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February 6, 2001

## FILED<sup>3</sup>

FEB 06 2001

Missouri Public  
Service Commission

Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

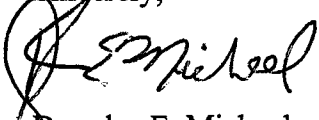
**RE: United Cities Gas Company,  
Case No. GA-98-464**

Dear Mr. Roberts:

Enclosed for filing in the above referenced case, please find the original and 8 copies **Public Counsel's Response in Opposition to United Cities' Motion for Modification of Accounting Authority Order**. Please "file stamp" the extra enclosed copy and return it to this office. I have on this date mailed, faxed, or hand-delivered the appropriate number of copies to all counsel of record.

Thank you for your attention to this matter.

Sincerely,

  
Douglas E. Micheel  
Senior Public Counsel

DEM:kh

cc: Counsel of Record

Enclosure

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**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

**FILED<sup>3</sup>**  
FEB 06 2001

Missouri Public  
Service Commission

In the matter of the application of United Cities )  
Gas Company, a division of Atmos Energy )  
Corporation, for an accounting authority order )  
related to investigation and response actions )  
associated with its former manufactured gas plant )  
site in Hannibal, Missouri. )

Case No. GA-98-464

**PUBLIC COUNSEL'S RESPONSE IN OPPOSITION TO UNITED  
CITIES' MOTION FOR MODIFICATION OF ACCOUNTING  
AUTHORITY ORDER**

COMES NOW the Office of the Public Counsel ("Public Counsel") and for its Response in  
Opposition to United Cities' Motion for Modification of Accounting Authority Order and states:

1. On February 25, 1999, the Commission granted United Cities' Application for  
Accounting Authority Order in this proceeding. Ordered paragraph 3 stated:

That this accounting authority order shall become null and void in the event United  
Cities does not file tariff sheets proposing a general increase in rates within twenty-  
four (24) months from the effective date of this order.

2. On February 25, 2001 United Cities filed its Motion for Modification of Accounting  
Authority Order requesting this Commission modify Ordered paragraph 3 of the February 25, 1999  
Order changing the date the AAO would become null and void from March 9, 2001 to March 9,  
2002 (Motion ¶3).

3. Public Counsel opposes United Cities' request to modify the final order issued in  
this proceeding on February 25, 1999. At that time the Commission issued its Order United Cities  
did not take issue with the two-year limitation contained in the Order. Nor did United Cities seek

rehearing or appeal the two-year limit. United Cities at this time should be not allowed to seek a modification of the two-year time limit.

4. Nothing in the Order approving the AAO request grants United Cities the ability to seek a “modification” of the Order. The language of the Commission’s Order is clear and unambiguous, if United Cities fails to file a rate case within twenty-four months from the effective date of the order (March 9, 1999) the accounting authority order “shall become null and void.”

5. In the Matter of Missouri Public Service, 1 MPSC 3d 200, 206 (1991) this Commission recognized that a limitation on the deferral of costs is appropriate stating:

The Commission finds that a time limitation on deferrals is reasonable since deferrals cannot be allowed to continue indefinitely. The Commission finds that a rate case must be filed within a reasonable time after the deferral period for recovery of the deferral to be considered. For purposes of this case the Commission finds that twelve months is a reasonable period. This limitation accomplishes two goals. First, it prevents the continued accumulation of deferred costs so that total disallowance would not affect the financial integrity of the company or the Commission’s ability to make the disallowance; and secondly, it ensures the Commission a review of those costs within a reasonable time. If the costs are truly extraordinary, recovery in rates should not be delayed indefinitely. A utility should not be allowed to save deferrals to offset against excess earnings in some future period.

In this case the Commission determined the reasonable time period for filing a rate case after the deferral was twenty-four months. United Cities offers no compelling reason it has not or will not be filing a rate case other than its claim that in its opinion “. . . it would not be desirable to file a general rate case by March 9, 2001.” (Motion ¶2). Simply put, granting United Cities’ request would make a mockery of the time limitation requirements contained in accounting authority orders.

6. Moreover, the fact that United Cities has chosen not to file a rate case demonstrates that it is earning a sufficient return on its Missouri operations. If United Cities thought it was not earning a sufficient return it would file a rate case prior to the March 9, 2002 deadline.

7. As the Commission is aware United Cities is an operating division of Atmos Energy Corporation. Attached as Exhibit A is a press release by Atmos touting the fact that in the fiscal year 2000 the Company reported net income of \$35.9 million. Attached as Exhibit B is a press release by Atmos touting the fact that in the first quarter of 2001 the Company reported a net income of \$23 million, a 52% per share increase. Apparently, Atmos has been very successful in the year 2000 and the first quarter of 2001. Given these facts there is absolutely no reason to grant United Cities requested modification.<sup>1</sup>

8. Finally, allowing United Cities to tack yet another year on the deferral authorized in this case further complicates Public Counsel's ability to audit United Cities' books and records in a rate case to determine whether the deferral was necessary. Instead of reviewing two years worth of information Public Counsel would be required to review three years of information. Such a burden is unreasonable given the fact that the Commission has allowed United Cities a twenty-four month window to file a rate case.

WHEREFORE, Public Counsel requests the Commission reject United Cities' request to modify the accounting authority order granted on February 25, 1999 and for any other just relief.

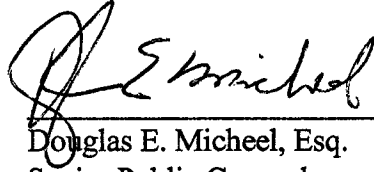
Respectfully submitted,

**OFFICE OF THE PUBLIC COUNSEL**

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<sup>1</sup> As the Commission is aware November and December were the coldest months on record in Missouri. As a result United Cities' Missouri operations undoubtedly had record or near record profits. These profits undoubtedly contributed to Atmos' overall success.

BY:



Douglas E. Micheel, Esq. (Bar No. 38371)

Senior Public Counsel

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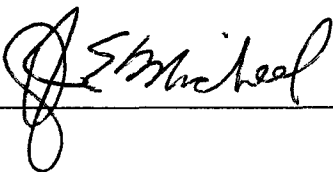
[dmicheel@mail.state.mo.us](mailto:dmicheel@mail.state.mo.us)

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing has been faxed, mailed or hand-delivered to the following counsel of record on this 6th day of February, 2001:

General Counsel  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City MO 65102

James M. Fischer, Esq.  
Fischer & Dority, P.C.  
101 Madison Street, Suite 400  
Jefferson City MO 65101



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Wednesday November 8, 8:30 pm Eastern Time

**Press Release**

SOURCE: Atmos Energy Corporation

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## Atmos Energy Corporation Reports 2000 Fiscal Year and Fourth Quarter Financial Results

DALLAS, Nov. 8 /PRNewswire/ -- Atmos Energy Corporation (NYSE: ATO - news) today reported net income of \$35.9 million, or \$1.14 per diluted share, on operating revenues of \$850.2 million for the fiscal year ended September 30, 2000. Reported net income for 2000 included a fourth quarter, one-time gain of \$0.12 per share as a result of Atmos' share of the proceeds received from the completion of the merger of US Propane, an equity investment of the Company, and Heritage Propane Partners. Net income for 1999 was \$17.7 million, or \$0.58 per diluted share, on operating revenues of \$690.2 million.

In fiscal 2000, net income increased despite weather that was 18 percent warmer than normal and 2 percent warmer than the prior year. Revenues and purchased gas cost increased in 2000 as compared to 1999 due to higher gas costs. Gross profit rose \$25.9 million in 2000 compared to 1999 primarily due to a partial year impact of rate increases in Kentucky and Amarillo, Texas, and the addition of approximately 48,000 new customers in Missouri acquired from Associated Natural Gas Company. Operation and maintenance expense declined \$9.3 million in 2000 due to the success of the Company's warm weather operating plan. Other income increased by \$4.6 million, primarily attributable to the one-time gain related to the merger of US Propane and Heritage Propane Partners.

For the quarter ended September 30, 2000, the Company reported a net loss of \$3.6 million, or \$0.11 per diluted share compared to a net loss of \$21.1 million or \$0.68 per diluted share for the same period last year. The 2000 fourth quarter included a gain of \$0.12 per diluted share resulting from the US Propane and Heritage Propane Partners transaction. Sales of gas for powering irrigation pumps also increased in 2000 compared to 1999. In addition, operation and maintenance expense for the quarter decreased by \$11.9 million compared to the same period a year ago.

"Fiscal 2000 was a year of significant accomplishments and tremendous growth for Atmos Energy Corporation," said Robert W. Best, Chairman, President and CEO. "The accomplishments we achieved in 2000 have made us a stronger company and have established a firm foundation for solid earnings growth. We have proven again that Atmos is a successful acquirer and integrator of gas utility operations and we intend to continue our growth through acquisitions. At the same time, we will divest the Company of assets that provide little long-term growth opportunity or appreciable earnings, such as the South Carolina assets that we are under contract to sell," said Best.

"We continue to mitigate the effect of weather on earnings. Although we will never totally negate the weather impact in our utility operations, we were quite successful in executing our regulatory strategy in fiscal 2000. We were involved in six rate proceedings and completed three during the fiscal year and a

fourth case was settled last month. Atmos has received approval for over \$13 million in additional revenue increases as a result of these rates proceedings. In the other two regulatory proceedings, we are putting rates into effect under bond, pending a final resolution of the cases. To further reduce the impact of weather, Atmos purchased weather hedges for its Texas and Louisiana operations for the 2001 heating season," said Best.

"Finally, we believe we are positioned to deliver strong earnings growth in fiscal 2001. Analyst estimates are currently in the range of \$1.65 - \$1.90 for 2001 on a weather normalized basis. We are comfortable with that range and are confident that our earnings per share will be in the range of \$1.40 - \$1.60 even if weather is warmer than normal," said Best.

#### A REVIEW OF FISCAL 2000 ACCOMPLISHMENTS

##### Growth through Acquisitions

##### Atmos Acquires Missouri Assets of Associated Natural Gas:

In October 1999, Atmos entered into an agreement to acquire the Missouri natural gas distribution assets of Associated Natural Gas, a division of Arkansas Western Gas, a wholly-owned subsidiary of Southwestern Energy for \$32 million. In May, Atmos completed the transaction and acquired approximately 48,000 customers at a cost of about \$667 per customer. The Associated Natural Gas operations have been successfully integrated with the United Cities Gas Company division of Atmos.

##### Atmos Announces Agreement to Acquire the Assets of Louisiana Gas Service and LGS Natural Gas Company:

In April, Atmos entered into an agreement to acquire the assets of Louisiana Gas Service Company, a division of Citizens Communications Company and LGS Natural Gas Company, a subsidiary of Citizens for \$375 million. The acquisition will add approximately 279,000 meters and will be accounted for as a purchase. The acquisition is expected to be completed during the third fiscal quarter of 2001, subject to state and federal regulatory approvals. Upon completion of the acquisition, Atmos will become the fifth largest pure gas utility in the nation.

##### Atmos and its US Propane Partners Merge with Heritage Propane Partners:

In February, Atmos entered into an agreement to combine its propane assets with the propane operations of three other gas utilities to form a new entity, US Propane. In June, US Propane entered into an agreement whereby it would merge with Heritage Propane Partners, one of the most respected and profitable companies in the propane industry. The US Propane and Heritage transactions were completed in August and the combined operation is the fifth largest retail propane marketer in the nation. Atmos and its US Propane partners own all of the general partnership interest and approximately 34 percent of the limited partnership interest in Heritage Propane Partners.

##### Atmos Announces Agreement to Acquire Remaining Interest in Woodward Marketing, LLC:

In August, Atmos entered into an agreement with Woodward Marketing, Inc., to acquire the remaining 55 percent equity interest in Woodward Marketing, LLC in exchange for 1,423,193 restricted shares of Atmos common stock. A total of 960,000 shares to be issued is subject to an upward adjustment of a maximum of 232,547 shares, should the price of Atmos common stock fail to reach a price of \$25 per share during any 30 consecutive trading-day period between the first and fifth anniversary dates of the date of closing. The acquisition does not require shareholder approval but does require regulatory approval in six of the 12 states in which Atmos operates as well as federal regulatory approval. The transaction is expected to be completed by March 31, 2001, subject to the required regulatory approvals. The acquisition of the remaining interest in Woodward Marketing is expected to increase the profitability, scale and scope of Atmos' non-utility operations.

##### Regulatory Proceedings

Exhibit A  
Page 2 of 5



### Energas Company Rate Proceedings:

The Amarillo rate case was completed in December 1999. In addition to receiving approval for \$2.05 million in additional annual revenue, Energas received approval to restructure rates for the City of Amarillo and mitigate the effects of warmer than normal weather on future earnings.

The West Texas rate case is pending with a final decision expected from The Railroad Commission of Texas in December 2000. Rates are currently in effect on a temporary basis and under bond in certain areas of Atmos' West Texas service area.

### Trans Louisiana Gas Company Rate Proceeding:

Trans La finalized its regulatory proceeding in October 1999. Trans La was permitted to extend its Rate Stabilization Clause (RSC), increase its service charges and redesign its rate structure to mitigate the effects of warmer than normal weather on future earnings.

### Western Kentucky Gas Company (WKG) Rate Proceeding:

In December 1999, WKG received approval for \$9.9 million in additional annual revenue. In addition, WKG received approval for a five-year pilot program for weather normalization, which became effective in November 2000. WKG was also permitted to redesign its rate structure and mitigate the effects of warmer than normal weather on future earnings.

### United Cities Gas Company Rate Proceedings:

United Cities filed a rate case for its Illinois operations in February. In October 2000 (fiscal 2001), United Cities received approval for \$1.37 million in additional annual revenue and approval to restructure rates to mitigate the effects of warmer than normal weather on future earnings.

United Cities filed a rate case for its Virginia operations in July. The rate case is pending but \$2 million in new rates will be put into effect, under bond, in December. Final resolution of the case is expected during fiscal 2001.

### Weather Hedges

Atmos purchased weather hedges for its Texas and Louisiana operations for the 2000 - 2001 heating season. The hedges provide protection against weather that is at least 7 percent warmer than normal in both Texas and Louisiana, while preserving any upside potential. The hedges also allow for an adjustment in weighting between Louisiana and Texas related to the timing of the closing of the Louisiana Gas Service transaction. If the hedges had been in place during the 1999 - 2000 heating season they would have added approximately \$0.25 to fiscal 2000 diluted earnings per share.

### Agreement to Sell South Carolina Assets

In October, Atmos entered into an agreement to sell its natural gas distribution system assets in Gaffney, South Carolina for approximately \$5.8 million cash, which approximates net book value. The transaction is subject to state regulatory approval and is expected to close by the end of the calendar year.

### FISCAL 2001 REGULATORY PROCEEDINGS

#### United Cities Gas Company Rate Proceeding:

In October, United Cities received approval in Illinois for \$1.37 million in additional annual revenue and approval to restructure rates to mitigate the effects of warmer than normal weather on future earnings.

## Greeley Gas Company Rate Proceeding:

On November 3, 2000, Greeley Gas Company filed a rate case with the Colorado Public Utilities Commission for \$4.2 million. A decision is expected in the case by July 2001.

## Forward-Looking Statement

The matters discussed or incorporated by reference in this release may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this release are forward-looking statements made in good faith by the Company, and are intended to qualify for the safe harbor from liability established by the Private Securities Reform Act of 1995. When used in this release or in any of the Company's other documents or oral presentations, the words "anticipate," "expect," "estimate," "plans," "believes," "objective," "forecast," "goal" or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements relating to the Company's earnings per share projections, operations, markets, services, rates, recovery of costs, availability of gas supply, and other factors. These risks and uncertainties include the following: national, regional and local economic competitive conditions, including competition from other energy suppliers as well as alternative forms of energy; regulatory and business trends and decisions, including the impact of pending rate proceedings before various state regulatory commissions; successful implementation of new technologies and systems, including any technologies and systems related to our customer support center and billing operations; inflation rates, including their effect on commodity prices for natural gas, as well as their related effect on our hedging and market risk activities; weather conditions that would be adverse to our business such as the continuation of warmer than normal weather in our service territories; successful completion and integration of pending acquisitions discussed above; further deregulation or "unbundling" of the natural gas distribution industry, and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the Company. Accordingly, while the Company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. We undertake no obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise.

Atmos Energy Corporation of Dallas, Texas distributes natural gas to more than one million customers in 12 states through its operating divisions -- Energas Company, Greeley Gas Company, Trans Louisiana Gas Company, United Cities Gas Company, and Western Kentucky Gas Company. Atmos owns an equity interest in Heritage Propane Partners, the nation's fifth largest retail propane marketer. Atmos also owns an equity interest in Woodward Marketing, LLC, a natural gas services company located in Houston, Texas. For more information about Atmos, please visit the Company's website at [www.atmosenergy.com](http://www.atmosenergy.com).

- Atmos Energy Corporation
- Financial Highlights
- (Unaudited)

	Three Months Ended Sept. 30,		Year Ended Sept. 30,	
	2000	1999	2000	1999
Statements of Income (000's except per share data)				
Operating revenues	\$ 159,135	\$ 108,953	\$ 850,152	\$ 690,196
Purchased gas cost	101,136	66,138	524,446	390,402
Gross profit	57,999	42,815	325,706	299,794
Operation & maintenance expense	35,897	47,801	147,897	157,206
Depreciation and amortization	15,727	15,431	63,855	56,874

Taxes, other than income	4,843	8,287	28,638	31,475
Total operating expenses	56,467	71,519	240,390	245,555
Operating income (loss)	1,532	(28,704)	85,316	54,239
Other income	4,304	4,922	14,744	10,123
Interest charges, net	11,415	10,135	43,823	37,063
Income (loss) before				
income taxes	(5,579)	(33,917)	56,237	27,299
Income taxes (benefit)	(1,996)	(12,781)	20,319	9,555
Net income (loss)	\$ (3,583)	\$ (21,136)	\$35,918	\$17,744
Basic net income (loss)				
per share	\$ (0.11)	\$ (0.68)	\$1.14	\$ .58
Diluted net income (loss)				
per share	\$ (0.11)	\$ (0.68)	\$1.14	\$ .58
Cash dividends per share	\$ .285	\$ .275	\$1.14	\$1.10
Weighted average shares				
outstanding:				
Basic	31,743	30,872	31,461	30,566
Diluted	31,743	30,872	31,594	30,819

Balance Sheet	Sept. 30,	Sept. 30,
Items (000's)	2000	1999
Property, plant and		
equipment	\$1,579,803	\$1,549,258
Net property, plant		
and equipment	982,346	965,782
Total assets	1,348,758	1,230,537
Shareholders' equity	392,466	377,663

Statistics	Three Months Ended		Year Ended	
	Sept. 30,	Sept. 30,	Sept. 30,	Sept. 30,
	2000	1999	2000	1999
Heating degree days	51	55	3,302	3,374
Percent of normal	128%	134%	82%	85%
Total throughput				
(MMcf as metered)	36,990	34,276	197,564	195,587
Natural gas meters	1,096,599	1,037,995		

*SOURCE: Atmos Energy Corporation*

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Exhibit A  
Page 5 of 5


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Tuesday January 23, 9:17 pm Eastern Time

**Press Release***SOURCE: Atmos Energy Corporation***Related Quotes**

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## Atmos Energy Corporation Reports 52 Percent Increase for 2001 First Quarter

DALLAS, Jan. 23 /PRNewswire/ -- Atmos Energy Corporation (NYSE: ATO - news) today reported net income of \$23 million, or \$0.70 per diluted share for the quarter ended December 31, 2000, compared to reported net income of \$14.3 million or \$0.46 per diluted share last year, a 52 percent per share increase. Operating revenues for the first fiscal quarter of 2001 were \$442.8 million compared to operating revenues of \$224.5 million in 2000.

Results for the 2001 first quarter reflect the coldest winter on record for the Company with temperatures 21 percent colder than normal and 46 percent colder than last year. Revenues and purchased gas costs increased significantly during the quarter due to higher gas costs. Gross profit in the quarter was \$20.4 million greater than the comparable first quarter of 2000. The Company's increase in gross profit was not related to higher gas costs which are a direct pass-through to customers with no profit added. Gross profit was greater during the quarter as a result of more customer gas volumes delivered this year due to colder weather, the benefit of authorized revenue increases in Kentucky, Illinois, West Texas and Amarillo and the addition of Associated Natural Gas customers. Operating and maintenance expenses were aggressively managed during the quarter and resulted in a significant reduction in normal operating expenses over last year. However, in view of the significantly higher gas cost environment, the Company increased its allowance for doubtful accounts. A reduction in other income for the 2001 first quarter was due primarily to the amortization of weather hedges purchased for the Company's Louisiana and Texas operations and a customer refund under Western Kentucky Gas' Performance Based Ratemaking (PBR) mechanism.

"We are extremely pleased with our financial performance during the first quarter of 2001. The positive impact of favorable weather, the benefits of increased revenues resulting from our successful regulatory proceedings and customer growth have established a strong foundation for significant earnings growth in fiscal 2001," said Robert W. Best, Chairman, President and CEO.

"We re-capitalized our balance sheet during the first quarter by issuing about 6.7 million shares, including underwriters' over-allotments, through our highly successful public equity offering. Institutional and retail investor orders exceeded the 5,000,000 shares originally designated for issuance, and we were delighted to increase the offering to satisfy investor demand for additional shares of Atmos stock. Net proceeds of the offering were used to reduce short-term debt resulting in a current debt to total capitalization ratio of 49 percent. We believe the positive investor reaction to Atmos' equity offering underscores that investors share Atmos' confidence and enthusiasm about the future of the Company and its ability to create long-term shareholder value.

Exhibit B  
Page 1 of 5

"We continue to focus on completing the acquisitions of Woodward Marketing LLC and the assets of Louisiana Gas Service Company and LGS Natural Gas Company. We expect those transactions to be completed during the second and third quarters and we look forward to deploying those assets to build increasing value for our shareholders.

"We are convinced of our ability to deliver strong earnings growth during fiscal 2001 and beyond. Analyst estimates for 2001 are currently in the range of \$1.65 - \$1.90 on a weather-normalized basis and we reiterate our comfort with that range. Furthermore, even if weather is warmer than normal during the second half of the heating season, we remain confident that our earnings per share will be in the range of \$1.40 - \$1.60," said Best.

#### A REVIEW OF 2001 FIRST QUARTER HIGHLIGHTS

##### Equity Offering

On December 1, 2000, Atmos announced that it would make a public offering of 5,000,000 shares of its common stock. The offering was increased to 6,000,000 shares based on investor demand and the offering was priced at \$22.25 a share on December 14. The Company's underwriters also exercised options to acquire approximately 741,500 shares to cover overallocments. Atmos received net proceeds of \$142 million which it used to reduce commercial paper debt.

##### Pending Acquisitions

Louisiana Gas Service Company and LGS Natural Gas Company:

In April 2000, Atmos entered into an agreement to acquire the assets of Louisiana Gas Service Company, a division of Citizens Communications Company and LGS Natural Gas Company, a subsidiary of Citizens for \$375 million. In December 2000, the parties signed an agreement to adjust the purchase price to \$365 million due to Citizens decision to divest a portion of the LGS assets prior to closing. The acquisition will add approximately 279,000 meters and will be accounted for as a purchase. The Company expects to complete the acquisition during the third fiscal quarter of 2001, subject to state regulatory approvals. Upon completion of the acquisition, Atmos will become the fifth largest pure gas utility in the nation.

Woodward Marketing, LLC:

In August 2000, Atmos entered into an agreement with Woodward Marketing, Inc., to acquire the remaining 55 percent equity interest in Woodward Marketing LLC in exchange for 1,423,193 restricted shares of Atmos common stock. The issuance is subject to an upward adjustment of a maximum of 232,547 shares should the price of Atmos common stock fail to reach a price of \$25 per share during any 30 consecutive trading-day period between the first and fifth anniversary dates of the date of closing. The acquisition does not require shareholder approval but does require regulatory approval in five of the 11 states in which Atmos operates. The Company expects to complete the transaction by March 31, 2001, subject to the required regulatory approvals. The acquisition of the remaining interest in Woodward Marketing is expected to increase the profitability, scale and scope of Atmos' non-utility operations.

##### Regulatory Proceedings Settled During 2001 First Quarter

Energas' West Texas Rate Case:

The Railroad Commission of Texas approved an increase in annual revenues of \$3.01 million for Energas' West Texas operations in December 2000. In addition to the rate increase, the Railroad Commission approved a new rate design that will mitigate the effect of warm weather on earnings. The rate increase was implemented under bond in October 2000 and was officially approved on December 1. The new rates affect approximately 217,000 of Energas' 311,000 customers.

### United Cities' Illinois Rate Case:

The Illinois Commerce Commission granted United Cities Gas Company an increase of \$1.37 million in additional revenues for its Illinois operations. The Commission also approved a new rate design that will minimize the effects of warm weather on earnings. United Cities serves approximately 25,000 Illinois customers.

### Regulatory Proceedings Pending During 2001 First Quarter

#### Greeley Gas Company's Colorado Rate Case:

In November 2000, Greeley Gas Company filed a rate case with the Colorado Public Utilities Commission requesting \$4.2 million in additional annual revenues. Hearings are expected to commence in April 2001 and a final decision is expected in the case by July 2001.

#### United Cities' Virginia Rate Case:

United Cities filed a rate case requesting \$2 million in additional annual revenues for its Virginia operations in July 2000. In December, United Cities put the new rates into effect under bond. Hearings in the case are expected to begin in April 2001 with final resolution of the case expected later in the 2001 fiscal year.

### Weather Hedges

Atmos purchased weather hedges for its Texas and Louisiana operations for the 2000 - 2001 heating season. There are two hedges: the first hedge was effective for November - December 2000 and the second hedge is effective for the months of January - March 2001. The hedges provide protection against weather that is at least 7 percent warmer than normal in both Texas and Louisiana, while preserving any upside potential.

### Divestiture of South Carolina Assets

In October 2000, Atmos entered into an agreement to sell its natural gas distribution assets in Gaffney, South Carolina to Piedmont Natural Gas Company. The sale was completed for approximately \$6.6 million in cash on December 31, 2000. The South Carolina assets were operated by United Cities Gas and served approximately 5,400 customers.

### Forward-Looking Statements

The matters discussed or incorporated by reference in this release may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this release are forward-looking statements made in good faith by the Company, and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this release or in any of the Company's other documents or oral presentations, the words "anticipate," "expect," "estimate," "plans," "believes," "objective," "forecast," "goal" or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements relating to the Company's earnings per share projections, operations, markets, services, rates, recovery of costs, availability of gas supply, and other factors. A discussion of these risks and uncertainties may be found in the Company's Form 10-K for the year ended September 30, 2000. While the Company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. We undertake no obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise.

Atmos Energy Corporation of Dallas, Texas distributes natural gas to more than one million customers

in 11 states through its operating divisions- Energas Company, Greeley Gas Company, Trans Louisiana Gas Company, United Cities Gas Company, and Western Kentucky Gas Company. The Company owns an indirect equity interest in Heritage Propane Partners, the nation's fifth largest retail propane marketer as well as an equity interest in Woodward Marketing LLC, a natural gas services company located in Houston, Texas. For more information about Atmos, please visit the Company's website at [www.atmosenergy.com](http://www.atmosenergy.com).

Atmos Energy Corporation  
Financial Highlights (Unaudited)

Statements of Income (000's except per share)	Three Months Ended Dec. 31,	
	2000	1999
Operating revenues	\$442,790	\$224,458
Purchased gas cost	332,842	134,908
Gross profit	109,948	89,550
Operation & maintenance expense	35,959	35,424
Depreciation and amortization	15,781	16,500
Taxes, other than income	9,267	7,485
Total operating expenses	61,007	59,409
Operating income	48,941	30,141
Other income (loss)	(347)	3,958
Interest charges, net	12,246	11,217
Income before income taxes	36,348	22,882
Provision for income taxes	13,376	8,558
Net income	\$22,972	\$14,324
Basic net income per share	\$ .70	\$ .46
Diluted net income per share	\$ .70	\$ .46
Cash dividends per share	\$.290	\$.285
Average shares outstanding:		
Basic	32,810	31,122
Diluted	32,908	31,339
Summary Net Income by Segment (000's)		
Utility	\$22,838	\$11,104
Non-Regulated	134	3,220
Consolidated net income	\$22,972	\$14,324
Balance Sheet Items (000's)	Dec. 31, 2000	Sept. 30, 2000
Property, plant and equipment	\$1,592,248	\$1,579,803
Net property, plant and equipment	982,082	982,346
Total assets	1,600,014	1,348,758
Shareholders' equity	546,419	392,466
Statistics	Dec. 31, 2000	Dec. 31, 1999
Heating degree days	1,840	1,287
Percent of normal	121%	83%
Total throughput (MMcf as metered)	68,045	53,662
Natural gas meters	1,104,490	1,043,013

SOURCE: Atmos Energy Corporation

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Exhibit B  
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Exhibit B  
Page 5 of 5