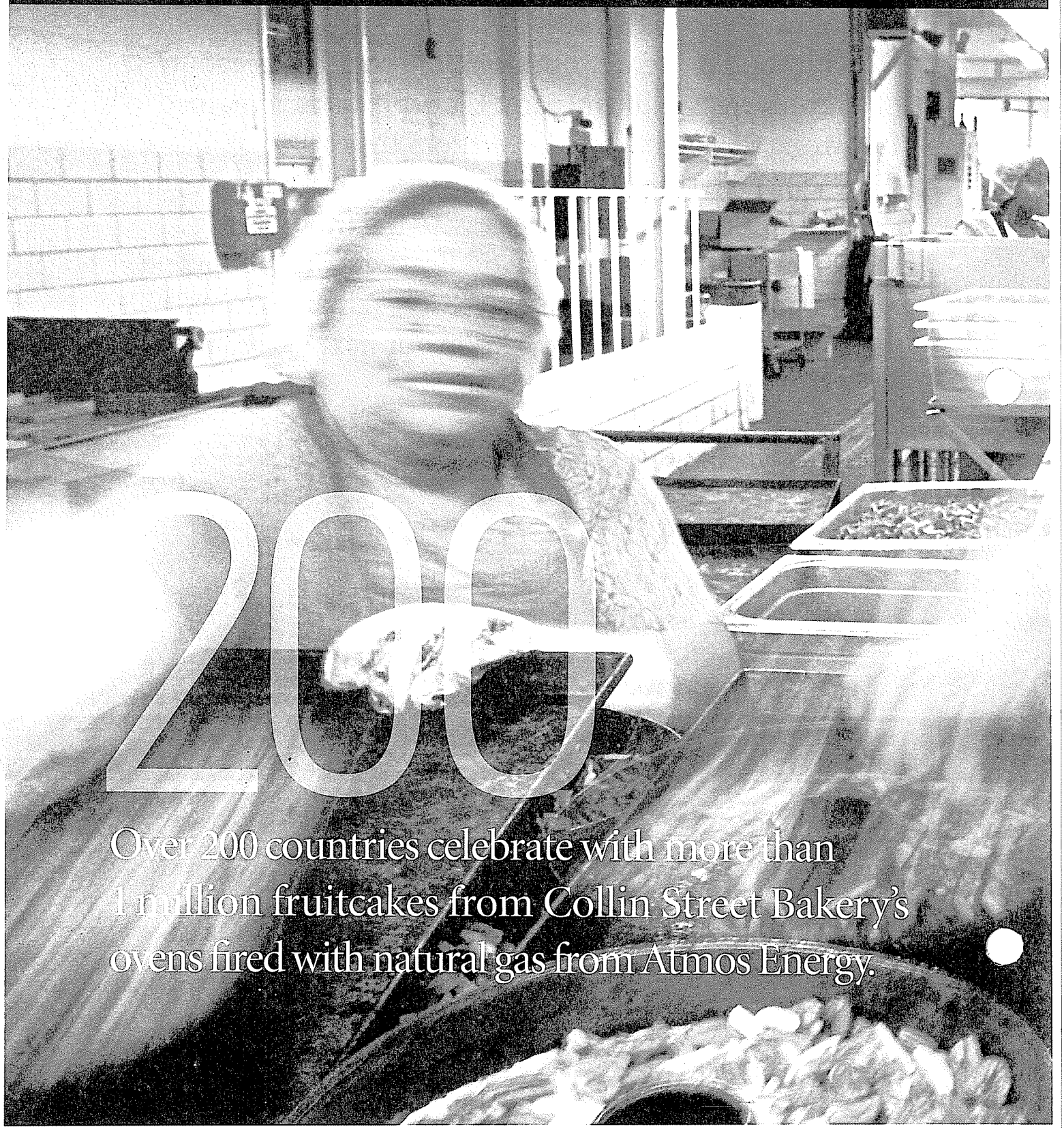
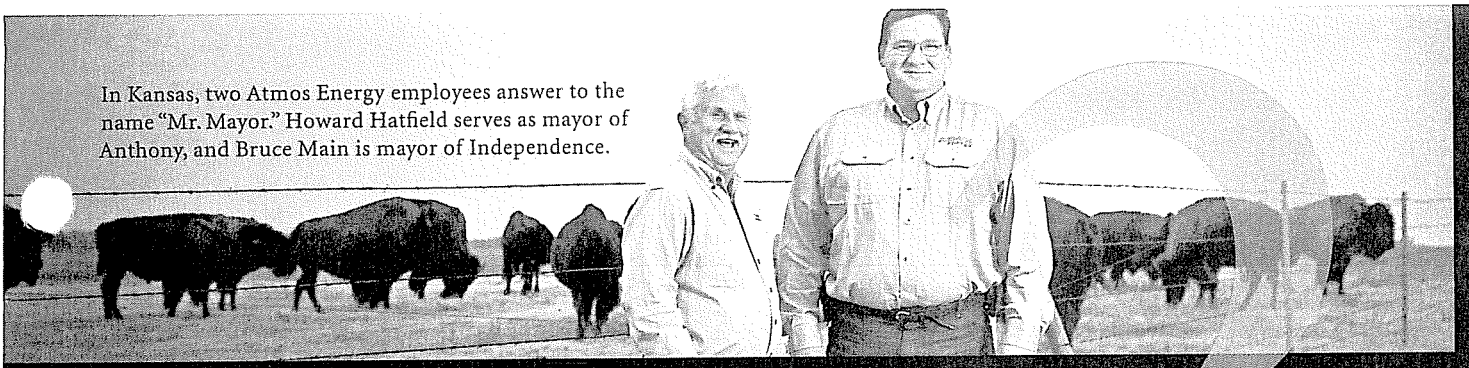



The oil and gas boom brought new prosperity to Amarillo—and hundreds of road rally racers.

**1918:** In the Texas Panhandle, Amarillo Oil Company discovered one of the largest natural gas fields in the world. **1920:** Amarillo Gas Company delivered the...




Over 200 countries celebrate with more than 1 million fruitcakes from Collin Street Bakery's ovens fired with natural gas from Atmos Energy.

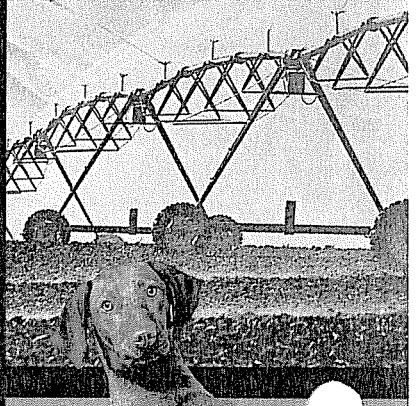


In Kansas, two Atmos Energy employees answer to the name "Mr. Mayor." Howard Hatfield serves as mayor of Anthony, and Bruce Main is mayor of Independence.

..... first locally produced natural gas. **1924:** Amarillo Gas and Amarillo Oil became part of Southwestern Development Company. **1927:** Southwestern.....

3 | When a call brought Atmos Energy employees Tim Thomas and Tim Langston to the home where Pat Walker cares for daughter Leslie, the men spent nearly three hours of their Saturday morning isolating a gas leak, keeping the gas turned on and getting to know this Special Olympian.

4 | The four elements of air, fire, earth and water came together mid-century as millions of West Texas acres prospered from gas-fired irrigation.



95

Atmos Energy leads the industry in equipping its meter readers with the Bite Terminator, a new device that reduces dog bites by 95 percent without harming Fido.

6

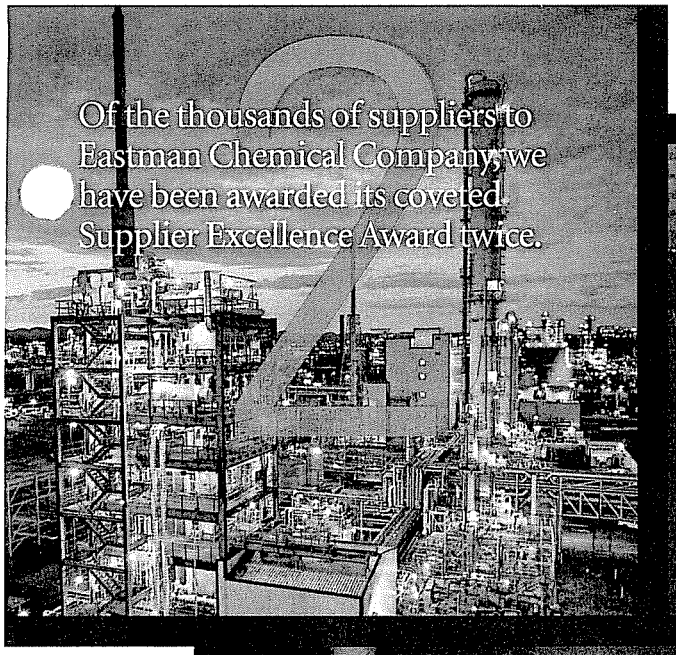
7

000

Atmos Energy employees showed their community spirit by grilling 800 burgers and hot dogs to celebrate the lifesaving work of the fire department in Olathe, Kansas.

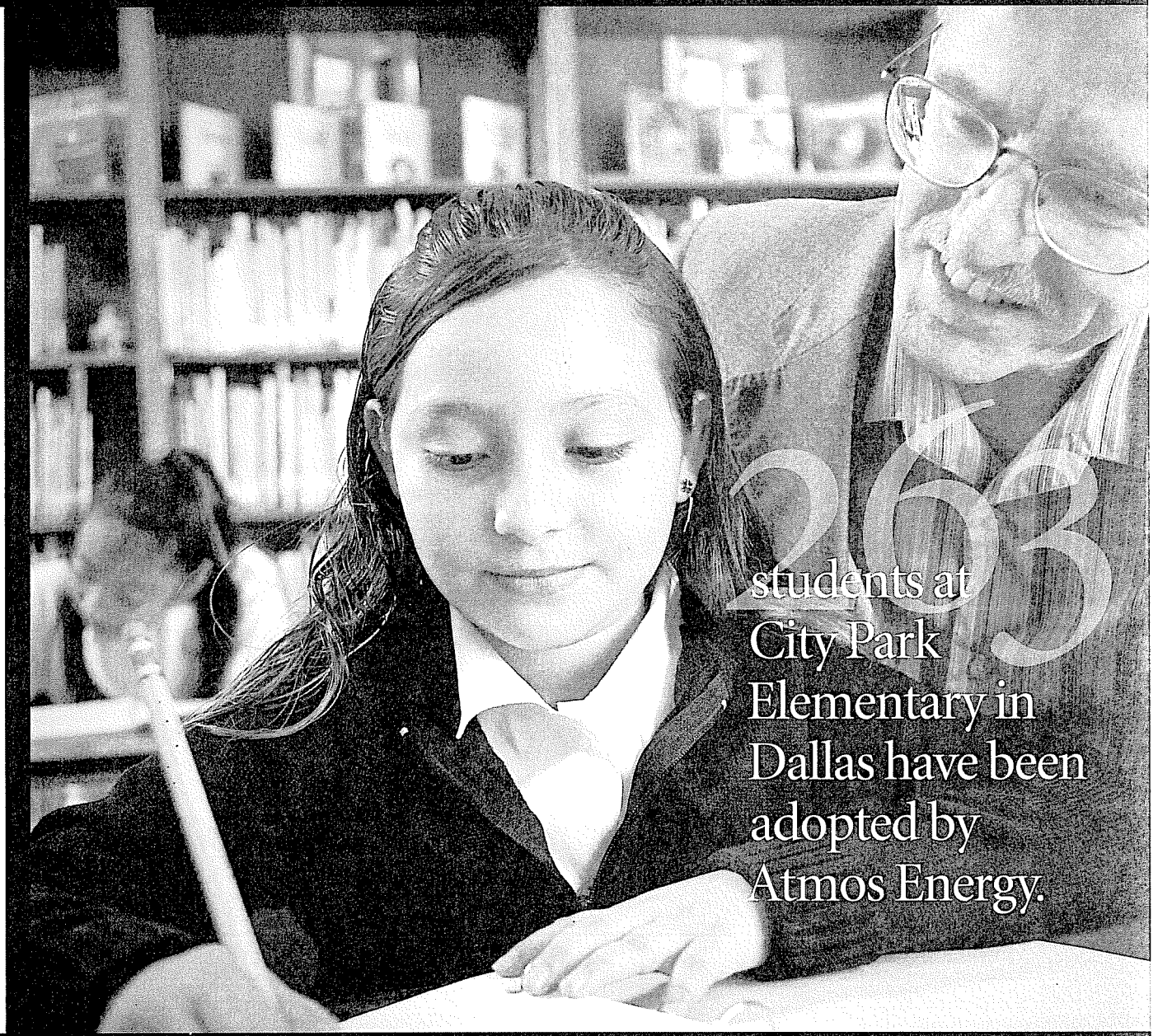
10 | Ten major acquisitions since 1983 have grown Atmos Energy's utility customer base 11-fold.

..... Development Company expanded its system in West Texas, and by the late '20s, natural gas was being piped to 23 new cities, serving more than 10,000



Of the thousands of suppliers to Eastman Chemical Company, we have been awarded its coveted Supplier Excellence Award twice.

60 | Natural gas has long been vital to business. Today, 60 percent of all natural gas is used by industry and to generate electricity.

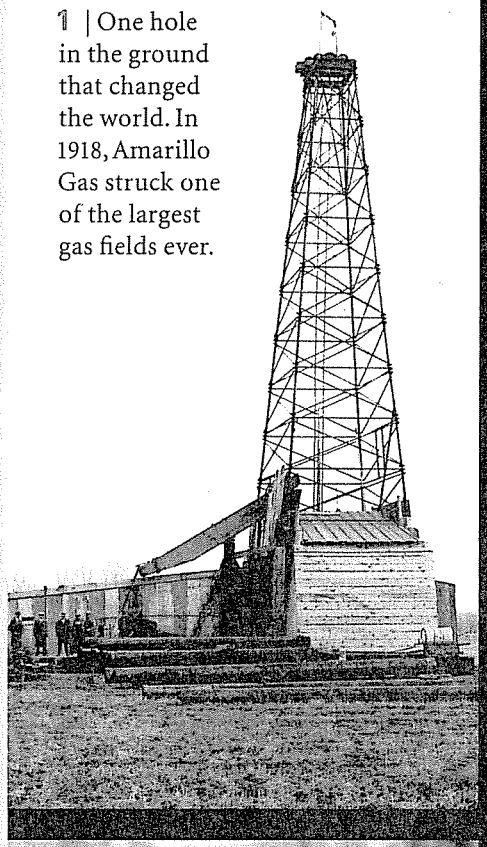


263 students at City Park Elementary in Dallas have been adopted by Atmos Energy.

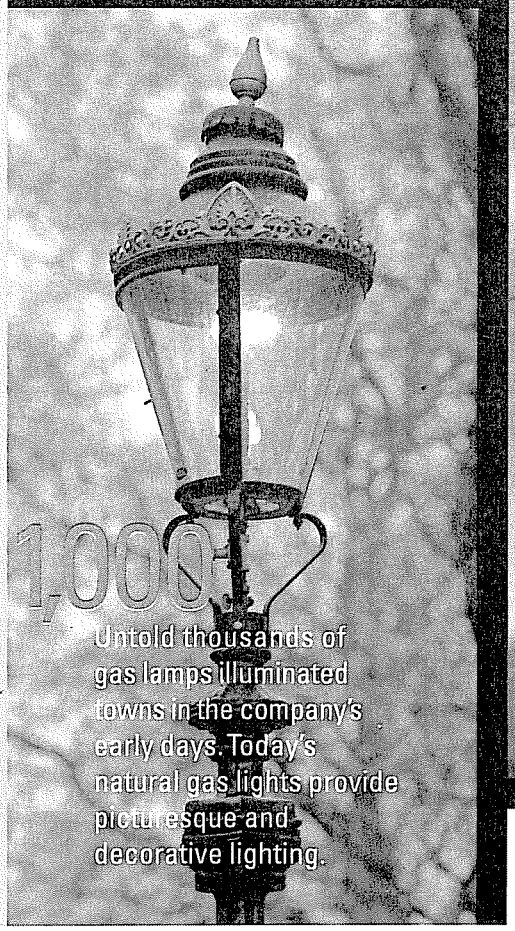
..... customers. **1931:** Southwestern Development with Standard Oil and others built the country's first 24-inch-diameter long-distance gas pipeline to .....

850 | 850 cubic feet of gas per minute can be extracted from the ground thanks to the Vapor Extraction Unit, invented by Atmos Energy employee Marc Chapman of Dallas. This is a tremendous boon to finding and repairing gas leaks that have saturated the ground and pose a safety risk. Most natural gas companies in the U.S. could be using the device within the next two to three years.

. . . . Chicago. **1932:** Sinclair Oil Corporation gained a controlling interest in Southwestern Development Company. **1933:** Amarillo Gas began adding odorant



1 | One hole in the ground that changed the world. In 1918, Amarillo Gas struck one of the largest gas fields ever.

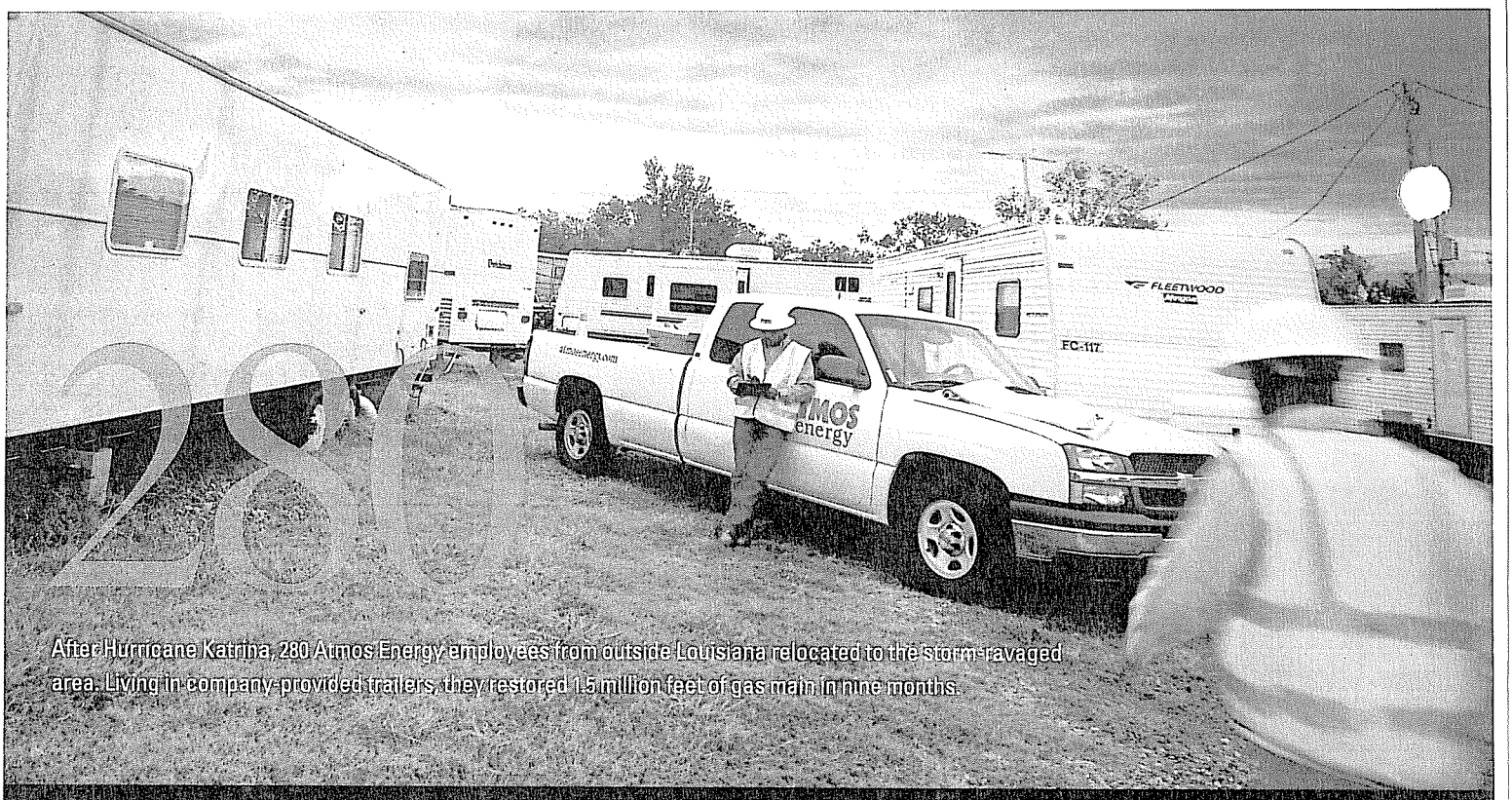


1,000+ Untold thousands of gas lamps illuminated towns in the company's early days. Today's natural gas lights provide picturesque and decorative lighting.

53 | Atmos Energy has 53 billion cubic feet of underground natural gas working storage.

100 | For the third time in four years, Atmos Energy was honored with *CIO* magazine's CIO 100 award, recognizing the most influential and forward-thinking uses of information technology.

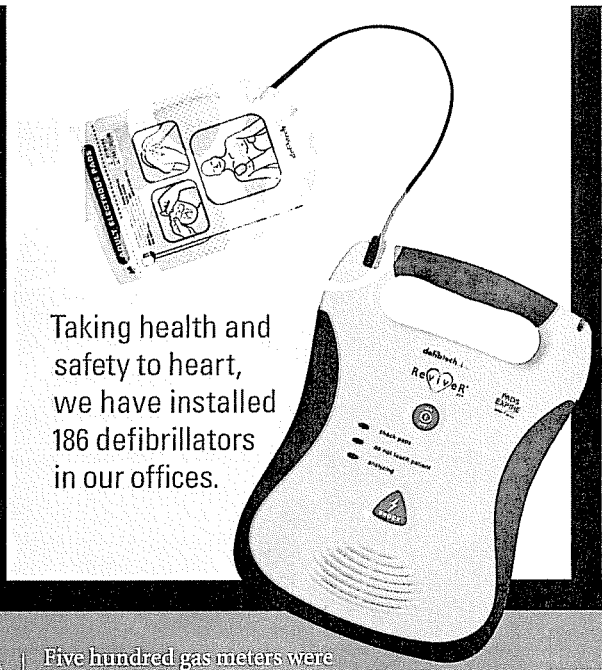
. . . . . to natural gas to make it safer. **1934:** Western Kentucky Gas Company was formed. **1942:** Amarillo Gas fueled new army camps, air bases and defense . . . . . .



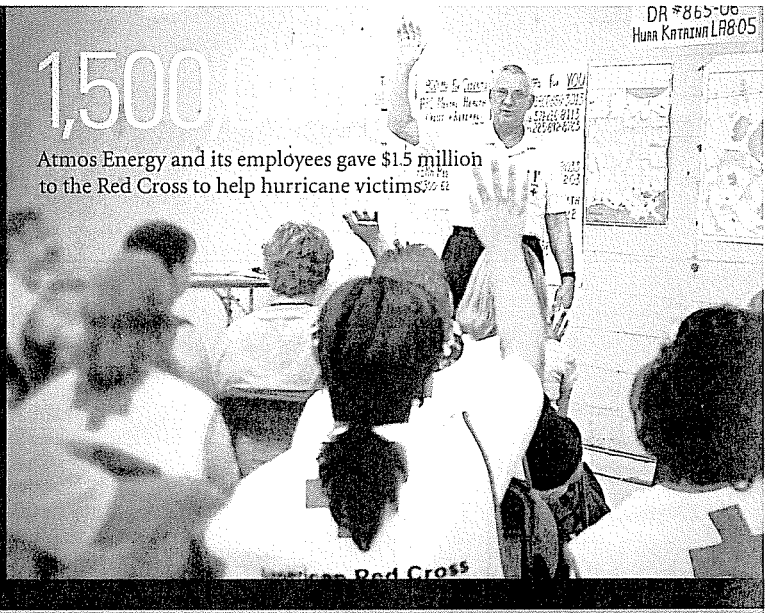

After Hurricane Katrina, 280 Atmos Energy employees from outside Louisiana relocated to the storm-ravaged area. Living in company-provided trailers, they restored 1.5 million feet of gas main in nine months.

. . . . plants during World War II. **1944:** Greeley Gas Company was formed in Greeley, Colorado. **1948:** Two-way radios and telemetering equipment improved

Kent Maycut, a
service techni
St. Bernard Parish, spent
several days in a small
boat rescuing 40 victims
of the post-Katrina flood.



Taking health and safety to heart, we have installed 186 defibrillators in our offices.

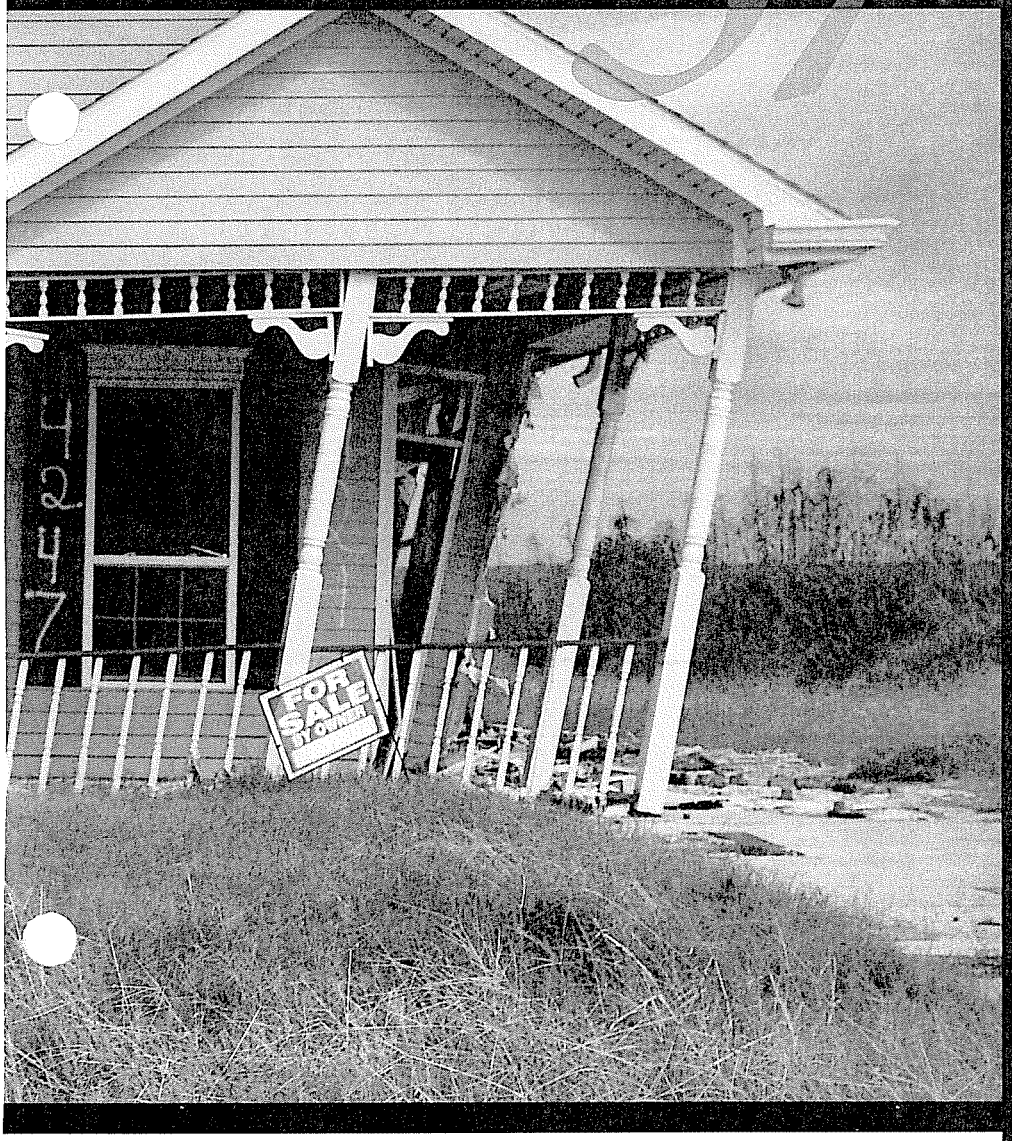



**1,500** | Atmos Energy and its employees gave $1.5 million to the Red Cross to help hurricane victims.

**500** | Five hundred gas meters were under water in Iberia, St. Mary and Vermilion Parishes as a result of Hurricane Katrina.

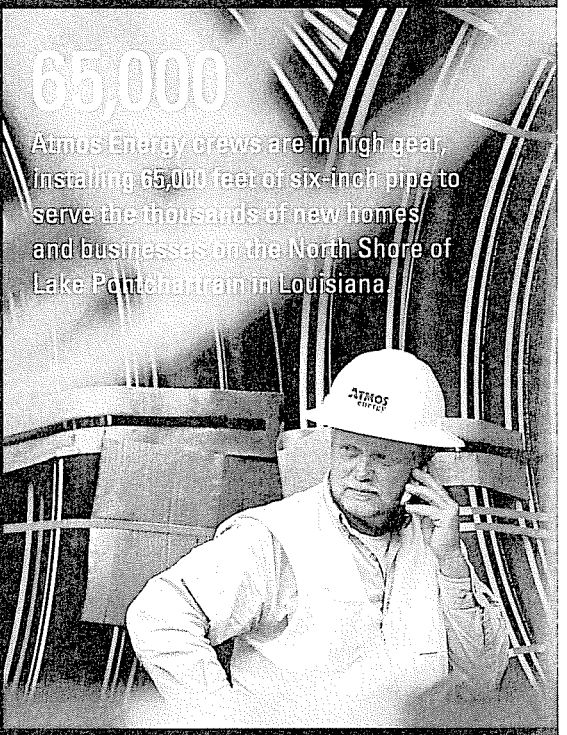
Online gas customers have grown by 37 percent this year. Almost half a million of our utility customers now have online accounts.

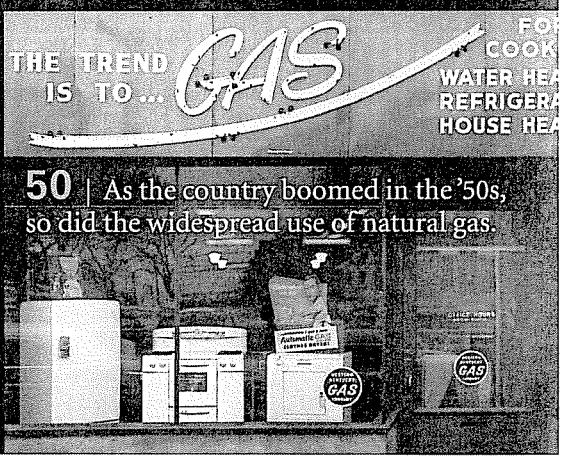
..... operations. **1954:** Southwestern Development Company and its subsidiaries were collapsed into Pioneer Natural Gas Company. **1955:** Pioneer installed .....




**65,000**

Atmos Energy crews are in high gear, installing 65,000 feet of six-inch pipe to serve the thousands of new homes and businesses on the North Shore of Lake Pontchartrain in Louisiana.




**50** | As the country boomed in the '50s, so did the widespread use of natural gas.

# 3,500

As the first utility to restore service in Jefferson Parish after Katrina, Atmos Energy enabled Drago's Seafood Restaurant to serve up to 3,500 free meals a day to emergency workers and neighbors in need.

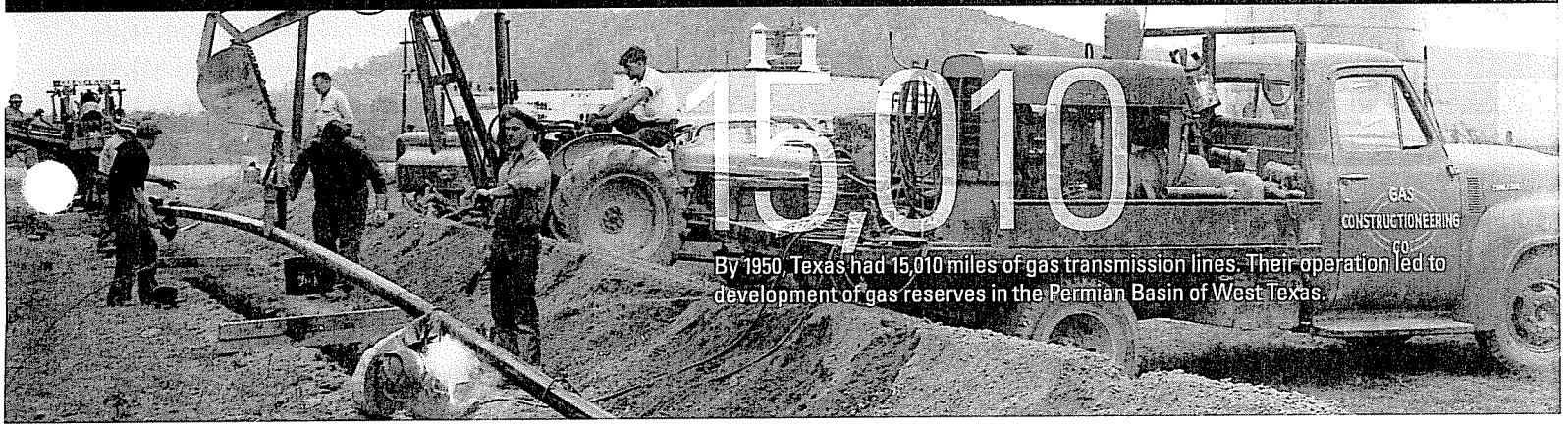
its first computer, an RCA Spectra, reducing the time from meter reading to billing. **1956:** Pioneer built its own headquarters building in Amarillo.

# 80,000

Atmos Energy maintains more than 80,000 miles of gas transmission and distribution pipelines.

**1,950** | Our employees have walked 1,950 kilometers for the Susan G. Komen Breast Cancer Foundation Race for the Cure.®

**1962:** The growth of irrigation customers made Pioneer a summer-peaking company. **1975:** Pioneer Natural Gas Company changed its name to Pioneer.....




# 15,010

By 1950, Texas had 15,010 miles of gas transmission lines. Their operation led to development of gas reserves in the Permian Basin of West Texas.

45 | One of the largest pipeline projects in Atmos Energy's history, the 45-mile North Side Loop was completed in 2006 to better serve the Dallas-Fort Worth area.

| Natural gas costs less than one-third of the cost of electricity per Btu.

. . . . Corporation to emphasize its diversified assets. **1980:** Trans Louisiana Gas Company was formed. **1983:** Pioneer launched Energas as an independ . . .

# Dear Fellow Shareholder:

We have many reasons to celebrate 2006, not the least of which was our company's 100th birthday.

In our centennial year, Atmos Energy delivered exceptional financial results that were driven by increased sales volumes and higher margins in our nonutility segment. At the same time, our utility operations implemented improved rate designs to strengthen our future financial performance.

Net income for the fiscal year increased 9 percent to $147.7 million from $135.8 million in fiscal 2005, and earnings per diluted share grew by 10 cents to $1.82.

We paid dividends of $1.26 per share, resulting in a yield of between 4 percent and 5 percent. In November 2006, the board of directors declared our 19th consecutive annual dividend increase, raising the dividend by 2 cents a share. The indicated rate for fiscal 2007 is $1.28.

During 2006, we achieved smooth management transitions in both our utility and nonutility operations. Kim R. Cocklin assumed responsibilities as senior vice president, utility operations, and Mark H. Johnson was named senior vice president, nonutility operations.

We also began recovering from Hurricanes Katrina and Rita, which initially had affected service to more than 60 percent of our Louisiana customers.

Although Atmos Energy has changed in many ways during the past century, it has remained true to the founders' core vision to serve the public as a natural gas company.

Today, that vision translates into our complementary strategy of natural gas utility services and nonutility gas marketing, pipeline and storage services—a strategy that produced exceptional results in fiscal 2006.

## NONUTILITY EARNINGS INCREASE 73 PERCENT

A very bright spot in 2006 was our nonutility operations. Earnings from these operations offset a 35 percent decline in our utility earnings to contribute a record-setting $94.7 million to net income, or $1.17 per diluted share.

Our gas marketing subsidiary, Atmos Energy Marketing (AEM), was able to realize $68.7 million more in margins primarily as a result of the extreme volatility in natural gas commodity

500 | Atmos Energy was named to the FORTUNE 500 for the first time in 2006. The company moved up 150 places since 2005.

1626 | In 1626, French explorers discovered American natives igniting gases that were seeping into Lake Erie.

. . . . publicly held gas utility company. **1986:** Energas made its first acquisition with the purchase of Trans Louisiana Gas. **1987:** Growth continued with . . . . . .

prices last winter. AEM used its experience and expertise as one of the country's leading gas marketers to help many public utilities, municipalities and industrial customers contend with the wide swings in wholesale gas prices. As a result, AEM increased its 2006 marketing sales volumes by 46 billion cubic feet (Bcf) to 284.0 Bcf.

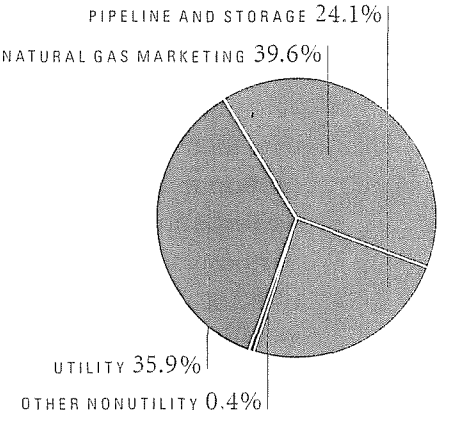
Furthermore, our pipeline and storage segment, also part of our nonutility operations, achieved higher transportation and related-service margins and favorable arbitrage spreads on its storage contracts. The segment contributed $35.6 million to net income, a 16 percent increase over its contribution in fiscal 2005. Consolidated pipeline and storage throughput increased to 420.2 Bcf from 383.4 Bcf in fiscal 2005.

A significant step we took during 2006—one that promises favorable returns and future opportunities—was our expansion into natural gas gathering. We expect to be able to use many of the same operating and marketing strengths found in our pipeline business in the gathering business. A gathering system collects raw gas from producers' wells and transports it to a processing and sales terminal. From there, larger regulated pipelines carry the gas to market.

In October 2006, we received an order from the Federal Energy Regulatory Commission (FERC) exempting our proposed Straight Creek Gathering System from FERC regulation. This gathering system will use a 20-inch backbone pipeline running approximately 60 miles through the Big Sandy natural gas producing region in eastern Kentucky. It will be able to transport up to 100,000 million Btu (MMBtu) a day of gas when it goes into operation in 2007, with the capability to expand throughput up to 225,000 MMBtu a day.

The Big Sandy producing region historically has not had sufficient gathering capacity to handle the available supply. It's estimated that our project could generate more than $150 million a year in

FISCAL 2006 NET INCOME BY SEGMENT




Contributions from utility and nonutility operations

In 1859, Edwin Drake drilled the first commercial well and hit oil and natural gas at 69 feet below the surface of the earth. A two-inch-diameter pipeline was built, running 5.5 miles from the well to the village of Titusville, Pennsylvania. This discovery well is considered to be the beginning of the natural gas industry in America.

. . . . the acquisition of Western Kentucky Gas. **1988:** Energas changed its name to Atmos Energy Corporation and was listed on the NYSE (ATO). **1993:** Atmos

wellhead sales revenues, severance taxes, property taxes and royalty-owner revenues. Atmos Energy and our minority partner, Kinzer Drilling Company, plan to invest between $75 million and $80 million in the project.

## NEW RATE DESIGN SHOULD HELP UTILITY SEGMENT

Extremely volatile natural gas prices, one of the warmest winters on record and two of the worst hurricanes in American history strained our utility business by adding operating costs and lowering utility revenues.

to write off our irrigation properties in West Texas. The volumes of natural gas we deliver for irrigation pumping in Texas have continued to decline year after year and were not expected to generate enough cash flow from operations to recover our net investment.

On the positive side, our biggest financial success came in breakthroughs in rate design in our utility segment. These changes should help return our utility to strong performance in fiscal 2007 and beyond.

We secured protection from weather in our two largest divisions. In Texas, the





We cannot control the weather and we cannot control the cost of natural gas; however, we can control how we address adverse situations.

In particular, unseasonably warm winter weather, which was 13 percent warmer than normal, reduced our utility earnings. Net income from utility operations fell to $53.0 million from $81.1 million in fiscal 2005. In addition, we lost approximately 230,000 utility customers in Louisiana until service could be restored after Hurricanes Katrina and Rita. About 26,500 of these customers became permanent losses with no plans for rebuilding homes or businesses.

Utility earnings also were reduced by a nonrecurring after-tax charge of $14.6 million, or 18 cents per diluted share,

Railroad Commission granted our Mid-Tex Division a weather normalization adjustment as part of a pending rate case. In Louisiana, the Public Service Commission allowed new rate provisions that protect our margins from warm winter weather, declining customer use and greater conservation.

19 | Baby Jessica McClure was rescued from an abandoned well pipe with the help of our employees 19 years ago.

25 | Because natural gas is one of the most efficient energy sources, its use has increased 35 percent during the past decade and demand is expected to grow by 40 percent by 2025.

.... Energy acquired Greeley Gas operations in Colorado and Kansas. **1997:** Atmos Energy doubled in size to one million customers through its merger with .....

As a result of these changes, more than 90 percent of our customer margins are now substantially insulated from the effects of adverse weather. This has been a primary goal to help safeguard our earnings.

We cannot control the weather and we cannot control the cost of natural gas; however, we can control how we address adverse situations. We believe that implementing sound rate-design principles benefits both the company and our customers over the long term.

## KEEPING RATES CURRENT

We filed a number of rate cases during 2006, seeking rate increases and weather normalization adjustments as well as provisions to compensate for declining customer use and to recoup our costs for the natural gas consumed by customers with uncollectible accounts.

In Louisiana, the Public Service Commission acted quickly to allow a rate increase, subject to refund, of $10.8 million. The increase covered customer losses in Katrina-affected parishes and increases in rate base and operating expenses.

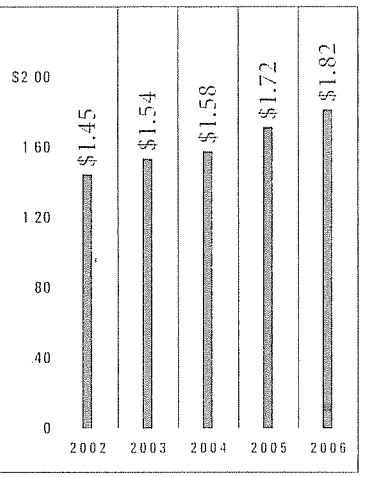
Our most significant rate filing was for a $60 million increase in Texas by our Mid-Tex Division to recover increases in the division's operating costs and its allowed rate of return. A decision is due no later than April 2007.

In Texas, we also continued to refresh our rates under the state's Gas Reliability Infrastructure Program, or GRIP. The program authorizes utilities to earn a rate of return on their incremental annual capital investments. It also reduces the regulatory lag time between when we make an investment and when we begin earning a return on it.

Since 2003, we have been able to increase base rates in Texas under GRIP by about $190 million while earning about $36 million in allowed return on that investment.

In Missouri, we reached a tentative settlement in a rate case seeking an

## EARNINGS REVIEW




**Net income per diluted share**

61,000 | Atmos Energy Marketing added the city of Hamilton, Ohio (population 61,000), to its more than 1,000 municipal and industrial customers.

20 | Atmos Energy's Kentucky Division was named one of the 20 best places to work in the state, coming in 12th.

.....United Cities Gas Company. **2001:** Woodward Marketing became a wholly owned subsidiary, greatly expanding the company's nonutility business.

increase of $3.4 million. Significantly, the commission staff has agreed to support a fixed monthly delivery charge, which would allow us to earn our residential margins regardless of customers' usage. A final decision in the case is expected in March 2007.

In a contested case, the Tennessee Regulatory Authority ordered a $6.1 million reduction in our base rates, effective December 1, 2006. Because the company had absorbed a decade of inflation and expenses for system improvements without seeking a rate increase, we believe the current rates are deficient. We are continuing to analyze our rate strategy in Tennessee.



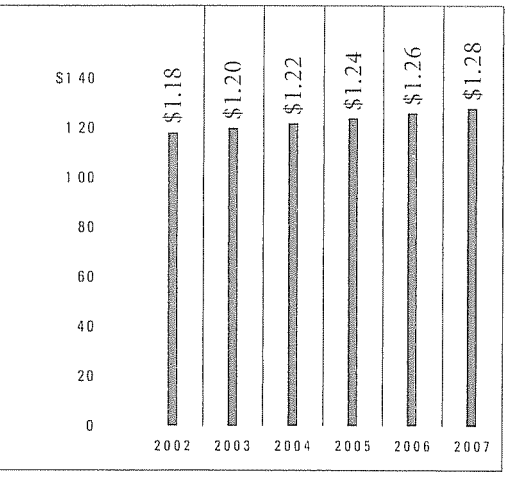
## SUCCESS AND INDEPENDENCE

Strategic innovation has always set our company apart. For example, in 1986, the company was still a regional utility in West Texas with a complementary irrigation business. That year, CEO Charles Vaughan made a tender offer to acquire Trans Louisiana Gas Company. It was a bold step that set the course for the company's future growth.

"We had to do something because our service area was not growing," Vaughan said. "We had to buy something—or be bought ourselves."

Vaughan chose to diversify the company's operations into other states but to maintain its basic strategy as a regulated local distribution company.

CASH DIVIDENDS PER SHARE




2007 dividend is the indicated rate

Other successful acquisitions followed that confirmed the corporate vision and the long-standing belief in independence by our board of directors. Charles Vaughan set the dual hallmarks of financial success and corporate independence by which we operate today.

Atmos Energy has continued to expand, largely through mergers and acquisitions, to become the largest all-natural-gas distribution company in the country. Our 10 major acquisitions to date not only have bolstered our core utility business, but also have provided valuable diversification.

In particular, our acquisition in 2001 of the balance of Woodward Marketing has proved to be one of our best steps. We

2 | Atmos Energy helped create two statues in West Texas to commemorate the fallen space shuttle *Columbia*. The statue of pilot William McCool stands in Lubbock, and the statue of shuttle commander Rick Husband stands in Amarillo. Together, their upraised hands point to the trajectory of the shuttle and her crew's final mission.

**2002:** Mississippi Valley Gas, the state's largest gas supplier, was acquired. **2004:** Atmos Energy acquired the operations of TXU Gas in Texas, becoming .....

acquired one of the country's leading and most respected mid-tier natural gas marketing companies. Under JD Woodward's leadership, we greatly expanded the scope and scale of our nonutility business.

In 2004, we acquired the operations of TXU Gas Company. Not only did we obtain one of the most dynamic markets for natural gas distribution—Dallas-Fort Worth is now the nation's fourth largest metropolitan statistical area, but we also acquired a highly valuable intrastate gas pipeline system. Today, it is yielding superior returns in our pipeline and storage segment while offering growth due to the extensive rate of gas drilling in Texas and the producers' needs to transport the gas to markets.

## STRATEGIC FOCUS

As Atmos Energy enters its second century, our strategic focus remains fixed on being financially successful by profitably delivering natural gas to our customers. We expect our earnings in fiscal 2007 to grow at our stated goal of 4 percent to 6 percent a year, on average. Our utility operations will remain our core business. And we will remain active in using acquisitions as an engine of future growth. However, we expect to be even more selective to find the right fit of properties.

We will invest most of our future growth capital in states with timely and adequate rates of return as well as in new nonutility projects. We expect our capital expenditures in fiscal 2007 will be between $425 million and $440 million, as compared to $425.3 million in fiscal 2006.

I am confident that we are in a better position today than at any time in our past.

We will continue to work for federal laws to increase our country's natural gas supply in order to moderate gas prices. Towards this end, our interests are aligned perfectly with our customers' interests. We both want reasonable gas costs and lower volatility in gas prices.

Today, Atmos Energy is in an excellent position to expand its core business, stabilize its earnings and take advantage of its complementary strategy. We are pursuing consistent and focused strategies

186 | When it comes to helping our communities, Atmos Energy digs deep. Working with Habitat for Humanity, our employees have helped build 186 homes so far in our service area.

69 | Among American single-family homes, 69 percent feature natural gas heating.

. . . . . the largest all-natural-gas distributor in the U.S. **2006:** The Environmental Protection Agency honored the company for reducing greenhouse gas emissions.

to benefit our shareholders, customers and employees. Furthermore, natural gas remains the most valued energy source in American homes and businesses, offering comfort, convenience and efficiency. For all these reasons, I am confident that we are in a better position today than at any time in our past.

## IN OBSERVANCE OF OUR CENTENNIAL

We have many reasons to celebrate Atmos Energy's 100th anniversary. But the one that's most important to me is our company's culture of developing exceptional employees.

They produced innovative solutions and found market opportunities that yielded our strong results in 2006 while they maintained the high level of service that we take pride in. Our employees took care of their customers and their fellow employees in a time of suffering and need.

Only hours after Hurricane Katrina devastated southern Louisiana and parts of Mississippi, our employees—more than 50 of whom lost their own homes—were in the field to ensure safety, to begin restoration where possible and to help their neighbors. For weeks thereafter, more than 450 of our employees from across our system worked up to 18-hour days under dangerous and difficult conditions. It is a fitting tribute to all our employees that the natural gas that powered the pumps to drain the toxic waters from New Orleans and to begin the healing came from Atmos Energy.

Local teams of employees from every operation joined together to "adopt" the families of our employees who lost their homes, autos and belongings. They held fundraisers, donated clothing, furniture, toys and supplies and went to the destroyed communities to help them rebuild their lives. Above all, they gave personal encouragement and strength to sustain their fellow employees through a difficult time.

Our first commitment always is to serve—safely, reliably and efficiently. This commitment ensures the value and integrity of your investment. It provides the confidence on which our enterprise has been built during the past 100 years. Even as our business and our employees change, service remains our defining mission.

Robert W. Best

Robert W. Best
*Chairman, President and Chief Executive Officer*
*November 22, 2006*

**Gene C. Koonce**—Atmos Energy Corporation has benefited for nearly a decade from the wisdom and insights of Gene C. Koonce. Gene joined our board of directors in 1997 after our merger with United Cities Gas Company, where he had served as chairman, president and chief executive officer for 20 years. A long-time industry leader, Gene was also a distinguished community servant in the Greater Nashville area and across Tennessee. In February 2007, Gene will retire from the board, and we wish him and his wife, Bettye, our very best.

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Two members of Atmos Energy Corporation's senior Management Committee retired during 2006. JD Woodward, who led our nonutility business, retired on April 1, and R. Earl Fischer, who led our utility operations, retired on September 30.

**JD Woodward**—began working with Atmos Energy in 1997 after our merger with United Cities Gas Company. United Cities had owned 45 percent of his company, Woodward Marketing LLC. The relationship was so beneficial that we acquired the remaining interest in his company in 2001, and JD joined us as senior vice president, nonutility operations. He significantly expanded our gas marketing business into 22 states and developed our pipeline and storage operations into a separate business segment that is making major contributions to our earnings. We are greatly indebted to him for all that he did to help Atmos Energy grow and succeed. We wish JD and his wife, Linda, much happiness.

**Mark H. Johnson**—who joined Woodward Marketing in 1992 as vice president of marketing and operations, succeeded JD Woodward as senior vice president, nonutility operations, and as a member of our Management Committee. Mark, a petroleum engineer by training, is a highly experienced leader in gas marketing, trading, storage and financial hedging. He previously had served in a number of executive positions with Woodward Marketing and Atmos Energy Marketing. He brings a dynamic style and clear focus to his job.

**R. Earl Fischer**—spent 44 years with Atmos Energy and Western Kentucky Gas (WKG) Company. He served in accounting and operational management positions at WKG, where he tirelessly promoted the state's economic development, recruiting the General Motors Corvette Assembly Plant, the Mid-America Air Park and a dozen major companies. He was promoted to president of WKG in 1989. In 1998, he was named president of our West Texas Division, then known as Energas, and later became senior vice president, utility operations. Earl led our utility operations through many changes in the industry, dealing with volatile gas prices, system conversions and major acquisitions. He has truly been dedicated to the people we serve through his extensive civic and charitable work. Larger than life, and always a lot of fun, he leaves us a living legacy in the many young managers he has selected and developed over the years. We wish Earl and his wife, Sally, all the best.

**Kim R. Cocklin**—assumed the responsibilities as senior vice president, utility operations, and a member of the Management Committee on October 1. Before joining Atmos Energy, Kim was senior vice president, general counsel and chief compliance officer for Piedmont Natural Gas Company, Inc. At Piedmont, he was responsible for all legal, governmental and community affairs, corporate communications and Sarbanes-Oxley compliance. Earlier, Kim worked for The Williams Companies for 19 years. He served as senior vice president in charge of planning, rates and regulatory, and business development for Williams Gas Pipeline and in other executive positions. Kim brings extensive experience in both the utility-distribution and gas-pipeline businesses. His management philosophy reflects our own corporate culture, making him a valuable addition to our senior management team.

## FINANCIAL HIGHLIGHTS

Year Ended September 30

| Dollars in thousands, except per share data | 2006 | 2005 | Change |
|---|---|---|---|
| Operating revenues | $ 6,152,363 | $ 4,961,873 | 24.0% |
| Gross profit | $ 1,216,570 | $ 1,117,637 | 8.9% |
| Utility net income | $ 53,002 | $ 81,117 | -34.7% |
| Natural gas marketing net income | 58,566 | 23,404 | 150.2% |
| Pipeline and storage net income | 35,624 | 30,599 | 16.4% |
| Other nonutility net income | 545 | 665 | -18.0% |
| Total | $ 147,737 | $ 135,785 | 8.8% |
| Total assets | $ 5,719,547 | $ 5,653,527 | 1.2% |
| Total capitalization* | $ 3,828,460 | $ 3,785,526 | 1.1% |
| Net income per share – diluted | $ 1.82 | $ 1.72 | 5.8% |
| Cash dividends per share | $ 1.26 | $ 1.24 | 1.6% |
| Book value per share at end of year | $ 20.16 | $ 19.90 | 1.3% |
| Consolidated utility segment throughput (MMcf) | 393,995 | 411,134 | -4.2% |
| Consolidated natural gas marketing segment throughput (MMcf) | 283,962 | 238,097 | 19.3% |
| Consolidated pipeline and storage segment transportation volumes (MMcf) | 420,217 | 383,377 | 9.6% |
| Heating degree days | 2,527 | 2,587 | 3% |
| Degree days as a percentage of normal | 87% | 89% | -2.2% |
| Meters in service at end of year | 3,181,199 | 3,157,840 | 0.7% |
| Return on average shareholders' equity | 8.9% | 9.0% | -1.1% |
| Shareholders' equity as a percentage of total capitalization (including short-term debt) at end of year | 39.1% | 40.7% | -3.9% |
| Shareholders of record | 24,690 | 26,242 | -5.9% |
| Weighted average shares outstanding – diluted (000s) | 81,390 | 79,012 | 3.0% |

* Total capitalization represents the sum of shareholders' equity and long-term debt, excluding current maturities.



## SUMMARY ANNUAL REPORT

The financial information presented in this report about Atmos Energy Corporation is condensed. Our complete financial statements, including notes as well as management's discussion and analysis of financial condition and results of operations, are presented in our *Annual Report on Form 10-K*. Atmos Energy's chief executive officer and its chief financial officer have executed all certifications with respect to the financial statements contained therein and have completed management's report on internal control over financial reporting, which are required under the Sarbanes-Oxley Act of 2002 and all related rules and regulations of the Securities and Exchange Commission. Investors may request, without charge, our *Annual Report on Form 10-K* for the fiscal year ended September 30, 2006, by calling Shareholder Relations at 972-855-3729 between 8 a.m. and 5 p.m. Central time. Our Form 10-K also is available on Atmos Energy's Web site at www.atmosenergy.com. Additional investor information is presented on page 32 of this report.

Year Ended September 30

| | 2006 | 2005 |
|---|---|---|
| **Meters in service** | | |
| Residential | 2,886,042 | 2,862,822 |
| Commercial | 275,577 | 274,536 |
| Industrial | 2,661 | 2,715 |
| Agricultural | 8,714 | 9,639 |
| Public authority and other | 8,205 | 8,128 |
| Total meters | 3,181,199 | 3,157,840 |
| **Heating degree days** | | |
| Actual (weighted average) | 2,527 | 2,587 |
| Percent of normal | 87% | 89% |
| **Utility sales volumes (MMcf)** | | |
| Residential | 144,780 | 162,016 |
| Commercial | 87,006 | 92,401 |
| Industrial | 26,161 | 29,434 |
| Agricultural | 5,629 | 3,348 |
| Public authority and other | 8,457 | 9,084 |
| Total | 272,033 | 296,283 |
| **Utility transportation volumes (MMcf)** | 126,960 | 122,098 |
| **Total utility throughput (MMcf)** | 398,993 | 418,381 |
| **Intersegment activity (MMcf)** | (4,998) | (7,247) |
| **Consolidated utility throughput (MMcf)** | 393,995 | 411,134 |
| **Consolidated natural gas marketing throughput (MMcf)** | 283,962 | 238,097 |
| **Consolidated pipeline transportation volumes (MMcf)** | 420,217 | 383,377 |
| **Operating revenues (000s)** | | |
| Gas utility sales revenues | | |
| Residential | $ 2,068,736 | $ 1,791,172 |
| Commercial | 1,061,783 | 869,722 |
| Industrial | 276,186 | 229,649 |
| Agricultural | 40,664 | 27,889 |
| Public authority and other | 103,936 | 86,853 |
| Total gas sales revenues | 3,551,305 | 3,005,285 |
| Transportation revenues | 61,475 | 58,897 |
| Other gas revenues | 37,071 | 37,859 |
| Total utility revenues | 3,649,851 | 3,102,041 |
| Natural gas marketing revenues | 2,418,856 | 1,783,926 |
| Pipeline and storage revenues | 81,857 | 73,880 |
| Other nonutility revenues | 1,799 | 2,026 |
| **Total operating revenues (000s)** | $ 6,152,363 | $ 4,961,873 |
| **Other statistics** | | |
| Gross plant (000s) | $ 5,101,308 | $ 4,765,610 |
| Net plant (000s) | $ 3,629,156 | $ 3,374,367 |
| Miles of pipe | 81,996 | 81,604 |
| Employees | 4,632 | 4,543 |

## CONDENSED CONSOLIDATED BALANCE SHEETS

September 30

| Dollars in thousands, except per share data | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| **Property, plant and equipment** | $ 5,026,478 | $ 4,631,684 |
| **Construction in progress** | 74,830 | 133,926 |
| | 5,101,308 | 4,765,610 |
| **Less accumulated depreciation and amortization** | 1,472,152 | 1,391,243 |
| Net property, plant and equipment | 3,629,156 | 3,374,367 |
| **Current assets** | | |
| Cash and cash equivalents | 75,815 | 40,116 |
| Cash held on deposit in margin account | 35,647 | 80,956 |
| Accounts receivable, less allowance for doubtful accounts of $13,686 in 2006 and $15,613 in 2005 | 374,629 | 454,313 |
| Gas stored underground | 461,502 | 450,807 |
| Other current assets | 169,952 | 238,238 |
| Total current assets | 1,117,545 | 1,264,430 |
| **Goodwill and intangible assets** | 738,521 | 737,787 |
| **Deferred charges and other assets** | 234,325 | 276,943 |
| | $ 5,719,547 | $ 5,653,527 |
| **Capitalization and Liabilities** | | |
| **Shareholders' equity** | | |
| Common stock, no par value (stated at $.005 per share); 200,000,000 shares authorized, issued and outstanding: 2006 – 81,739,516 shares, 2005 – 80,539,401 shares | $ 409 | $ 403 |
| Additional paid-in capital | 1,467,240 | 1,426,523 |
| Accumulated other comprehensive loss | (43,850) | (3,341) |
| Retained earnings | 224,299 | 178,837 |
| Shareholders' equity | 1,648,098 | 1,602,422 |
| **Long-term debt** | 2,180,362 | 2,183,104 |
| Total capitalization | 3,828,460 | 3,785,526 |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 345,108 | 461,314 |
| Other current liabilities | 388,451 | 503,368 |
| Short-term debt | 382,416 | 144,809 |
| Current maturities of long-term debt | 3,186 | 3,264 |
| Total current liabilities | 1,119,161 | 1,112,755 |
| **Deferred income taxes** | 306,172 | 292,207 |
| **Regulatory cost of removal obligation** | 261,376 | 263,424 |
| **Deferred credits and other liabilities** | 204,378 | 199,615 |
| | $ 5,719,547 | $ 5,653,527 |

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Year Ended September 30

| Dollars in thousands, except per share data | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Operating revenues** | | | |
| Utility segment | $ 3,650,591 | $ 3,103,140 | $ 1,637,728 |
| Natural gas marketing segment | 3,156,524 | 2,106,278 | 1,618,602 |
| Pipeline and storage segment | 160,567 | 153,289 | 19,758 |
| Other nonutility segment | 5,898 | 5,302 | 3,393 |
| Intersegment eliminations | (821,217) | (406,136) | (359,444) |
| | 6,152,363 | 4,961,873 | 2,920,037 |
| **Purchased gas cost** | | | |
| Utility segment | 2,725,534 | 2,195,774 | 1,134,594 |
| Natural gas marketing segment | 3,025,897 | 2,044,305 | 1,571,971 |
| Pipeline and storage segment | 838 | 6,811 | 9,383 |
| Other nonutility segment | — | — | — |
| Intersegment eliminations | (816,476) | (402,654) | (358,102) |
| | 4,935,793 | 3,844,236 | 2,357,846 |
| **Gross profit** | 1,216,570 | 1,117,637 | 562,191 |
| **Operating expenses** | | | |
| Operation and maintenance | 433,418 | 416,281 | 214,470 |
| Depreciation and amortization | 185,596 | 178,005 | 96,647 |
| Taxes, other than income | 191,993 | 174,696 | 57,379 |
| Impairment of long-lived assets | 22,947 | — | — |
| Total operating expenses | 833,954 | 768,982 | 368,496 |
| **Operating income** | 382,616 | 348,655 | 193,695 |
| **Miscellaneous income** | 881 | 2,021 | 9,507 |
| **Interest charges** | 146,607 | 132,658 | 65,437 |
| Income before income taxes | 236,890 | 218,018 | 137,765 |
| **Income tax expense** | 89,153 | 82,233 | 51,538 |
| **Net income** | $ 147,737 | $ 135,785 | $ 86,227 |
| **Per share data** | | | |
| **Basic net income per share** | $ 1.83 | $ 1.73 | $ 1.60 |
| **Diluted net income per share** | $ 1.82 | $ 1.72 | $ 1.58 |
| **Weighted average shares outstanding:** | | | |
| Basic | 80,731 | 78,508 | 54,021 |
| Diluted | 81,390 | 79,012 | 54,416 |

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended September 30

| Dollars in thousands | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| **Net income** | $ 147,737 | $ 135,785 | $ 86,227 |
| **Adjustments to reconcile net income to net cash provided by operating activities:** | | | |
| Gain on sales of assets | — | — | (6,700) |
| Impairment of long-lived assets | 22,947 | — | — |
| Depreciation and amortization: | | | |
| Charged to depreciation and amortization | 185,596 | 178,005 | 96,647 |
| Charged to other accounts | 371 | 791 | 1,465 |
| Deferred income taxes | 86,178 | 12,669 | 36,997 |
| Other | 18,480 | 11,522 | (1,772) |
| Changes in assets and liabilities | (149,860) | 48,172 | 57,870 |
| Net cash provided by operating activities | 311,449 | 386,944 | 270,734 |
| **Cash Flows Used in Investing Activities** | | | |
| Capital expenditures | (425,324) | (333,183) | (190,285) |
| Acquisitions, net of cash received | — | (1,916,696) | (1,957) |
| Other, net | (5,767) | (2,131) | (570) |
| Proceeds from sales of assets | — | — | 27 919 |
| Net cash used in investing activities | (431,091) | (2,252,010) | (1 3) |
| **Cash Flows from Financing Activities** | | | |
| Net increase (decrease) in short-term debt | 237,607 | 144,809 | (118,595) |
| Net proceeds from issuance of long-term debt | — | 1,385,847 | 5,000 |
| Settlement of Treasury lock agreements | — | (43,770) | — |
| Repayment of long-term debt | (3,264) | (103,425) | (9,713) |
| Cash dividends paid | (102,275) | (98,978) | (66,736) |
| Issuance of common stock | 23,273 | 37,183 | 34,715 |
| Net proceeds from equity offering | — | 381,584 | 235,737 |
| Net cash provided by financing activities | 155,341 | 1,703,250 | 80,408 |
| Net increase (decrease) in cash and cash equivalents | 35,699 | (161,816) | 186,249 |
| **Cash and cash equivalents at beginning of year** | 40,116 | 201,932 | 15,683 |
| **Cash and cash equivalents at end of year** | $ 75,815 | $ 40,116 | $ 201,932 |

The Board of Directors
Atmos Energy Corporation

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Atmos Energy Corporation at September 30, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2006 (not presented herein); and in our report dated November 20, 2006, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Ernst & Young LLP

Dallas, Texas
November 20, 2006

Year Ended September 30

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| **Balance Sheet Data at September 30 (000s)** | | | | | |
| Capital expenditures | $ 425,324 | $ 333,183 | $ 190,285 | $ 159,439 | $ 132,252 |
| Net property, plant and equipment | 3,629,156 | 3,374,367 | 1,722,521 | 1,624,394 | 1,380,070 |
| Working capital | (1,616) | 151,675 | 283,310 | 16,248 | (139,150) |
| Total assets | 5,719,547 | 5,653,527 | 2,912,627 | 2,625,495 | 2,059,631 |
| Shareholders' equity | 1,648,098 | 1,602,422 | 1,133,459 | 857,517 | 573,235 |
| Long-term debt, excluding current maturities | 2,180,362 | 2,183,104 | 861,311 | 862,500 | 668,959 |
| Total capitalization | 3,828,460 | 3,785,526 | 1,994,770 | 1,720,017 | 1,242,194 |
| **Income Statement Data** | | | | | |
| Operating revenues (000s) | $ 6,152,363 | $ 4,961,873 | $ 2,920,037 | $ 2,799,916 | $ 1,650,964 |
| Gross profit (000s) | 1,216,570 | 1,117,637 | 562,191 | 534,976 | 431,140 |
| Net income (000s) | 147,737 | 135,785 | 86,227 | 71,688 | 59,656 |
| Net income per diluted share | 1.82 | 1.72 | 1.58 | 1.54 | 1.45 |
| **Common Stock Data** | | | | | |
| Shares outstanding (000s) | | | | | |
| End of year | 81,740 | 80,539 | 62,800 | 51,476 | 41,676 |
| Weighted average | 81,390 | 79,012 | 54,416 | 46,496 | 41,250 |
| Cash dividends per share | $ 1.26 | $ 1.24 | $ 1.22 | $ 1.20 | $ 1.18 |
| Shareholders of record | 24,690 | 26,242 | 27,555 | 28,510 | 28,829 |
| Market price – High | $ 29.11 | $ 29.76 | $ 26.86 | $ 25.45 | $ 24.46 |
| Low | $ 25.79 | $ 24.85 | $ 23.68 | $ 20.70 | $ [illegible] |
| End of year | $ 28.55 | $ 28.25 | $ 25.19 | $ 23.94 | $ [illegible] |
| Book value per share at end of year | $ 20.16 | $ 19.90 | $ 18.05 | $ 16.66 | $ 13.75 |
| Price/Earnings ratio at end of year | 15.69 | 16.42 | 15.94 | 15.55 | 14.83 |
| Market/Book ratio at end of year | 1.42 | 1.42 | 1.40 | 1.44 | 1.56 |
| Annualized dividend yield at end of year | 4.4% | 4.4% | 4.8% | 5.0% | 5.5% |
| **Customers and Volumes (as metered)** | | | | | |
| Consolidated utility gas sales volumes (MMcf) | 272,033 | 296,283 | 173,219 | 184,512 | 145,488 |
| Consolidated utility gas transportation volumes (MMcf) | 121,962 | 114,851 | 72,814 | 63,453 | 63,053 |
| Consolidated utility throughput (MMcf) | 393,995 | 411,134 | 246,033 | 247,965 | 208,541 |
| Consolidated natural gas marketing throughput (MMcf) | 283,962 | 238,097 | 222,572 | 225,961 | 204,027 |
| Consolidated pipeline transportation volumes (MMcf) | 420,217 | 383,377 | — | — | — |
| Meters in service at end of year | 3,181,199 | 3,157,840 | 1,679,136 | 1,672,798 | 1,389,341 |
| Heating degree days* | 2,527 | 2,587 | 3,271 | 3,473 | 3,368 |
| Degree days as a percentage of normal | 87% | 89% | 96% | 101% | 94% |
| Utility average cost of gas per Mcf sold | $ 10.02 | $ 7.41 | $ 6.55 | $ 5.76 | $ 3.87 |
| Utility average transportation fee per Mcf | $ .49 | $ .49 | $ .36 | $ .43 | $ .41 |
| **Statistics** | | | | | |
| Return on average shareholders' equity | 8.9% | 9.0% | 9.1% | 9.9% | 9.9% |
| Number of employees | 4,632 | 4,543 | 2,864 | 2,905 | 2,338 |
| Net utility plant per meter | $ 969 | $ 927 | $ 994 | $ 930 | $ 939 |
| Utility operation and maintenance expense per meter | $ 112 | $ 110 | $ 116 | $ 115 | $ 101 |
| Meters per employee – utility | 723 | 730 | 612 | 594 | [illegible] |
| Times interest earned before income taxes | 2.55 | 2.59 | 3.05 | 2.75 | [illegible] |

*Heating degree days are adjusted for service areas with weather-normalized operations.

## FORWARD-LOOKING STATEMENTS

The matters discussed or incorporated by reference in this *Summary Annual Report* 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 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 report or any other of the Company's 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 report. These risks and uncertainties are discussed in the Company's Form 10-K for the fiscal year ended September 30, 2006. Although the Company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. Further, the Company undertakes no obligation to update or revise any of its forward-looking statements, whether as a result of new information, future events or otherwise.

# ATMOS ENERGY OFFICERS

## SENIOR MANAGEMENT TEAM

**Robert W. Best**
Chairman, President and
Chief Executive Officer

**J. Patrick Reddy**
Senior Vice President and
Chief Financial Officer

**Kim R. Cocklin**
Senior Vice President,
Utility Operations

**Mark H. Johnson**
Senior Vice President,
Nonutility Operations

**Louis P. Gregory**
Senior Vice President and
General Counsel

**Wynn D. McGregor**
Senior Vice President,
Human Resources

## UTILITY DIVISIONS

**J. Kevin Akers**
President,
Mississippi Division

**Richard A. Erskine**
President,
Mid-Tex Division
President,
Atmos Pipeline–Texas Division

**Gary W. Gregory**
President,
West Texas Division

**Tom S. Hawkins, Jr.**
President,
Louisiana Division

**John A. Paris**
President,
Kentucky and
Mid-States Division

**Gary L. Schlessman**
President,
Colorado-Kansas Division

## NONUTILITY OPERATIONS

**Mark H. Johnson**
President,
Atmos Energy Marketing, LLC

**Ronald W. McDowell**
Vice President,
New Business Ventures

## SHARED SERVICES

**Verlon R. Aston, Jr.**
Vice President,
Governmental and
Public Affairs

**Cindy A. Foor**
Vice President,
Corporate Communications

**Susan Kappes Giles**
Vice President,
Investor Relations

**Conrad E. Gruber**
Vice President,
Strategic Planning

**Dwala J. Kuhn**
Corporate Secretary

**Fred E. Meisenheimer**
Vice President and Controller

**Laurie M. Sherwood**
Vice President,
Corporate Development,
and Treasurer

**Travis W. Bain II**
Chairman, Texas Custom Pools, Inc.
Plano, Texas
Board member since 1988
Committees: Work Session/Annual Meeting (Chairman), Audit, Human Resources

**Robert W. Best**
Chairman, President and Chief Executive Officer
Atmos Energy Corporation
Dallas, Texas
Board member since 1997
Committee: Executive

**Dan Busbee**
Adjunct Professor, Dedman School of Law,
Southern Methodist University
Dallas, Texas
Board member since 1988
Committees: Audit (Chairman),
Human Resources

**Richard W. Cardin**
Retired partner of Arthur Andersen LLP
Nashville, Tennessee
Board member since 1997
Committees: Audit, Nominating and
Corporate Governance

**Thomas J. Garland**
Chairman of the Tusculum Institute
for Public Leadership and Policy
Greeneville, Tennessee
Board member since 1997
Committees: Human Resources,
Work Session/Annual Meeting

**Richard K. Gordon**
General Partner, Juniper Energy LP,
Juniper Capital LP and Juniper Advisory LP
Houston, Texas
Board member since 2001
Committees: Human Resources, Nominating
and Corporate Governance

**Gene C. Koonce**
Retired Chairman of the Board, President and
Chief Executive Officer, United Cities Gas Company
Nashville, Tennessee
Board member since 1997
Committees: Human Resources (Chairman),
Executive, Work Session/Annual Meeting

**Dr. Thomas C. Meredith**
Commissioner of Mississippi Institutions
of Higher Learning
Jackson, Mississippi
Board member since 1995
Committees: Audit, Nominating and
Corporate Governance

**Phillip E. Nichol**
Retired Senior Vice President of Central Division Staff
UBS PaineWebber Incorporated
Dallas, Texas
Board member since 1985
Committees: Nominating and Corporate Governance
(Chairman), Human Resources, Work Session/
Annual Meeting

**Nancy K. Quinn**
Principal, Hanover Capital, LLC
East Hampton, New York
Board member since 2004
Committees: Audit, Nominating and
Corporate Governance

**Stephen R. Springer**
Retired Senior Vice President and
General Manager, Mid-Stream Division
The Williams Companies, Inc.
Syracuse, Indiana
Board member since 2005
Committee: Work Session/Annual Meeting

**Charles K. Vaughan**
Retired Chairman of the Board
Atmos Energy Corporation
Dallas, Texas
Board member since 1983
Committee: Executive (Chairman)

**Richard Ware II**
President, Amarillo National Bank
Amarillo, Texas
Board member since 1994
Committees: Nominating and Corporate
Governance, Work Session/Annual Meeting

**Lee E. Schlessman**
Honorary Director
President, Dolo Investment Company
Denver, Colorado
Retired from Board in 1998

### COMMON STOCK LISTING

New York Stock Exchange. Trading symbol: ATO

### STOCK TRANSFER AGENT AND REGISTRAR

American Stock Transfer and Trust Company
59 Maiden Lane
Plaza Level
New York, New York 10038
800-543-3038

To inquire about your Atmos Energy stock, please call AST at the telephone number above. You may use the agent's interactive voice response system 24 hours a day to learn about transferring stock or to check your recent account activity—all without the assistance of a customer service representative. Please have available your Atmos Energy shareholder account number and your Social Security or federal taxpayer ID number.

To speak to an AST customer service representative, please call the same number between 8 a.m. and 7 p.m. Eastern time, Monday through Thursday, or 8 a.m. to 5 p.m. Eastern time on Friday.

You also may send an e-mail message on our agent's Web site at http://www.amstock.com. Please refer to Atmos Energy in your e-mail and include your Atmos Energy shareholder account number and your Social Security or federal taxpayer ID number.

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
2100 Ross Avenue, Suite 1500
Dallas, Texas 75201
214-969-8000

### FORM 10-K

Atmos Energy Corporation's *Annual Report on Form 10-K* is available at no charge from Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205 or by calling 972-855-3729 between 8 a.m. and 5 p.m. Central time. Atmos Energy's Form 10-K also may be viewed on Atmos Energy's Web site at http://www.atmosenergy.com.

### ANNUAL MEETING OF SHAREHOLDERS

The 2007 Annual Meeting of Shareholders will be held in the Symphony Ballroom at the Loews Vanderbilt Hotel, 2100 West End Avenue, Nashville, Tennessee 37203 on Wednesday, February 7, 2007, at 11 a.m. Central time.

### DIRECT STOCK PURCHASE PLAN

Atmos Energy Corporation has a Direct Stock Purchase Plan that is available to all investors. For an Enrollment Application Form and a Plan Prospectus, please call AST at 800-543-3038. The Prospectus is also available on the Internet at http://www.atmosenergy.com. You may also obtain information by writing to Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205.

This is not an offer to sell, or a solicitation to buy, any securities of Atmos Energy Corporation. Shares of Atmos Energy common stock purchased through the Direct Stock Purchase Plan will be offered only by Prospect

### ATMOS ENERGY ON THE INTERNET

Information about Atmos Energy is available on the Internet at http://www.atmosenergy.com. Our Web site includes news releases, current and historical financial reports, other investor data, corporate governance documents, management biographies, customer information and facts about Atmos Energy's operations.

### ATMOS ENERGY CORPORATION CONTACTS

To contact Atmos Energy's Shareholder Relations, call 972-855-3729 between 8 a.m. and 5 p.m. Central time or send an e-mail message to InvestorRelations@atmosenergy.com.

Securities analysts and investment managers, please contact:

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972-855-3729 972-855-3040 (fax)
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You can view this *Summary Annual Report*, our *Annual Report on Form 10-K* and other financial documents for fiscal 2006 and previous years on our Web site at www.atmosenergy.com.

If you are a shareholder who would like to receive our *Summary Annual Report* and other company documents in the future electronically, please sign up for electronic distribution. It's convenient and easy and will save costs in producing and distributing these materials.

To receive these documents over the Internet next year, please visit www.amstock.com and access your account to give your consent. Please remember that accessing the *Summary Annual Report* and other company documents over the Internet may result in charges to you from your Internet service provider or telephone company.

*Cover: Atmos Energy has changed in size and technology since its origins in the horse-and-wagon era a century ago. However, its mission of service remains as central as ever, as represented by Operations Manager Lou Ann Goldie, General Plant Operator Jerry Christensen, Human Resources Analyst Amy Kuan and Operations Supervisor Roy Moss.*

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