KLEMAN CHARLES J
Form 4
February 02, 2005

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
KLEMAN CHARLES J
(Last) (First) (Middle)
11215 METRO PARKWAY
(Street)
FT. MYERS, FL 33912
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CHICOS FAS INC [CHS]

3. Date of Earliest Transaction (Month/Day/Year)
01/31/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP-COO and CFO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	01/31/2005		A		4,200 (1)	A	$ 0	99,710	D	
Common Stock								2,500	I	by Wife
Common Stock								6,210	I	by Stepdaughter

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Options	$ 52.68	01/31/2005		A		37,500		(2)	01/31/2015	Common Stock	37,500

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KLEMAN CHARLES J 11215 METRO PARKWAY FT. MYERS, FL 33912	X		EVP-COO and CFO	

Signatures

Michael J. Kincaid, Attorney in Fact	02/02/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Restricted stock grant which vests entirely on the third anniversary of grant.

(2) Vests 1/3 each year beginning on 1/31/06

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Gas purchase commitments(3)

460,179 274,985 185,194

Capital lease obligations(4)

1,194 186 372 372 264

Operating leases(4)

199,567 17,718 33,365 30,376 118,108

Demand fees for contracted storage(5)

19,339 11,421 6,770 983 165

Demand fees for contracted transportation[6]					
	37,295	13,941	19,929	3,425	
Financial instrument obligations[7]					
	93,542	15,453	78,089		
Postretirement benefit plan contributions[8]					
	194,323	31,519	28,543	35,122	99,139
Total contractual obligations					
	$ 4,999,102	$ 710,505	$ 853,234	$ 768,874	$ 2,666,489

(1) See Note 7 to the consolidated financial statements.

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

(3) Gas purchase commitments were determined based upon contractually determined volumes at prices estimated based upon the index specified in the contract, adjusted for estimated basis differentials and contractual discounts as of September 30, 2011.

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(4) See Note 14 to the consolidated financial statements.

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

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

(7) Represents liabilities for natural gas commodity financial instruments that were valued as of September 30, 2011. The ultimate settlement amounts of these remaining liabilities are unknown because they are subject to continuing market risk until the financial instruments are settled. The table above excludes $1.3 million of current liabilities from risk management activities that are classified as liabilities held for sale in conjunction with the sale of our Iowa, Illinois and Missouri operations.

(8) Represents expected contributions to our postretirement benefit plans.

AEH has commitments to purchase physical quantities of natural gas under contracts indexed to the forward NYMEX strip or fixed price contracts. At September 30, 2011, AEH was committed to purchase 103.3 Bcf within one year, 46.4 Bcf within one to three years and 0.9 Bcf after three years under indexed contracts. AEH is committed to purchase 4.2 Bcf within one year and 0.3 Bcf within one to three years under fixed price contracts with prices ranging from $3.49 to $6.36 per Mcf.

With the exception of our Mid-Tex Division, our natural gas distribution segment maintains supply contracts with several vendors that generally cover a period of up to one year. Commitments for estimated base gas volumes are established under these contracts on a monthly basis at contractually negotiated prices. Commitments for incremental daily purchases are made as necessary during the month in accordance with the terms of the individual contract. Our Mid-Tex Division maintains long-term supply contracts to ensure a reliable source of natural gas for our customers in its service area which obligate it to purchase specified volumes at market prices. The estimated commitments under these contract terms as of September 30, 2011 are reflected in the table above.

Risk Management Activities

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

We use financial instruments, designated as cash flow hedges of anticipated purchases and sales at index prices, to mitigate the commodity price risk in our nonregulated segment associated with deliveries under fixed-priced forward contracts to deliver gas to customers, and we use financial instruments, designated as fair value hedges, to hedge our natural gas inventory used in our asset optimization activities in our nonregulated segment.

Also, in our nonregulated segment, we use storage swaps and futures to capture additional storage arbitrage opportunities that arise subsequent to the execution of the original fair value hedge associated with our physical natural gas inventory, basis swaps to insulate and protect the economic value of our fixed price and storage books and various over-the-counter and exchange-traded options. These financial instruments have not been designated as hedges.

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

The following table shows the components of the change in fair value of our natural gas distribution segment s financial instruments for the fiscal year ended September 30, 2011 (in thousands):

Fair value of contracts at September 30, 2010	$ (49,600)
Contracts realized/settled	(51,136)
Fair value of new contracts	2,584
Other changes in value	18,875
Fair value of contracts at September 30, 2011	$ (79,277)

The fair value of our natural gas distribution segment s financial instruments at September 30, 2011, is presented below by time period and fair value source:

	Fair Value of Contracts at September 30, 2011				
	Maturity in years				
Source of Fair Value	Less Than 1	1-3	4-5	Greater Than 5	Total Fair Value
	(In thousands)				
Prices actively quoted	$ (12,413)	$ (66,864)	$	$	$ (79,277)
Prices based on models and other valuation methods					
Total Fair Value	$ (12,413)	$ (66,864)	$	$	$ (79,277)

The tables above include $1.3 million of current liabilities from risk management activities that are classified as liabilities held for sale in conjunction with the sale of our Iowa, Illinois and Missouri operations.

The following table shows the components of the change in fair value of our nonregulated segment s financial instruments for the fiscal year ended September 30, 2011 (in thousands):

Fair value of contracts at September 30, 2010	$ (12,374)
Contracts realized/settled	4,017
Fair value of new contracts	
Other changes in value	(16,693)
Fair value of contracts at September 30, 2011	(25,050)
Netting of cash collateral	28,787
Cash collateral and fair value of contracts at September 30, 2011	$ 3,737

The fair value of our nonregulated segment s financial instruments at September 30, 2011, is presented below by time period and fair value source.

	Fair Value of Contracts at September 30, 2011				
	Maturity in Years				
Source of Fair Value	**Less Than 1**	**1-3**	**4-5**	**Greater Than 5**	**Total Fair Value**
			(In thousands)		
Prices actively quoted	$ (14,823)	$ (10,050)	$ (177)	$	$ (25,050)
Prices based on models and other valuation methods					
Total Fair Value	$ (14,823)	$ (10,050)	$ (177)	$	$ (25,050)

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Employee Benefit Programs

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

Medical and Dental Insurance

We offer medical and dental insurance programs to substantially all of our employees, and we believe these programs are consistent with other programs in our industry. Since 2005, we have experienced medical and prescription inflation of approximately seven percent. In recent years, we have strived to actively manage our health care costs through the introduction of a wellness strategy that is focused on helping employees to identify health risks and to manage these risks through improved lifestyle choices.

In March 2010, President Obama signed *The Patient Protection and Affordable Care Act* into law (the Health Care Reform Act). The Health Care Reform Act will be phased in over an eight-year period. Although we are still assessing the impact of the Health Care Reform Act on the health care benefits we provide to our employees, the design of our health care plans has already changed in order to comply with provisions of the Health Care Reform Act that have already gone into effect or will be going into effect in fiscal 2012. For example, lifetime maximums on benefits have been eliminated, coverage for dependent children has been extended to age 26 and all costs of preventive coverage must be paid for by the insurer. In 2014, health insurance exchanges will open in each state in order to provide a competitive marketplace for purchasing health insurance by individuals. Companies who offer health insurance to their employees could face a substantial increase in premiums at that time if they choose to continue to provide such coverage. However, companies who elect to cease providing health insurance to their employees will be faced with paying significant penalties to the federal government for each employee who receives coverage through an exchange. We will continue to monitor all developments on health care reform and continue to comply with all existing relevant laws and regulations.

For fiscal 2012, we anticipate an approximate 10 percent medical and prescription drug inflation rate, primarily due to anticipated higher claims costs and the implementation of the Health Care Reform Act.

Net Periodic Pension and Postretirement Benefit Costs

For the fiscal year ended September 30, 2011, our total net periodic pension and other benefits costs was $56.6 million, compared with $50.8 million and $50.2 million for the fiscal years ended September 30, 2010 and 2009. These costs relating to our natural gas distribution operations are recoverable through our gas distribution rates. A portion of these costs is capitalized into our gas distribution rate base, and the remaining costs are recorded as a component of operation and maintenance expense.

Our fiscal 2011 costs were determined using a September 30, 2010 measurement date. As of September 30, 2010, interest and corporate bond rates utilized to determine our discount rates were significantly higher than the interest and corporate bond rates as of September 30, 2009, the measurement date for our fiscal 2010 net periodic cost. Accordingly, we decreased our discount rate used to determine our fiscal 2011 pension and benefit costs to 5.39 percent. Our expected return on our pension plan assets remained constant at 8.25 percent. Accordingly, our fiscal 2011 pension and postretirement medical costs were higher than in the prior year.

The increase in total net periodic pension and other benefits costs during fiscal 2010 compared with fiscal 2009 primarily reflects the decline in fair value of our plan assets. The discount rate used to compute the present value of a plan s liabilities generally is based on rates of high-grade corporate bonds with maturities similar to the average period over which the benefits will be paid. At our September 30, 2009 measurement date, the interest rates were slightly lower than the interest rates at September 30, 2008, the measurement date used to determine our fiscal 2009 net periodic cost. Our expected return on our pension plan assets remained constant at 8.25 percent.

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Pension and Postretirement Plan Funding

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

In accordance with the Pension Protection Act of 2006 (PPA), we determined the funded status of our plans as of January 1, 2011. Based on this valuation, we were required to contribute cash of $0.9 million to our pension plans during fiscal 2011. The need for this funding reflects the decline in the fair value of the plans assets resulting from the unfavorable market conditions experienced during 2008 and 2009. This contribution will increase the level of our plan assets to achieve a desirable PPA funding threshold.

During fiscal 2010, we did not contribute cash to our pension plans as the fair value of the plans assets recovered somewhat during the year from the unfavorable market conditions experienced in the latter half of calendar year 2008 and our plan assets were sufficient to achieve a desirable funding threshold as established by the PPA. During fiscal 2009, we contributed $21.0 million to our pension plans to achieve the same desired level of funding as established by the PPA.

We contributed $11.3 million, $11.8 million and $10.1 million to our postretirement benefits plans for the fiscal years ended September 30, 2011, 2010 and 2009. The contributions represent the portion of the postretirement costs we are responsible for under the terms of our plan and minimum funding required by state regulatory commissions.

Outlook for Fiscal 2012 and Beyond

As of September 30, 2011, interest and corporate bond rates utilized to determine our discount rates, which impacted our fiscal 2012 net periodic pension and postretirement costs, were lower than the interest and corporate bond rates as of September 30, 2010, the measurement date for our fiscal 2011 net periodic cost. As a result of the lower interest and corporate bond rates, we decreased the discount rate used to determine our fiscal 2012 pension and benefit costs to 5.05 percent. We reduced the expected return on our pension plan assets to 7.75 percent, based on historical experience and the current market projection of the target asset allocation. Although the fair value of our plan assets has declined as the financial markets have declined, the impact of this decline is partially mitigated by the fact that assets are smoothed for purposes of determining net periodic pension cost which results in asset gains and losses that are recognized over time as a component of net periodic pension and benefit costs for our Pension Account Plan, our largest funded plan. Due to the decrease in our discount rate and our expected return on plan assets as well as the decline in the fair value of our plan assets, we expect our fiscal 2012 pension and postretirement medical costs to increase compared to fiscal 2011.

Based upon market conditions subsequent to September 30, 2011 the current funded position of the plans and the new funding requirements under the PPA, we anticipate contributing between $25 million and $30 million to the Plans in fiscal 2012. Further, we will consider whether an additional voluntary contribution is prudent to maintain certain PPA funding thresholds. With respect to our postretirement medical plans, we anticipate contributing approximately $32 million during fiscal 2012.

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

In August 2010, the Board of Directors of Atmos Energy approved a proposal to close the Pension Account Plan (PAP) to new participants, effective October 1, 2010. Employees participating in the PAP as of October 1, 2010 were allowed to make a one-time election to migrate from the PAP into our defined contribution plan with enhanced features, effective January 1, 2011. Participants who chose to remain in the PAP will continue to earn benefits and interest allocations with no changes to their existing benefits.

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RECENT ACCOUNTING DEVELOPMENTS

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

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

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

We conduct risk management activities through both our natural gas distribution and nonregulated segments. In our natural gas distribution segment, we use a combination of physical storage, fixed physical contracts and fixed financial contracts to protect us and our customers against unusually large winter period gas price increases. In our nonregulated segment, we manage our exposure to the risk of natural gas price changes and lock in our gross profit margin through a combination of storage and financial instruments including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. Our risk management activities and related accounting treatment are described in further detail in Note 4 to the consolidated financial statements. Additionally, our earnings are affected by changes in short-term interest rates as a result of our issuance of short-term commercial paper and our other short-term borrowings.

Commodity Price Risk

Natural gas distribution segment

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

Nonregulated segment

Our nonregulated segment is also exposed to risks associated with changes in the market price of natural gas. For our nonregulated segment, we use a sensitivity analysis to estimate commodity price risk. For purposes of this analysis, we estimate commodity price risk by applying a $0.50 change in the forward NYMEX price to our net open position (including existing storage and related financial contracts) at the end of each period. Based on AEH s net open position (including existing storage and related financial contracts) at September 30, 2011 of 0.1 Bcf, a $0.50 change in the forward NYMEX price would have had a $0.1 million impact on our consolidated net income.

Changes in the difference between the indices used to mark to market our physical inventory (Gas Daily) and the related fair-value hedge (NYMEX) can result in volatility in our reported net income; but, over time, gains and losses on the sale of storage gas inventory will be offset by gains and losses on the fair-value hedges. Based upon our net physical position at September 30, 2011 and assuming our hedges would still qualify as highly effective, a $0.50 change in the difference between the Gas Daily and NYMEX indices would impact our reported net income by approximately $6.7 million.

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

Interest Rate Risk

Our earnings are exposed to changes in short-term interest rates associated with our short-term commercial paper program and other short-term borrowings. We use a sensitivity analysis to estimate our short-term interest rate risk. For purposes of this analysis, we estimate our short-term interest rate risk as the difference between our actual interest expense for the period and estimated interest expense for the period assuming a hypothetical average one percent increase in the interest rates associated with our short-term borrowings. Had interest rates associated with our short-term borrowings increased by an average of one percent, our interest expense would have increased by approximately $1.2 million during 2011.

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

Index to financial statements and financial statement schedule:

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have audited the accompanying consolidated balance sheets of Atmos Energy Corporation as of September 30, 2011 and 2010, and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years in the period ended September 30, 2011. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atmos Energy Corporation at September 30, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects the financial information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Atmos Energy Corporation s internal control over financial reporting as of September 30, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 22, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
November 22, 2011

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ATMOS ENERGY CORPORATION

CONSOLIDATED BALANCE SHEETS

	September 30 2011	2010
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 6,607,552	$ 6,384,396
Construction in progress	209,242	157,922
	6,816,794	6,542,318
Less accumulated depreciation and amortization	1,668,876	1,749,243
Net property, plant and equipment	5,147,918	4,793,075
Current assets		
Cash and cash equivalents	131,419	131,952
Accounts receivable, less allowance for doubtful accounts of $7,440 in 2011 and $12,701 in 2010	273,303	273,207
Gas stored underground	289,760	319,038
Other current assets	316,471	150,995
Total current assets	1,010,953	875,192
Goodwill and intangible assets	740,207	740,148
Deferred charges and other assets	383,793	355,376
	$ 7,282,871	$ 6,763,791
CAPITALIZATION AND LIABILITIES		
Shareholders equity		
Common stock, no par value (stated at $.005 per share); 200,000,000 shares authorized; issued and outstanding: 2011 90,296,482 shares, 2010 90,164,103 shares	$ 451	$ 451
Additional paid-in capital	1,732,935	1,714,364
Accumulated other comprehensive loss	(48,460)	(23,372)
Retained earnings	570,495	486,905
Shareholders equity	2,255,421	2,178,348
Long-term debt	2,206,117	1,809,551
Total capitalization	4,461,538	3,987,899
Commitments and contingencies		
Current liabilities		
Accounts payable and accrued liabilities	291,205	266,208
Other current liabilities	367,563	413,640
Short-term debt	206,396	126,100

Current maturities of long-term debt	2,434	360,131
Total current liabilities	867,598	1,166,079
Deferred income taxes	960,093	829,128
Regulatory cost of removal obligation	428,947	350,521
Deferred credits and other liabilities	564,695	430,164
	$ 7,282,871	$ 6,763,791

See accompanying notes to consolidated financial statements

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ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended September 30		
	2011	2010	2009
	(In thousands, except per share data)		
Operating revenues			
Natural gas distribution segment	$ 2,531,863	$ 2,842,638	$ 2,884,796
Regulated transmission and storage segment	219,373	203,013	209,658
Nonregulated segment	2,024,893	2,146,658	2,283,988
Intersegment eliminations	(428,495)	(472,474)	(509,331)
	4,347,634	4,719,835	4,869,111
Purchased gas cost			
Natural gas distribution segment	1,487,499	1,820,627	1,887,192
Regulated transmission and storage segment			
Nonregulated segment	1,959,893	2,032,567	2,169,880
Intersegment eliminations	(426,999)	(470,864)	(507,639)
	3,020,393	3,382,330	3,549,433
Gross profit	1,327,241	1,337,505	1,319,678
Operating expenses			
Operation and maintenance	449,290	460,513	485,704
Depreciation and amortization	227,099	211,589	211,984
Taxes, other than income	178,683	188,252	180,242
Asset impairments	30,270		5,382
Total operating expenses	885,342	860,354	883,312
Operating income	441,899	477,151	436,366
Miscellaneous income (expense), net	21,499	(156)	(3,067)
Interest charges	150,825	154,360	152,638
Income from continuing operations before income taxes	312,573	322,635	280,661
Income tax expense	113,689	124,362	97,362
Income from continuing operations	198,884	198,273	183,299
Income from discontinued operations, net of tax ($5,502, $4,425 and $2,929)	8,717	7,566	7,679
Net income	$ 207,601	$ 205,839	$ 190,978
Basic earnings per share			
Income per share from continuing operations	$ 2.18	$ 2.14	$ 1.99
Income per share from discontinued operations	0.10	0.08	0.09

Net income per share basic	$	2.28	$	2.22	$	2.08
Diluted earnings per share						
Income per share from continuing operations	$	2.17	$	2.12	$	1.98
Income per share from discontinued operations		0.10		0.08		0.09
Net income per share diluted	$	2.27	$	2.20	$	2.07
Weighted average shares outstanding:						
Basic		90,201		91,852		91,117
Diluted		90,652		92,422		91,620

See accompanying notes to consolidated financial statements

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ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Common stock Number of Shares	Common stock Stated Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	(In thousands, except share and per share data)					
Balance, September 30, 2008	90,814,683	$ 454	$ 1,744,384	$ (35,947)	$ 343,601	$ 2,052,492
Comprehensive income:						
Net income					190,978	190,978
Unrealized holding losses on investments, net				(1,820)		(1,820)
Other than temporary impairment of investments, net				3,370		3,370
Treasury lock agreements, net				3,606		3,606
Cash flow hedges, net				10,607		10,607
Total comprehensive income						206,741
Change in measurement date for employee benefit plans					(7,766)	(7,766)
Cash dividends ($1.32 per share)					(121,460)	(121,460)
Common stock issued:						
Direct stock purchase plan	407,262	2	8,743			8,745
Retirement savings plan	640,639	3	16,571			16,574
1998 Long-term incentive plan	686,046	4	8,075			8,079
Employee stock-based compensation			13,280			13,280
Outside directors stock-for-fee plan	3,079		76			76
Balance, September 30, 2009	92,551,709	463	1,791,129	(20,184)	405,353	2,176,761
Comprehensive income:						
Net income					205,839	205,839
Unrealized holding gains on investments, net				1,745		1,745
Treasury lock agreements, net				2,030		2,030
Cash flow hedges, net				(6,963)		(6,963)

Total comprehensive income						202,651
Repurchase of common stock	(2,958,580)	(15)	(100,435)			(100,450)
Repurchase of equity awards	(37,365)		(1,191)			(1,191)
Cash dividends ($1.34 per share)					(124,287)	(124,287)
Common stock issued:						
Direct stock purchase plan	103,529	1	2,881			2,882
Retirement savings plan	79,722		2,281			2,281
1998 Long-term incentive plan	421,706	2	8,708			8,710
Employee stock-based compensation			10,894			10,894
Outside directors stock-for-fee plan	3,382		97			97
Balance, September 30, 2010	90,164,103	451	1,714,364	(23,372)	486,905	2,178,348
Comprehensive income:						
Net income					207,601	207,601
Unrealized holding losses on investments, net				(1,647)		(1,647)
Treasury lock agreements, net				(28,689)		(28,689)
Cash flow hedges, net				5,248		5,248
Total comprehensive income						182,513
Repurchase of common stock	(375,468)	(2)	2			
Repurchase of equity awards	(169,793)	(1)	(5,298)			(5,299)
Cash dividends ($1.36 per share)					(124,011)	(124,011)
Common stock issued:						
Direct stock purchase plan			(54)			(54)
1998 Long-term incentive plan	675,255	3	13,886			13,889
Employee stock-based compensation			9,958			9,958
Outside directors stock-for-fee plan	2,385		77			77
Balance, September 30, 2011	90,296,482	$ 451	$ 1,732,935	$ (48,460)	$ 570,495	$ 2,255,421

See accompanying notes to consolidated financial statements

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ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30		
	2011	**2010**	**2009**
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 207,601	$ 205,839	$ 190,978
Adjustments to reconcile net income to net cash provided by operating activities:			
Asset impairments	30,270		5,382
Depreciation and amortization:			
Charged to depreciation and amortization	233,155	216,960	217,208
Charged to other accounts	228	173	94
Deferred income taxes	117,353	196,731	129,759
Stock-based compensation	11,586	12,655	14,494
Debt financing costs	9,438	11,908	10,364
Other	(961)	(1,245)	(1,177)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(96)	(40,401)	244,713
Decrease in gas stored underground	27,737	54,014	194,287
(Increase) decrease in other current assets	(38,048)	(18,387)	117,737
(Increase) decrease in deferred charges and other assets	(53,519)	14,886	(106,231)
Increase (decrease) in accounts payable and accrued liabilities	23,904	58,069	(181,978)
Decrease in other current liabilities	(57,495)	(48,992)	(717)
Increase in deferred credits and other liabilities	71,691	64,266	84,320
Net cash provided by operating activities	582,844	726,476	919,233
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures	(622,965)	(542,636)	(509,494)
Other, net	(4,421)	(66)	(7,707)
Net cash used in investing activities	(627,386)	(542,702)	(517,201)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term debt	83,306	54,268	(283,981)
Net proceeds from issuance of long-term debt	394,466		445,623
Settlement of Treasury lock agreements	20,079		1,938
Unwinding of Treasury lock agreements	27,803		
Repayment of long-term debt	(360,131)	(131)	(407,353)
Cash dividends paid	(124,011)	(124,287)	(121,460)
Repurchase of common stock		(100,450)	
Repurchase of equity awards	(5,299)	(1,191)	
Issuance of common stock	7,796	8,766	27,687
Net cash provided by (used in) financing activities	44,009	(163,025)	(337,546)

Net increase (decrease) in cash and cash equivalents	(533)	20,749	64,486
Cash and cash equivalents at beginning of year	131,952	111,203	46,717
Cash and cash equivalents at end of year	$ 131,419	$ 131,952	$ 111,203

See accompanying notes to consolidated financial statements

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

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

Division	Service Area
Atmos Energy Colorado-Kansas Division	Colorado, Kansas, Missouri(1)
Atmos Energy Kentucky/Mid-States Division	Georgia(1), Illinois(1), Iowa(1), Kentucky, Missouri(1), Tennessee, Virginia(1)
Atmos Energy Louisiana Division	Louisiana
Atmos Energy Mid-Tex Division	Texas, including the Dallas/Fort Worth metropolitan area
Atmos Energy Mississippi Division	Mississippi
Atmos Energy West Texas Division	West Texas

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

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

In May 2011, we announced that we had entered into a definitive agreement to sell our natural gas distribution operations in Missouri, Illinois and Iowa, representing approximately 84,000 customers. The results of these operations have been separately reported as discontinued operations.

Our regulated transmission and storage business consists of the regulated operations of our Atmos Pipeline Texas Division, a division of the Company. This division transports natural gas to our Mid-Tex Division, transports natural gas for third parties and manages five underground storage reservoirs in Texas. We also provide ancillary services customary to the pipeline industry including parking arrangements, lending and sales of inventory on hand. Parking arrangements provide short-term interruptible storage of gas on our pipeline. Lending services provide short-term interruptible loans of natural gas from our pipeline to meet market demands.

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

AEH s primary business is to deliver gas and provide related services by aggregating and purchasing gas supply, arranging transportation and storage logistics and ultimately delivering gas to customers at competitive prices. In addition, AEH utilizes proprietary and customer-owned transportation and storage assets to provide various delivered gas services our customers request, including furnishing natural gas supplies at fixed and market-based prices, contract negotiation and administration, load forecasting, gas storage acquisition and management services, transportation services, peaking sales and balancing services, capacity utilization strategies and gas price hedging through the use of financial instruments. AEH also seeks to maximize, through asset optimization activities, the economic value associated with storage and transportation capacity it owns or controls. Certain of these arrangements are with regulated affiliates of the Company, which have been approved by applicable state regulatory commissions.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies

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

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

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

Regulation Our natural gas distribution and regulated transmission and storage operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the respective regulatory authorities in the states in which we operate. Our accounting policies recognize the financial effects of the ratemaking and accounting practices and policies of the various regulatory commissions. Accounting principles generally accepted in the United States require cost-based, rate-regulated entities that meet certain criteria to reflect the authorized recovery of costs due to regulatory decisions in their financial statements. As a result, certain costs are permitted to be capitalized rather than expensed because they can be recovered through rates.

We record regulatory assets as a component of other current assets and deferred charges and other assets for costs that have been deferred for which future recovery through customer rates is considered probable. Regulatory liabilities are recorded either on the face of the balance sheet or as a component of current liabilities, deferred income taxes or deferred credits and other liabilities when it is probable that revenues will

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

be reduced for amounts that will be credited to customers through the ratemaking process. Significant regulatory assets and liabilities as of September 30, 2011 and 2010 included the following:

	September 30	
	2011	2010
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs	$ 254,666	$ 209,564
Merger and integration costs, net	6,242	6,714
Deferred gas costs	33,976	22,701
Regulatory cost of removal asset	8,852	31,014
Environmental costs	385	805
Rate case costs	4,862	4,505
Deferred franchise fees	379	1,161
Other	3,534	1,046
	$ 312,896	$ 277,510
Regulatory liabilities:		
Deferred gas costs	$ 8,130	$ 43,333
Regulatory cost of removal obligation	464,025	381,474
Other	14,025	6,112
	$ 486,180	$ 430,919

Currently, authorized rates do not include a return on certain of our merger and integration costs; however, we recover the amortization of these costs. Merger and integration costs, net, are generally amortized on a straight-line basis over estimated useful lives ranging up to 20 years. Environmental costs have been deferred to be included in future rate filings in accordance with rulings received from various state regulatory commissions. During the fiscal years ended September 30, 2011, 2010 and 2009, we recognized $0.5 million, $0.4 million and $0.4 million in amortization expense related to these costs.

Revenue recognition Sales of natural gas to our natural gas distribution customers are billed on a monthly basis; however, the billing cycle periods for certain classes of customers do not necessarily coincide with accounting periods used for financial reporting purposes. We follow the revenue accrual method of accounting for natural gas distribution segment revenues whereby revenues applicable to gas delivered to customers, but not yet billed under the cycle billing method, are estimated and accrued and the related costs are charged to expense. During the year ended September 30, 2009 we recognized a non-recurring $7.6 million increase in gross profit associated with a one-time update to our estimate for gas delivered to customers but not yet billed, resulting from base rate changes in several jurisdictions.

On occasion, we are permitted to implement new rates that have not been formally approved by our state regulatory commissions, which are subject to refund. As permitted by accounting principles generally accepted in the United

States, we recognize this revenue and establish a reserve for amounts that could be refunded based on our experience for the jurisdiction in which the rates were implemented.

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

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Operating revenues for our nonregulated segment and the associated carrying value of natural gas inventory (inclusive of storage costs) are recognized when we sell the gas and physically deliver it to our customers. Operating revenues include realized gains and losses arising from the settlement of financial instruments used in our nonregulated activities and unrealized gains and losses arising from changes in the fair value of natural gas inventory designated as a hedged item in a fair value hedge and the associated financial instruments. For the fiscal years ended September 30, 2011, 2010 and 2009, we included unrealized gains (losses) on open contracts of $(10.4) million, $(7.8) million and $(35.9) million as a component of nonregulated revenues.

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

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

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

Gas stored underground Our gas stored underground is comprised of natural gas injected into storage to support the winter season withdrawals for our natural gas distribution operations and natural gas held by our nonregulated segment to conduct their operations. The average cost method is used for all our regulated operations, except for certain jurisdictions in the Kentucky/Mid-States Division, where it is valued on the first-in first-out method basis, in accordance with regulatory requirements. Our nonregulated segment utilizes the average cost method; however, most of this inventory is hedged and is therefore reported at fair value at the end of each month. Gas in storage that is retained as cushion gas to maintain reservoir pressure is classified as property, plant and equipment and is valued at cost.

Regulated property, plant and equipment Regulated property, plant and equipment is stated at original cost, net of contributions in aid of construction. The cost of additions includes direct construction costs, payroll related costs (taxes, pensions and other fringe benefits), administrative and general costs and an allowance for funds used during construction. The allowance for funds used during construction represents the estimated cost of funds used to finance the construction of major projects and are capitalized in the rate base for ratemaking purposes when the completed projects are placed in service. Interest expense of $1.7 million, $3.9 million and $4.9 million was capitalized in 2011, 2010 and 2009.

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

Regulated property, plant and equipment is depreciated at various rates on a straight-line basis. These rates are approved by our regulatory commissions and are comprised of two components: one based on average service life and one based on cost of removal. Accordingly, we recognize our cost of removal expense as a component of depreciation expense. The related cost of removal accrual is reflected as a regulatory liability on the consolidated balance sheet. At the time property, plant and equipment is retired, removal

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

expenses less salvage, are charged to the regulatory cost of removal accrual. The composite depreciation rate was 3.6 percent, 3.5 percent and 3.8 percent for the fiscal years ended September 30, 2011, 2010 and 2009.

Nonregulated property, plant and equipment Nonregulated property, plant and equipment is stated at cost. Depreciation is generally computed on the straight-line method for financial reporting purposes based upon estimated useful lives ranging from three to 50 years.

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

As of September 30, 2011 and 2010, we recorded asset retirement obligations of $14.0 million and $11.4 million. Additionally, we recorded $5.4 million and $3.8 million of asset retirement costs as a component of property, plant and equipment that will be depreciated over the remaining life of the underlying associated assets.

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

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

During fiscal 2011, we recorded pretax noncash impairment losses of $19.3 million related to our Fort Necessity storage project and $11.0 million related to our gathering system, as discussed in Note 5.

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

Intangible assets are amortized over their useful lives of 10 years. These assets are reviewed for impairment as impairment indicators arise. When such events or circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected future cash flows. In the event the sum of the expected future cash flows resulting from the use of the asset is less than the carrying value of the asset, an impairment loss equal to the excess of the asset s carrying value over its fair value is recorded. No impairment has been recognized.

Marketable securities As of September 30, 2011 and 2010, all of our marketable securities were classified as available-for-sale. In accordance with the authoritative accounting standards, these securities are reported at market value with unrealized gains and losses shown as a component of accumulated other comprehensive income (loss). We regularly evaluate the performance of these investments on a fund by fund basis for impairment, taking into consideration the fund s purpose, volatility and current returns. If a determination is made that a decline in fair value is other than temporary, the related fund is written down to its estimated fair value.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Due to the deterioration of the financial markets in late calendar 2008 and early calendar 2009 and the uncertainty of a full recovery of these investments given the then current economic environment, we recorded a $5.4 million noncash charge to impair certain available-for-sale investments during fiscal 2009.

Financial instruments and hedging activities We currently use financial instruments to mitigate commodity price risk. Additionally, we periodically use financial instruments to manage interest rate risk. The objectives and strategies for using financial instruments have been tailored to our regulated and nonregulated businesses. Currently, we utilize financial instruments in our natural gas distribution and nonregulated segments. The objectives and strategies for the use of financial instruments are discussed in Note 4.

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

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

Financial Instruments Associated with Commodity Price Risk

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

In our nonregulated segment, we have designated most of the natural gas inventory held by this operating segment as the hedged item in a fair-value hedge. This inventory is marked to market at the end of each month based on the Gas Daily index, with changes in fair value recognized as unrealized gains or losses in revenue in the period of change. The financial instruments associated with this natural gas inventory have been designated as fair-value hedges and are marked to market each month based upon the NYMEX price with changes in fair value recognized as unrealized gains or losses in revenue in the period of change. Changes in the spreads between the forward natural gas prices used to value the financial hedges designated against our physical inventory (NYMEX) and the market (spot) prices used to value our physical storage (Gas Daily) result in unrealized margins until the underlying physical gas is withdrawn and the related financial instruments are settled. Once the gas is withdrawn and the financial instruments are settled, the previously unrealized margins associated with these net positions are realized. We have elected to exclude this spot/forward differential for purposes of assessing the effectiveness of these fair-value hedges. Over time, we expect gains and losses on the sale of storage gas inventory to be offset by gains and losses on the fair-value hedges, resulting in the realization of the economic gross profit margin we anticipated at the time we structured the original transaction.

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

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

component of accumulated other comprehensive income, and are recognized in earnings as a component of revenue when the hedged volumes are sold. Hedge ineffectiveness, to the extent incurred, is reported as a component of revenue.

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

In our nonregulated segment, we also utilize master netting agreements with significant counterparties that allow us to offset gains and losses arising from financial instruments that may be settled in cash with gains and losses arising from financial instruments that may be settled with the physical commodity. Assets and liabilities from risk management activities, as well as accounts receivable and payable, reflect the master netting agreements in place. Additionally, the accounting guidance for master netting arrangements requires us to include the fair value of cash collateral or the obligation to return cash in the amounts that have been netted under master netting agreements used to offset gains and losses arising from financial instruments. As of September 30, 2011 and 2010, the Company netted $28.8 million and $24.9 million of cash held in margin accounts into its current risk management assets and liabilities.

Financial Instruments Associated with Interest Rate Risk

We periodically manage interest rate risk, typically when we issue new or refinance existing long-term debt. In fiscal 2011 and in prior years, we entered into Treasury lock agreements to fix the Treasury yield component of the interest cost associated with anticipated financings. We designated these Treasury lock agreements as cash flow hedges at the time the agreements were executed. Accordingly, unrealized gains and losses associated with the Treasury lock agreements were recorded as a component of accumulated other comprehensive income (loss). When the Treasury locks were settled, the realized gain or loss was recorded as a component of accumulated other comprehensive income (loss) and is being recognized as a component of interest expense over the life of the related financing arrangement. Hedge ineffectiveness to the extent incurred is reported as a component of interest expense.

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

Prices actively quoted on national exchanges are used to determine the fair value of most of our assets and liabilities recorded on our balance sheet at fair value. Within our nonregulated operations, we utilize a mid-market pricing convention (the mid-point between the bid and ask prices) as a practical expedient for determining fair value measurement, as permitted under current accounting standards. Values derived from these sources reflect the market in which transactions involving these financial instruments are executed. We utilize models and other valuation methods to determine fair value when external sources are not available. Values are adjusted to reflect the potential impact of an orderly liquidation of our positions over a reasonable period of time under then-current market conditions. We believe the market prices and models used to value these assets and liabilities represent the best information available with respect to closing exchange and over-the-counter quotations, time value and volatility factors underlying the assets and liabilities.

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair-value estimates also consider our own creditworthiness and the creditworthiness of the counterparties involved. Our counterparties consist primarily of financial institutions and major energy companies. This concentration of counterparties may materially impact our exposure to credit risk resulting from market, economic or regulatory conditions. Adverse developments in the last few years in the global financial and credit markets have periodically made it more difficult and more expensive for companies to access the short-term capital markets, which may negatively impact the creditworthiness of our counterparties. Any further tightening of the credit markets could cause more of our counterparties to fail to perform. We seek to minimize counterparty credit risk through an evaluation of their financial condition and credit ratings and the use of collateral requirements under certain circumstances.

Amounts reported at fair value are subject to potentially significant volatility based upon changes in market prices, the valuation of the portfolio of our contracts, maturity and settlement of these contracts and newly originated transactions, each of which directly affect the estimated fair value of our financial instruments. We believe the market prices and models used to value these financial instruments represent the best information available with respect to closing exchange and over-the-counter quotations, time value and volatility factors underlying the contracts. Values are adjusted to reflect the potential impact of an orderly liquidation of our positions over a reasonable period of time under then current market conditions.

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

Level 1 Represents unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is defined as a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Our Level 1 measurements consist primarily of exchange-traded financial instruments, gas stored underground that has been designated as the hedged item in a fair value hedge and our available-for-sale securities. The Level 1 measurements for investments in our Master Trust, Supplemental Executive Benefit Plan and postretirement benefit plan consist primarily of exchange-traded financial instruments.

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

Level 3 Represents generally unobservable pricing inputs which are developed based on the best information available, including our own internal data, in situations where there is little if any market activity for the asset or liability at the measurement date. The pricing inputs utilized reflect what a market participant would use to determine fair value. Our Master Trust has investments in real estate that qualify as Level 3 fair value measurements. Currently, we have no other assets or liabilities recorded at fair value that would qualify for Level 3 reporting.

Pension and other postretirement plans Pension and other postretirement plan costs and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets, assumed discount rates and current demographic and actuarial mortality data. Through fiscal 2008, we reviewed the estimates and assumptions

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

underlying our pension and other postretirement plan costs and liabilities annually based upon a June 30 measurement date. To comply with the new measurement date requirements established by the Financial Accounting Standards Board (FASB) and incorporated into accounting principles generally accepted in the United States, effective October 1, 2008, we changed our measurement date from June 30 to our fiscal year end, September 30. This change is more fully discussed in Note 9. The assumed discount rate and the expected return are the assumptions that generally have the most significant impact on our pension costs and liabilities. The assumed discount rate, the assumed health care cost trend rate and assumed rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities.

In August 2010, the Board of Directors of Atmos Energy approved a proposal to close the Pension Account Plan (PAP) to new participants, effective October 1, 2010. Employees participating in the PAP as of October 1, 2010 were allowed to make a one-time election to migrate from the PAP into our defined contribution plan which was enhanced, effective January 1, 2011. Participants who chose to remain in the PAP will continue to earn benefits and interest allocations with no changes to their existing benefits.

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

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

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

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

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

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

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component of interest expense. We recognize penalties related to unrecognized tax benefits as a component of miscellaneous income (expense) in accordance with regulatory requirements.

Stock-based compensation plans We maintain the 1998 Long-Term Incentive Plan that provides for the granting of incentive stock options, non-qualified stock options, stock appreciation rights, bonus stock, time-lapse restricted stock, performance-based restricted stock units and stock units to officers, division presidents and other key employees. Non-employee directors are also eligible to receive stock-based compensation under the 1998 Long-Term Incentive Plan. The objectives of this plan include attracting and retaining the best personnel, providing for additional performance incentives and promoting our success by providing employees with the opportunity to acquire our common stock.

Accumulated other comprehensive loss Accumulated other comprehensive loss, net of tax, as of September 30, 2011 and 2010, consisted of the following unrealized gains (losses):

	September 30	
	2011	2010
	(In thousands)	
Unrealized holding gains on investments	$ 2,558	$ 4,205
Treasury lock agreements	(34,157)	(5,468)
Cash flow hedges	(16,861)	(22,109)
	$ (48,460)	$ (23,372)

Subsequent events We have evaluated subsequent events from the September 30, 2011 balance sheet date through the date these financial statements were filed with the Securities and Exchange Commission. No events occurred subsequent to the balance sheet date that would require recognition or disclosure in the financial statements.

Recent accounting pronouncements During the year ended September 30, 2011, two new accounting standards became applicable to the Company pertaining to goodwill impairment testing for reporting units with zero or negative carrying amounts and disclosure of supplementary pro forma information for business combinations. The adoption of these standards had no impact on our financial position, results of operations or cash flows. There were no other significant changes to our accounting policies during the year ended September 30, 2011.

For interim and annual periods beginning after December 15, 2011, three new accounting pronouncements will become applicable to the Company including guidance that will change certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements, guidance related to the presentation of other comprehensive income which will require that all nonowner changes in shareholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements and new guidance related to goodwill impairment testing that will permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the traditional two-step goodwill impairment test. The adoption of these standards should not impact our financial position, results of operations or cash flows.

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3. Goodwill and Intangible Assets

Goodwill and intangible assets were comprised of the following as of September 30, 2011 and 2010:

	September 30 2011	September 30 2010
	(In thousands)	
Goodwill	$ 740,000	$ 739,314
Intangible assets	207	834
Total	$ 740,207	$ 740,148

The following presents our goodwill balance allocated by segment and changes in the balance for the fiscal year ended September 30, 2011:

	Natural Gas Distribution	Regulated Transmission and Storage	Nonregulated	Total
	(In thousands)			
Balance as of September 30, 2010	$ 572,262	$ 132,341	$ 34,711	$ 739,314
Deferred tax adjustments on prior acquisitions[1]	646	40		686
Balance as of September 30, 2011	$ 572,908	$ 132,381	$ 34,711	$ 740,000

(1) During the preparation of the fiscal 2011 tax provision, we adjusted certain deferred taxes recorded in connection with acquisitions completed in fiscal 2001 and fiscal 2004, which resulted in an increase to goodwill and net deferred tax liabilities of $0.7 million.

Information regarding our intangible assets is reflected in the following table. As of September 30, 2011 and 2010, we had no intangible assets with indefinite lives.

	Useful Life (Years)	September 30, 2011 Gross Carrying Amount	September 30, 2011 Accumulated Amortization	September 30, 2011 Net	September 30, 2010 Gross Carrying Amount	September 30, 2010 Accumulated Amortization	September 30, 2010 Net
	(In thousands)						

Customer contracts	10	$ 6,926	$ (6,719)	$ 207	$ 6,926	$ (6,092)	$ 834

The following table presents actual amortization expense recognized during 2011 and an estimate of future amortization expense based upon our intangible assets at September 30, 2011.

Amortization expense (in thousands):	
Actual for the fiscal year ending September 30, 2011	$ 627
Estimated for the fiscal year ending:	
September 30, 2012	$ 43
September 30, 2013	43
September 30, 2014	43
September 30, 2015	43
September 30, 2016	35

4. Financial Instruments

We currently use financial instruments to mitigate commodity price risk. Additionally, we periodically utilize financial instruments to manage interest rate risk. The objectives and strategies for using financial

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

instruments have been tailored to our regulated and nonregulated businesses. Currently, we utilize financial instruments in our natural gas distribution and nonregulated segments. We currently do not manage commodity price risk with financial instruments in our regulated transmission and storage segment.

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

As discussed in Note 2, we report our financial instruments as risk management assets and liabilities, each of which is classified as current or noncurrent based upon the anticipated settlement date of the underlying financial instrument. The following table shows the fair values of our risk management assets and liabilities by segment at September 30, 2011 and 2010:

	Natural Gas Distribution	Nonregulated	Total
		(In thousands)	
September 30, 2011[3]			
Assets from risk management activities, current[1]	$ 843	$ 17,501	$ 18,344
Assets from risk management activities, noncurrent	998		998
Liabilities from risk management activities, current[1]	(11,916)	(3,537)	(15,453)
Liabilities from risk management activities, noncurrent	(67,862)	(10,227)	(78,089)
Net assets (liabilities)	$ (77,937)	$ 3,737	$ (74,200)
September 30, 2010			
Assets from risk management activities, current[2]	$ 2,219	$ 18,356	$ 20,575
Assets from risk management activities, noncurrent	47	890	937
Liabilities from risk management activities, current[2]	(48,942)	(731)	(49,673)
Liabilities from risk management activities, noncurrent	(2,924)	(6,000)	(8,924)
Net assets (liabilities)	$ (49,600)	$ 12,515	$ (37,085)

(1) Includes $28.8 million of cash held on deposit to collateralize certain financial instruments. Of this amount, $12.4 million was used to offset current risk management liabilities under master netting arrangements and the remaining $16.4 million is classified as current risk management assets.

(2) Includes $24.9 million of cash held on deposit to collateralize certain financial instruments. Of this amount, $12.6 million was used to offset current risk management liabilities under master netting arrangements and the remaining $12.3 million is classified as current risk management assets.

(3)

The September 30, 2011 amounts are presented net of assets and liabilities held for sale in conjunction with the sale of our Iowa, Illinois and Missouri operations. At September 30, 2011, assets and liabilities held for sale included $1.3 million of current liabilities from risk management activities.

Regulated Commodity Risk Management Activities

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

Our natural gas distribution gas supply department is responsible for executing this segment s commodity risk management activities in conformity with regulatory requirements. In jurisdictions where we are permitted to mitigate commodity price risk through financial instruments, the relevant regulatory authorities may

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establish the level of heating season gas purchases that can be hedged. Historically, if the regulatory authority does not establish this level, we seek to hedge between 25 and 50 percent of anticipated heating season gas purchases using financial instruments. For the 2010-2011 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 35 percent, or 31.7 Bcf of the winter flowing gas requirements at a weighted average cost of approximately $5.81 per Mcf. We have not designated these financial instruments as hedges.

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

Nonregulated Commodity Risk Management Activities

In our nonregulated operations, we aggregate and purchase gas supply, arrange transportation and/or storage logistics and ultimately deliver gas to our customers at competitive prices. To facilitate this process, we utilize proprietary and customer-owned transportation and storage assets to provide the various services our customers request.

We also perform asset optimization activities in our nonregulated segment. Through asset optimization activities, we seek to enhance our gross profit by maximizing the economic value associated with the storage and transportation capacity we own or control. We attempt to meet this objective by engaging in natural gas storage transactions in which we seek to find and profit from the pricing differences that occur over time. We purchase physical natural gas and then sell financial instruments at advantageous prices to lock in a gross profit margin. Through the use of transportation and storage services and financial instruments, we also seek to capture gross profit margin through the arbitrage of pricing differences that exist in various locations and by recognizing pricing differences that occur over time. Over time, gains and losses on the sale of storage gas inventory should be offset by gains and losses on the financial instruments, resulting in the realization of the economic gross profit margin we anticipated at the time we structured the original transaction.

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

We use financial instruments, designated as cash flow hedges of anticipated purchases and sales at index prices, to mitigate the commodity price risk in our nonregulated operations associated with deliveries under fixed-priced forward contracts to deliver gas to customers. These financial instruments have maturity dates ranging from one to 62 months. We use financial instruments, designated as fair value hedges, to hedge our natural gas inventory used in our asset optimization activities in our nonregulated segment.

Also, in nonregulated operations, we use storage swaps and futures to capture additional storage arbitrage opportunities that arise subsequent to the execution of the original fair value hedge associated with our physical natural gas inventory, basis swaps to insulate and protect the economic value of our fixed price and storage books and various over-the-counter and exchange-traded options. These financial instruments have not been designated as hedges.

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

Under our risk management policies, we seek to match our financial instrument positions to our physical storage positions as well as our expected current and future sales and purchase obligations in order to maintain no open positions at the end of each trading day. The determination of our net open position as of any day, however, requires us to make assumptions as to future circumstances, including the use of gas by our customers in relation to our anticipated storage and market positions. Because the price risk associated with any net open position at the end of each day may increase if the assumptions are not realized, we review these assumptions as part of our daily monitoring activities. Our operations can also be affected by intraday fluctuations of gas prices, since the price of natural gas purchased or sold for future delivery earlier in the day may not be hedged until later in the day. At times, limited net open positions related to our existing and anticipated commitments may occur. At the close of business on September 30, 2011, our nonregulated segment had net open positions (including existing storage and related financial contracts) of 0.1 Bcf.

Interest Rate Risk Management Activities

We periodically manage interest rate risk by entering into Treasury lock agreements to fix the Treasury yield component of the interest cost associated with anticipated financings.

We intend to refinance our $250 million unsecured 5.125% Senior Notes that mature in January 2013 through the issuance of $350 million 30-year unsecured notes. In August 2011, we entered into three Treasury lock agreements to fix the Treasury yield component of the interest cost associated with the anticipated issuances of these senior notes. We designated all of these Treasury locks as cash flow hedges.

In September 2010, we entered into three Treasury lock agreements to fix the Treasury yield component of the interest cost associated with $300 million of a total $400 million of senior notes that were issued in June 2011. This offering is discussed in Note 7. We designated these Treasury locks as cash flow hedges. The Treasury locks were settled on June 7, 2011 with the receipt of $20.1 million from the counterparties due to an increase in the 30-year Treasury lock rates between inception of the Treasury locks and settlement. Because the Treasury locks were effective, the net $12.6 million unrealized gain was recorded as a component of accumulated other comprehensive income and will be recognized as a component of interest expense over the 30-year life of the senior notes.

Additionally, our original fiscal 2011 financing plans included the issuance of $250 million of 30-year unsecured notes in November 2011 to fund our capital expenditure program. In September 2010, we entered into two Treasury lock agreements to fix the Treasury yield component of the interest cost associated with the anticipated issuance of these senior notes, which were designated as cash flow hedges. Due primarily to stronger than anticipated cash flows primarily resulting from the extension of the Bush tax cuts that allow the continued use of bonus depreciation on qualifying expenditures through December 31, 2011, the need to issue $250 million of debt in November was eliminated and the related Treasury lock agreements were unwound in March 2011. As a result of unwinding these Treasury locks, we recognized a pre-tax cash gain of $27.8 million during the second quarter of fiscal 2011.

In prior years, we entered into several Treasury lock agreements to fix the Treasury yield component of the interest cost of financing for various issuances of long-term debt and senior notes. The gains and losses realized upon settlement of these Treasury locks were recorded as a component of accumulated other comprehensive income (loss) when they were settled and are being recognized as a component of interest

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

expense over the life of the associated notes from the date of settlement. The remaining amortization periods for the settled Treasury locks extends through fiscal 2041.

Quantitative Disclosures Related to Financial Instruments

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

As of September 30, 2011, our financial instruments were comprised of both long and short commodity positions. A long position is a contract to purchase the commodity, while a short position is a contract to sell the commodity. As of September 30, 2011, we had net long/(short) commodity contracts outstanding in the following quantities:

Contract Type	Hedge Designation	Natural Gas Distribution	Nonregulated
		Quantity (MMcf)	
Commodity contracts	Fair Value		(13,950)
	Cash Flow		38,713
	Not designated	26,977	31,648
		26,977	56,411

Financial Instruments on the Balance Sheet

The following tables present the fair value and balance sheet classification of our financial instruments by operating segment as of September 30, 2011 and 2010. As required by authoritative accounting literature, the fair value amounts below are presented on a gross basis and do not reflect the netting of asset and liability positions permitted under the terms of our master netting arrangements. Further, the amounts below do not include $28.8 million and $24.9 million of cash held on deposit in margin accounts as of September 30, 2011 and 2010 to collateralize certain financial instruments. Therefore, these gross balances are not indicative of either our actual credit exposure or net economic exposure. Additionally, the amounts below will not be equal

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

to the amounts presented on our consolidated balance sheet, nor will they be equal to the fair value information presented for our financial instruments in Note 5.

	Balance Sheet Location	Natural Gas Distribution	Nonregulated (In thousands)	Total
September 30, 2011				
Designated As Hedges:				
Asset Financial Instruments				
Current commodity contracts	Other current assets	$	$ 22,396	$ 22,396
Noncurrent commodity contracts	Deferred charges and other assets		174	174
Liability Financial Instruments				
Current commodity contracts	Other current liabilities		(31,064)	(31,064)
Noncurrent commodity contracts	Deferred credits and other liabilities	(67,527)	(7,709)	(75,236)
Total		(67,527)	(16,203)	(83,730)
Not Designated As Hedges:				
Asset Financial Instruments				
Current commodity contracts	Other current assets	843	67,710	68,553
Noncurrent commodity contracts	Deferred charges and other assets	998	22,379	23,377
Liability Financial Instruments				
Current commodity contracts	Other current liabilities[(1)]	(13,256)	(73,865)	(87,121)
Noncurrent commodity contracts	Deferred credits and other liabilities	(335)	(25,071)	(25,406)
Total		(11,750)	(8,847)	(20,597)
Total Financial Instruments		$ (79,277)	$ (25,050)	$ (104,327)

(1) Other current liabilities not designated as hedges in our natural gas distribution segment include $1.3 million related to risk management liabilities that were classified as assets held for sale at September 30, 2011.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Balance Sheet Location	Natural Gas Distribution	Nonregulated (In thousands)	Total
September 30, 2010				
Designated As Hedges:				
Asset Financial Instruments				
Current commodity contracts	Other current assets	$	$ 40,030	$ 40,030
Noncurrent commodity contracts	Deferred charges and other assets		2,461	2,461
Liability Financial Instruments				
Current commodity contracts	Other current liabilities		(56,575)	(56,575)
Noncurrent commodity contracts	Deferred credits and other liabilities		(9,222)	(9,222)
Total			(23,306)	(23,306)
Not Designated As Hedges:				
Asset Financial Instruments				
Current commodity contracts	Other current assets	2,219	16,459	18,678
Noncurrent commodity contracts	Deferred charges and other assets	47	2,056	2,103
Liability Financial Instruments				
Current commodity contracts	Other current liabilities	(48,942)	(7,178)	(56,120)
Noncurrent commodity contracts	Deferred credits and other liabilities	(2,924)	(405)	(3,329)
Total		(49,600)	10,932	(38,668)
Total Financial Instruments		$ (49,600)	$ (12,374)	$ (61,974)

Impact of Financial Instruments on the Income Statement

Hedge ineffectiveness for our nonregulated segment is recorded as a component of unrealized gross profit and primarily results from differences in the location and timing of the derivative instrument and the hedged item. Hedge ineffectiveness could materially affect our results of operations for the reported period. For the years ended September 30, 2011, 2010 and 2009 we recognized a gain arising from fair value and cash flow hedge ineffectiveness of $24.8 million, $51.8 million and $6.4 million. Additional information regarding ineffectiveness recognized in the income statement is included in the tables below.

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Fair Value Hedges

The impact of our nonregulated commodity contracts designated as fair value hedges and the related hedged item on our consolidated income statement for the years ended September 30, 2011, 2010 and 2009 is presented below.

	Fiscal Year Ended September 30		
	2011	2010	2009
		(In thousands)	
Commodity contracts	$ 16,552	$ 34,650	$ 45,120
Fair value adjustment for natural gas inventory designated as the hedged item	9,824	19,867	(28,831)
Total impact on revenue	$ 26,376	$ 54,517	$ 16,289
The impact on revenue is comprised of the following:			
Basis ineffectiveness	$ 803	$ (1,272)	$ 5,958
Timing ineffectiveness	25,573	55,789	10,331
	$ 26,376	$ 54,517	$ 16,289

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

Cash Flow Hedges

The impact of cash flow hedges on our consolidated income statements for the years ended September 30, 2011, 2010 and 2009 is presented below. Note that this presentation does not reflect the financial impact arising from the hedged physical transaction. Therefore, this presentation is not indicative of the economic gross profit we realized when the underlying physical and financial transactions were settled.

	Fiscal Year Ended September 30, 2011			
	Natural Gas Distribution	Regulated Transmission and Storage	Nonregulated	Consolidated
		(In thousands)		

Loss reclassified from AOCI into revenue for effective portion of commodity contracts	$	$	$ (28,430)	$ (28,430)
Loss arising from ineffective portion of commodity contracts			(1,585)	(1,585)
Total impact on revenue			(30,015)	(30,015)
Net loss on settled Treasury lock agreements reclassified from AOCI into interest expense	(2,455)			(2,455)
Gain on unwinding of Treasury lock reclassified from AOCI into miscellaneous income	21,803	6,000		27,803
Total impact from cash flow hedges	$ 19,348	$ 6,000	$ (30,015)	$ (4,667)

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	Fiscal Year Ended September 30, 2010			
	Natural Gas Distribution	Regulated Transmission and Storage	Nonregulated	Consolidated
	(In thousands)			
Loss reclassified from AOCI into revenue for effective portion of commodity contracts	$	$	$ (44,809)	$ (44,809)
Loss arising from ineffective portion of commodity contracts			(2,717)	(2,717)
Total impact on revenue			(47,526)	(47,526)
Net loss on settled Treasury lock agreements reclassified from AOCI into interest expense	(2,678)			(2,678)
Total impact from cash flow hedges	$ (2,678)	$	$ (47,526)	$ (50,204)

	Fiscal Year Ended September 30, 2009			
	Natural Gas Distribution	Regulated Transmission and Storage	Nonregulated	Consolidated
	(In thousands)			
Loss reclassified from AOCI into revenue for effective portion of commodity contracts	$	$	$ (136,540)	$ (136,540)
Loss arising from ineffective portion of commodity contracts			(9,888)	(9,888)
Total impact on revenue			(146,428)	(146,428)
Net loss on settled Treasury lock agreements reclassified from AOCI into interest expense	(4,070)			(4,070)
Total impact from cash flow hedges	$ (4,070)	$	$ (146,428)	$ (150,498)

The following table summarizes the gains and losses arising from hedging transactions that were recognized as a component of other comprehensive income (loss), net of taxes, for the years ended September 30, 2011 and 2010. The amounts included in the table below exclude gains and losses arising from ineffectiveness because these amounts are immediately recognized in the income statement as incurred.

Fiscal Year Ended

	September 30 2011	September 30 2010
	(In thousands)	
Increase (decrease) in fair value:		
Treasury lock agreements	$ (12,720)	$ 343
Forward commodity contracts	(12,096)	(34,296)
Recognition of (gains) losses in earnings due to settlements:		
Treasury lock agreements	(15,969)	1,687
Forward commodity contracts	17,344	27,333
Total other comprehensive loss from hedging, net of tax[(1)]	$ (23,441)	$ (4,933)

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

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Deferred gains (losses) recorded in AOCI associated with our Treasury lock agreements are recognized in earnings as they are amortized, while deferred losses associated with commodity contracts are recognized in earnings upon settlement. The following amounts, net of deferred taxes, represent the expected recognition in earnings of the deferred gains (losses) recorded in AOCI associated with our financial instruments, based upon the fair values of these financial instruments as of September 30, 2011. However, the table below does not include the expected recognition in earnings of the Treasury lock agreements entered into in August 2011 as those financial instruments have not yet settled.

	Treasury Lock Agreements	Commodity Contracts	Total
		(In thousands)	
2012	$ (1,266)	$ (12,160)	$ (13,426)
2013	(1,266)	(3,214)	(4,480)
2014	(1,266)	(1,461)	(2,727)
2015	601	(29)	572
2016	770	3	773
Thereafter	10,812		10,812
Total[(1)]	$ 8,385	$ (16,861)	$ (8,476)

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

Financial Instruments Not Designated as Hedges

The impact of financial instruments that have not been designated as hedges on our consolidated income statements for the years ended September 30, 2011, 2010 and 2009 was an increase (decrease) in revenue of $(1.4) million, $15.4 million and $36.9 million. Note that this presentation does not reflect the expected gains or losses arising from the underlying physical transactions associated with these financial instruments. Therefore, this presentation is not indicative of the economic gross profit we realized when the underlying physical and financial transactions were settled.

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

5. Fair Value Measurements

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

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Fair value measurements also apply to the valuation of our pension and post-retirement plan assets. The fair value of these assets is presented in Note 9 below.

Quantitative Disclosures

Financial Instruments

The classification of our fair value measurements requires judgment regarding the degree to which market data are observable or corroborated by observable market data. The following tables summarize, by level within the fair value hierarchy, our assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2011 and 2010. As required under authoritative accounting literature, assets and liabilities are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)(1)	Significant Other Unobservable Inputs (Level 3)	Netting and Cash Collateral(2)	September 30, 2011
			(In thousands)		
Assets:					
Financial instruments					
Natural gas distribution segment	$	$ 1,841	$	$	$ 1,841
Nonregulated segment	15,262	97,396		(95,156)	17,502
Total financial instruments	15,262	99,237		(95,156)	19,343
Hedged portion of gas stored underground	47,940				47,940
Available-for-sale securities					
Money market funds		1,823			1,823
Registered investment companies	36,444				36,444
Bonds		14,366			14,366
Total available-for-sale securities	36,444	16,189			52,633
Total assets	$ 99,646	$ 115,426	$	$ (95,156)	$ 119,916
Liabilities:					
Financial instruments					
Natural gas distribution segment	$	$ 81,118	$	$	$ 81,118
Nonregulated segment	22,091	115,617		(123,943)	13,765
Total liabilities	$ 22,091	$ 196,735	$	$ (123,943)	$ 94,883

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)(1)	Significant Other Unobservable Inputs (Level 3) (In thousands)	Netting and Cash Collateral(3)	September 30, 2010
Assets:					
Financial instruments					
Natural gas distribution segment	$	$ 2,266	$	$	$ 2,266
Nonregulated segment	18,544	42,462		(41,760)	19,246
Total financial instruments	18,544	44,728		(41,760)	21,512
Hedged portion of gas stored underground	57,507				57,507
Available-for-sale securities					
Money market funds		499			499
Registered investment companies	40,967				40,967
Total available-for-sale securities	40,967	499			41,466
Total assets	$ 117,018	$ 45,227	$	$ (41,760)	$ 120,485
Liabilities:					
Financial instruments					
Natural gas distribution segment	$	$ 51,866	$	$	$ 51,866
Nonregulated segment	41,430	31,950		(66,649)	6,731
Total liabilities	$ 41,430	$ 83,816	$	$ (66,649)	$ 58,597

(1) Our Level 2 measurements primarily consist of non-exchange-traded financial instruments, such as over-the-counter options and swaps where market data for pricing is observable. The fair values for these assets and liabilities are determined using a market-based approach in which observable market prices are adjusted for criteria specific to each instrument, such as the strike price, notional amount or basis differences. This level also includes municipal and corporate bonds where market data for pricing is observable.

(2) This column reflects adjustments to our gross financial instrument assets and liabilities to reflect netting permitted under our master netting agreements and the relevant authoritative accounting literature. In addition, as of September 30, 2011 we had $28.8 million of cash held in margin accounts to collateralize certain financial instruments. Of this amount, $12.4 million was used to offset current risk management liabilities under master netting agreements and the remaining $16.4 million is classified as current risk management assets.

(3)

This column reflects adjustments to our gross financial instrument assets and liabilities to reflect netting permitted under our master netting agreements and the relevant authoritative accounting literature. In addition, as of September 30, 2010 we had $24.9 million of cash held in margin accounts to collateralize certain financial instruments. Of this amount, $12.6 million was used to offset current risk management liabilities under master netting agreements and the remaining $12.3 million is classified as current risk management assets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(In thousands)			
As of September 30, 2011:				
Domestic equity mutual funds	$ 27,748	$ 4,074	$	$ 31,822
Foreign equity mutual funds	4,597	267	(242)	4,622
Bonds	14,390	10	(34)	14,366
Money market funds	1,823			1,823
	$ 48,558	$ 4,351	$ (276)	$ 52,633
As of September 30, 2010:				
Domestic equity mutual funds	$ 29,540	$ 5,698	$	$ 35,238
Foreign equity mutual funds	4,753	976		5,729
Money market funds	499			499
	$ 34,792	$ 6,674	$	$ 41,466

At September 30, 2011 and 2010, our available-for-sale securities included $38.3 million and $41.5 million related to assets held in separate rabbi trusts for our supplemental executive benefit plans as discussed in Note 9. At September 30, 2011 we maintained investments in bonds that have contractual maturity dates ranging from January 2012 through January 2016.

We maintained an investment in one foreign equity mutual fund with a fair value of $2.3 million in an unrealized loss position of $0.2 million as of September 30, 2011. This fund has been in an unrealized loss position for less than twelve months. Because this fund is only used to fund the supplemental plans, we evaluate investment performance over a long-term horizon. Based upon our intent and ability to hold this investment, our ability to direct the source of the payments in order to maximize the life of the portfolio, the short-term nature of the decline in fair value and the fact that this fund continues to receive good ratings from mutual fund rating companies, we do not consider this impairment to be other-than-temporary as of September 30, 2011. We also maintained several bonds with a cumulative fair value of $9.9 million in an unrealized loss position of less than $0.1 million as of September 30, 2011. These bonds have been in an unrealized loss position for less than twelve months. Based upon our intent and ability to hold these investments, our ability to direct the source of the payments in order to maximize the life of the portfolio, the short-term nature of the decline in fair value and the fact that these bonds are investment-grade, we do not consider this impairment to be other-than-temporary as of September 30, 2011.

At September 30, 2010, we did not maintain any investments that were in an unrealized loss position. In fiscal 2009, we recorded a $5.4 million noncash charge to impair certain available-for sale investments during the year ended

September 30, 2009 due to the conditions of the financial markets at that time.

Other Fair Value Measures

In addition to the financial instruments above, we have several financial and nonfinancial assets and liabilities subject to fair value measures. These financial assets and liabilities include cash and cash equivalents, accounts receivable, accounts payable and debt. The nonfinancial assets and liabilities include asset retirement obligations and pension and post-retirement plan assets. We record cash and cash equivalents, accounts receivable, accounts payable and debt at carrying value. For cash and cash equivalents, accounts receivable and accounts payable, we consider carrying value to materially approximate fair value due to the short-term nature of these assets and liabilities.

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Atmos Gathering Company (AGC) owns and operates the Park City and Shrewsbury gathering systems in Kentucky. The Park City gathering system consists of a 23-mile low pressure pipeline and a nitrogen removal unit that was constructed in 2008. The Shrewsbury production, gathering and processing assets were acquired in 2008 at which time we sold the production assets to a third party. As a result of the sale of the production assets, we obtained a 10-year production payment note under which we were to be paid from future production generated from the assets.

As discussed in Note 13, AGC is involved in an ongoing lawsuit with the Park City gathering system. Due to the lawsuit and a low natural gas price environment, the assets have generated operating losses. As a result of these developments, we performed an impairment assessment of these assets during the third fiscal quarter and determined the assets to be impaired. We reduced the carrying value of the assets to their estimated fair value of approximately $6 million and recorded a pre-tax noncash impairment loss of approximately $11 million. We used a combination of a market and income approach in a weighted average discounted cash flow analysis that included significant inputs such as our weighted average cost of capital and assumptions regarding future natural gas prices. This is a Level 3 fair value measurement because the inputs used are unobservable. Based on this analysis, we determined the assets to be impaired.

In February 2008, Atmos Pipeline and Storage, LLC, a subsidiary of AEH, announced plans to construct and operate a salt-cavern storage project in Franklin Parish, Louisiana. In March 2010, we entered into an option and acquisition agreement with a third party, which provided the third party with the exclusive option to develop the proposed Fort Necessity salt-dome natural gas storage project. In July 2010, we agreed with the third party to extend the option period to March 2011. In January 2011, the third party developer notified us that it did not plan to commence the activities required to allow it to exercise the option by March 2011; accordingly, the option was terminated. We evaluated our strategic alternatives and concluded the project s returns did not meet our investment objectives. Accordingly, in March 2011, we recorded a $19.3 million pretax noncash impairment loss to write off substantially all of our investment in the project.

Our debt is recorded at carrying value. The fair value of our debt is determined using third party market value quotations. The following table presents the carrying value and fair value of our debt as of September 30, 2011:

	September 30, 2011 (In thousands)
Carrying Amount	$ 2,212,565
Fair Value	$ 2,560,945

6. Discontinued Operations

On May 12, 2011, we entered into a definitive agreement to sell all of our natural gas distribution assets located in Missouri, Illinois and Iowa to Liberty Energy (Midstates) Corporation, an affiliate of Algonquin Power & Utilities Corp. for a cash price of approximately $124 million. The agreement contains terms and conditions customary for transactions of this type, including typical adjustments to the purchase price at closing, if applicable. The closing of the transaction is subject to the satisfaction of customary conditions including the receipt of applicable regulatory approvals.

As required under generally accepted accounting principles, the operating results of our Missouri, Illinois and Iowa operations have been aggregated and reported on the consolidated statements of income as income from discontinued operations, net of income tax. Expenses related to general corporate overhead and interest expense allocated to their operations are not included in discontinued operations.

The tables below set forth selected financial and operational information related to net assets and operating results related to discontinued operations. Additionally, assets and liabilities related to our Missouri, Illinois and Iowa operations are classified as held for sale in other current assets and liabilities in our

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

consolidated balance sheets at September 30, 2011. Prior period revenues and expenses associated with these assets have been reclassified into discontinued operations. This reclassification had no impact on previously reported net income.

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

	Year Ended September 30		
	2011	2010	2009
	(In thousands)		
Operating revenues	$ 80,028	$ 69,855	$ 99,969
Purchased gas cost	48,759	42,419	72,945
Gross profit	31,269	27,436	27,024
Operating expenses	16,854	15,151	15,988
Operating income	14,415	12,285	11,036
Other nonoperating expense	(196)	(294)	(428)
Income from discontinued operations before income taxes	14,219	11,991	10,608
Income tax expense	5,502	4,425	2,929
Net income	$ 8,717	$ 7,566	$ 7,679

The following table presents balance sheet data related to assets held for sale.

	September 30, 2011 (In thousands)
Net plant, property & equipment	$ 127,577
Gas stored underground	11,931
Other current assets	786
Deferred charges and other assets	277
Assets held for sale	$ 140,571
Accounts payable and accrued liabilities	$ 1,917
Other current liabilities	4,877
Regulatory cost of removal	10,498
Deferred credits and other liabilities	1,153
Liabilities held for sale	$ 18,445

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Debt

Long-term debt

Long-term debt at September 30, 2011 and 2010 consisted of the following:

	2011	2010
	(In thousands)	
Unsecured 7.375% Senior Notes, redeemed May 2011	$	$ 350,000
Unsecured 10% Notes, due December 2011	2,303	2,303
Unsecured 5.125% Senior Notes, due 2013	250,000	250,000
Unsecured 4.95% Senior Notes, due 2014	500,000	500,000
Unsecured 6.35% Senior Notes, due 2017	250,000	250,000
Unsecured 8.50% Senior Notes, due 2019	450,000	450,000
Unsecured 5.95% Senior Notes, due 2034	200,000	200,000
Unsecured 5.50% Senior Notes, due 2041	400,000	
Medium term notes		
Series A, 1995-2, 6.27%, redeemed December 2010		10,000
Series A, 1995-1, 6.67%, due 2025	10,000	10,000
Unsecured 6.75% Debentures, due 2028	150,000	150,000
Rental property term notes due in installments through 2013	262	393
Total long-term debt	2,212,565	2,172,696
Less:		
Original issue discount on unsecured senior notes and debentures	(4,014)	(3,014)
Current maturities	(2,434)	(360,131)
	$ 2,206,117	$ 1,809,551

As noted above, our unsecured 10% notes will mature in December 2011; accordingly, these have been classified within the current maturities of long-term debt.

Our $350 million 7.375% senior notes were paid on their maturity date on May 15, 2011, using commercial paper borrowings. We replaced these senior notes on June 10, 2011 with $400 million 5.50% senior notes. The effective interest rate on these notes is 5.381 percent, after giving effect to offering costs and the settlement of the $300 million Treasury locks discussed in Note 4. Substantially all of the net proceeds of approximately $394 million was used to repay $350 million of outstanding commercial paper. The remainder of the net proceeds was used for general corporate purposes.

Short-term debt

Our short-term borrowing requirements are affected by the seasonal nature of the natural gas business. Changes in the price of natural gas and the amount of natural gas we need to supply our customers needs could significantly affect our borrowing requirements. Our short-term borrowings typically reach their highest levels in the winter months.

Prior to the third quarter of fiscal 2011, we financed our short-term borrowing requirements through a combination of a $566.7 million commercial paper program and four committed revolving credit facilities with third-party lenders that provided approximately $1.0 billion of working capital funding. On April 13, 2011, our $200 million 180-day unsecured credit facility expired and was not replaced. On May 2, 2011, we replaced our $566.7 million unsecured credit facility with a new five-year $750 million unsecured credit

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

facility with an accordion feature that could increase our borrowing capacity to $1.0 billion. On September 30, 2011, we renewed our 364-day revolving line of credit facility used to backstop letters of credit for our regulated operations and increased the borrowing capacity from $6.25 million to $10 million. As a result of these changes, we have $985 million of working capital funding from our commercial paper program and four committed revolving credit facilities with third-party lenders.

At September 30, 2011 and 2010, there was $206.4 million and $126.1 million outstanding under our commercial paper program. As of September 30, 2011 our commercial paper had maturities of less than one week with interest rates of 0.29 percent. We also use intercompany credit facilities to supplement the funding provided by these third-party committed credit facilities. These facilities are described in greater detail below.

Regulated Operations

We fund our regulated operations as needed, primarily through our commercial paper program and three committed revolving credit facilities with third-party lenders that provide approximately $785 million of working capital funding. The first facility is a five-year $750 million unsecured facility, expiring May 2016, that bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a spread ranging from zero percent to 2 percent, based on the Company s credit ratings. This credit facility serves as a backup liquidity facility for our commercial paper program. At September 30, 2011, there were no borrowings under this facility, but we had $206.4 million of commercial paper outstanding leaving $543.6 million available.

The second facility is a $25 million unsecured facility that bears interest at a daily negotiated rate, generally based on the Federal Funds rate plus a variable margin. At September 30, 2011, there were no borrowings outstanding under this facility.

The third facility is a $10 million revolving credit facility used primarily to issue letters of credit that bears interest at a LIBOR-based rate. At September 30, 2011, there were no borrowings outstanding under this credit facility; however, letters of credit totaling $5.9 million had been issued under the facility at September 30, 2011, which reduced the amount available by a corresponding amount.

The availability of funds under these credit facilities is subject to conditions specified in the respective credit agreements, all of which we currently satisfy. These conditions include our compliance with financial covenants and the continued accuracy of representations and warranties contained in these agreements. We are required by the financial covenants in each of these facilities to maintain, at the end of each fiscal quarter, a ratio of total debt to total capitalization of no greater than 70 percent. At September 30, 2011, our total-debt-to-total-capitalization ratio, as defined, was 54 percent. In addition, both the interest margin over the Eurodollar rate and the fee that we pay on unused amounts under each of these facilities are subject to adjustment depending upon our credit ratings.

In addition to these third-party facilities, our regulated operations have a $350 million intercompany revolving credit facility with AEH. This facility bears interest at the lower of (i) the one-month LIBOR rate plus 0.45 percent or (ii) the marginal borrowing rate available to the Company on the date of borrowing. The marginal borrowing rate is defined as the lower of (i) a rate based upon the lower of the Prime Rate or the Eurodollar rate under the five year revolving credit facility or (ii) the lowest rate outstanding under the commercial paper program. Applicable state regulatory commissions have approved our use of this facility through December 31, 2011. There was $181.3 million outstanding under this facility at September 30, 2011.

Nonregulated Operations

Atmos Energy Marketing, LLC (AEM), which is wholly-owned by AEH, has a three-year $200 million committed revolving credit facility with a syndicate of third-party lenders with an accordion feature that could

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

increase AEM s borrowing capacity to $500 million. The credit facility is primarily used to issue letters of credit and, on a less frequent basis, to borrow funds for gas purchases and other working capital needs.

At AEM s option, borrowings made under the credit facility are based on a base rate or an offshore rate, in each case plus an applicable margin. The base rate is a floating rate equal to the higher of: (a) 0.50 percent per annum above the latest federal funds rate; (b) the per annum rate of interest established by BNP Paribas from time to time as its prime rate or base rate for U.S. dollar loans; (c) an offshore rate (based on LIBOR with a three-month interest period) as in effect from time to time; or (d) the cost of funds rate which is the cost of funds as reasonably determined by the administrative agent. The offshore rate is a floating rate equal to the higher of (a) an offshore rate based upon LIBOR for the applicable interest period; or (b) a cost of funds rate referred to above. In the case of both base rate and offshore rate loans, the applicable margin ranges from 1.875 percent to 2.25 percent per annum, depending on the excess tangible net worth of AEM, as defined in the credit facility. This facility has swing line loan features, which allow AEM to borrow, on a same day basis, an amount ranging from $6 million to $30 million based on the terms of an election within the agreement. This facility is collateralized by substantially all of the assets of AEM and is guaranteed by AEH.

At September 30, 2011, there were no borrowings outstanding under this credit facility. However, at September 30, 2011, AEM letters of credit totaling $20.2 million had been issued under the facility, which reduced the amount available by a corresponding amount. The amount available under this credit facility is also limited by various covenants, including covenants based on working capital. Under the most restrictive covenant, the amount available to AEM under this credit facility was $129.8 million at September 30, 2011.

AEM is required by the financial covenants in this facility to maintain a ratio of total liabilities to tangible net worth that does not exceed a maximum of 5 to 1. At September 30, 2011, AEM s ratio of total liabilities to tangible net worth, as defined, was 1.33 to 1. Additionally, AEM must maintain minimum levels of net working capital and net worth ranging from $20 million to $40 million. As defined in the financial covenants, at September 30, 2011, AEM s net working capital was $131.8 million and its tangible net worth was $144.5 million.

To supplement borrowings under this facility, AEH has a $350 million intercompany demand credit facility with AEC, which bears interest at a rate equal to the greater of (i) the one-month LIBOR rate plus 3.00 percent or (ii) the rate for AEM s offshore borrowings under its committed credit facility plus 0.75 percent. Applicable state regulatory commissions have approved our use of this facility through December 31, 2011. There were no borrowings outstanding under this facility at September 30, 2011.

Shelf Registration

We have an effective shelf registration statement with the Securities and Exchange Commission (SEC) that permits us to issue a total of $1.3 billion in common stock and/or debt securities. The shelf registration statement has been approved by all requisite state regulatory commissions. Due to certain restrictions imposed by one state regulatory commission on our ability to issue securities under the new registration statement, we were able to issue a total of $950 million in debt securities and $350 million in equity securities prior to our $400 million senior notes offering in June 2011. At September 30, 2011, $900 million remains available for issuance. Of this amount, $550 million is available for the issuance of debt securities and $350 million remains available for the issuance of equity securities under the shelf until March 2013.

Debt Covenants

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Further, AEM s credit agreement contains a cross-default provision whereby AEM would be in default if it defaults on other indebtedness, as defined, by at least $250 thousand in the aggregate.

Finally, AEM s credit agreement contains a provision that would limit the amount of credit available if Atmos Energy were downgraded below an S&P rating of BBB and a Moody s rating of Baa2. We have no other triggering events in our debt instruments that are tied to changes in specified credit ratings or stock price, nor have we entered into any transactions that would require us to issue equity, based on our credit rating or other triggering events.

We were in compliance with all of our debt covenants as of September 30, 2011. If we were unable to comply with our debt covenants, we would likely be required to repay our outstanding balances on demand, provide additional collateral or take other corrective actions.

Maturities of long-term debt at September 30, 2011 were as follows (in thousands):

2012	$ 2,434
2013	250,131
2014	
2015	500,000
2016	
Thereafter	1,460,000
	$ 2,212,565

8. Stock and Other Compensation Plans

Share Repurchase Agreement

On, July 1, 2010, we entered into an accelerated share repurchase agreement with Goldman Sachs & Co. under which we repurchased $100 million of our outstanding common stock in order to offset stock grants made under our various employee and director incentive compensation plans. We paid $100 million to Goldman Sachs & Co. on July 7, 2010 in a share forward transaction and received 2,958,580 shares of Atmos Energy common stock. On March 4, 2011, we received and retired an additional 375,468 common shares which concluded our share repurchase agreement. In total, we received and retired 3,334,048 common shares under the repurchase agreement. The final number of shares we ultimately repurchased in the transaction was based generally on the average of the effective share repurchase price of our common stock over the duration of the agreement, which was $29.99. As a result of this transaction, beginning in our fourth quarter of fiscal 2010, the number of outstanding shares used to calculate our earnings per share was reduced by the number of shares received and the $100 million purchase price was recorded as a reduction in shareholders equity.

Share Repurchase Program

On September 28, 2011 our Board of Directors approved a new program authorizing the repurchase of up to five million shares of common stock over a five-year period. Although the program is authorized for a five-year period, it may be terminated or limited at any time. Shares may be repurchased in the open market or in privately negotiated transactions in amounts the company deems appropriate. The program is primarily intended to minimize the dilutive effect of equity grants under various benefit related incentive compensation plans of the company.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-Based Compensation Plans

Total stock-based compensation expense was $11.6 million, $12.7 million and $14.5 million for the fiscal years ended September 30, 2011, 2010 and 2009, primarily related to restricted stock costs.

1998 Long-Term Incentive Plan

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

As of September 30, 2011, we are authorized to grant awards for up to a maximum of 6.5 million shares of common stock under this plan subject to certain adjustment provisions. In February 2011, shareholders voted to increase the number of authorized LTIP shares by 2.2 million shares. On October 19, 2011, we received all required state regulatory approvals to increase the maximum number of authorized LTIP shares to 8.7 million shares, subject to certain adjustment provisions. On October 28, 2011, we filed with the SEC a registration statement on Form S-8 to register an additional 2.2 million shares; we also listed such shares with the New York Stock Exchange. As of September 30, 2011, non-qualified stock options, bonus stock, time-lapse restricted stock, time-lapse restricted stock units, performance-based restricted stock units and stock units had been issued under this plan, and 319,700 shares were available for future issuance. The option price of the stock options issued under this plan is equal to the market price of our stock at the date of grant. These stock options expire 10 years from the date of the grant and vest annually over a service period ranging from one to three years. However, no stock options have been granted under this plan since fiscal 2003, except for a limited number of options that were converted from bonuses paid under our Annual Incentive Plan, the last of which occurred in fiscal 2006.

Restricted Stock Plans

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

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

Employees who are granted shares of performance-based restricted stock units under our LTIP have a forfeitable right to dividends that accrue at the same rate at which they are paid on shares of stock without

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restrictions. Dividends on the performance-based restricted stock units are paid in the form of shares upon the vesting of the award. Performance-based restricted stock units contain a service condition that the employee recipients render continuous services to the Company for a period of three years from the date of grant, except for accelerated vesting in the event of death, disability, change of control of the Company or termination without cause (with certain exceptions) and a performance condition based on a cumulative earnings per share target amount.

The following summarizes information regarding the restricted stock issued under the plan during the fiscal years ended September 30, 2011, 2010 and 2009:

	2011		2010		2009	
	Number of Restricted Shares	Weighted Average Grant-Date Fair Value	Number of Restricted Shares	Weighted Average Grant-Date Fair Value	Number of Restricted Shares	Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	1,293,960	$ 27.28	1,295,841	$ 27.23	1,096,770	$ 29.04
Granted	491,345	33.10	551,278	29.07	711,909	25.76
Vested	(464,321)	27.21	(493,957)	29.24	(499,267)	29.05
Forfeited	(56,842)	27.56	(59,202)	26.54	(13,571)	28.92
Nonvested at end of year	1,264,142	$ 29.56	1,293,960	$ 27.28	1,295,841	$ 27.23

As of September 30, 2011, there was $18.0 million of total unrecognized compensation cost related to nonvested time-lapse restricted shares and restricted stock units granted under the LTIP. That cost is expected to be recognized over a weighted-average period of 1.5 years. The fair value of restricted stock vested during the fiscal years ended September 30, 2011, 2010 and 2009 was $12.6 million, $14.4 million and $14.5 million.

Stock Option Plan

A summary of stock option activity under the LTIP follows:

	2011		2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	434,962	$ 22.46	611,227	$ 21.88	913,841	$ 22.54
Granted						

Exercised	(348,196)		22.54	(176,265)		20.44	(130,965)		21.99
Forfeited									
Expired							(171,649)		25.31
Outstanding at end of year[(1)]	86,766	$	22.16	434,962	$	22.46	611,227	$	21.88
Exercisable at end of year[(2)]	86,766	$	22.16	434,962	$	22.46	611,227	$	21.88

(1) The weighted-average remaining contractual life for outstanding options was 1.7 years, 1.6 years, and 2.4 years for fiscal years 2011, 2010 and 2009. The aggregate intrinsic value of outstanding options was $0.3 million, $1.6 million and $2.1 million for fiscal years 2011, 2010 and 2009.

(2) The weighted-average remaining contractual life for exercisable options was 1.7 years, 1.6 years and 2.4 years for fiscal years 2011, 2010 and 2009. The aggregate intrinsic value of exercisable options was $0.3 million, $1.6 million and $2.1 million for the fiscal years 2011, 2010 and 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Information about outstanding and exercisable options under the LTIP, as of September 30, 2011, is reflected in the following tables:

	Options Outstanding and Exercisable		
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
\$21.23 to \$22.99	71,064	1.4	\$ 21.31
\$23.00 to \$26.19	15,702	3.3	\$ 26.00
\$21.23 to \$26.19	86,766	1.7	\$ 22.16

	Fiscal Year Ended September 30		
	2011	2010	2009
	(In thousands, except per share data)		
Grant date weighted average fair value per share	\$	\$	\$
Net cash proceeds from stock option exercises	\$ 7,848	\$ 3,604	\$ 2,880
Income tax benefit from stock option exercises	\$ 1,010	\$ 547	\$ 177
Total intrinsic value of options exercised	\$ 1,263	\$ 239	\$ 262

As of September 30, 2011, there was no unrecognized compensation cost related to nonvested stock options.

Other Plans

Direct Stock Purchase Plan

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

Outside Directors Stock-For-Fee Plan

In November 1994, the Board of Directors adopted the Outside Directors Stock-for-Fee Plan which was approved by our shareholders in February 1995. The plan permits non-employee directors to receive all or part of their annual retainer and meeting fees in stock rather than in cash.

Equity Incentive and Deferred Compensation Plan for Non-Employee Directors

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

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Discretionary Compensation Plans

We adopted the Variable Pay Plan in fiscal 1999 for our regulated segments employees to give each employee an opportunity to share in our financial success based on the achievement of key performance measures considered critical to achieving business objectives for a given year and has minimum and maximum thresholds. The plan must meet the minimum threshold for the plan to be funded and distributed to employees. These performance measures may include earnings growth objectives, improved cash flow objectives or crucial customer satisfaction and safety results. We monitor progress towards the achievement of the performance measures throughout the year and record accruals based upon the expected payout using the best estimates available at the time the accrual is recorded. During the last several fiscal years, we have used earnings per share as our sole performance measure.

In addition, we adopted an incentive plan in October 2001 to give the employees in our nonregulated segment an opportunity to share in the success of the nonregulated operations. In fiscal 2010, we modified the award structure of the plan to reflect the different performance goals of the front and back office employees of our nonregulated operations. The front office award structure is based on a fixed percentage of the net income of our nonregulated operations that represents the available award pool for eligible employees. There is no minimum or maximum threshold for the available award pool. The back office award structure is based upon the net earnings of the nonregulated operations and has minimum and maximum thresholds. The plan must meet the minimum threshold in order for the plan to be funded and distributed to employees. We monitor the progress toward the achievement of the thresholds throughout the year and record accruals based upon the expected payout using the best estimates available at the time the accrual is recorded.

9. Retirement and Post-Retirement Employee Benefit Plans

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

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

	Defined Benefits Plans	Supplemental Executive Retirement Plans	Postretirement Plans	Total
		(In thousands)		
September 30, 2011				
Unrecognized transition obligation	$	$	$ 3,220	$ 3,220
Unrecognized prior service cost	(373)		(8,861)	(9,234)
Unrecognized actuarial loss	182,486	30,654	47,540	260,680

	$	182,113	$	30,654	$	41,899	$	254,666
September 30, 2010								
Unrecognized transition obligation	$		$		$	4,731	$	4,731
Unrecognized prior service cost		(842)				(10,311)		(11,153)
Unrecognized actuarial loss		159,539		30,753		25,694		215,986
	$	158,697	$	30,753	$	20,114	$	209,564

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Defined Benefit Plans

Employee Pension Plans

As of September 30, 2011, we maintained two defined benefit plans: the Atmos Energy Corporation Pension Account Plan (the Plan) and the Atmos Energy Corporation Retirement Plan for Mississippi Valley Gas Union Employees (the Union Plan) (collectively referred to as the Plans). The assets of the Plans are held within the Atmos Energy Corporation Master Retirement Trust (the Master Trust).

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

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

The Union Plan is a defined benefit plan that covers substantially all full-time union employees in our Mississippi Division. Under this plan, benefits are based upon years of benefit service and average final earnings. Participants vest in the plan after five years and will receive their benefit in an annuity.

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

During fiscal 2011 and 2009, we contributed $0.9 million and $21.0 million in cash to the Plans to achieve a desired level of funding while maximizing the tax deductibility of this payment. In fiscal 2010, we did not make any contributions to our pension plans. Based upon market conditions subsequent to September 30, 2011, the current funded position of the plans and the new funding requirements under the PPA, we anticipate contributing between $25 million and $30 million to the Plans in fiscal 2012. Further, we will consider whether an additional voluntary contribution is prudent to maintain certain PPA funding thresholds.

We manage the Master Trust s assets with the objective of achieving a rate of return net of inflation of approximately four percent per year. We make investment decisions and evaluate performance on a medium-term horizon of at least three to five years. We also consider our current financial status when making recommendations and decisions regarding the Master Trust s assets. Finally, we strive to ensure the Master Trust s assets are appropriately invested to maintain an acceptable level of risk and meet the Master Trust s long-term asset investment policy adopted by the Board of Directors.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The following table presents asset allocation information for the Master Trust as of September 30, 2011 and 2010.

Security Class	Targeted Allocation Range	Actual Allocation September 30 2011	2010
Domestic equities	35%-55%	40.4%	44.1%
International equities	10% - 20%	13.6%	14.4%
Fixed income	10%-30%	21.3%	19.0%
Company stock	5%-15%	13.5%	11.3%
Other assets	5%-15%	11.2%	11.2%

At September 30, 2011 and 2010, the Plan held 1,169,700 shares of our common stock, which represented 13.5 percent and 11.3 percent of total Master Trust assets. These shares generated dividend income for the Plan of approximately $1.6 million and $1.6 million during fiscal 2011 and 2010.

Our employee pension plan expenses and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets and assumed discount rates and demographic data. We review the estimates and assumptions underlying our employee pension plans annually based upon a September 30 measurement date. The development of our assumptions is fully described in our significant accounting policies in Note 2. The actuarial assumptions used to determine the pension liability for the Plans were determined as of September 30, 2011 and 2010 and the actuarial assumptions used to determine the net periodic pension cost for the Plans were determined as of September 30, 2010, 2009 and 2008. These assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2011	2010	2011	2010	2009
Discount rate	5.05%	5.39%	5.39%(1)	5.52%	7.57%
Rate of compensation increase	3.50%	4.00%	4.00%	4.00%	4.00%
Expected return on plan assets	7.75%	8.25%	8.25%	8.25%	8.25%

(1) The discount rate for the Pension Account Plan increased from 5.39% to 5.68% effective January 1, 2011 due to a curtailment gain recorded in the current fiscal year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents the Plans accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2011 and 2010:

	2011	2010
	(In thousands)	
Accumulated benefit obligation	$ 414,489	$ 391,915
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 407,536	$ 380,045
Service cost	14,384	13,499
Interest cost	22,264	20,870
Actuarial loss	12,944	19,809
Benefits paid	(27,534)	(26,687)
Curtailments	(162)	
Benefit obligation at end of year	429,432	407,536
Change in plan assets:		
Fair value of plan assets at beginning of year	301,708	301,146
Actual return on plan assets	5,154	27,249
Employer contributions	876	
Benefits paid	(27,534)	(26,687)
Fair value of plan assets at end of year	280,204	301,708
Reconciliation:		
Funded status	(149,228)	(105,828)
Unrecognized prior service cost		
Unrecognized net loss		
Net amount recognized	$ (149,228)	$ (105,828)

Net periodic pension cost for the Plans for fiscal 2011, 2010 and 2009 is recorded as operating expense and included the following components:

	Fiscal Year Ended September 30		
	2011	2010	2009
	(In thousands)		
Components of net periodic pension cost:			
Service cost	$ 14,384	$ 13,499	$ 12,951

Interest cost	22,264	20,870	24,060
Expected return on assets	(24,817)	(25,280)	(24,950)
Amortization of prior service cost	(429)	(960)	(946)
Recognized actuarial loss	9,498	9,290	3,742
Curtailment gain	(40)		
Net periodic pension cost	$ 20,860	$ 17,419	$ 14,857

The following table sets forth by level, within the fair value hierarchy, the Master Trust s assets at fair value as of September 30, 2011 and 2010. As required by authoritative accounting literature, assets are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement. The methods used to determine fair value for the assets held by the Master Trust are fully described in Note 2.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition to the assets shown below, the Master Trust had net accounts receivable of $0.4 million and $0.1 million at September 30, 2011 and 2010 which materially approximates fair value due to the short-term nature of these assets.

	Assets at Fair Value as of September 30, 2011			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments:				
Common stocks	$ 94,336	$	$	$ 94,336
Money market funds		9,383		9,383
Registered investment companies	27,236			27,236
Common/collective trusts	53,309			53,309
Government securities	4,946	18,907		23,853
Corporate bonds		33,636		33,636
Limited partnerships		37,806		37,806
Real estate			200	200
Total investments at fair value	$ 179,827	$ 99,732	$ 200	$ 279,759

	Assets at Fair Value as of September 30, 2010			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments:				
Common stocks	$ 116,315	$	$	$ 116,315
Money market funds		10,013		10,013
Registered investment companies	32,601			32,601
Common/collective trusts		48,920		48,920
Government securities	5,548	16,296		21,844
Corporate bonds		33,987		33,987
Limited partnerships		37,691		37,691
Real estate			200	200
Total investments at fair value	$ 154,464	$ 146,907	$ 200	$ 301,571

The fair value of our Level 3 real estate assets was determined based on independent third party appraisals. There were no changes in the fair value of the Level 3 assets during the year ended September 30, 2011.

Supplemental Executive Benefits Plans

We have a nonqualified Supplemental Executive Benefits Plan which provides additional pension, disability and death benefits to our officers, division presidents and certain other employees of the Company who were employed on or before August 12, 1998. In addition, in August 1998, we adopted the Supplemental Executive Retirement Plan (SERP) (formerly known as the Performance-Based Supplemental Executive Benefits Plan), which covers all employees who become officers or division presidents after August 12, 1998 or any other employees selected by our Board of Directors at its discretion.

In August 2009, the Board of Directors determined that there would be no new participants in the SERP subsequent to August 5, 2009, except for any corporate officers who may be appointed to the Management Committee. The SERP is a defined benefit arrangement which provides a benefit equal to 60 percent of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

covered compensation under which benefits paid from the underlying qualified defined benefit plan are an offset to the benefits under the SERP. However, the Board also established a new defined benefit supplemental executive retirement plan (the 2009 SERP), effective August 5, 2009, with each participant being selected by the Board, with each such participant being either (i) a corporate officer (other than such officer who is appointed as a member of the Company s Management Committee), (ii) a division president or (iii) an employee selected in the discretion of the Board. Under the 2009 SERP, a nominal account has been established for each participant, to which the Company contributes at the end of each calendar year an amount equal to ten percent of the total of each participant s base salary and cash incentive compensation earned during each prior calendar year, beginning December 31, 2009. The benefits vest after three years of service and attainment of age 55 and earn interest credits at the same annual rate as the Company s Pension Account Plan (currently 4.69%).

Similar to our employee pension plans, we review the estimates and assumptions underlying our supplemental executive benefit plans annually based upon a September 30 measurement date using the same techniques as our employee pension plans. The actuarial assumptions used to determine the pension liability for the supplemental plans were determined as of September 30, 2011 and 2010 and the actuarial assumptions used to determine the net periodic pension cost for the supplemental plans were determined as of September 30, 2010, 2009 and 2008. These assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2011	**2010**	**2011**	**2010**	**2009**
Discount rate	5.05%	5.39%	5.39%	5.52%	7.57%
Rate of compensation increase	3.50%	4.00%	4.00%	4.00%	4.00%

The following table presents the supplemental plans accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2011 and 2010:

	2011	**2010**
	(In thousands)	
Accumulated benefit obligation	$ 104,363	$ 99,673
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 108,919	$ 102,747
Service cost	2,768	2,476
Interest cost	5,825	5,224
Actuarial loss	2,140	3,043
Benefits paid	(7,537)	(4,571)
Benefit obligation at end of year	112,115	108,919
Change in plan assets:		
Fair value of plan assets at beginning of year		
Employer contribution	7,537	4,571

Benefits paid	(7,537)	(4,571)
Fair value of plan assets at end of year		
Reconciliation:		
Funded status	(112,115)	(108,919)
Unrecognized prior service cost		
Unrecognized net loss		
Accrued pension cost	$ (112,115)	$ (108,919)

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assets for the supplemental plans are held in separate rabbi trusts. At September 30, 2011 and 2010, assets held in the rabbi trusts consisted of available-for-sale securities of $38.3 million and $41.5 million, which are included in our fair value disclosures in Note 5.

Net periodic pension cost for the supplemental plans for fiscal 2011, 2010 and 2009 is recorded as operating expense and included the following components:

	Fiscal Year Ended September 30		
	2011	2010	2009
	(In thousands)		
Components of net periodic pension cost:			
Service cost	$ 2,768	$ 2,476	$ 1,985
Interest cost	5,825	5,224	6,056
Amortization of transition asset			
Amortization of prior service cost		187	212
Recognized actuarial loss	2,239	1,999	324
Curtailment			1,645
Net periodic pension cost	$ 10,832	$ 9,886	$ 10,222

Supplemental Disclosures for Defined Benefit Plans with Accumulated Benefit Obligations in Excess of Plan Assets

The following summarizes key information for our defined benefit plans with accumulated benefit obligations in excess of plan assets. For fiscal 2011 and 2010 the accumulated benefit obligation for our supplemental plans exceeded the fair value of plan assets.

	Supplemental Plans	
	2011	2010
	(In thousands)	
Projected Benefit Obligation	$ 112,115	$ 108,919
Accumulated Benefit Obligation	104,363	99,673
Fair Value of Plan Assets		

Estimated Future Benefit Payments

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

	Pension	Supplemental

	Plans	Plans
	(In thousands)	
2012	$ 35,286	$ 25,116
2013	33,109	6,910
2014	31,753	4,738
2015	30,633	6,862
2016	30,648	4,622
2017-2021	146,923	43,625

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Postretirement Benefits

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

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

Generally, our funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974. However, additional voluntary contributions are made annually as considered necessary. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. We expect to contribute $31.5 million to our postretirement benefits plan during fiscal 2012.

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

We currently invest the assets funding our postretirement benefit plan in diversified investment funds which consist of common stocks, preferred stocks and fixed income securities. The diversified investment funds may invest up to 75 percent of assets in common stocks and convertible securities. The following table presents asset allocation information for the postretirement benefit plan assets as of September 30, 2011 and 2010.

	Actual Allocation September 30	
Security Class	**2011**	**2010**
Diversified investment funds	96.8%	97.5%
Cash and cash equivalents	3.2%	2.5%

Similar to our employee pension and supplemental plans, we review the estimates and assumptions underlying our postretirement benefit plan annually based upon a September 30 measurement date using the same techniques as our employee pension plans. The actuarial assumptions used to determine the pension liability for our postretirement plan were determined as of September 30, 2011 and 2010 and the actuarial

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

assumptions used to determine the net periodic pension cost for the postretirement plan were determined as of September 30, 2010, 2009 and 2008. The assumptions are presented in the following table:

	Postretirement Liability		Postretirement Cost		
	2011	**2010**	**2011**	**2010**	**2009**
Discount rate	5.05%	5.39%	5.39%	5.52%	7.57%
Expected return on plan assets	5.00%	5.00%	5.00%	5.00%	5.00%
Initial trend rate	8.00%	8.00%	8.00%	7.50%	8.00%
Ultimate trend rate	5.00%	5.00%	5.00%	5.00%	5.00%
Ultimate trend reached in	2018	2016	2016	2015	2015

The following table presents the postretirement plan s benefit obligation and funded status as of September 30, 2011 and 2010:

	2011	**2010**
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 228,234	$ 209,732
Service cost	14,403	13,439
Interest cost	12,813	12,071
Plan participants contributions	2,892	2,734
Actuarial loss	17,966	2,980
Benefits paid	(13,046)	(12,722)
Subsidy payments	432	
Benefit obligation at end of year	263,694	228,234
Change in plan assets:		
Fair value of plan assets at beginning of year	53,033	47,646
Actual return on plan assets	(1,500)	3,551
Employer contributions	11,254	11,824
Plan participants contributions	2,892	2,734
Benefits paid	(13,046)	(12,722)
Subsidy payments	432	
Fair value of plan assets at end of year	53,065	53,033
Reconciliation:		
Funded status	(210,629)	(175,201)
Unrecognized transition obligation		
Unrecognized prior service cost		

Unrecognized net loss		
Accrued postretirement cost	$ (210,629)	$ (175,201)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net periodic postretirement cost for fiscal 2011, 2010 and 2009 is recorded as operating expense and included the components presented below.

	Fiscal Year Ended September 30		
	2011	2010	2009
	(In thousands)		
Components of net periodic postretirement cost:			
Service cost	$ 14,403	$ 13,439	$ 11,786
Interest cost	12,813	12,071	14,080
Expected return on assets	(2,727)	(2,460)	(2,292)
Amortization of transition obligation	1,511	1,511	1,511
Amortization of prior service cost	(1,450)	(1,450)	
Recognized actuarial loss	347	374	
Net periodic postretirement cost	$ 24,897	$ 23,485	$ 25,085

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

	One-Percentage Point Increase	One-Percentage Point Decrease
	(In thousands)	
Effect on total service and interest cost components	$ 4,155	$ (3,479)
Effect on postretirement benefit obligation	$ 30,159	$ (25,578)

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

The following table sets forth by level, within the fair value hierarchy, the Retiree Medical Plan s assets at fair value as of September 30, 2011 and 2010. The methods used to determine fair value for the assets held by the Retiree Medical Plan are fully described in Note 2.

	Assets at Fair Value as of September 30, 2011			
	Level 1	Level 2	Level 3	Total

	(In thousands)			
Investments:				
Money market funds	$	$ 1,707	$	$ 1,707
Registered investment companies	51,358			51,358
Total investments at fair value	$ 51,358	$ 1,707	$	$ 53,065

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Assets at Fair Value as of September 30, 2010			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments:				
Money market funds	$	$ 1,307	$	$ 1,307
Registered investment companies	51,726			51,726
Total investments at fair value	$ 51,726	$ 1,307	$	$ 53,033

Estimated Future Benefit Payments

The following benefit payments paid by us, retirees and prescription drug subsidy payments for our postretirement benefit plans, which reflect expected future service, as appropriate, are expected to be paid in the following fiscal years:

	Company Payments	Retiree Payments	Subsidy Payments	Total Postretirement Benefits
	(In thousands)			
2012	$ 31,519	$ 3,293	$	$ 34,812
2013	13,272	3,895		17,167
2014	15,271	4,491		19,762
2015	16,789	5,026		21,815
2016	18,333	5,672		24,005
2017-2021	99,139	38,238		137,377

Defined Contribution Plans

As of September 30, 2011, we maintained three defined contribution benefit plans: the Atmos Energy Corporation Retirement Savings Plan and Trust (the Retirement Savings Plan), the Atmos Energy Corporation Savings Plan for MVG Union Employees (the Union 401K Plan) and the Atmos Energy Holdings, LLC 401K Profit-Sharing Plan (the AEH 401K Profit-Sharing Plan).

The Retirement Savings Plan covers substantially all employees in our regulated operations and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Effective January 1, 2007, employees automatically became participants of the Retirement Savings Plan on the date of employment. Participants may elect a salary reduction ranging from a minimum of one percent up to a maximum of 65 percent of eligible compensation, as defined by the Plan, not to exceed the maximum allowed by the Internal Revenue Service. New participants are automatically enrolled in the Plan at a salary reduction amount of four percent of eligible compensation, from which they may opt out. We match 100 percent of a participant s contributions, limited to four percent of the participant s salary, in our common stock. However, participants have the option to immediately transfer this matching contribution into other funds held within the plan. Participants are eligible to receive matching contributions after completing one year of service. Participants are also permitted to take out loans against their accounts subject to certain restrictions. In August 2010, the Board of Directors of Atmos Energy approved a proposal to close the Pension Account Plan to new participants effective October 1, 2010. New employees participate in our defined contribution plan, which was enhanced, effective January 1, 2011. Employees participating in the Pension Account Plan as of October 1, 2010 were allowed to make a one-time election to migrate from the Plan into our defined contribution plan, effective January 1, 2011. Under the enhanced plan, participants will receive a fixed annual contribution of four percent of eligible earnings to their Retirement Savings Plan account. Participants will continue to be eligible for company matching contributions of up to four percent of their eligible earnings and will be fully vested in the fixed annual contribution after three years of service.

The Union 401K Plan covers substantially all Mississippi Division employees who are members of the International Chemical Workers Union Council, United Food and Commercial Workers Union International (the Union) and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Employees of the Union automatically become participants of the Union 401K plan on the date of union membership. We match 50 percent of a participant s contribution in cash, limited to six percent of the participant s eligible contribution. Participants are also permitted to take out loans against their accounts subject to certain restrictions.

Matching contributions to the Retirement Savings Plan and the Union 401K Plan are expensed as incurred and amounted to $10.2 million, $9.8 million, and $9.3 million for fiscal years 2011, 2010 and 2009. The Board of Directors may also approve discretionary contributions, subject to the provisions of the Internal Revenue Code of 1986 and applicable regulations of the Internal Revenue Service. No discretionary contributions were made for fiscal years 2011, 2010 or 2009. At September 30, 2011 and 2010, the Retirement Savings Plan held 4.5 percent and 4.3 percent of our outstanding common stock.

The AEH 401K Profit-Sharing Plan covers substantially all AEH employees and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Participants may elect a salary reduction ranging from a minimum of one percent up to a maximum of 75 percent of eligible compensation, as defined by the Plan, not to exceed the maximum allowed by the Internal Revenue Service. The Company may elect to make safe harbor contributions up to four percent of the employee s salary which vest immediately. The Company may also make discretionary profit sharing contributions to the AEH 401K Profit-Sharing Plan. Participants become fully vested in the discretionary profit-sharing contributions after three years of service. Participants are also permitted to take out loans against their accounts subject to certain restrictions. Discretionary contributions to the AEH 401K Profit-Sharing Plan are expensed as incurred and amounted to $1.3 million, $1.3 million and $1.2 million for fiscal years 2011, 2010 and 2009.

10. Details of Selected Consolidated Balance Sheet Captions

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

Accounts receivable

Accounts receivable was comprised of the following at September 30, 2011 and 2010:

	September 30	
	2011	2010
	(In thousands)	
Billed accounts receivable	$ 216,145	$ 223,129
Unbilled revenue	48,006	47,423
Other accounts receivable	16,592	15,356

Total accounts receivable	280,743	285,908
Less: allowance for doubtful accounts	(7,440)	(12,701)
Net accounts receivable	$ 273,303	$ 273,207

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other current assets

Other current assets as of September 30, 2011 and 2010 were comprised of the following accounts.

	September 30 2011	September 30 2010
	(In thousands)	
Assets from risk management activities	$ 18,344	$ 20,575
Deferred gas costs	33,976	22,701
Taxes receivable	9,215	19,382
Current deferred tax asset	76,725	53,926
Prepaid expenses	22,499	24,754
Current portion of leased assets receivable	2,013	2,973
Materials and supplies	4,113	3,940
Assets held for sale	140,571	
Other	9,015	2,744
Total	$ 316,471	$ 150,995

As discussed in Note 6, assets and liabilities related to our Missouri, Illinois and Iowa operations are classified as assets held for sale in other current assets and liabilities in our consolidated balance sheets at September 30, 2011.

Property, plant and equipment

Property, plant and equipment was comprised of the following as of September 30, 2011 and 2010:

	September 30 2011	September 30 2010
	(In thousands)	
Production plant	$ 7,412	$ 17,360
Storage plant	198,422	193,155
Transmission plant	1,126,509	1,108,398
Distribution plant	4,496,263	4,339,277
General plant	737,850	671,953
Intangible plant	41,096	54,253
	6,607,552	6,384,396
Construction in progress	209,242	157,922
	6,816,794	6,542,318

Less: accumulated depreciation and amortization	(1,668,876)	(1,749,243)
Net property, plant and equipment	$ 5,147,918	$ 4,793,075

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred charges and other assets

Deferred charges and other assets as of September 30, 2011 and 2010 were comprised of the following accounts.

	September 30 2011	2010
	(In thousands)	
Marketable securities	$ 52,633	$ 41,466
Regulatory assets	278,920	254,809
Deferred financing costs	35,149	35,761
Assets from risk management activities	998	937
Other	16,093	22,403
Total	$ 383,793	$ 355,376

Other current liabilities

Other current liabilities as of September 30, 2011 and 2010 were comprised of the following accounts.

	September 30 2011	2010
	(In thousands)	
Customer credit balances and deposits	$ 106,743	$ 114,215
Accrued employee costs	38,558	40,642
Deferred gas costs	8,130	43,333
Accrued interest	37,557	42,901
Liabilities from risk management activities	15,453	49,673
Taxes payable	57,853	56,616
Pension and postretirement obligations	33,036	14,815
Regulatory cost of removal accrual	35,078	30,953
Liabilities held for sale	18,445	
Other	16,710	20,492
Total	$ 367,563	$ 413,640

Deferred credits and other liabilities

Deferred credits and other liabilities as of September 30, 2011 and 2010 were comprised of the following accounts.

	September 30 2011	September 30 2010
	(In thousands)	
Postretirement obligations	$ 202,709	$ 167,899
Retirement plan obligations	236,227	207,234
Customer advances for construction	13,967	15,466
Regulatory liabilities	13,823	6,112
Asset retirement obligation	13,574	11,432
Uncertain tax positions		6,731
Liabilities from risk management activities	78,089	8,924
Other	6,306	6,366
Total	$ 564,695	$ 430,164

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Earnings Per Share

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

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

	2011	2010	2009
	(In thousands, except per share data)		
Basic Earnings Per Share from continuing operations			
Income from continuing operations	$ 198,884	$ 198,273	$ 183,299
Less: Income from continuing operations allocated to participating securities	2,077	2,029	1,712
Income from continuing operations available to common shareholders	$ 196,807	$ 196,244	$ 181,587
Basic weighted average shares outstanding	90,201	91,852	91,117
Income from continuing operations per share Basic	$ 2.18	$ 2.14	$ 1.99
Basic Earnings Per Share from discontinued operations			
Income from discontinued operations	$ 8,717	$ 7,566	$ 7,679
Less: Income from discontinued operations allocated to participating securities	91	77	72
Income from discontinued operations available to common shareholders	$ 8,626	$ 7,489	$ 7,607
Basic weighted average shares outstanding	90,201	91,852	91,117
Income from discontinued operations per share Basic	$ 0.10	$ 0.08	$ 0.09
Net income per share Basic	$ 2.28	$ 2.22	$ 2.08

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Diluted Earnings Per Share from continuing operations			
Income from continuing operations available to common shareholders	$ 196,807	$ 196,244	$ 181,587
Effect of dilutive stock options and other shares	4	5	4
Income from continuing operations available to common shareholders	$ 196,811	$ 196,249	$ 181,591
Basic weighted average shares outstanding	90,201	91,852	91,117
Additional dilutive stock options and other shares	451	570	503
Diluted weighted average shares outstanding	90,652	92,422	91,620
Income from continuing operations per share Diluted	$ 2.17	$ 2.12	$ 1.98
Diluted Earnings Per Share from discontinued operations			
Income from discontinued operations available to common shareholders	$ 8,626	$ 7,489	$ 7,607
Effect of dilutive stock options and other shares			
Income from discontinued operations available to common shareholders	$ 8,626	$ 7,489	$ 7,607
Basic weighted average shares outstanding	90,201	91,852	91,117
Additional dilutive stock options and other shares	451	570	503
Diluted weighted average shares outstanding	90,652	92,422	91,620
Income from discontinued operations per share Diluted	$ 0.10	$ 0.08	$ 0.09
Net income per share Diluted	$ 2.27	$ 2.20	$ 2.07

There were no out-of-the-money options excluded from the computation of diluted earnings per share for the fiscal years ended September 30, 2011 and 2010. There were approximately 70,000 out-of-the-money options excluded from the computation of diluted earnings per share for the fiscal year ended September 30, 2009.

12. Income Taxes

The components of income tax expense from continuing operations for 2011, 2010 and 2009 were as follows:

	2011	2010	2009
		(In thousands)	
Current			
Federal	$ (11,204)	$ (72,234)	$ (37,141)
State	6,533	6,179	8,720

Deferred			
Federal	112,612	179,271	134,912
State	5,920	11,429	(8,739)
Investment tax credits	(172)	(283)	(390)
	$ 113,689	$ 124,362	$ 97,362

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reconciliations of the provision for income taxes computed at the statutory rate to the reported provisions for income taxes from continuing operations for 2011, 2010 and 2009 are set forth below:

	2011	2010	2009
		(In thousands)	
Tax at statutory rate of 35%	$ 109,401	$ 112,922	$ 98,231
Common stock dividends deductible for tax reporting	(1,930)	(1,785)	(1,591)
Penalties	2,294	107	72
Settlement of uncertain tax positions	(4,950)		
State taxes (net of federal benefit)	8,184	11,445	(13)
Other, net	690	1,673	663
Income tax expense	$ 113,689	$ 124,362	$ 97,362

Deferred income taxes reflect the tax effect of differences between the basis of assets and liabilities for book and tax purposes. The tax effect of temporary differences that gave rise to significant components of the deferred tax liabilities and deferred tax assets at September 30, 2011 and 2010 are presented below:

	2011	2010
	(In thousands)	
Deferred tax assets:		
Accruals not currently deductible for tax purposes	$ 10,327	$ 9,182
Customer advances	5,271	5,723
Nonqualified benefit plans	43,924	43,427
Postretirement benefits	62,274	57,386
Treasury lock agreements	20,060	3,211
Unamortized investment tax credit	120	183
Tax net operating loss and credit carryforwards	95,293	63,621
Difference between book and tax on mark to market accounting	8,039	2,159
Other, net	3,529	4,559
Total deferred tax assets	248,837	189,451
Deferred tax liabilities:		
Difference in net book value and net tax value of assets	(1,108,063)	(940,914)
Pension funding	(7,533)	(14,936)
Gas cost adjustments	(13,570)	(6,473)
Cost expensed for tax purposes and capitalized for book purposes	(3,039)	(2,330)
Total deferred tax liabilities	(1,132,205)	(964,653)

Net deferred tax liabilities	$ (883,368)	$ (775,202)
Deferred credits for rate regulated entities	$ 325	$ 587

At September 30, 2011, we had $10.1 million of federal alternative minimum tax credit carryforwards, $75.2 million of federal net operating loss carryforwards and $9.9 million of state net operating loss carryforwards. The alternative minimum tax credit carryforwards do not expire. The federal net operating loss carryforwards are available to offset taxable income and will begin to expire in 2029. Depending on the jurisdiction in which the state net operating loss was generated, the state net operating loss carryforwards will begin to expire between 2016 and 2029.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At September 30, 2010, we had accrued liabilities associated with uncertain tax positions totaling $6.7 million. During the fiscal year ended September 30, 2011, the IRS completed its audit of fiscal years 2005-2007. All uncertain tax positions were effectively settled upon completion of the audit. As a result of the settlement, we reduced our unrecognized tax benefits by $6.7 million in the second quarter of fiscal 2011. Income tax expense was reduced by $5.0 million in the second quarter due to the realization of the tax positions which were previously uncertain. As of September 30, 2011, we had no liabilities associated with uncertain tax positions.

We recognize accrued interest related to unrecognized tax benefits as a component of interest expense. We recognize penalties related to unrecognized tax benefits as a component of miscellaneous income (expense) in accordance with regulatory requirements. We recognized a tax expense of $0.01 million, $0.5 million and $0.1 million related to penalty and interest expenses during the fiscal years ended September 30, 2011, 2010 and 2009.

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

13. Commitments and Contingencies

Litigation

Since April 2009, Atmos Energy and two subsidiaries of AEH, AEM and Atmos Gathering Company, LLC (AGC) (collectively, the Atmos Entities), have been involved in a lawsuit filed in the Circuit Court of Edmonson County, Kentucky related to our Park City Gathering Project. The dispute which gave rise to the litigation involves the amount of royalties due from a third party producer to landowners (who own the mineral rights) for natural gas produced from the landowners properties. The third party producer was operating pursuant to leases between the landowners and certain investors/working interest owners. The third party producer filed a petition in bankruptcy, which was subsequently dismissed due to the lack of meaningful assets to reorganize or liquidate.

Although certain Atmos Energy companies entered into contracts with the third party producer to gather, treat and ultimately sell natural gas produced from the landowners properties, no Atmos Energy company had a contractual relationship with the landowners or the investors/working interest owners. After the lawsuit was filed, the landowners were successful in terminating for non-payment of royalties the leases related to the production of natural gas from their properties. Subsequent to termination, the investors/working interest owners under such leases filed additional claims against us for the termination of the leases.

During the trial, the landowners and the investors/working interest owners requested an award of compensatory damages plus punitive damages against us. On December 17, 2010, the jury returned a verdict in favor of the landowners and investor/working interest owners and awarded compensatory damages of $3.8 million and punitive damages of $27.5 million payable by Atmos Energy and the two AEH subsidiaries.

A hearing was held on February 28, 2011 to hear a number of motions, including a motion to dismiss the jury verdict and a motion for a new trial. The motions to dismiss the jury verdict and for a new trial were denied. However, the total punitive damages award was reduced from $27.5 million to $24.7 million. On March 30, 2011, we filed a notice of appeal of this ruling. We strongly believe that the trial court erred in not granting our motion to dismiss the lawsuit prior to trial and that the verdict is unsupported by law. After consultation with counsel, we believe that it is probable that any judgment based on this verdict will be overturned on appeal.

In addition, in a related development, on July 12, 2011, the Atmos Entities filed a lawsuit in the United States District Court, Western District of Kentucky against the third party producer and its affiliates to recover all costs, including attorneys fees, incurred by the Atmos Entities, which are associated with the defense and

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

appeal of the case discussed above as well as for all damages awarded to the plaintiffs in such case against the Atmos Entities. The total amount of damages being claimed in the lawsuit is open-ended since the appellate process and related costs are ongoing. This lawsuit is based upon the indemnification provisions agreed to by the third party producer in favor of Atmos Gathering that are contained in an agreement entered into between Atmos Gathering and the third party producer in May 2009.

We have accrued what we believe is an adequate amount for the anticipated resolution of this matter; however, the amount accrued is less than the amount of the verdict. The Company does not have insurance coverage that could mitigate any losses that may arise from the resolution of this matter; however, we believe that the final outcome will not have a material adverse effect on our financial condition, results of operations or cash flows.

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

Environmental Matters

Former Manufactured Gas Plant Sites

We are the owner or previous owner of former manufactured gas plant sites in Johnson City, Tennessee, Keokuk, Iowa and Owensboro, Kentucky, which were used to supply gas prior to the availability of natural gas. The gas manufacturing process resulted in certain byproducts and residual materials, including coal tar. The manufacturing process used by our predecessors was an acceptable and satisfactory process at the time such operations were being conducted. We have taken removal actions with respect to the sites that have been approved by the applicable regulatory authorities in Tennessee, Iowa, Kentucky and the United States Environmental Protection Agency.

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

Purchase Commitments

AEH has commitments to purchase physical quantities of natural gas under contracts indexed to the forward NYMEX strip or fixed price contracts. At September 30, 2011, AEH was committed to purchase 103.3 Bcf within one year, 46.4 Bcf within one to three years and 0.9 Bcf after three years under indexed contracts. AEH is committed to purchase 4.2 Bcf within one year and 0.3 Bcf within one to three years under fixed price contracts with prices ranging from $3.49 to $6.36 per Mcf. Purchases under these contracts totaled $1,498.6 million, $1,562.8 million and $1,484.5 million for 2011, 2010 and 2009.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our Mid-Tex Division maintains long-term supply contracts to ensure a reliable source of gas for our customers in its service area which obligate it to purchase specified volumes at market and fixed prices. The estimated commitments under these contracts as of September 30, 2011 are as follows (in thousands):

2012	$ 274,985
2013	102,959
2014	82,235
2015	
2016	
Thereafter	
	$ 460,179

Our nonregulated segment maintains long-term contracts related to storage and transportation. The estimated contractual demand fees for contracted storage and transportation under these contracts as of September 30, 2011 are as follows (in thousands):

2012	$ 25,362
2013	16,711
2014	9,988
2015	4,130
2016	278
Thereafter	165
	$ 56,634

Other Contingencies

In December 2007, the Company received data requests from the Division of Investigations of the Office of Enforcement of the Federal Energy Regulatory Commission (the Commission) in connection with its investigation into possible violations of the Commission s posting and competitive bidding regulations for pre-arranged released firm capacity on natural gas pipelines.

Since that time, we have fully cooperated with FERC during this investigation. In August 2011, the FERC issued a Notice of Alleged Violations stating that it preliminarily determined that Atmos Energy Corporation and its subsidiaries, Atmos Energy Marketing, LLC (AEM) and Trans Louisiana Gas Pipeline, Inc. (TLGP) violated Sections 284.8(h)(2) and 1c.1 of the Commission s regulations through flipping and AEM violated the Commission s shipper-must-have-title requirement and the associated FERC gas tariffs of various pipelines.

The Company and FERC are currently involved in settlement discussions. We have accrued what we believe is an adequate amount for the anticipated resolution of this matter.

We have been replacing certain steel service lines in our Mid-Tex Division since our acquisition of the natural gas distribution system in 2004. Since early 2010, we have been discussing the financial and operational details of an accelerated steel service line replacement program with representatives of 440 municipalities served by our Mid-Tex Division. As previously discussed in Note 12 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2010, all of the cities in our Mid-Tex Division have agreed to a program of installing 100,000 replacements during the next fiscal year, with approved recovery of the associated return, depreciation and taxes. Under the terms of the agreement, the accelerated replacement program commenced in the first quarter of fiscal 2011, replacing

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35,852 lines for a cost of $49.7 million as of September 30, 2011. The program is progressing on schedule for completion in September 2012.

In July 2010, the Dodd-Frank Act was enacted, representing an extensive overhaul of the framework for regulation of U.S. financial markets. The Dodd-Frank Act calls for various regulatory agencies, including the SEC and the Commodities Futures Trading Commission, to establish regulations for implementation of many of the provisions of the Dodd-Frank Act, which we expect will provide additional clarity regarding the extent of the impact of this legislation on us. The costs of participating in financial markets for hedging certain risks inherent in our business may be increased as a result of the new legislation. We may also incur additional costs associated with compliance with new regulations and anticipate additional reporting and disclosure obligations.

14. Leases

Leasing Operations

A subsidiary of AEH has constructed electric peaking power-generating plants and associated facilities and entered into agreements to either lease or sell these plants. We completed a sales-type lease transaction for one distributed electric generation plant in 2001 and a second sales-type lease transaction in 2003. In connection with these lease transactions, as of September 30, 2011 and 2010, we had receivables of $2.0 million and $7.8 million and recognized income of $0.5 million, $0.9 million and $1.2 million for fiscal years 2011, 2010 and 2009. The future minimum lease payments to be received for each of the five succeeding fiscal years are as follows:

	Minimum Lease Receipts (In thousands)
2012	$ 2,013
Thereafter	
Total minimum lease receipts	$ 2,013

Capital and Operating Leases

We have entered into non-cancelable operating leases for office and warehouse space used in our operations. The remaining lease terms range from one to 21 years and generally provide for the payment of taxes, insurance and maintenance by the lessee. Renewal options exist for certain of these leases. We have also entered into capital leases for division offices and operating facilities. Property, plant and equipment included amounts for capital leases of $1.3 and $1.3 million at September 30, 2011 and 2010. Accumulated depreciation for these capital leases totaled $0.9 and $0.8 million at September 30, 2011 and 2010. Depreciation expense for these assets is included in consolidated depreciation expense on the consolidated statement of income.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The related future minimum lease payments at September 30, 2011 were as follows:

	Capital Leases	Operating Leases
	(In thousands)	
2012	$ 186	$ 17,718
2013	186	16,846
2014	186	16,519
2015	186	15,455
2016	186	14,921
Thereafter	264	118,108
Total minimum lease payments	1,194	$ 199,567
Less amount representing interest	406	
Present value of net minimum lease payments	$ 788	

Consolidated lease and rental expense amounted to $19.1 million, $16.0 million and $13.6 million for fiscal 2011, 2010 and 2009.

15. Concentration of Credit Risk

Credit risk is the risk of financial loss to us if a customer fails to perform its contractual obligations. We engage in transactions for the purchase and sale of products and services with major companies in the energy industry and with industrial, commercial, residential and municipal energy consumers. These transactions principally occur in the southern and midwestern regions of the United States. We believe that this geographic concentration does not contribute significantly to our overall exposure to credit risk. Credit risk associated with trade accounts receivable for the natural gas distribution segment is mitigated by the large number of individual customers and diversity in our customer base. The credit risk for our other segments is not significant.

Customer diversification also helps mitigate AEM s exposure to credit risk. AEM maintains credit policies with respect to its counterparties that it believes minimizes overall credit risk. Where appropriate, such policies include the evaluation of a prospective counterparty s financial condition, collateral requirements, primarily consisting of letters of credit, and the use of standardized agreements that facilitate the netting of cash flows associated with a single counterparty. AEM also monitors the financial condition of existing counterparties on an ongoing basis. Customers not meeting minimum standards are required to provide adequate assurance of financial performance.

AEM maintains a provision for credit losses based upon factors surrounding the credit risk of customers, historical trends, consideration of the current credit environment and other information. We believe, based on our credit policies and our provisions for credit losses as of September 30, 2011, that our financial position, results of operations and cash flows will not be materially affected as a result of nonperformance by any single counterparty.

AEM s estimated credit exposure is monitored in terms of the percentage of its customers, including affiliate customers that are rated as investment grade versus non-investment grade. Credit exposure is defined as the total of (1) accounts receivable, (2) delivered, but unbilled physical sales and (3) mark-to-market exposure for sales and purchases. Investment grade determinations are set internally by AEM s credit department, but are primarily based on external ratings provided by Moody s Investors Service Inc. (Moody s) and/or Standard & Poor s Corporation (S&P). For non-rated entities, the default rating for municipalities is investment grade, while the default rating for non-guaranteed industrials and commercials is non-investment

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grade. Customers who have a non-investment grade but provide either a letter of credit or prepay their monthly invoice have been included as investment grade. The following table shows the percentages related to the investment ratings as of September 30, 2011 and 2010.

	September 30, 2011	September 30, 2010
Investment grade	54%	58%
Non-investment grade	46%	42%
Total	100%	100%

The following table presents our financial instrument counterparty credit exposure by operating segment based upon the unrealized fair value of our financial instruments that represent assets as of September 30, 2011. Investment grade counterparties have minimum credit ratings of BBB-, assigned by S&P; or Baa3, assigned by Moody s. Non-investment grade counterparties are composed of counterparties that are below investment grade or that have not been assigned an internal investment grade rating due to the short-term nature of the contracts associated with that counterparty. This category is composed of numerous smaller counterparties, none of which is individually significant.

	Natural Gas Distribution Segment[1]	Nonregulated Segment (In thousands)	Consolidated
Investment grade counterparties	$	$ 16	$ 16
Non-investment grade counterparties		1,081	1,081
	$	$ 1,097	$ 1,097

(1) Counterparty risk for our natural gas distribution segment is minimized because hedging gains and losses are passed through to our customers.

16. Supplemental Cash Flow Disclosures

Supplemental disclosures of cash flow information for fiscal 2011, 2010 and 2009 are presented below.

	2011	2010	2009

	(In thousands)		
Cash paid for interest	$ 157,976	$ 161,925	$ 163,554
Cash received for income taxes	$ (8,329)	$ (63,677)	$ (36,405)

There were no significant noncash investing and financing transactions during fiscal 2011, 2010 and 2009. All cash flows and noncash activities related to our commodity financial instruments are considered as operating activities.

17. Segment Information

Atmos Energy Corporation and its subsidiaries are engaged primarily in the regulated natural gas distribution, transmission and storage business as well as other nonregulated businesses. We distribute natural gas through sales and transportation arrangements to over three million residential, commercial, public authority and industrial customers through our six regulated natural gas distribution divisions, which cover service areas located in 12 states. In addition, we transport natural gas for others through our distribution system.

Through our nonregulated businesses, we primarily provide natural gas management and marketing services to municipalities, other local distribution companies and industrial customers primarily in the Midwest

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and Southeast. Additionally, we provide natural gas transportation and storage services to certain of our natural gas distribution operations and to third parties.

Through November 30, 2010, our operations were divided into four segments:

The *natural gas distribution segment*, which included our regulated natural gas distribution and related sales operations.

The *regulated transmission and storage segment*, which included the regulated pipeline and storage operations of our Atmos Pipeline Texas Division.

The *natural gas marketing segment*, which included a variety of nonregulated natural gas management services.

The *pipeline, storage and other segment*, which included our nonregulated natural gas gathering transmission and storage services.

As a result of the appointment of a new CEO effective October 1, 2010, during the first quarter of fiscal 2011, we revised the information used by the chief operating decision maker to manage the Company. As a result of this change, effective December 1, 2010, we began dividing our operations into the following three segments:

The *natural gas distribution segment*, remains unchanged and includes our regulated natural gas distribution and related sales operations.

The *regulated transmission and storage segment*, remains unchanged and includes the regulated pipeline and storage operations of our Atmos Pipeline Texas Division.

The *nonregulated segment*, is comprised of our nonregulated natural gas management, nonregulated natural gas transmission, storage and other services which were previously reported in the natural gas marketing and pipeline, storage and other segments.

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

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Summarized income statements and capital expenditures by segment are shown in the following tables. Prior-year amounts have been restated to reflect the new operating segments.

	Year Ended September 30, 2011				
	Regulated				
	Natural Gas Distribution	Transmission and Storage	Nonregulated	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 2,530,980	$ 87,141	$ 1,729,513	$	$ 4,347,634
Intersegment revenues	883	132,232	295,380	(428,495)	
	2,531,863	219,373	2,024,893	(428,495)	4,347,634
Purchased gas cost	1,487,499		1,959,893	(426,999)	3,020,393
Gross profit	1,044,364	219,373	65,000	(1,496)	1,327,241
Operating expenses					
Operation and maintenance	348,083	70,401	32,308	(1,502)	449,290
Depreciation and amortization	196,909	25,997	4,193		227,099
Taxes, other than income	161,371	14,700	2,612		178,683
Asset impairments			30,270		30,270
Total operating expenses	706,363	111,098	69,383	(1,502)	885,342
Operating income (loss)	338,001	108,275	(4,383)	6	441,899
Miscellaneous income	16,557	4,715	657	(430)	21,499
Interest charges	115,802	31,432	4,015	(424)	150,825
Income (loss) from continuing operations before income taxes	238,756	81,558	(7,741)		312,573
Income tax expense (benefit)	84,755	29,143	(209)		113,689
Income (loss) from continuing operations	154,001	52,415	(7,532)		198,884
Income from discontinued operations, net of tax	8,717				8,717
Net income (loss)	$ 162,718	$ 52,415	$ (7,532)	$	$ 207,601
Capital expenditures	$ 496,899	$ 118,452	$ 7,614	$	$ 622,965

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended September 30, 2010				
	Regulated				
	Natural Gas Distribution	Transmission and Storage	Nonregulated	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 2,841,768	$ 97,023	$ 1,781,044	$	$ 4,719,835
Intersegment revenues	870	105,990	365,614	(472,474)	
	2,842,638	203,013	2,146,658	(472,474)	4,719,835
Purchased gas cost	1,820,627		2,032,567	(470,864)	3,382,330
Gross profit	1,022,011	203,013	114,091	(1,610)	1,337,505
Operating expenses					
Operation and maintenance	355,357	72,249	34,517	(1,610)	460,513
Depreciation and amortization	185,147	21,368	5,074		211,589
Taxes, other than income	171,338	12,358	4,556		188,252
Total operating expenses	711,842	105,975	44,147	(1,610)	860,354
Operating income	310,169	97,038	69,944		477,151
Miscellaneous income (expense)	1,567	135	3,859	(5,717)	(156)
Interest charges	118,319	31,174	10,584	(5,717)	154,360
Income from continuing operations before income taxes	193,417	65,999	63,219		322,635
Income tax expense	75,034	24,513	24,815		124,362
Income from continuing operations	118,383	41,486	38,404		198,273
Income from discontinued operations, net of tax	7,566				7,566
Net income	$ 125,949	$ 41,486	$ 38,404	$	$ 205,839
Capital expenditures	$ 437,815	$ 95,835	$ 8,986	$	$ 542,636

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended September 30, 2009				
	Regulated				
	Natural Gas Distribution	Transmission and Storage	Nonregulated	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$ 2,883,997	$ 119,427	$ 1,865,687	$	$ 4,869,111
Intersegment revenues	799	90,231	418,301	(509,331)	
	2,884,796	209,658	2,283,988	(509,331)	4,869,111
Purchased gas cost	1,887,192		2,169,880	(507,639)	3,549,433
Gross profit	997,604	209,658	114,108	(1,692)	1,319,678
Operating expenses					
Operation and maintenance	361,123	85,249	41,368	(2,036)	485,704
Depreciation and amortization	187,050	20,413	4,521		211,984
Taxes, other than income	166,854	10,231	3,157		180,242
Asset impairments	4,599	602	181		5,382
Total operating expenses	719,626	116,495	49,227	(2,036)	883,312
Operating income	277,978	93,163	64,881	344	436,366
Miscellaneous income (expense)	6,002	1,433	6,399	(16,901)	(3,067)
Interest charges	123,863	30,982	14,350	(16,557)	152,638
Income from continuing operations before income taxes	160,117	63,614	56,930		280,661
Income tax expense	50,989	22,558	23,815		97,362
Income from continuing operations	109,128	41,056	33,115		183,299
Income from discontinued operations, net of tax	7,679				7,679
Net income	$ 116,807	$ 41,056	$ 33,115	$	$ 190,978
Capital expenditures	$ 379,500	$ 108,332	$ 21,662	$	$ 509,494

The following table summarizes our revenues by products and services for the fiscal year ended September 30. Prior-year amounts have been restated to reflect the new operating segments.

	2011	2010 (In thousands)	2009
Natural gas distribution revenues:			
Gas sales revenues:			
Residential	$ 1,570,723	$ 1,784,051	$ 1,768,082
Commercial	698,366	787,433	807,109
Industrial	106,569	110,280	132,487
Public authority and other	69,176	70,402	88,972
Total gas sales revenues	2,444,834	2,752,166	2,796,650
Transportation revenues	59,547	58,511	56,162
Other gas revenues	26,599	31,091	31,185
Total natural gas distribution revenues	2,530,980	2,841,768	2,883,997
Regulated transmission and storage revenues	87,141	97,023	119,427
Nonregulated revenues	1,729,513	1,781,044	1,865,687
Total operating revenues	$ 4,347,634	$ 4,719,835	$ 4,869,111

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Balance sheet information at September 30, 2011 and 2010 by segment is presented in the following tables. Prior-year amounts have been restated to reflect the new operating segments.

	September 30, 2011				
	Regulated				
	Natural Gas Distribution	Transmission and Storage	Nonregulated	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Property, plant and equipment, net	$ 4,248,198	$ 838,302	$ 61,418	$	$ 5,147,918
Investment in subsidiaries	670,993		(2,096)	(668,897)	
Current assets					
Cash and cash equivalents	24,646		106,773		131,419
Assets from risk management activities	843		17,501		18,344
Other current assets	655,716	15,413	386,215	(196,154)	861,190
Intercompany receivables	569,898			(569,898)	
Total current assets	1,251,103	15,413	510,489	(766,052)	1,010,953
Intangible assets			207		207
Goodwill	572,908	132,381	34,711		740,000
Noncurrent assets from risk management activities	998				998
Deferred charges and other assets	353,960	18,028	10,807		382,795
	$ 7,098,160	$ 1,004,124	$ 615,536	$ (1,434,949)	$ 7,282,871
CAPITALIZATION AND LIABILITIES					
Shareholders equity	$ 2,255,421	$ 265,102	$ 405,891	$ (670,993)	$ 2,255,421
Long-term debt	2,205,986		131		2,206,117
Total capitalization	4,461,407	265,102	406,022	(670,993)	4,461,538
Current liabilities					
Current maturities of long-term debt	2,303		131		2,434
Short-term debt	387,691			(181,295)	206,396
Liabilities from risk management activities	11,916		3,537		15,453
Other current liabilities	474,783	10,369	170,926	(12,763)	643,315
Intercompany payables		543,084	26,814	(569,898)	

Total current liabilities	876,693	553,453	201,408	(763,956)	867,598
Deferred income taxes	789,649	173,351	(2,907)		960,093
Noncurrent liabilities from risk management activities	67,862		10,227		78,089
Regulatory cost of removal obligation	428,947				428,947
Deferred credits and other liabilities	473,602	12,218	786		486,606
	$ 7,098,160	$ 1,004,124	$ 615,536	$ (1,434,949)	$ 7,282,871

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	September 30, 2010				
	Natural Gas Distribution	Regulated Transmission and Storage	Nonregulated	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Property, plant and equipment, net	$ 3,959,112	$ 748,947	$ 85,016	$	$ 4,793,075
Investment in subsidiaries	620,863		(2,096)	(618,767)	
Current assets					
Cash and cash equivalents	31,952		100,000		131,952
Assets from risk management activities	2,219		18,356		20,575
Other current assets	528,655	19,504	325,348	(150,842)	722,665
Intercompany receivables	546,313			(546,313)	
Total current assets	1,109,139	19,504	443,704	(697,155)	875,192
Intangible assets			834		834
Goodwill	572,262	132,341	34,711		739,314
Noncurrent assets from risk management activities	47		890		937
Deferred charges and other assets	324,707	13,037	16,695		354,439
	$ 6,586,130	$ 913,829	$ 579,754	$ (1,315,922)	$ 6,763,791
CAPITALIZATION AND LIABILITIES					
Shareholders equity	$ 2,178,348	$ 212,687	$ 408,176	$ (620,863)	$ 2,178,348
Long-term debt	1,809,289		262		1,809,551
Total capitalization	3,987,637	212,687	408,438	(620,863)	3,987,899
Current liabilities					
Current maturities of long-term debt	360,000		131		360,131
Short-term debt	258,488			(132,388)	126,100
Liabilities from risk management activities	48,942		731		49,673
Other current liabilities	473,076	10,949	162,508	(16,358)	630,175
Intercompany payables		543,007	3,306	(546,313)	
Total current liabilities	1,140,506	553,956	166,676	(695,059)	1,166,079
Deferred income taxes	691,126	142,337	(4,335)		829,128

Noncurrent liabilities from risk management activities	2,924		6,000		8,924
Regulatory cost of removal obligation	350,521				350,521
Deferred credits and other liabilities	413,416	4,849	2,975		421,240
	$ 6,586,130	$ 913,829	$ 579,754	$ (1,315,922)	$ 6,763,791

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ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Selected Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data is presented below. Prior-period amounts have been restated to reflect continuing operations. The sum of net income per share by quarter may not equal the net income per share for the fiscal year due to variations in the weighted average shares outstanding used in computing such amounts. Our businesses are seasonal due to weather conditions in our service areas. For further information on its effects on quarterly results, see the Results of Operations discussion included in the Management s Discussion and Analysis of Financial Condition and Results of Operations section herein.

	Quarter Ended			
	December 31	**March 31**	**June 30**	**September 30**
	(In thousands, except per share data)			
Fiscal year 2011:				
Operating revenues				
Natural gas distribution	$ 703,462(1)	$ 1,077,414(2)	$ 407,031	$ 343,956
Regulated transmission and storage	49,007	54,976	53,570	61,820
Nonregulated	475,640	583,531	491,285	474,437
Intersegment eliminations	(94,847)	(134,424)	(108,271)	(90,953)
	1,133,262	1,581,497	843,615	789,260
Gross profit	364,724(1)	453,668(2)	266,805	242,044
Operating income	155,289(1)	211,199(2)	34,078	41,333
Income (loss) from continuing operations	71,100	128,160	(1,474)	1,098
Income from discontinued operations	2,897	4,049	908	863
Net income (loss)	73,997	132,209	(566)	1,961
Basic earnings per share				
Income (loss) per share from continuing operations	$ 0.78	$ 1.41	$ (0.02)	$ 0.01
Income per share from discontinued operations	$ 0.03	$ 0.04	$ 0.01	$ 0.01
Net income (loss) per share basic	$ 0.81	$ 1.45	$ (0.01)	$ 0.02
Diluted earnings per share				
Income (loss) per share from continuing operations	$ 0.78	$ 1.41	$ (0.02)	$ 0.01
Income per share from discontinued operations	$ 0.03	$ 0.04	$ 0.01	$ 0.01
Net income (loss) per share diluted	$ 0.81	$ 1.45	$ (0.01)	$ 0.02

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Quarter Ended			
	December 31	**March 31**	**June 30**	**September 30**
	(In thousands, except per share data)			
Fiscal year 2010:				
Operating revenues				
Natural gas distribution	$ 781,841(3)	$ 1,333,872(4)	$ 396,319	$ 330,606(5)
Regulated transmission and storage	46,860	55,181	44,957	56,015
Nonregulated	548,016	677,032	427,405	494,205
Intersegment eliminations	(104,918)	(157,935)	(107,376)	(102,245)
	1,271,799	1,908,150	761,305	778,581
Gross profit	403,003(3)	445,444(4)	247,666	241,392(5)
Operating income	186,598(3)	219,757(4)	32,259	38,537(5)
Income (loss) from continuing operations	90,975	111,283	(4,229)	244
Income from discontinued operations	2,355	2,843	1,075	1,293
Net income (loss)	93,330	114,126	(3,154)	1,537
Basic earnings per share				
Income (loss) per share from continuing operations	$ 0.97	$ 1.19	$ (0.04)	$
Income per share from discontinued operations	$ 0.03	0.03	$ 0.01	$ 0.02
Net income (loss) per share basic	$ 1.00	$ 1.22	$ (0.03)	$ 0.02
Diluted earnings per share				
Income (loss) per share from continuing operations	$ 0.97	$ 1.19	$ (0.04)	$
Income per share from discontinued operations	$ 0.03	$ 0.03	$ 0.01	$ 0.02
Net income (loss) per share diluted	$ 1.00	$ 1.22	$ (0.03)	$ 0.02

(1) Operating revenues for natural gas distribution, gross profit and operating income are shown net of discontinued operations of $23.7 million, $8.8 million and $4.8 million.

(2) Operating revenues for natural gas distribution, gross profit and operating income are shown net of discontinued operations of $35.8 million, $11.2 million and $6.7 million.

(3) Operating revenues for natural gas distribution, gross profit and operating income are shown net of discontinued operations of $21.1 million, $7.8 million and $4.0 million.

(4) Operating revenues for natural gas distribution, gross profit and operating income are shown net of discontinued operations of $32.1 million, $8.9 million and $4.8 million.

(5)

Operating revenues for natural gas distribution, gross profit and operating income are shown net of discontinued operations of $7.7 million, $5.2 million and $1.7 million.

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ITEM 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.***

None.

ITEM 9A. ***Controls and Procedures.***

Management s Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the Company s disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act). Based on this evaluation, the Company s principal executive officer and principal financial officer have concluded that the Company s disclosure controls and procedures were effective as of September 30, 2011 to provide reasonable assurance that information required to be disclosed by us, including our consolidated entities, in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC s rules and forms, including a reasonable level of assurance that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f), in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in *Internal Control-Integrated Framework* issued by COSO and applicable Securities and Exchange Commission rules, our management concluded that our internal control over financial reporting was effective as of September 30, 2011, in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Ernst & Young LLP has issued its report on the effectiveness of the Company s internal control over financial reporting. That report appears below.

/s/ KIM R. COCKLIN

Kim R. Cocklin
President and Chief Executive Officer

/s/ FRED E. MEISENHEIMER

Fred E. Meisenheimer
Senior Vice President and
Chief Financial Officer

November 22, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have audited Atmos Energy Corporation s internal control over financial reporting as of September 30, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Atmos Energy Corporation s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Atmos Energy Corporation maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of September 30, 2011 and 2010, and the related statements of income, shareholders equity, and cash flows for each of the three years in the period ended September 30, 2011 of Atmos Energy Corporation and our report dated November 22, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
November 22, 2011

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Changes in Internal Control over Financial Reporting

We did not make any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Act) during the fourth quarter of the fiscal year ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. *Other Information.*

Not applicable.

PART III

ITEM 10. *Directors, Executive Officers and Corporate Governance.*

Information regarding directors and compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the Company s Definitive Proxy Statement for the Annual Meeting of Shareholders on February 8, 2012. Information regarding executive officers is reported below:

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information as of September 30, 2011, regarding the executive officers of the Company. It is followed by a brief description of the business experience of each executive officer.

Name	Age	Years of Service	Office Currently Held
Robert W. Best	64	14	Executive Chairman of the Board
Kim R. Cocklin	60	5	President and Chief Executive Officer
Louis P. Gregory	56	11	Senior Vice President and General Counsel
Michael E. Haefner	51	3	Senior Vice President, Human Resources
Fred E. Meisenheimer	67	11	Senior Vice President and Chief Financial Officer

Robert W. Best was named Executive Chairman of the Board on October 1, 2010. From March 1997 through September 2008, Mr. Best served the Company as Chairman of the Board, President and Chief Executive Officer. From October 1, 2008 through September 30, 2010, Mr. Best continued to serve the Company as Chairman of the Board and Chief Executive Officer.

Kim R. Cocklin was named President and Chief Executive Officer effective October 1, 2010. Mr. Cocklin joined the Company in June 2006 and served as President and Chief Operating Officer of the Company from October 1, 2008 through September 30, 2010, after having served as Senior Vice President, Regulated Operations from October 2006 through September 2008. Mr. Cocklin was Senior Vice President, General Counsel and Chief Compliance Officer of Piedmont Natural Gas Company from February 2003 through May 2006. Mr. Cocklin was appointed to the Board of Directors on November 10, 2009.

Louis P. Gregory was named Senior Vice President and General Counsel in September 2000.

Michael E. Haefner joined the Company in June 2008 as Senior Vice President, Human Resources. Prior to joining the Company, Mr. Haefner was a self-employed consultant and founder and president of Perform for Life, LLC from May 2007 to May 2008. Mr. Haefner previously served for 10 years as the Senior Vice President, Human Resources, of Sabre Holding Corporation, the parent company of Sabre Airline Solutions, Sabre Travel Network and Travelocity.

Fred E. Meisenheimer was named Senior Vice President and Chief Financial Officer in February 2009.
Mr. Meisenheimer previously served the Company as Vice President and Controller from July 2000 through

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May 2009, interim Chief Financial Officer in January 2009 and Treasurer from November 2009 through February 2011.

Identification of the members of the Audit Committee of the Board of Directors as well as the Board of Directors determination as to whether one or more audit committee financial experts are serving on the Audit Committee of the Board of Directors is incorporated herein by reference to the Company s Definitive Proxy Statement for the Annual Meeting of Shareholders on February 8, 2012.

The Company has adopted a code of ethics for its principal executive officer, principal financial officer and principal accounting officer. Such code of ethics is represented by the Company s Code of Conduct, which is applicable to all directors, officers and employees of the Company, including the Company s principal executive officer, principal financial officer and principal accounting officer. A copy of the Company s Code of Conduct is posted on the Company s website at *www.atmosenergy.com* under Corporate Governance. In addition, any amendment to or waiver granted from a provision of the Company s Code of Conduct will be posted on the Company s website under Corporate Governance.

ITEM 11. ***Executive Compensation.***

Information on executive compensation is incorporated herein by reference to the Company s Definitive Proxy Statement for the Annual Meeting of Shareholders on February 8, 2012.

ITEM 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

Security ownership of certain beneficial owners and of management is incorporated herein by reference to the Company s Definitive Proxy Statement for the Annual Meeting of Shareholders on February 8, 2012. Information concerning our equity compensation plans is provided in Part II, Item 5, Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities , of this Annual Report on Form 10-K.

ITEM 13. ***Certain Relationships and Related Transactions, and Director Independence.***

Information on certain relationships and related transactions as well as director independence is incorporated herein by reference to the Company s Definitive Proxy Statement for the Annual Meeting of Shareholders on February 8, 2012.

ITEM 14. ***Principal Accountant Fees and Services.***

Information on our principal accountant s fees and services is incorporated herein by reference to the Company s Definitive Proxy Statement for the Annual Meeting of Shareholders on February 8, 2012.

PART IV

ITEM 15. ***Exhibits and Financial Statement Schedules.***

(a) 1. and 2. *Financial statements and financial statement schedules.*

The financial statements and financial statement schedule listed in the Index to Financial Statements in Item 8 are filed as part of this Form 10-K.

3. *Exhibits*

The exhibits listed in the accompanying Exhibits Index are filed as part of this Form 10-K. The exhibits numbered 10.6(a) through 10.14 are management contracts or compensatory plans or arrangements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATMOS ENERGY CORPORATION

(Registrant)

By: /s/ FRED E. MEISENHEIMER

Fred E. Meisenheimer

Senior Vice President and Chief Financial Officer

Date: November 22, 2011

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Kim R. Cocklin and Fred. E. Meisenheimer, or either of them acting alone or together, as his true and lawful attorney-in-fact and agent with full power to act alone, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

/s/ KIM R. COCKLIN Kim R. Cocklin	President, Chief Executive Officer and Director	November 22, 2011
/s/ FRED E. MEISENHEIMER Fred E. Meisenheimer	Senior Vice President and Chief Financial Officer	November 22, 2011
/s/ CHRISTOPHER T. FORSYTHE Christopher T. Forsythe	Vice President and Controller (Principal Accounting Officer)	November 22, 2011
/s/ ROBERT W. BEST Robert W. Best	Executive Chairman of the Board	November 22, 2011
/s/ RICHARD W. DOUGLAS Richard W. Douglas	Director	November 22, 2011
/s/ RUBEN E. ESQUIVEL Ruben E. Esquivel	Director	November 22, 2011
/s/ RICHARD K. GORDON Richard K. Gordon	Director	November 22, 2011
/s/ ROBERT C. GRABLE Robert C. Grable	Director	November 22, 2011

/s/ THOMAS C. MEREDITH	Director	November 22, 2011
Thomas C. Meredith		
/s/ NANCY K. QUINN	Director	November 22, 2011
Nancy K. Quinn		
/s/ STEPHEN R. SPRINGER	Director	November 22, 2011
Stephen R. Springer		
/s/ CHARLES K. VAUGHAN	Director	November 22, 2011
Charles K. Vaughan		
/s/ RICHARD WARE II	Director	November 22, 2011
Richard Ware II		

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Schedule II

ATMOS ENERGY CORPORATION

Valuation and Qualifying Accounts
Three Years Ended September 30, 2011

	Balance at beginning of period	Additions: Charged to Cost & Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
	(In thousands)				
2011					
Allowance for doubtful accounts	$ 12,701	$ 2,201	$	$ 7,462(1)	$ 7,440
2010					
Allowance for doubtful accounts	$ 11,478	$ 7,694	$	$ 6,471(1)	$ 12,701
2009					
Allowance for doubtful accounts	$ 15,301	$ 7,769	$	$ 11,592(1)	$ 11,478

(1) Uncollectible accounts written off.

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EXHIBITS INDEX
Item 14.(a)(3)

Exhibit Number	Description	Page Number or Incorporation by Reference to
	Plan of Acquisition	
2.1	Asset Purchase Agreement by and between Atmos Energy Corporation as Seller and Liberty Energy (Midstates) Corp. as Buyer, dated as of May 12, 2011	Exhibit 2.1 to Form 8-K dated May 12, 2011 (File No. 1-10042)
	Articles of Incorporation and Bylaws	
3.1	Restated Articles of Incorporation of Atmos Energy Corporation Texas (As Amended Effective February 3, 2010)	Exhibit 3.1 to Form 10-Q dated March 31, 2010 (File No. 1-10042)
3.2	Restated Articles of Incorporation of Atmos Energy Corporation Virginia (As Amended Effective February 3, 2010)	Exhibit 3.2 to Form 10-Q dated March 31, 2010 (File No. 1-10042)
3.3	Amended and Restated Bylaws of Atmos Energy Corporation (as of February 3, 2010)	Exhibit 3.2 of Form 8-K dated February 3, 2010 (File No. 1-10042)
	Instruments Defining Rights of Security Holders	
4.1	Specimen Common Stock Certificate (Atmos Energy Corporation)	Exhibit 4.1 to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
4.2	Indenture dated as of November 15, 1995 between United Cities Gas Company and Bank of America Illinois, Trustee	Exhibit 4.11(a) to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.3	Indenture dated as of July 15, 1998 between Atmos Energy Corporation and U.S. Bank Trust National Association, Trustee	Exhibit 4.8 to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.4	Indenture dated as of May 22, 2001 between Atmos Energy Corporation and SunTrust Bank, Trustee	Exhibit 99.3 to Form 8-K dated May 15, 2001 (File No. 1-10042)
4.5	Indenture dated as of June 14, 2007, between Atmos Energy Corporation and U.S. Bank National Association, Trustee	Exhibit 4.1 to Form 8-K dated June 11, 2007 (File No. 1-10042)
4.6	Indenture dated as of March 23, 2009 between Atmos Energy Corporation and U.S. Bank National Corporation, Trustee	Exhibit 4.1 to Form 8-K dated March 26, 2009 (File No. 1-10042)
4.7(a)	Debenture Certificate for the 63/4% Debentures due 2028	Exhibit 99.2 to Form 8-K dated July 22, 1998 (File No. 1-10042)
4.7(b)	Global Security for the 51/8% Senior Notes due 2013	Exhibit 10(2)(c) to Form 10-K for fiscal year ended September 30, 2004 (File No. 1-10042)
4.7(c)	Global Security for the 4.95% Senior Notes due 2014	Exhibit 10(2)(f) to Form 10-K for fiscal year ended September 30, 2004 (File No. 1-10042)
4.7(d)	Global Security for the 5.95% Senior Notes due 2034	Exhibit 10(2)(g) to Form 10-K for fiscal year ended September 30, 2004 (File No. 1-10042)
4.7(e)		

	Global Security for the 6.35% Senior Notes due 2017	Exhibit 4.2 to Form 8-K dated June 11, 2007 (File No. 1-10042)
4.7(f)	Global Security for the 8.50% Senior Notes due 2019	Exhibit 4.2 to Form 8-K dated March 26, 2009 (File No. 1-10042)
4.7(g)	Global Security for the 5.5% Senior Notes due 2041	Exhibit 4.2 to Form 8-K dated June 10, 2011 (File No. 1-10042)

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Exhibit Number	Description	Page Number or Incorporation by Reference to
	Material Contracts	
10.1	Pipeline Construction and Operating Agreement, dated November 30, 2005, by and between Atmos-Pipeline Texas, a division of Atmos Energy Corporation, a Texas and Virginia corporation and Energy Transfer Fuel, LP, a Delaware limited partnership	Exhibit 10.1 to Form 8-K dated November 30, 2005 (File No. 1-10042)
10.2	Revolving Credit Agreement, dated as of May 2, 2011 among Atmos Energy Corporation, the Lenders from time to time parties thereto, The Royal Bank of Scotland plc as Administrative Agent, Crédit Agricole Corporate and Investment Bank as Syndication Agent, Bank of America, N.A., U.S. Bank National Association and Wells Fargo Bank, N.A. as Co-Documentation Agents	Exhibit 10.1 to Form 8-K dated May 2, 2011 (File No. 1-10042)
10.3(a)	Fifth Amended and Restated Credit Agreement, dated as of December 8, 2010, among Atmos Energy Marketing, LLC, a Delaware limited liability company, BNP Paribas, a bank organized under the laws of France, as administrative agent, collateral agent, as an issuing bank, a swing line bank and a bank; Société Générale as co-syndication agent, an issuing bank and a bank and The Royal Bank of Scotland plc, as co-syndication agent and a bank; and Natixis, New York Branch, Crédit Agricole Corporate and Investment Bank, and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. as co-documentation agents and the other financial institutions that become parties thereto	Exhibit 10.1 to Form 8-K dated December 8, 2010 (File No. 1-10042)
10.3(b)	Third Amended and Restated Intercreditor Agreement, dated as of December 8, 2010, (as amended, supplemented and otherwise modified from time to time, the Agreement), among BNP Paribas, a bank organized under the laws of France, in its capacity as Collateral Agent (together with its successors and assigns in such capacity, the Agent) for the Banks thereinafter referred to, and each bank and other financial institution which is now or hereafter a party to the Agreement in its capacity as a Bank and, as applicable, as a Swap Bank	Exhibit 10.2 to Form 8-K dated December 8, 2010 (File No. 1-10042)

	(collectively, the Swap Banks) and/or a Physical Trade Bank (collectively, the Physical Trade Banks)	
10.4(a)	Accelerated Share Buyback Agreement with Goldman, Sachs & Co. Master Confirmation dated July 1, 2010	Exhibit 10.6(a) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)

Exhibit Number	Description	Page Number or Incorporation by Reference to
10.4(b)	Accelerated Share Buyback Agreement with Goldman, Sachs & Co. Supplemental Confirmation dated July 1, 2010	Exhibit 10.6(b) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.5	Guaranty of Algonquin Power & Utilities Corp. dated May 12, 2011	Exhibit 10.1 to Form 8-K dated May 12, 2011 (File No. 1-10042)
	Executive Compensation Plans and Arrangements	
10.6(a)*	Form of Atmos Energy Corporation Change in Control Severance Agreement Tier I	Exhibit 10.7(a) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.6(b)*	Form of Atmos Energy Corporation Change in Control Severance Agreement Tier II	Exhibit 10.7(b) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.7(a)*	Atmos Energy Corporation Executive Retiree Life Plan	Exhibit 10.31 to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.7(b)*	Amendment No. 1 to the Atmos Energy Corporation Executive Retiree Life Plan	Exhibit 10.31(a) to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.8(a)*	Description of Financial and Estate Planning Program	Exhibit 10.25(b) to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.8(b)*	Description of Sporting Events Program	Exhibit 10.26(c) to Form 10-K for fiscal year ended September 30, 1993 (File No. 1-10042)
10.9(a)*	Atmos Energy Corporation Supplemental Executive Benefits Plan, Amended and Restated in its Entirety August 7, 2007	Exhibit 10.8(a) to Form 10-K for fiscal year ended September 30, 2008 (File No. 1-10042)
10.9(b)*	Atmos Energy Corporation Supplemental Executive Retirement Plan (As Amended and Restated, Effective as of November 12, 2009)	Exhibit 10.10(b) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.9(c)*	Atmos Energy Corporation Account Balance Supplemental Executive Retirement Plan, Effective Date August 5, 2009	Exhibit 10.10(c) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.9(d)*	Atmos Energy Corporation Performance-Based Supplemental Executive Benefits Plan Trust Agreement, Effective Date December 1, 2000	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2000 (File No. 1-10042)
10.9(e)*	Form of Individual Trust Agreement for the Supplemental Executive Benefits Plan	Exhibit 10.3 to Form 10-Q for quarter ended December 31, 2000 (File No. 1-10042)
10.10(a)*	Mini-Med/Dental Benefit Extension Agreement dated October 1, 1994	Exhibit 10.28(f) to Form 10-K for fiscal year ended September 30, 2001 (File No. 1-10042)
10.10(b)*	Amendment No. 1 to Mini-Med/Dental Benefit Extension Agreement dated August 14, 2001	Exhibit 10.28(g) to Form 10-K for fiscal year ended September 30, 2001 (File No. 1-10042)
10.10(c)*	Amendment No. 2 to Mini-Med/Dental Benefit Extension Agreement dated December 31, 2002	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2002 (File No. 1-10042)
10.11*	Atmos Energy Corporation Equity Incentive and Deferred Compensation Plan for Non-Employee Directors, Amended and	Exhibit 10.12 to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)

	Restated as of January 1, 2010	
10.12*	Atmos Energy Corporation Outside Directors Stock-for-Fee Plan, Amended and Restated as of October 1, 2009	Exhibit 10.13 to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)

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Exhibit Number	Description	Page Number or Incorporation by Reference to
10.13(a)*	Atmos Energy Corporation 1998 Long-Term Incentive Plan (as amended and restated February 10, 2011)	Exhibit 99.1 to Form S-8 dated October 28, 2011 (File No. 333-177593)
10.13(b)*	Form of Non-Qualified Stock Option Agreement under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	Exhibit 10.16(b) to Form 10-K for fiscal year ended September 30, 2005 (File No. 1-10042)
10.13(c)*	Form of Award Agreement of Restricted Stock With Time-Lapse Vesting under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	Exhibit 10.12(d) to Form 10-K for fiscal year ended September 30, 2008 (File No. 1-10042)
10.13(d)*	Form of Award Agreement of Time-Lapse Restricted Stock Units under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	Exhibit 99.4 to Form S-8 dated October 28, 2011 (File No. 333-177593)
10.13(e)*	Form of Award Agreement of Performance-Based Restricted Stock Units under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	Exhibit 99.5 to Form S-8 dated October 28, 2011 (File No. 333-177593)
10.14*	Atmos Energy Corporation Annual Incentive Plan for Management (as amended and restated February 10, 2011)	
12	Statement of computation of ratio of earnings to fixed charges	
	Other Exhibits, as indicated	
21	Subsidiaries of the registrant	
23.1	Consent of independent registered public accounting firm, Ernst & Young LLP	
24	Power of Attorney	Signature page of Form 10-K for fiscal year ended September 30, 2011
31	Rule 13a-14(a)/15d-14(a) Certifications	
32	Section 1350 Certifications**	
101.INS	XBRL Instance Document***	
101.SCH	XBRL Taxonomy Extension Schema***	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase***	
101.DEF	XBRL Taxonomy Extension Definition Linkbase***	
101.LAB	XBRL Taxonomy Extension Labels Linkbase***	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase***	

* This exhibit constitutes a management contract or compensatory plan, contract, or arrangement.

** These certifications pursuant to 18 U.S.C. Section 1350 by the Company s Chief Executive Officer and Chief Financial Officer, furnished as Exhibit 32 to this Annual Report on Form 10-K, will not be deemed to be filed with the Securities and Exchange Commission or incorporated by reference into any filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates such certifications by reference.

*** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.