

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
SEC Accession No. **0000731802-94-000010**

([HTML Version](#) on secdatabase.com)

FILER

ATMOS ENERGY CORP

CIK: **731802** | IRS No.: **751743247** | State of Incorporation: **TX** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **001-10042** | Film No.: **94527866**
SIC: **4924** Natural gas distribution

Business Address
*1800 THREE LINCOLN CTR
5430 LBJ FREEWAY
DALLAS TX 75240
2149349227*

QUARTERLY REPORT UNDER SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-10042

ATMOS ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

TEXAS
(State or other jurisdiction of
incorporation or organization)

75-1743247
(IRS Employer
Identification No.)

1800 Three Lincoln Centre
5430 LBJ Freeway, Dallas, Texas
(Address of principal executive offices)

75240
(Zip Code)

(214) 934-9227
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all
reports required to be filed by Section 13 or 15 (d) of the
Securities Exchange Act of 1934 during the preceding 12 months
(or for such shorter period that the registrant was required to

file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X .No .

Number of shares outstanding of each of the issuer's classes of common stock, as of May 2, 1994, as adjusted for the 3-for-2 stock split to be paid May 16, 1994. See Note 1 to the consolidated financial statements.

Class -----	Shares Outstanding -----
No Par Value	15,224,201

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

ATMOS ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share data)

	March 31, 1994 -----	September 30, 1993 -----
ASSETS		
Property, plant and equipment	\$523,779	\$501,512
Less accumulated depreciation and amortization	212,954 -----	202,237 -----
Net property, plant and equipment	310,825	299,275
Current assets		
Cash and cash equivalents	2,667	2,286
Accounts receivable, net	66,502	29,200
Inventories	6,037	6,064
Gas stored underground	4,931	17,603
Other current assets	3,035 -----	4,240 -----
Total current assets	83,172	59,393
Deferred charges and other assets	37,675 -----	32,950 -----
	\$431,672 =====	\$391,618 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Common stock outstanding: 15,224,201 shares at 3/31/94 and 14,868,902 shares at 9/30/93	\$ 76	\$ 74
Additional paid-in capital	101,026	94,279
Retained earnings	59,387	45,076

Total shareholders' equity	160,489	139,429
Long-term debt	98,303	105,853
Total capitalization	258,792	245,282
Current liabilities		
Current maturities of long-term debt	4,000	6,300
Notes payable to banks	27,800	35,700
Accounts payable	46,595	27,803
Taxes payable	11,455	3,797
Customers' deposits	8,324	7,862
Other current liabilities	13,394	6,455
Total current liabilities	111,568	87,917
Deferred income taxes	30,128	32,614
Deferred credits and other liabilities	31,184	25,805
	\$431,672	\$391,618

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except per share data)

	Three months ended March 31,	
	1994	1993
Operating revenues	\$186,944	\$166,238
Purchased gas cost	127,578	107,632
Gross profit	59,366	58,606
Operating expenses		
Operation	23,620	22,640
Maintenance	1,466	1,552
Depreciation and amortization	4,672	4,415
Taxes, other than income	5,810	5,660
Income taxes	7,453	7,462

Total operating expenses	43,021	41,729
	-----	-----
Operating income	16,345	16,877
Other expense	(3)	(63)
Interest charges	3,100	3,054
	-----	-----
Net income	\$13,242	\$13,760
	=====	=====
Net income per share	\$.87	\$.97
	=====	=====
Cash dividends per share (See Note 2)	\$.22	\$.21
	=====	=====
Average shares outstanding	15,224	14,209
	=====	=====

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except per share data)

Six months ended March 31,	

1994	1993
-----	-----

Operating revenues	\$332,445	\$296,938
Purchased gas cost	224,658	195,694
	-----	-----
Gross profit	107,787	101,244
Operating expenses		
Operation	47,019	42,026
Maintenance	2,996	2,969
Depreciation and amortization	9,339	8,899
Taxes, other than income	10,347	9,992
Income taxes	11,439	10,751
	-----	-----
Total operating expenses	81,140	74,637
	-----	-----
Operating income	26,647	26,607
Other income	85	516
Interest charges	6,402	6,598
	-----	-----
Net income	\$ 20,330	\$ 20,525
	=====	=====
Net income per share	\$ 1.34	\$ 1.45
	=====	=====
Cash dividends per share		
(See Note 2)	\$.44	\$.43
	=====	=====
Average shares outstanding	15,135	14,129
	=====	=====

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except per share data)

	Twelve months ended March 31,	
	----- 1994 -----	----- 1993 -----
Operating revenues	\$495,148	\$434,907
Purchased gas cost	325,496	279,991
	-----	-----
Gross profit	169,652	154,916
Operating expenses		
Operation	87,772	80,111
Maintenance	6,362	5,726
Depreciation and amortization	17,759	17,236
Taxes, other than income	17,161	16,548
Income taxes	10,761	7,702
	-----	-----
Total operating expenses	139,815	127,323
	-----	-----
Operating income	29,837	27,593
Other income	119	900
Interest charges	12,606	13,120
	-----	-----
Net income	\$ 17,350	\$ 15,373
	=====	=====
Net income per share	\$ 1.17	\$ 1.10
	=====	=====
Cash dividends per share		
(See Note 2)	\$.87	\$.84
	=====	=====
Average shares outstanding	14,840	13,993
	=====	=====

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION
 CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
 (In thousands)

	Six months ended March 31,	
	1994	1993
Cash Flows From Operating Activities		
Net income	\$ 20,330	\$ 20,525
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization		
Charged to depreciation and amortization	9,339	8,951
Charged to other accounts	1,768	2,020
Deferred income taxes	(2,486)	467
Other	403	390
	29,354	32,353
Net change in operating assets and liabilities	10,704	(472)
Net cash provided by operating activities	40,058	31,881
Cash Flows From Investing Activities		
Retirements of property, plant and equipment	319	(93)
Capital expenditures	(22,976)	(18,691)
Net cash used in investing activities	(22,657)	(18,784)
Cash Flows From Financing Activities		
Net decrease in notes payable to banks	(7,900)	(9,453)

Cash dividends and distributions paid	(6,019)	(4,545)
Repayment of long-term debt	(9,850)	(4,800)
Issuance of common stock	6,749	5,193
	-----	-----
Net cash used in financing activities	(17,020)	(13,605)
	-----	-----
Net increase (decrease) in cash and cash equivalents	381	(508)
Cash and cash equivalents at beginning of period	2,286	3,144
	-----	-----
Cash and cash equivalents at end of period	\$ 2,667	\$ 2,636
	=====	=====

See accompanying notes to consolidated financial statements.

6

ATMOS ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 1994

1. Unaudited interim financial information

In the opinion of management, all material adjustments necessary for a fair presentation have been made to the unaudited interim period financial statements. Such adjustments consisted only of normal recurring accruals. Because of seasonal and other factors, the results of operations for the six month period ended March 31, 1994 are not indicative of expected results of operations for the year ending September 30, 1994. These interim financial statements and notes are condensed as permitted by the instructions to Form 10-Q, and should be read in conjunction with the audited consolidated financial statements in the 1993 annual report to shareholders of Atmos Energy Corporation ("Atmos" or the "Company").

Deferred charges and other assets - Deferred charges and other assets at March 31, 1994 and September 30, 1993 include assets of the Company's qualified defined benefit retirement plans in excess of the plans' recorded obligations in the amounts of \$12,782,000 and \$13,289,000, respectively, and Company assets related to the Company's nonqualified retirement plans at March

31, 1994 and September 30, 1993 of \$16,215,000 and \$12,758,000, respectively.

Common stock - As of March 31, 1994, the Company had 50,000,000 shares of common stock, no par value (stated at \$.005 per share), authorized. On February 9, 1994, the Board of Directors of Atmos approved a three-for-two split of its common stock implemented in the form of a stock dividend, which will result in shareholders receiving one new share for every two shares currently held. Fractional shares will not be issued but will be paid in cash or may be credited to the accounts of participants of the Dividend Reinvestment and Stock Purchase Plan ("DRSPP") and ESOP. The record date for the split is May 4, 1994 and the payment date for mailing the new shares and cash for fractional shares to shareholders is May 16, 1994. Shares outstanding will increase from approximately 10 million to slightly more than 15 million. All share information in this report is adjusted for the 3-for-2 stock split.

Reclassifications - Certain prior period balances have been reclassified to be consistent between Atmos and Greeley (see Note 2) and to make classification of prior year amounts consistent with the 1994 presentation.

2. Business combination

On December 22, 1993, Atmos acquired by means of a merger all of the assets and liabilities of Greeley Gas Company ("GGC") in accordance with the terms and provisions of an Agreement and Plan

7

of Reorganization dated July 2, 1993. All the shares of GGC's common stock were exchanged for a total of 2,329,330 shares of Atmos common stock before the 3-for-2 stock split (3,493,995 shares on a post-split basis).

GGC was a privately owned natural gas utility and is engaged in the distribution and sale of natural gas to residential, commercial, industrial, agricultural, and other customers throughout Colorado, Kansas, and a small portion of Missouri.

This transaction was accounted for as a pooling of interests; therefore, prior year financial statements have been restated to

reflect this merger. GGC prepared its financial statements on a December 31 fiscal year end. GGC's fiscal year has been changed to September 30 to conform to the Company's year end. The unaudited September 30, 1993 balances, as presented, are the combined balances of Atmos and GGC reflecting the pooling of interests of the companies that occurred on December 22, 1993. The restated consolidated statements of income and cash flows presented herein for the three-month, six-month and twelve-month periods ended March 31, 1994 and 1993 include GGC's operating results for the full period presented. Results of operations for the previously separate enterprises for the three months ended March 31, 1994 and 1993 are summarized as follows:

	Three months ended March 31,	
	----- 1994	1993 -----
	----- (In thousands) -----	
Operating revenue:		
Atmos	\$157,636	\$136,194
GGC	29,308	30,044
	-----	-----
	\$186,944	\$166,238
	=====	=====
Net income:		
Atmos	\$ 9,735	\$ 10,945
GGC	3,507	2,815
	-----	-----
	\$ 13,242	\$ 13,760
	=====	=====

Operating revenue and net income included in the Company's

consolidated statements of income for the six months ended March 31, 1994 and 1993 are as follows:

	Six months ended March 31,	
	1994	1993
	(In thousands)	
Operating revenue:		
Atmos	\$276,859	\$248,571
GGC	55,586	48,367
	-----	-----
	\$332,445	\$296,938
	=====	=====
Net income:		
Atmos	\$ 15,193	\$ 16,760
GGC	5,137	3,765
	-----	-----
	\$ 20,330	\$ 20,525
	=====	=====

Operating revenue and net income included in the Company's consolidated statements of income for the twelve months ended March 31, 1994 and 1993 are as follows:

	Twelve months ended March 31,	
	1994	1993
	(In thousands)	
Operating revenue:		
Atmos	\$416,783	\$365,865
GGC	78,365	69,042
	-----	-----
	\$495,148	\$434,907
	=====	=====
Net income:		
Atmos	\$ 13,212	\$ 13,689
GGC	4,138	1,684
	-----	-----
	\$ 17,350	\$ 15,373
	=====	=====

The dividends per share presentation on the consolidated statement of income reflects historical Atmos dividends per share and has not been restated under the pooling of interests method of accounting for the merger. The historical and restated cash dividends and distributions per share of Atmos are as follows:

	Three months ended March 31,	
	----- 1994 -----	----- 1993 -----
Historical Atmos cash dividends per share	\$.22	\$.21
Restated cash dividends and distributions per share, including GGC	\$.22	\$.16
	Six months ended March 31,	
	----- 1994 -----	----- 1993 -----
Historical Atmos cash dividends per share	\$.44	\$.43
Restated cash dividends and distributions per share, including GGC	\$.40	\$.32
	Twelve months ended March 31,	
	----- 1994 -----	----- 1993 -----
Historical Atmos cash dividends per share	\$.87	\$.84
Restated cash dividends and distributions per share, including GGC	\$.76	\$.66

3. Accounting for income taxes

Effective October 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109") and, as permitted under the new rules, prior years' financial statements have not been restated. A regulatory liability reflecting the expected future rate treatment of approximately \$2,673,000 in deferred tax deductions has been recorded in accordance with SFAS No. 109 and is included in other deferred credits. It primarily represents the impact of adjusting deferred taxes to reflect the decrease in the federal tax rate from 46% to 35%. The effect of applying the new standard in the first six months of fiscal 1994 had no significant effect on net income.

This standard changes the Company's method of accounting for

10

income taxes from the deferred method (APB 11) to the liability method. Previously the Company deferred the past tax effects of timing differences between financial reporting and taxable income. Under the liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the estimated future tax effects of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

4. Other postretirement benefits

Effective October 1, 1993, the Company adopted Financial Accounting Standards No. 106 ("SFAS No. 106"), the "Employers' Accounting for Postretirement Benefits Other Than Pensions". SFAS No. 106 focuses principally on postretirement health care benefits and will significantly change the current practice of accounting for postretirement benefits on a pay-as-you-go basis by requiring accrual of such benefit costs on an actuarial basis over the active service period of employees to the date of full eligibility for such benefits. The Company is amortizing on a straight line basis the initial transition obligation of \$33,354,000 over 20 years. The effect of adopting the new rules increased net periodic postretirement benefit cost for the six months ended March 31, 1994 by \$1,461,000 and decreased net income for the period by \$934,000.

Atmos sponsors two defined benefit postretirement plans. One plan provides medical, dental, vision and life insurance benefits

to retired employees of Greeley Gas Company. The other offers medical benefits to all other Atmos employees. Substantially all of the Company's employees may become eligible for these benefits if they reach retirement age while working for the Company and attain 10 consecutive years of service. Both the plan participant and the participant's spouse are required to contribute under these plans. Neither plan is currently funded. The Company anticipates establishing a funding policy regarding the amounts and timing of possible contributions in fiscal 1994. The amount of funding will ultimately depend upon the ratemaking treatment allowed in the Company's various rate jurisdictions.

The following is a reconciliation of the funded status of the plans to the net postretirement benefits liability on the balance sheet as of September 30, 1993 (in thousands):

Accumulated postretirement benefit obligation	
Retirees	\$ (18,237)
Fully eligible employees	(8,596)
Other employees	(6,521)

	\$ (33,354)
	=====

11

Accumulated postretirement benefit obligation in excess of plan assets	\$ (33,354)
Unrecognized transition obligation	33,354

Accrued postretirement benefits liability	\$ -
	=====

In the latest actuarial calculation of the accrued postretirement benefits liability, the assumed health care cost trend rate used to estimate the cost of postretirement benefits was 10.5% for the 1993-1994 year and is assumed to decrease gradually to 5.0% for 1999-2000 and remain at that level thereafter. Similarly, the dental trend rate is 8.0% for the 1993-1994 year and gradually decreases to 5.0% for 1999-2000 and remains level thereafter.

The trend for vision benefits is assumed to remain level for all years at 4.5%. The effect of a 1% increase in the assumed health care cost trend rate for each future year is \$410,000 on the annual aggregate of the service and interest cost components of net periodic postretirement benefit costs and \$2,793,000 on the accumulated postretirement benefit obligation as of September 30, 1993. Other assumptions used in postretirement benefit accounting are as follows:

Discount rate - rate at which liabilities could be settled	7.0%
Rate of increase in compensation levels	5.0%

The Company is currently allowed to recover other postretirement benefit ("OPEB") costs through its regulated rates on a pay-as-you-go basis in a majority of its service areas. It is allowed to recover OPEB costs in its remaining service areas under SFAS No. 106 accrual accounting. The rate recovery of SFAS No. 106 cost by jurisdiction is discussed below. Management believes that accrual accounting in accordance with SFAS No. 106 is appropriate and will seek rate recovery of accrual-based expenses in all of its ratemaking jurisdictions. The portion of the additional expense in excess of the pay-as-you-go amount that will immediately or ultimately be allowed in rates cannot presently be determined. The difference of \$1,461,000 between the level of expense using SFAS No. 106 and that using the prior accounting method for the six months ended March 31, 1994 was expensed and no regulatory asset was recorded.

In May 1993, the Louisiana Commission issued an order for all utilities under its jurisdiction to continue to use the pay-as-you-go accounting method for rate treatment of SFAS No. 106 costs. Utilities may apply to the Louisiana Commission for authority to recognize a regulatory asset to be amortized on a pay-as-you-go basis to bridge the gap between ratemaking and accounting. The Louisiana Commission retains the flexibility to examine individual companies' accounting for SFAS No. 106 costs to determine if special exceptions to this order are warranted. Recovery of SFAS No. 106 costs were not allowed in the Company's

Rate Stabilization Clause increase implemented March 1, 1994.

In June 1992, the Kentucky Public Service Commission ("Kentucky Commission") declined a request by a group of utilities to grant

a blanket commitment for the future recovery of SFAS No. 106 costs in excess of pay-as-you-go costs for all utilities. The Kentucky Commission's order stated that each utility could file an individual application to seek recovery of such costs. At a rehearing held in December 1992, the Kentucky Commission affirmed its initial order.

In May 1993, the Company filed rate requests which included SFAS No. 106 costs in Fritch and Sanford, Texas and for the surrounding environs. The rates for the environs are subject to the jurisdiction of the Railroad Commission of Texas ("Railroad Commission"). In its order of August 30, 1993, the Railroad Commission approved recovery of SFAS No. 106 costs and internal funding.

In September 1993, GGC filed a rate request for its Colorado service area which included SFAS No. 106 costs. In May 1994, the Company began implementing new rates in its Colorado service area. The new rates will increase annual revenues by \$3,200,000 and include recovery of accrual-based SFAS No. 106 costs.

In its December 1993, rate order to GGC, the Kansas Corporation Commission approved recovery of SFAS No. 106 expenses with the agreement that the difference between amounts computed as SFAS No. 106 expense and pay-as-you-go expense shall be remitted quarterly to an external trust fund.

The ultimate impact of the adoption of SFAS No. 106 on the Company's financial position and results of operations will not be known with certainty until the regulatory treatment that will be allowed in each of the Company's ratemaking jurisdictions is determined.

5. Postemployment benefits

The Company also provides postemployment benefits, primarily workers' compensation and long-term disability insurance, to former or inactive employees after employment but before retirement. The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS No. 112"), which applies to such benefits and will be effective for the Company's 1995 fiscal year. Under SFAS No. 112, employers are required to recognize the obligation to provide postemployment benefits if certain conditions are met. Postemployment benefit costs are currently recorded and recovered in rates on the pay-as-you-go basis. The rate treatment of SFAS No. 112 accrual based costs has not been determined at this time. The reduction in future earnings, if any, that would result from this accrual would be offset to the extent that it is approved to be recovered in rates. Based on a preliminary actuarial study, the Company

currently estimates the cumulative effect of implementation of SFAS No. 112 and the increase in future annual costs to be minimal.

6. Contingencies

On March 15, 1991, suit was filed in the 15th Judicial District Court of Lafayette Parish, Louisiana, by the Lafayette Daily Advertiser and others against the Trans La Division, Trans Louisiana Industrial Gas Company, Inc. ("TLIG"), a wholly owned subsidiary of the Company, and Louisiana Intrastate Gas Corporation and certain of its affiliates ("LIG"). LIG is the Company's primary supplier of natural gas in Louisiana and is not otherwise affiliated with the Company.

The plaintiffs purported to represent a class consisting of all residential and commercial gas customers in the Trans La Division's service area. Among other things, the lawsuit alleged that the defendants violated antitrust laws of the state of Louisiana by manipulating the cost-of-gas component of the Trans La Division's gas rate to the purported customer class, thereby causing such purported class members to pay a higher rate. The plaintiffs made no specific allegation of an amount of damages.

The defendants brought an appeal to the Louisiana Supreme Court of rulings by the trial court and the Third Circuit Court of Appeal which denied defendants' exceptions to the jurisdiction of the trial court. It was the position of the defendants that the plaintiffs' claims amount to complaints about the level of gas rates and should be within the exclusive jurisdiction of the Louisiana Commission.

On January 19, 1993, the Louisiana Supreme Court issued a decision reversing in part the lower courts' rulings, dismissing all of plaintiffs' claims against the defendants which seek damages due to alleged overcharges and further ruling that all such claims are within the exclusive jurisdiction of the Louisiana Commission. Any claims which seek damages other than overcharges were remanded to the trial court but were stayed pending the completion of the Louisiana Commission proceeding referred to below.

The Louisiana Commission has instituted a docketed proceeding for the purpose of investigating the costs included in the Trans La

Division's purchased gas adjustment component of its rates. Both the Trans La Division and LIG are parties to the proceeding. Discovery has commenced in this proceeding and a procedural schedule has been established. The Company believes the allegations as they relate to the Company, whether brought in court or at the Louisiana Commission, are without merit, and that the chances of a material adverse outcome are remote. The Company will continue to vigorously protect its interest in this matter.

From time to time, claims are made and lawsuits are filed against

14

the Company arising out of the ordinary business of the Company. In the opinion of the Company's management, liabilities, if any, arising from these actions are either covered by insurance, adequately reserved for by the Company or would not have a material adverse effect on the financial condition of the Company.

7. Long-term and short-term debt

During the six months ended March 31, 1994, the Company paid installments due of \$3,000,000 on its 9.75% Senior Notes, \$2,000,000 on its 11.2% Senior Notes, and paid the balance of \$3,250,000 on its 13.75% Series I, First Mortgage Bonds, and \$1,600,000 on its 13% Series G, First Mortgage Bonds.

At March 31, 1994, the Company had committed, short-term, unsecured bank credit facilities totaling \$72,000,000, all of which was unused. The Company also had aggregate uncommitted lines of \$130,000,000, of which \$102,200,000 was unused at March 31, 1994.

8. Statements of cash flows

Supplemental disclosures of cash flow information for the six-month periods ended March 31, 1994 and 1993 are presented below.

Six months ended March 31,	
-----	-----
1994	1993
-----	-----

(In thousands)

Cash paid for		
Interest	\$6,930	\$7,123
Income taxes	5,263	5,713

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Introduction

The Company distributes and sells natural gas to residential, commercial, industrial and agricultural customers in six states. Such business is subject to regulation by state and/or local authorities in each of the states in which the Company operates. In addition, the Company's business is affected by seasonal weather patterns, competitive factors within the energy industry, and economic conditions in the areas that the Company serves.

Revenues and sales volume statistics for the three-month, six-month and twelve-month periods ended March 31, 1994 and 1993 appear on pages 22-24. Meters in service are as follows:

1994	1993
-----	-----

Meters in Service at March 31

Residential	562,246	551,758
Commercial	59,881	58,408
Industrial (including agricultural)	19,812	20,146
Public authority and other	4,935	4,788
	-----	-----
Total	646,874	635,100

Rate Activity

Rate activity through September 1993 was discussed in the Company's 1993 Annual Report to Shareholders. Changes in pending rate matters and new developments since September 1993 are discussed below.

There has been no change in status of the Company's appeal regarding the effective date of its last rate increase in Kentucky. The Company lost the issue at the trial court level. If the Company is successful, it could recover approximately \$1.0 million in additional revenue; if it is unsuccessful, there would be no impact on its revenue.

In December 1993, the Company received an order from the Kentucky Commission approving a large volume sales program and a revised gas cost adjustment method. Also in December 1993, the Kentucky Commission issued an order in a generic proceeding relating to the implications of FERC Order 636 on local distribution companies ("LDCs"). The order permitted the LDCs to flow through Order 636 transition costs incurred from their pipeline suppliers.

As a result of the Company's first annual filing under its three-year rate stabilization clause in Louisiana, an increase of \$730,000 annually or 2% went into effect on March 1, 1993. On March 1, 1994, the Company implemented an increase of \$1.1 million or 2.7% under its second annual rate stabilization clause

filing.

In February 1993, the city of Amarillo, Texas appealed the Railroad Commission's November 1992 rate order to the District Court of Travis County, Texas. In January 1994, the District Court denied the city's appeal. The city has appealed to the Court of Appeals.

GGC filed a request for an increase in annual revenues of \$4.5 million with the Colorado Public Utility Commission ("Colorado Commission") in September, 1993. On May 1, 1994, the Company implemented an annual increase of \$3.2 million or 6.9%. The new rates reflect settlement of all issues and recovery of accrual accounting of postretirement benefits in accordance with SFAS No. 106. Following implementation of the new rates, Phase 2 of the rate proceeding will commence, which will address rate redesign issues.

Effective December 1, 1993, GGC received an annual rate increase of approximately \$2.1 million or 10.6% in its Kansas service area. The settlement included recovery of SFAS No. 106 costs with external funding and a moratorium on rate requests in Kansas until December 1, 1996.

In 1992 the Federal Energy Regulatory Commission (FERC) issued an order ("Order 636") which continues past FERC initiatives to substantially restructure the interstate natural gas pipeline industry by unbundling the availability and pricing of interstate pipeline services. The Company intervened in the restructuring proceedings of the interstate pipelines that serve its various service areas and actively participated in the proceedings of its major suppliers. New service agreements for its Western Kentucky Division became effective in September and November 1993 with Tennessee Gas and Texas Gas, respectively. Prior to October 1993, GGC purchased a portion of its natural gas supplies from interstate pipeline companies. It now has term commitments for the transportation of natural gas with the interstate pipelines but must secure that portion of its natural gas supplies previously purchased from them from other parties. The Company believes it has restructured its portfolio of natural gas supplies and pipeline services under Order 636 to replace the traditional pipeline sales service and enable it to continue to provide adequate and reliable service to its customers in 1994.

Recently Issued Accounting Standards Not Yet Adopted

The Company has not adopted Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" which is discussed in Note 5 of notes to consolidated financial statements. The rate treatment of SFAS No. 112 costs has not been determined at this time. Such costs are currently recorded and recovered on the pay-as-you-go basis.

FINANCIAL CONDITION

For the six months ended March 31, 1994, net cash provided by operating activities totaled \$40.1 million compared with \$31.9 million for the six months ended March 31, 1993. Net operating assets and liabilities decreased \$10.7 million for the six months ended March 31, 1994 compared with an increase of \$.5 million for the six months ended March 31, 1993. Due to the seasonal nature of the natural gas distribution business, large swings in accounts receivable, accounts payable and inventories of gas in underground storage will occur when entering and leaving the winter or heating season.

Major cash flows from investing activities for the six months ended March 31, 1994 included capital expenditures of \$23.0 million compared with \$18.7 million for the six months ended March 31, 1993. The capital expenditures budget for fiscal year 1994 is currently \$52.6 million, as compared with actual capital expenditures of \$44.8 million in fiscal 1993. Capital projects planned for 1994 include major expenditures for mains, services, meters, vehicles and computer software. These expenditures will be financed from internally generated funds and financing activities.

For the six months ended March 31, 1994, cash used in financing activities amounted to \$17.0 million compared with \$13.6 million for the six months ended March 31, 1993. During the six months ended March 31, 1994, notes payable to banks was reduced \$7.9 million, as compared with \$9.5 million for the six months ended March 31, 1993. Payments of long-term debt increased \$5.1 million to \$9.9 million for the six months ended March 31, 1994. Payments of long-term debt consisted of a \$3.0 million installment on the Company's 9.75% Senior Notes due in 1996, a \$2.0 million installment on the 11.2% Senior Notes, the balance of \$3.25 million on the 13.75% Series I First Mortgage Bonds and the balance of \$1.6 million on the 13% Series G First Mortgage Bonds. The Company paid \$6.0 million in cash dividends and distributions during the six months ended March 31, 1994, compared with \$4.5 million paid during the six months ended March 31, 1993. This reflects a \$.01 per share increase in the quarterly dividend rate and an increase in the number of shares outstanding. In the quarter ended December 31, 1993, the Company issued 2,566,196 shares of common stock before the 3-for-2 stock split approved February 4, 1994 (3,849,294 shares as adjusted for the 3-for-2 split). This included shares issued in connection with the merger, shares issued under its Employee Stock Ownership

Plan ("ESOP"), its Restricted Stock Grant Plan and its Dividend Reinvestment and Stock Purchase Plan ("DRSPP"). In the quarter ended December 31, 1993, the Company also registered an additional 700,000 shares of common stock with the Securities and Exchange Commission for future issuance under the DRSPP.

On February 9, 1994, the Board of Directors of Atmos approved a 3-for-2 split of its common stock implemented in the form of a stock dividend, which will result in shareholders receiving one

18

new share for every two shares currently held. Fractional shares will not be issued but will be paid in cash or may be credited to the accounts of participants of the DRSPP and ESOP. The record date for the split is May 4, 1994 and the payment date for mailing the new shares and cash for fractional shares to shareholders is May 16, 1994. Shares outstanding will increase from approximately 10 million to slightly more than 15 million.

The Company believes that internally generated funds, its short-term credit facilities and access to the debt and equity capital markets will provide necessary working capital and liquidity for capital expenditures and other cash needs for the remainder of fiscal 1994. At March 31, 1994 the Company had \$72.0 million of committed short-term credit facilities, all of which was available for additional borrowing. The committed lines are renewed or renegotiated at least annually. At March 31, 1994, the Company also had \$130.0 million of uncommitted short-term lines, of which \$102.2 million was unused.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1994, COMPARED WITH THREE MONTHS ENDED MARCH 31, 1993

Operating revenues increased by approximately 12% to \$186.9 million for the three months ended March 31, 1994 from \$166.2 million for the three months ended March 31, 1993. Factors contributing to the increase in operating revenues were increased sales to irrigation customers and increased cost of gas. During the quarter ended March 31, 1994, temperatures averaged 4% warmer than in the corresponding quarter of the prior year, and approximately 5% warmer than normal. The total volume of gas sold and transported for the three months ended March 31, 1994 was 49.7 billion cubic feet ("Bcf") compared with 50.2 Bcf for

the three months ended March 31, 1993. The primary reasons for the decreased volumes were decreased weather sensitive sales due to warmer weather in the Energas and GGC service areas. The average sales price per Mcf sold increased \$.29 to \$4.29 as a result of a \$.31 increase in the average cost of gas and rate increases in Kansas and in the Trans La Division implemented since the corresponding quarter of the prior year.

Gross profit (defined as operating revenues less purchased gas cost) increased by approximately 1% to \$59.4 million for the three months ended March 31, 1994, from \$58.6 million for the three months ended March 31, 1993. The primary factors contributing to the increase were the increased sales and the increased average sales price as discussed above. Operating expenses, excluding income taxes, increased from \$34.3 million for the three months ended March 31, 1993 to \$35.6 million for the three months ended March 31, 1994. Factors contributing to the increase in operating expenses were operation expense and adoption of SFAS No. 106 as discussed in Note 4 of notes to consolidated financial statements. Operating income decreased for the three months ended March 31, 1994 to \$16.3 million from

19

\$16.9 million for the three months ended March 31, 1993. The decrease in operating income primarily resulted from increased operating expenses.

Net income decreased for the three months ended March 31, 1994 by approximately 4% to \$13.2 million from \$13.8 million for the three months ended March 31, 1993. This decrease in net income primarily resulted from the decrease in operating income.

SIX MONTHS ENDED MARCH 31, 1994, COMPARED WITH SIX MONTHS ENDED MARCH 31, 1993

Operating revenues increased by approximately 12% to \$332.4 million for the six months ended March 31, 1994 from \$296.9 million for the six months ended March 31, 1993. Factors contributing to the higher operating revenues were colder weather in Kentucky and Louisiana, drier weather in the West Texas irrigation market, and rate increases implemented in Kansas and the Trans La Division. Volumes sold to irrigation customers increased from the corresponding period of the prior year. The average sales price per Mcf increased from \$4.07 for the six months ended March 31, 1993 to \$4.28 for the six months ended

March 31, 1994. The increase in the average sales price reflects increased cost of gas and rate increases in the Trans La Division and in Kansas implemented since March 31, 1993. The average cost of gas per Mcf sold increased from \$2.78 for the six months ended March 31, 1993 to \$2.99 for the six months ended March 31, 1994.

Gross profit increased to \$107.8 million for the six months ended March 31, 1994, compared with \$101.2 million for the six months ended March 31, 1993. Operating expenses, excluding income taxes, increased from \$63.9 million in the six months ended March 31, 1993, to \$69.7 million in the six months ended March 31, 1994. The principal factors contributing to the increase in operating expenses were increases in operation expense, employee welfare expenses including adoption of SFAS No. 106, acquisition costs, and outside services. Income taxes increased to \$11.4 million for the six months ended March 31, 1994, from \$10.8 million for the six months ended March 31, 1993. The primary reason for the increase was higher pre-tax profits.

Net income decreased for the six months ended March 31, 1994, by approximately 1% to \$20.3 million from \$20.5 million for the six months ended March 31, 1993. Earnings per share decreased to \$1.34 for the six months ended March 31, 1994 from \$1.45 for the six months ended March 31, 1993, while average shares outstanding increased approximately 7%. Dividends per share increased 2% to \$.44 for the six months ended March 31, 1994. All per share information is adjusted for the 3-for-2 stock split.

TWELVE MONTHS ENDED MARCH 31, 1994, COMPARED WITH TWELVE MONTHS ENDED MARCH 31, 1993

Operating revenues increased by approximately 14% to \$495.1 million for the 12 months ended March 31, 1994 from \$434.9 million for the 12 months ended March 31, 1993. The increased revenues resulted from increased sales volumes and increased sales prices for the 12 months ended March 31, 1994. Sales and transportation volumes increased to 152.3 Bcf for the 12 months ended March 31, 1994 compared with 139.7 Bcf for the

corresponding prior period. The average sales price per Mcf increased from \$3.96 to \$4.16. The average cost of gas per Mcf sold increased from \$2.66 to \$2.85. The increase in the average sales price reflects the increased cost of gas and rate increases in the Trans La Division and in Kansas implemented since March 31, 1993.

Gross profit increased by approximately 10% to \$169.7 million from \$154.9 million in the 12 months ended March 31, 1993. Operating expenses, excluding income taxes, increased from \$119.6 million in the 12 months ended March 31, 1993, to \$129.1 million in the 12 months ended March 31, 1994. Factors contributing to the increase in operating expenses were increased wages and benefits expenses, GGC acquisition costs and the adoption of SFAS No. 106, as discussed in Note 4 of notes to consolidated financial statements. Income taxes increased \$3.1 million for the 12 months ended March 31, 1994, compared with the 12 months ended March 31, 1993. The primary reason was increased pre-tax income. Operating income increased in the 12 months ended March 31, 1994 by approximately 8% to \$29.8 million from \$27.6 million in the 12 months ended March 31, 1993. The primary reason for the increase in operating income was increased operating revenues resulting from slightly colder and drier weather and increased average sales prices.

Interest charges decreased \$.5 million to \$12.6 million, compared with \$13.1 million for the prior year. Net income for the 12 months ended March 31, 1994 was \$17.4 million compared with \$15.4 million for the 12 months ended March 31, 1993. The increase in net income resulted from the increase in operating income discussed above. Earnings per share increased by 6% to \$1.17. Average shares outstanding increased approximately 6% as compared with the prior year. Dividends per share increased approximately 4% to \$.87. All per share information is adjusted for the 3-for-2 stock split.

ATMOS ENERGY CORPORATION
CONSOLIDATED OPERATING STATISTICS (1)

	Quarter ended March 31, 1994	1993
	-----	-----
Sales Volumes -- MMcf (2)		
Residential	22,549	23,746
Commercial	8,647	9,592
Industrial (including agricultural)	9,009	4,701
Public authority and other	2,306	2,008
	-----	-----
Total	42,511	40,047
Transportation Volumes -- MMcf (2)	7,150	10,132
	-----	-----
Total Volumes Handled - MMcf (2)	49,661	50,179
	=====	=====
Operating Revenues (000's)		
Gas Sales Revenues		
Residential	\$104,481	\$ 99,731
Commercial	38,372	37,768
Industrial (including agricultural)	29,670	14,921
Public authority and other	9,837	7,896
	-----	-----
Total Gas Revenues	182,360	160,316
Transportation Revenues	3,132	4,575
Other Revenues	1,452	1,347
	-----	-----
Total Operating Revenues	\$186,944	\$166,238
	=====	=====
Average Gas Sales Revenues per Mcf	\$ 4.29	\$ 4.00
Average Transportation Revenue per Mcf	\$.44	\$.45
Cost of Gas per Mcf Sold	\$ 3.00	\$ 2.69

HEATING DEGREE DAYS

Service Area	Weather Sensitive Customers %	Quarter ended March 31,		
		1994	1993	Normal
-----	-----	-----	-----	-----
Texas	47%	1,765	1,923	1,893
Kentucky	26%	2,359	2,231	2,416
Louisiana	11%	1,046	1,014	1,047
Colorado, Kansas and Missouri	16%	2,751	3,023	2,953

System Average	100%	1,997	2,077	2,104

(1) Consolidated operating statistics have been restated to include Greeley operations for all periods presented.

(2) Volumes are reported as metered in million cubic feet ("MMcf").

22

ATMOS ENERGY CORPORATION
CONSOLIDATED OPERATING STATISTICS (1)

	Six months ended March 31,	
	1994	1993
	-----	-----
Sales Volumes -- MMcf (2)		
Residential	40,894	40,023
Commercial	16,031	16,579
Industrial (including agricultural)	13,882	10,449
Public authority and other	4,331	3,383
	-----	-----
Total	75,138	70,434
Transportation Volumes -- MMcf (2)	17,113	18,669
	-----	-----
Total Volumes Handled - MMcf (2)	92,251	89,103
	=====	=====
Operating Revenues (000's)		
Gas Sales Revenues		
Residential	\$187,722	\$173,398
Commercial	69,603	66,924
Industrial (including agricultural)	46,270	32,778
Public authority and other	18,344	13,681
	-----	-----
Total Gas Revenues	321,939	286,781
Transportation Revenues	7,995	7,782
Other Revenues	2,511	2,375
	-----	-----
Total Operating Revenues	\$332,445	\$296,938
	=====	=====
Average Gas Sales Revenues per Mcf	\$ 4.28	\$ 4.07
Average Transportation Revenue per Mcf	\$.47	\$.42
Cost of Gas per Mcf Sold	\$ 2.99	\$ 2.78

HEATING DEGREE DAYS

Service Area	Weather Sensitive Customers %	Six months ended March 31,		
		1994	1993	Normal
Texas	47%	3,296	3,380	3,275
Kentucky	26%	4,003	3,781	3,992
Louisiana	11%	1,851	1,688	1,723
Colorado, Kansas and Missouri	16%	5,194	5,601	5,292
System Average	100%	3,622	3,650	3,611

See footnotes on page 22.

ATMOS ENERGY CORPORATION
CONSOLIDATED OPERATING STATISTICS (1)

	Twelve months ended March 31,	
	1994	1993
Sales Volumes -- MMcf (2)		
Residential	52,634	50,895
Commercial	21,324	21,764
Industrial (including agricultural)	34,800	28,626
Public authority and other	5,351	3,984
Total	114,109	105,269
Transportation Volumes -- MMcf (2)	38,226	34,399
Total Volumes Handled - MMcf (2)	152,335	139,668
Operating Revenues (000's)		
Gas Sales Revenues		
Residential	\$252,239	\$230,097
Commercial	93,929	89,354
Industrial (including agricultural)	105,946	81,452
Public authority and other	22,978	16,363

Total Gas Sales Revenues	475,092	417,266
Transportation Revenues	15,226	13,157
Other Revenues	4,830	4,484
	-----	-----
Total Operating Revenues	\$495,148	\$434,907
	=====	=====
Average Gas Sales Revenues per Mcf	\$ 4.16	\$ 3.96
Average Transportation Revenue per Mcf	\$.40	\$.38
Cost of Gas per Mcf Sold	\$ 2.85	\$ 2.66

HEATING DEGREE DAYS

Service Area	Weather Sensitive Customers %	Twelve months ended March 31,		
		1994	1993	Normal
Texas	47%	3,577	3,604	3,528
Kentucky	26%	4,358	4,174	4,376
Louisiana	11%	1,975	1,772	1,760
Colorado, Kansas and Missouri	16%	6,185	6,398	6,234

System Average	100%	4,018	3,993	3,983

See footnotes on page 22.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 6 of notes to consolidated financial statements on pages 14 and 15 herein for a description of legal proceedings.

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Shareholders of Atmos Energy Corporation on February 9, 1994, 7,002,972 votes were cast as follows:

VOTES BROKER

Election of Class II

Directors:

Carl S. Quinn	6,907,719	95,253	0
Richard Ware II	6,911,149	91,823	0
Dewey G. Williams	6,882,741	120,231	0

The other directors will continue to serve in their positions for the remainder of their current terms. The term of the class III directors, Charles K. Vaughan and Phillip E. Nichol, will expire in 1995. The term of the class I directors, Travis W. Bain II, Dan Busbee and John W. Norris, Jr., will expire in 1996.

Following the annual meeting on February 9, 1994, the Board of Directors increased the number of directors to 10 and appointed Lee E. Schlessman of Denver, Colorado to the Board to fill the seat created by the increase. Mr. Schlessman is the former Chairman of GGC and will stand for election at the Company's 1995 annual meeting.

Item 5. Other Information

On May 11, 1994 Charles K. Vaughan, Chairman and Chief Executive Officer, announced that he has elected to retire October 1, 1994, although he will remain as chairman of the Board of Directors. In anticipation of his retirement, Atmos President and Chief Operating Officer Ron Fancher will become president and chief executive officer on June 1, 1994.

Director Paul L. Bell of Dallas died on April 5, 1994. Mr. Bell, 49, had served on the Atmos Energy Corporation Board of Directors since 1989. He was president and co-owner of Bell and Hocker Inc., a commercial real estate company.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

On January 5, 1994, the Company filed a current report on Form 8-K, Items 2 and 7, reporting the acquisition of Greeley Gas Company ("GGC") on December 22, 1993. Historical financial statements of Greeley Gas Company for 1991 and 1992 were incorporated by reference to Atmos' Amendment No. 2 to Form S-4 (Reg. No. 33-67098) filed October 8, 1993. Unaudited pro forma condensed statements of income, combining Atmos and GGC operating results for 1991 and 1992 were also incorporated by reference to Atmos' Amendment No. 2 to Form S-4 (Reg. No. 33-67098) filed October 8, 1993.

On January 31, 1994, the Company filed Form 8-K/A No. 1, completing Item 7 Financial Statements and Exhibits. It incorporated by reference the same historical and pro forma financial information listed above. It also included current interim financial statements of GGC for the nine months ended September 30, 1992 and 1993 and an unaudited pro forma combined income statement for Atmos and GGC for the twelve months ended September 30, 1993 and an unaudited pro forma balance sheet as of September 30, 1993.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

Date: May 12, 1994

By: /s/ JAMES F. PURSER

James F. Purser
Executive Vice President
and Chief Financial Officer

Date: May 12, 1994

By: /s/ DAVID L. BICKERSTAFF

David L. Bickerstaff
Vice President and Controller
(Principal Accounting Officer)

