

Conference Call to Review
Fiscal 2007 First Quarter
Financial Results

February 7, 2007

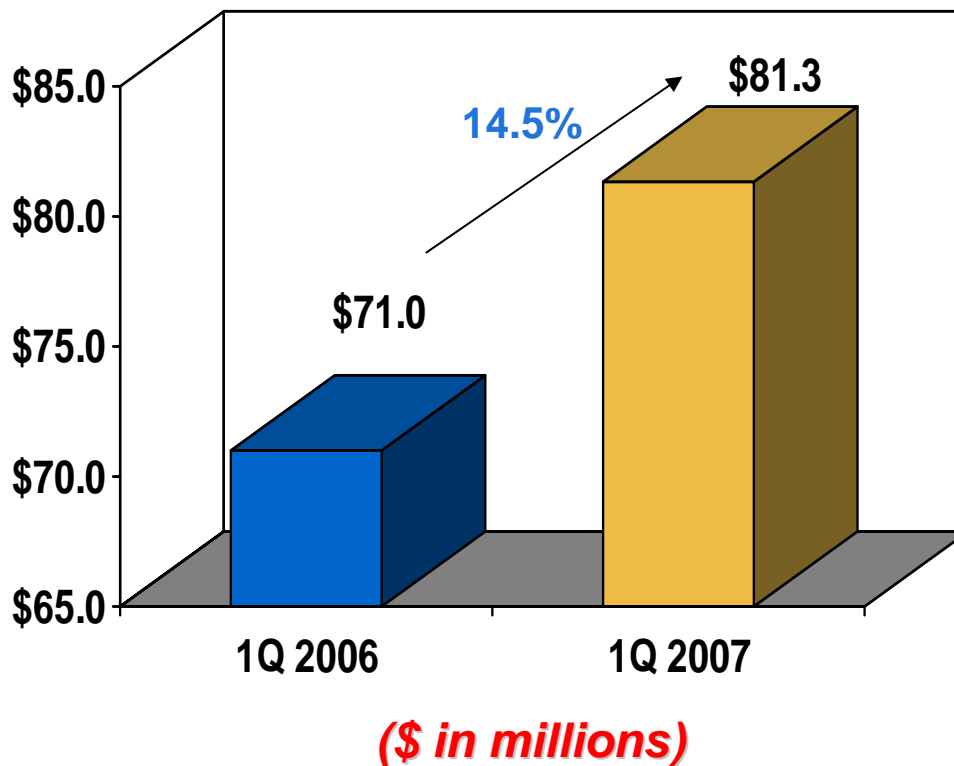
8:00 a.m. EST

Forward Looking Statements

The matters discussed or incorporated by reference in this presentation may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this presentation 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 presentation or in any of our other documents or oral presentations, the words “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “objective,” “plan,” “projection,” “seek,” “strategy” or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this presentation, including the risks relating to regulatory trends and decisions, our ability to continue to access the capital markets, and the other factors discussed in our filings with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2006. Although we believe 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 any forward-looking statements, whether as a result of new information, future events or otherwise.

Further, we will only update earnings guidance through our quarterly and annual earnings releases. All estimated financial metrics for fiscal year 2007 and beyond that appear in this presentation are current as of the date noted on each relevant slide.

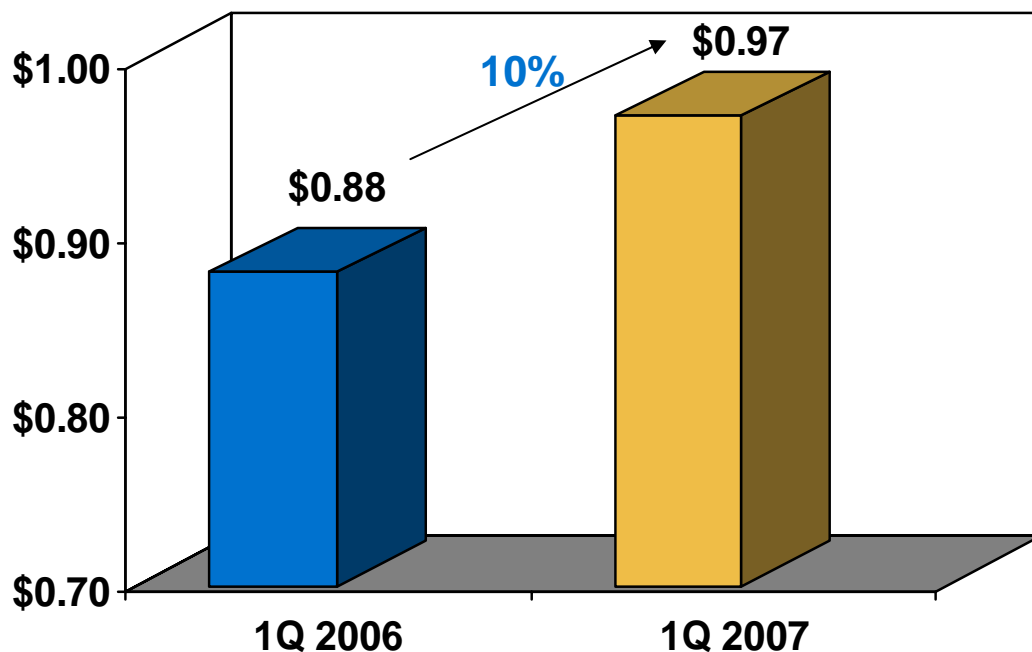
Net Income



Key Drivers

- Increased contribution from nonutility businesses, primarily natural gas marketing segment, due to higher unrealized mark-to-market margins
- Rate increase adjustments, primarily GRIP in Texas
- Expanded WNA coverage in Mid-Tex and Louisiana divisions in current period
- Decrease due to size and timing of revenue-related taxes compared to the prior-year period
- Increase in O&M expenses primarily due to higher employee-related costs

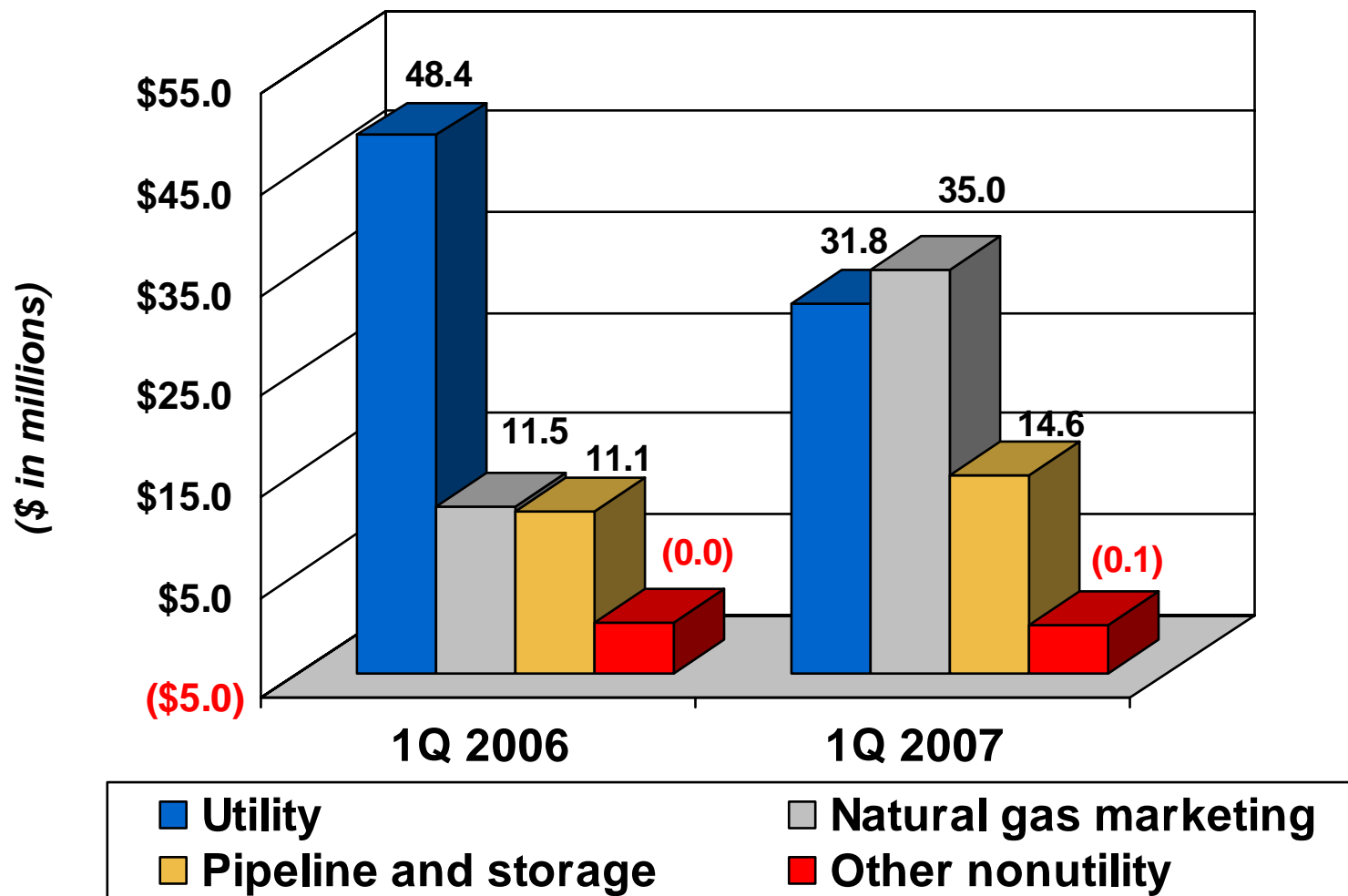
Earnings per Diluted Share



Notes

- Quarter over quarter increase of about 2.6 million weighted average diluted shares outstanding
- Increase in shares primarily due to 6.3 million shares issued in December 2006

Net Income by Segment



Drivers

- \$29.0 million *increase* in gross profit
 - \$17.6 million *decrease* in utility gross profit primarily from
 - \$15.2 million *decrease* in revenue-related taxes due to lower franchise fee recovery as a result of lower gas costs in the current quarter (see appendix)
 - \$1.0 million *decrease* primarily due to weather
 - \$ 9.0 decrease due to weather that was 4 percent warmer than last year, offset in part by an
 - \$ 8.0 increase due to the positive benefit of WNA, of which \$7.0 million relates to our Mid-Tex division and \$1.0 million relates to the Louisiana division
 - \$2.3 million *decrease* due to industrial/irrigation consumption decline
 - \$6.7 million net *increase* due to rate adjustments
 - \$5.2 million *increase* due to rate adjustments resulting from the GRIP-related recovery for 2004 and 2005 capital expenditures in Texas
 - \$3.5 million *increase* due to the August 2006 rate stabilization filing in the LGS service area
 - \$2.0 million *decrease* due to the rate reduction in Tennessee as determined by the Tennessee Regulatory Authority in October 2006

Jurisdictions Adjusted for WNA

At December 31, 2006, we had WNA in the following service areas for the following periods as noted, which covers over 90% of our customer meters in service:

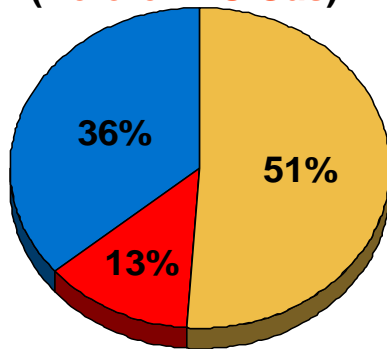
Service Area	WNA Period
Amarillo, TX	October – May
Georgia	October – May
Kansas	October – May
Kentucky	November – April
Louisiana *	December – March
Lubbock, TX	October – May
Mid-Tex *	October – May
Mississippi	November – April
Tennessee	November – April
Virginia	January – December
West Texas	October – May

* New for the 2006-2007 winter heating season

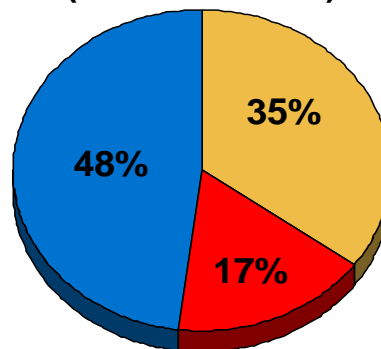
Stabilizing Utility Margin Sensitivity

- Weather Normalization Adjustment (WNA) for Mid-Tex and Louisiana Divisions went into effect for the 2006-2007 winter heating season
- As of December 31, 2006, we had WNA in areas covering over 90% of our customer meters in service
- For the fiscal 2007 first quarter, gross profit margin was negatively impacted by about \$9.0 million due to weather-sensitive margins, as compared to about \$8.0 million in the fiscal 2006 first quarter.

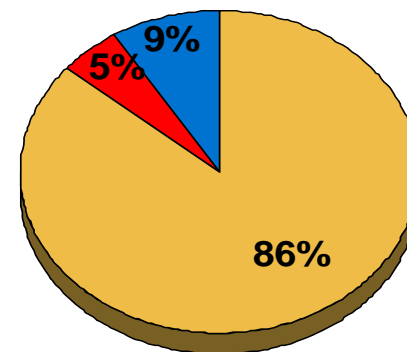
**2003–2004
Heating Season
(Before TXU Gas)**



**2004–2006
Heating Seasons
(Post-TXU Gas)**



**2006–2007E
Heating Season**



Weather Normalized

Weather-Sensitive Margin

Nonweather-Sensitive Margin*

* Non-weather sensitive margin is gas consumption not correlated to weather, i.e., gas clothes dryer, gas water heater, gas cooking, and includes monthly fixed charge

Drivers

- \$29.0 million *increase* in gross profit (*continued*)
 - \$36.8 million *increase* in natural gas marketing gross profit primarily due to
 - \$72.7 million *increase* in unrealized storage mark-to-market *gains* primarily due to a compression of the spreads between the spot prices used to value the physical storage positions and the forward prices used to value financial hedges, coupled with an increase in physical storage of 8.2 Bcf quarter over quarter
 - \$32.1 million *decrease* in realized storage contribution as a result of capturing more favorable arbitrage spreads in the prior-year quarter due to greater market volatility, coupled with a strategic decision in the current quarter to leave gas in storage and buy flowing gas to meet customer needs to generate improved arbitrage spreads in future periods
 - \$ 9.5 million *decrease* in realized marketing margins primarily due to realizing lower margins in a less volatile market quarter over quarter
 - \$ 5.7 million *decrease* in unrealized marketing mark-to-market *losses* primarily due to favorable movement in the forward prices used to value the financial derivatives used in these activities

<i>Natural Gas Marketing Segment</i>	Quarter Ended December 31		
	2006	2005	Change
	(In thousands, except physical position)		
Storage Activities			
Realized margin	(\$5,790)	\$26,272	(\$32,062)
Unrealized margin	48,891	(23,792)	72,683
Total Storage Activities	43,101	2,480	40,621
Marketing Activities			
Realized margin	20,069	29,567	(9,498)
Unrealized margin	(36)	(5,728)	5,692
Total Marketing Activities	20,033	23,839	(3,806)
GROSS PROFIT	\$63,134	\$26,319	\$36,815
Net physical position (Bcf)	21.0	12.8	8.2

Source of Fair Value	Fair Value of Contracts at December 31, 2006				Total Fair Value
	Maturity in Years				
	< 1	1 - 3	4 - 5	> 5	
	(In thousands)				
Prices actively quoted	\$ 34,974	\$ 9,257	\$ —	\$ —	\$ 44,231
Prices based on models & other valuation methods	(1,393)	(1,190)	—	—	(2,583)
Total Fair Value	\$ 33,581	\$ 8,067	\$ —	\$ —	\$ 41,648

Drivers

- \$29.0 million *increase* in gross profit (*continued*)
 - \$9.9 million *increase* in pipeline and storage gross profit primarily due to 27.4 Bcf increase in consolidated transportation volumes
 - \$4.3 million *increase* due to incremental margins and throughput generated from the North Side Loop and other compression projects completed in June 2006
 - \$1.1 million *increase* due to rate adjustment resulting from the GRIP-related recovery for 2005 capital expenditures in Texas
 - \$1.5 million *increase* in storage and park and lend services as a result of improved margins and the widening pricing differentials between the pipeline's hubs which made storing gas more attractive

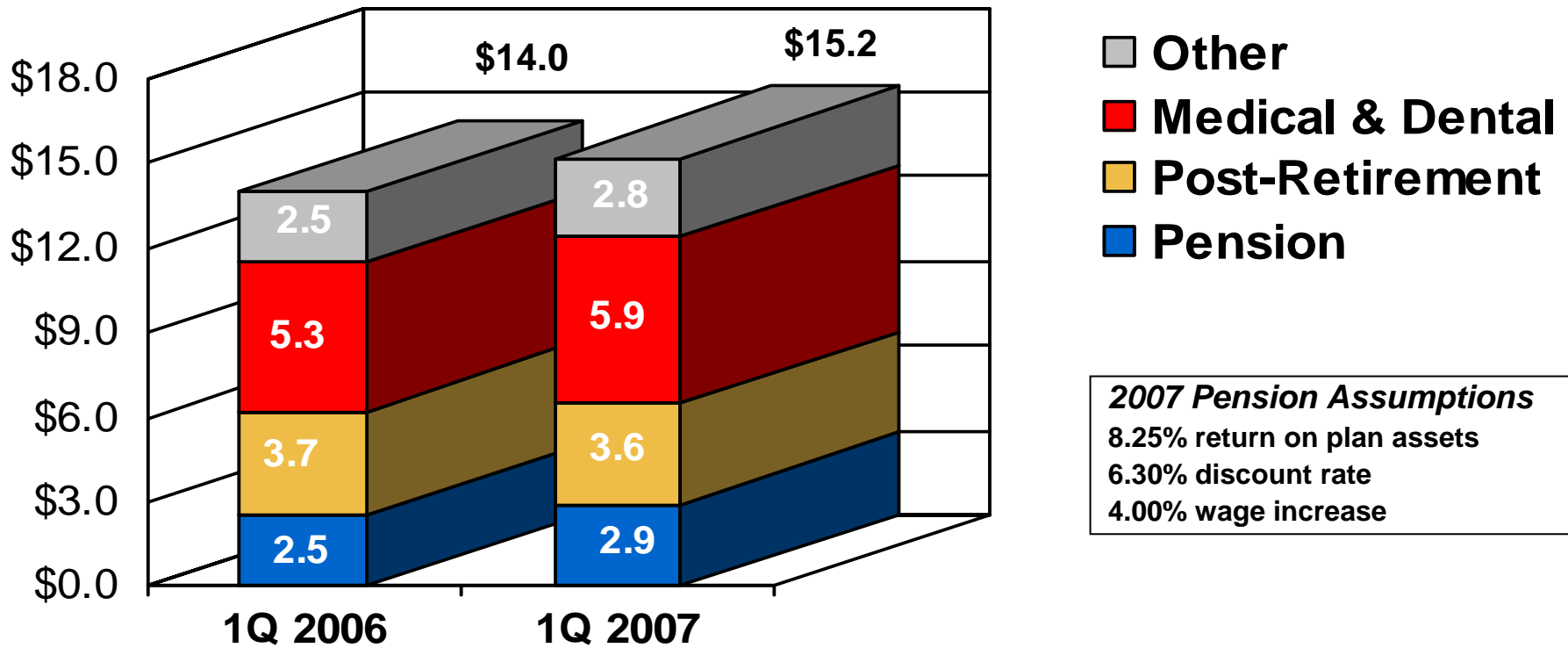
Drivers

- *Increased* O&M expenses of \$7.2 million primarily due to
 - \$8.4 million *increase* in employee costs associated with increased headcount and benefit costs
 - \$2.0 million *decrease* in provision for doubtful accounts due to lower collection risk on lower natural gas prices
 - \$2.0 million *decrease* due to the absence of Hurricane Katrina-related costs recorded in the prior year quarter
 - \$2.8 million *increase* in other administrative costs

- *Decreased* taxes, other than income, of \$5.3 million largely due to lower franchise fees and state gross receipts taxes calculated as a percentage of revenue (see appendix)

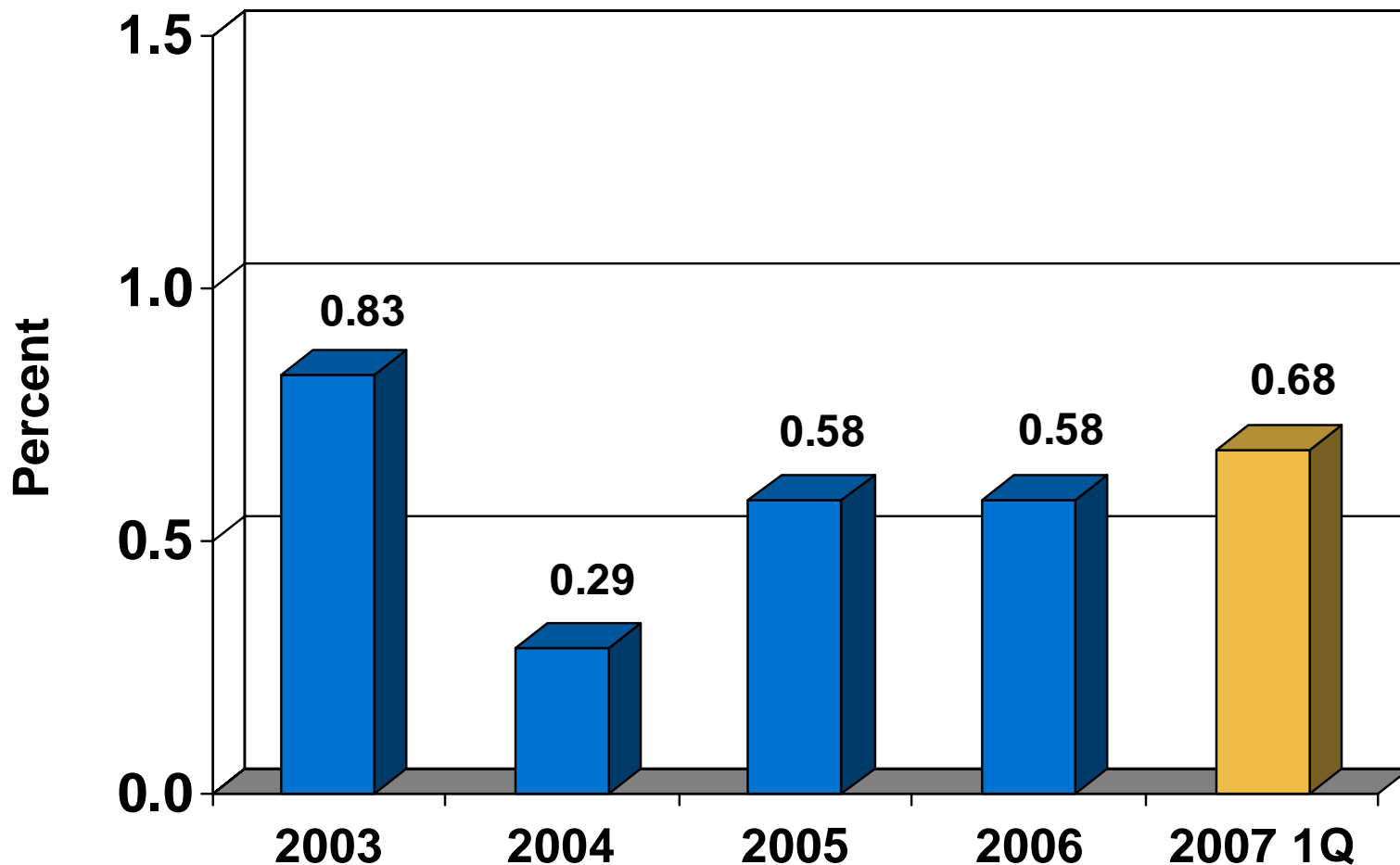
Pension, Post-Retirement & Other Benefits Expense

(in millions)



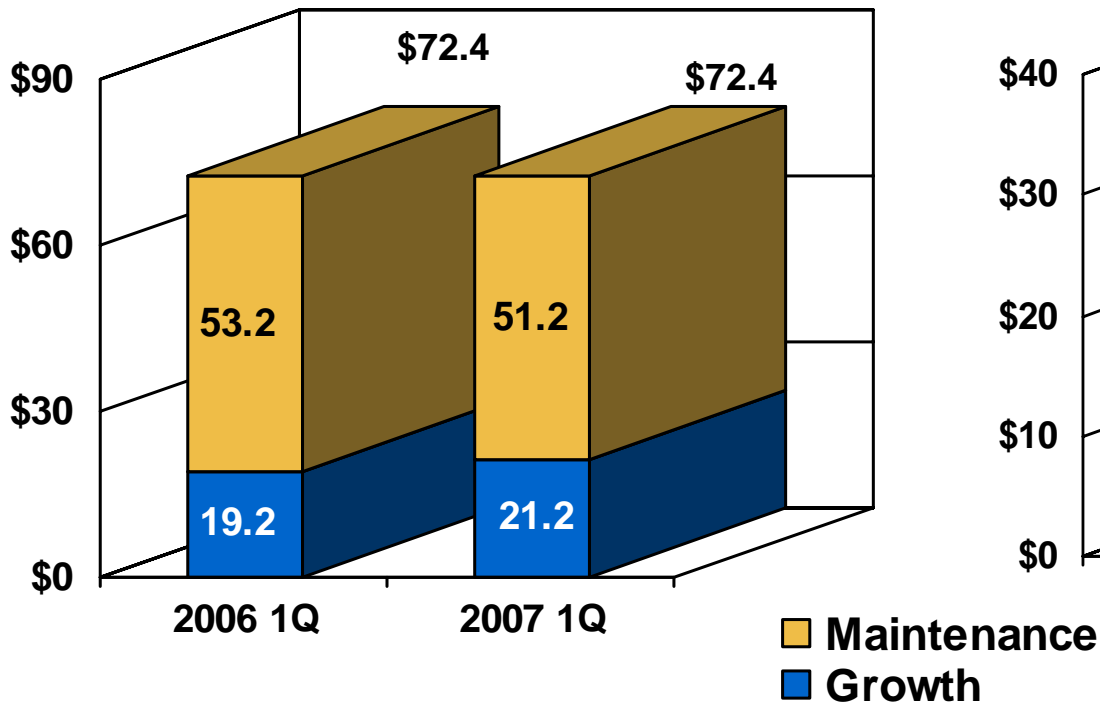
2007 Pension Assumptions
 8.25% return on plan assets
 6.30% discount rate
 4.00% wage increase

Utility Bad Debt Expense as a Percent of Revenues

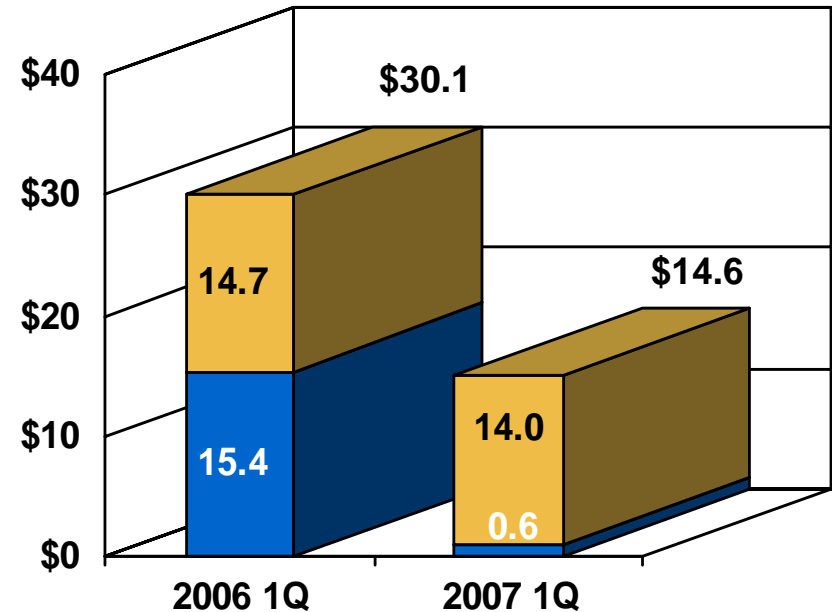


Capital Expenditures

Utility CAPEX
(in millions)



Nonutility CAPEX
(in millions)



Fiscal 2007 1Q Expenditures
 Maintenance Capital: \$65.2 million
 Growth Capital: \$21.8 million

Shelf Registration and Common Stock Offering

- December 4, 2006, Atmos Energy filed a new registration statement with the SEC to issue up to \$900 million in new common stock and/or debt securities, including about \$402 million carried over from our prior shelf registration statement filed in August 2004
- December 13, 2006, Atmos Energy completed the sale of 6.3 million shares priced at \$31.50
 - Approximately \$192 million in net proceeds
 - Proceeds used to reduce short-term debt
 - Reduced debt-to-capitalization ratio from 60.9% (at 9/30/06) to 54.9% (at 12/31/06)
 - Dilutes fiscal 2007 net income per diluted share by approximately 5 cents

Natural Gas Gathering Project Update

- May 10, 2006, announced plans to construct 60-mile, 20-inch natural gas gathering system in eastern Kentucky
- Estimated project cost was \$75-\$80 million
- An independent producer in the area expected to have minority ownership interest in the project
- Project received exemption from regulatory oversight by the Federal Energy Regulatory Commission in early October; other required regulatory approvals pending
- Anticipated construction to have begun in the first half of fiscal 2007, with operations beginning in fiscal 2008
- *Currently reviewing the scale, scope and timing of the originally designed project*

Rate Case Filing in Mid-Tex Division

- May 31, 2006, filed for rate increase of \$60 million and several rate design changes including WNA, Revenue Stabilization, and recovery of the gas cost component of bad debt
- July 6, 2006, an interim agreement was reached to implement WNA effective October 1, 2006, utilizing 30 years of weather history
- Hearing completed on November 17, 2006
- Hearing Examiner's Proposal for Decision issued on February 2, 2007, recommended a rate decrease of approximately \$22.8 million, permanent WNA utilizing 10 years of weather history and a \$2.6 million customer refund
- Anticipate the final Railroad Commission decision sometime in March 2007; the statutory deadline for a decision is April 2, 2007
- Any rate *increase* will be effective from the day of final order; any rate *decrease* will be effective from May 31, 2006
- Affects approximately 1.5 million customers in Texas

Rate Case Filing – Kentucky

- December 28, 2006, filed request for 1st rate increase in over 7 years in Kentucky. Serve approximately 175,000 residential, commercial and industrial customers in Kentucky
- Request for revenue increase of about \$10.4 million, or 4.6%
- Filing includes request for 5-year experimental rate stabilization mechanism, with decoupling, through an annual rate filing and recovery for bad debt portion of gas cost through base rates
- Requested ROE: 11.75%
- Requested Capital Structure: 51.8% Debt / 48.2% Equity
- Rate Base: \$169.4 Million
- Test year ends June 30, 2008; forward-looking filing
- Commission expected to set procedural schedule in early February 2007 with a hearing expected in May 2007
- Decision on the case expected in July 2007; with new rates implemented subject to refund in mid-July
- Kentucky PSC suspended the procedural schedule in the Attorney General's February 2005 complaint and the company has submitted a motion for dismissal which remains under consideration

Louisiana Rate Settlement

- May 25, 2006, Louisiana Public Service Commission (LPSC) approved settlement of several existing dockets
- Allowed modified WNA which provides for partial decoupling
- Renewed the Rate Stabilization Clause (RSC) with provisions reducing regulatory lag and a refund of \$400,000
 - First RSC filing for the LGS service area for approximately \$10.8 million was effective August 12, 2006, based on a test year ended December 31, 2005; settlement agreement reached December 2006 resulting in a rate increase of about \$9.5 million
 - First RSC filing for the Trans La service area for approximately \$1.8 million made December 28, 2006, for the test period ending September 30, 2006, with effective date of April 1, 2007
 - WNA in both service areas will be effective for an initial three year period beginning with the 2006-2007 winter
- Implemented new rates in LGS service area, subject to refund, in September 2006, reflecting reduction of about 26,500 customers and recovery of costs as a result of damage related to Hurricane Katrina

Rate Case Filing – Missouri

- April 7, 2006, filed request for 1st rate increase in over 9 years in Missouri
- Request for revenue increase of about \$3.4 million, or 5.9%
- Total company investment approximates \$22.0 million over the 9-year period
- Staff has recommended decoupling via straight fixed/variable rate design
- Currently in settlement discussions with Commission
- Serve approximately 60,000 residential, commercial and industrial customers in Missouri

Minimizing Volatility With Gas Supply Hedging

- For the 2006-2007 heating season, Atmos Energy is hedging approximately 49 percent of its expected winter gas utility supply requirements
 - 22 percent is naturally hedged through a combination of owned underground storage assets and contract pipeline storage
 - 27 percent is hedged through the use of financial derivatives (primarily futures and fixed forward contracts)

- We project the weighted-average cost for storage gas and financial contracts to be approximately \$7.53 per Mcf. This compares to a weighted-average cost of approximately \$9.06 per Mcf for the same period last year

- Hedging provides relative protection to the company and its customers against volatility in gas prices
 - Customers will pay a blended rate for gas costs
 - Atmos Energy should reduce the effects of higher gas prices on its customer receivables and working capital requirements

Gas Held in Underground Storage – by Segment

Segment	December 31, 2006			December 31, 2005		
	Balance (\$MM's)	Volumes (Bcf)	WACOG*	Balance (\$MM's)	Volumes (Bcf)	WACOG*
Atmos Utility	\$ 384.6	60.3	\$ 6.38	\$ 415.6	59.6	\$ 6.97
Natural Gas Marketing	118.7	21.2	7.80	144.1	15.7	9.51
Pipeline & Storage	16.7	2.7	7.83	23.9	2.4	9.67
Total:	\$ 520.0	84.2	\$ 6.78	\$ 583.6	77.7	\$ 7.57

* WACOG excludes fair value hedge amounts associated with physical storage

Credit Facilities

- December 15, 2006, Atmos Energy entered into a new \$600 million, 5-year committed revolving credit facility through December 2011
 - Facility replaces our \$600 million 3-year revolving credit facility entered into in October 2005, under essentially the same terms
 - Serves as a backup liquidity facility for our \$600 million commercial paper program
- November 7, 2006, Atmos Energy entered into a new \$300 million, 364-day committed revolving credit facility
 - Supplements amounts available under existing \$18 million committed credit facility and \$25 million uncommitted credit facility

Investment Grade Credit Ratings

Moody's

- Senior Unsecured Debt:
- Commercial Paper:
- Outlook:

Rating

Baa3
P-3
stable

Standard & Poor's

- Senior Unsecured Debt:
- Commercial Paper:
- Outlook:

BBB
A-2
stable

Fitch

- Senior Unsecured Debt:
- Commercial Paper:
- Outlook:

BBB+
F-2
stable

Quarterly Dividend

- On February 6, 2007, the Atmos Board of Directors declared a quarterly dividend of \$0.32 per share
- 93rd consecutive dividend declared
- To be paid on March 12, 2007, to shareholders of record on February 26, 2007
- Indicated annual dividend of \$1.28 per share

Fiscal 2007 Financial Projections

Earnings Guidance – Fiscal 2007E

- Atmos Energy anticipates earnings to be in the range of \$1.90 to \$2.00 per fully diluted share for the 2007 fiscal year
- Assumptions include:
 - Approximately 5 cent dilutive effect of the recent equity offering
 - Total expected gross margin contribution from the marketing segment in the range of \$95 million to \$105 million, including \$10 million positive mark-to-market impact
 - Fair and reasonable outcome in the pending Mid-Tex Division rate case
 - Continued execution of rate strategy and collection efforts
 - Normal weather in non-WNA jurisdictions
 - Bad debt expense of no more than \$22 million
 - Average short-term interest rate @ 6.3%
 - No material acquisitions

Note: Changes in events or other circumstances that the company cannot currently anticipate could result in earnings for fiscal 2007 that are significantly above or below this outlook.

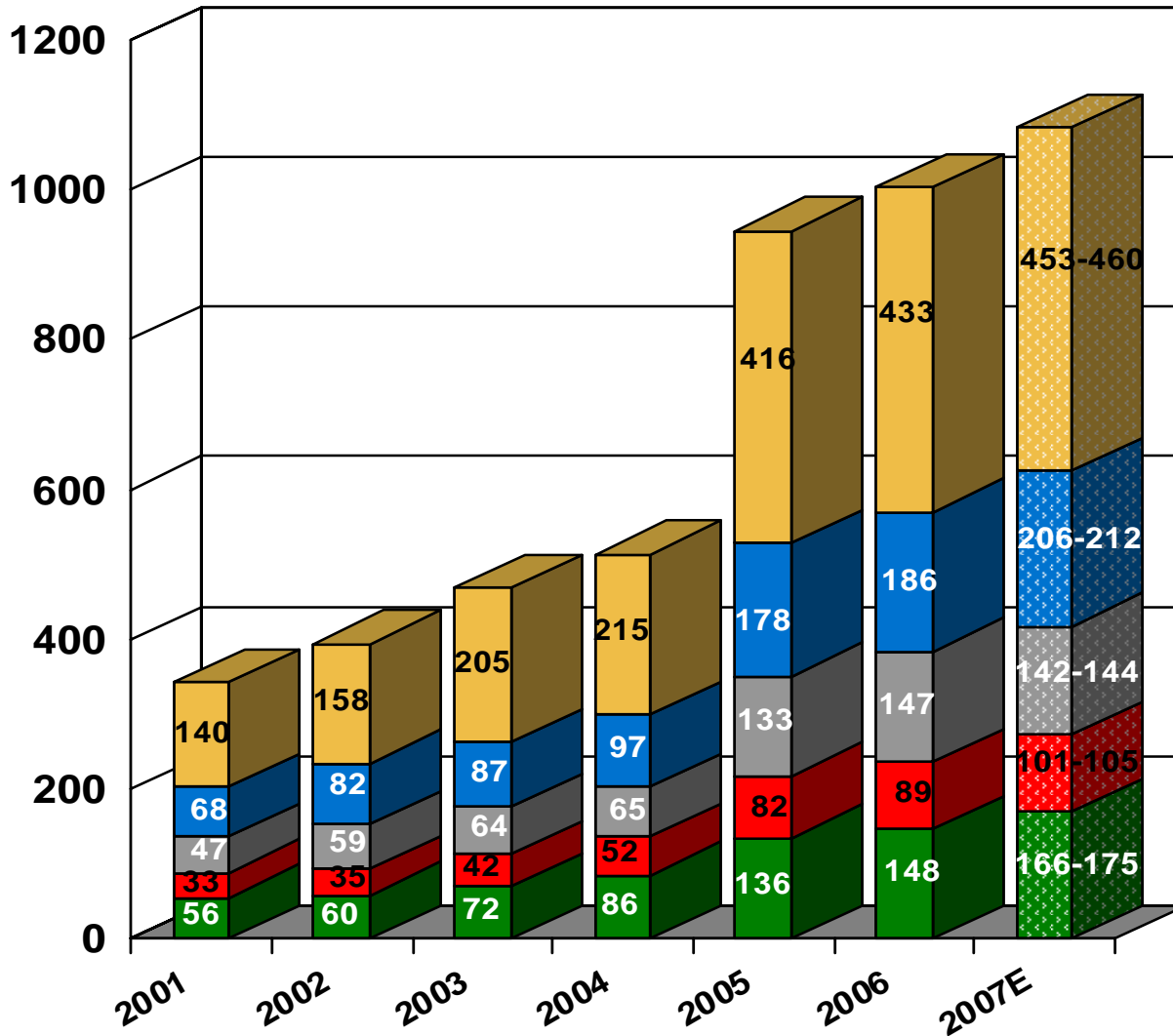
Projected Net Income by Segment

(\$ millions, except EPS)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007E</u>
Utility	\$ 63	\$ 81	\$ 53	\$ 83 - 87
Natural Gas Marketing	17	23	58	42 - 44
Pipeline & Storage	3	31	36	39 - 41
Other	3	1	1	2 - 3
Total	<u>86</u>	<u>136</u>	<u>148</u>	<u>166 - 175</u>
Avg. Diluted Shares	54.4	79.0	81.4	87.6
Earnings Per Share	\$ 1.58	\$ 1.72	\$ 1.82	\$1.90 - \$2.00

Selected Income Statement Components

(\$ in millions)

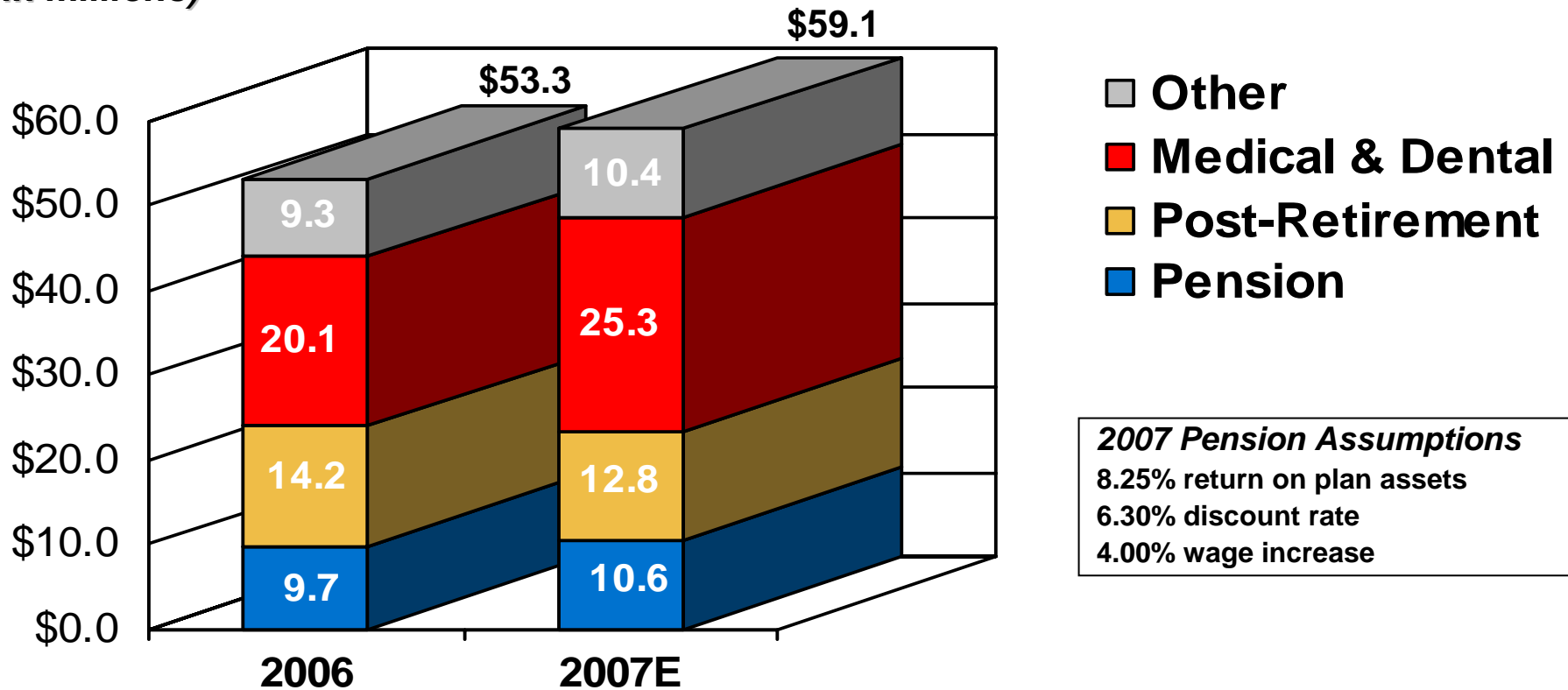


2007E Consolidated (\$ millions)

O & M	\$453 - \$460
D & A	\$206 - \$212
Interest	\$142 - \$144
Income Tax	\$101 - \$105
Net Income	\$166 - \$175

Pension, Post-Retirement & Other Benefits Expense

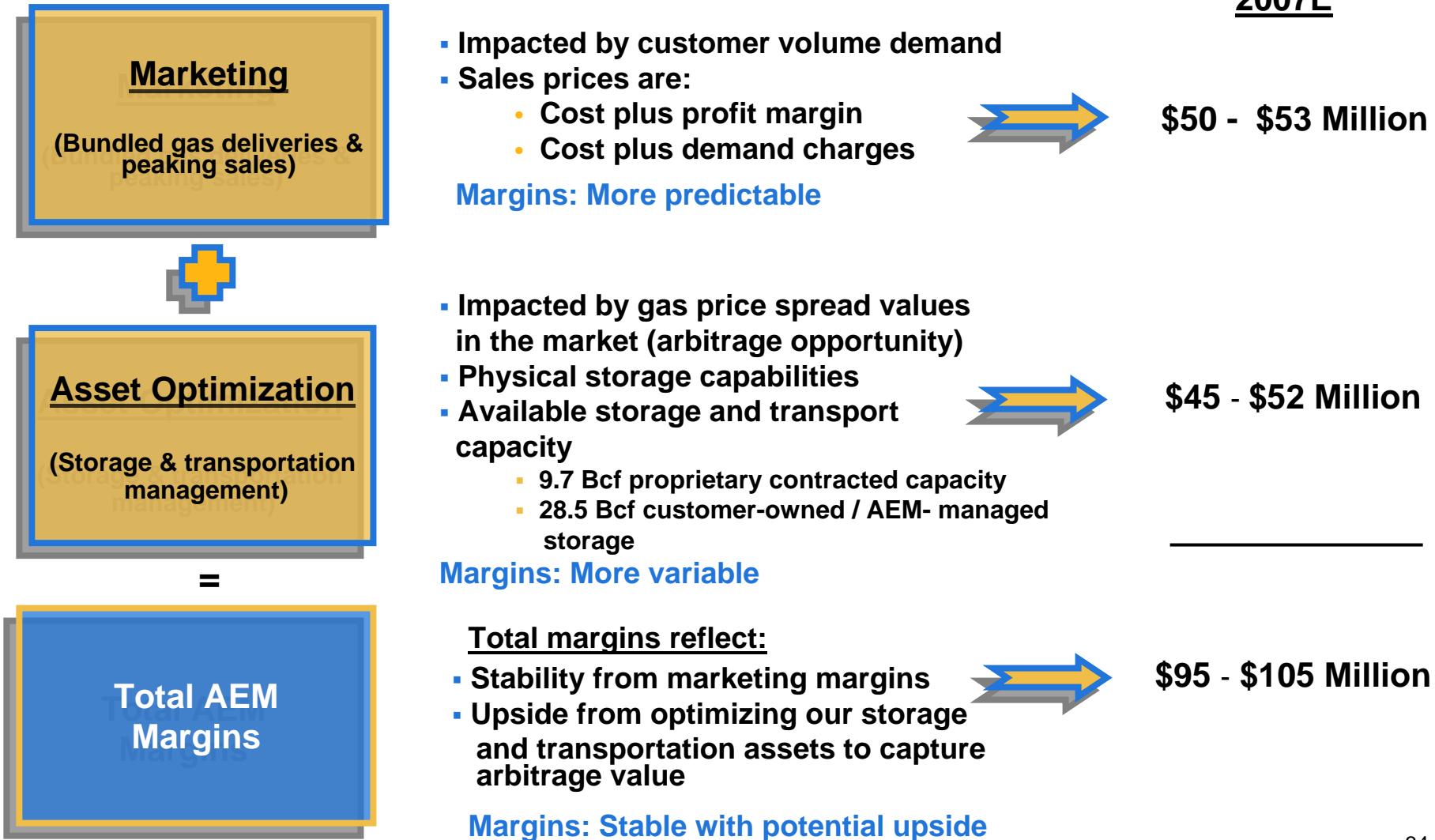
(in millions)



2007 Pension Assumptions
 8.25% return on plan assets
 6.30% discount rate
 4.00% wage increase

Atmos Energy Marketing – Gross Profit Margin Composition

2007E



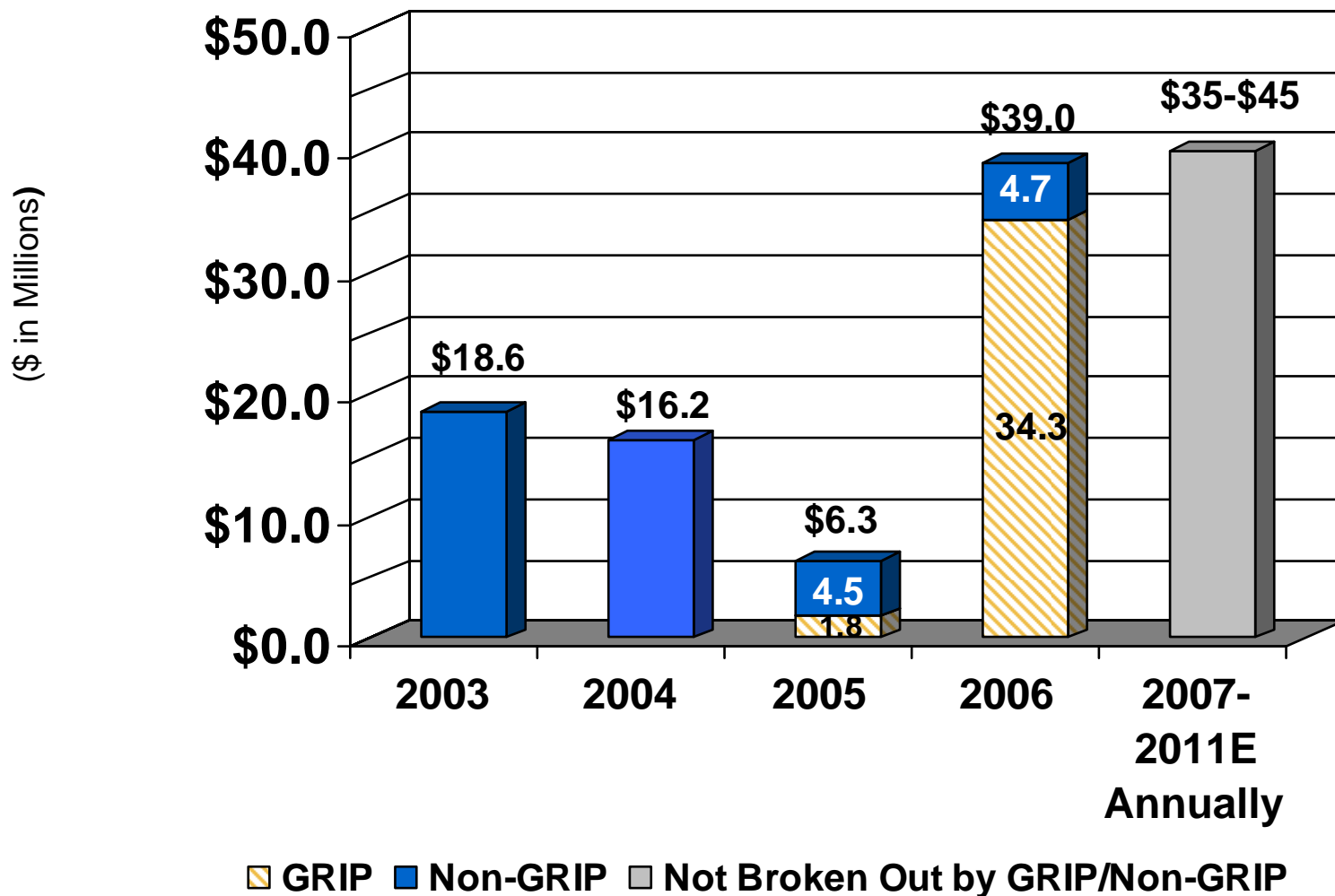
Executing on the Utility Rate Strategy

	Number of Customers	Percentage of Total	Purchased Gas Cost Adjustments	WNA	GRIP/ Accelerated Capital Recovery	Decoupling/ Rate Stabilization	Gas Cost Bad Debt Recovery
Texas	1,800,000	57%	✓	✓	✓	In Progress	Partial
Louisiana	350,000	11%	✓	✓	✓	✓	
Mississippi	270,000	8%	✓	✓	✓	✓	
Remaining Jurisdictions	760,000	24%	✓	Partial		(1)	Partial

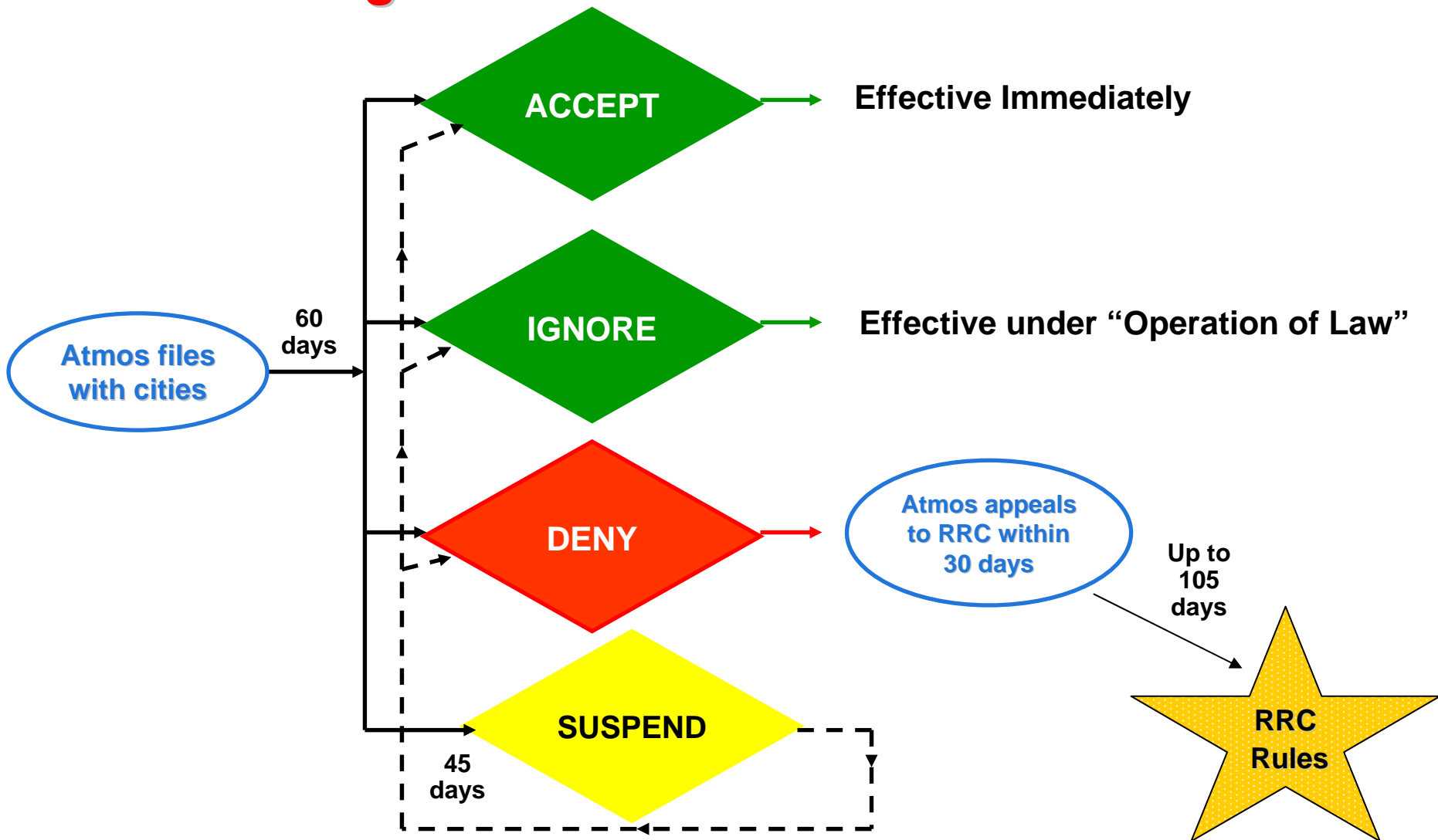
Partial means applicable within certain jurisdictions within the category.

(1) Missouri in progress

Approved Annual Rate Increases in the Regulated Operations



GRIP Filing Process in Texas



Projected Cash Flow

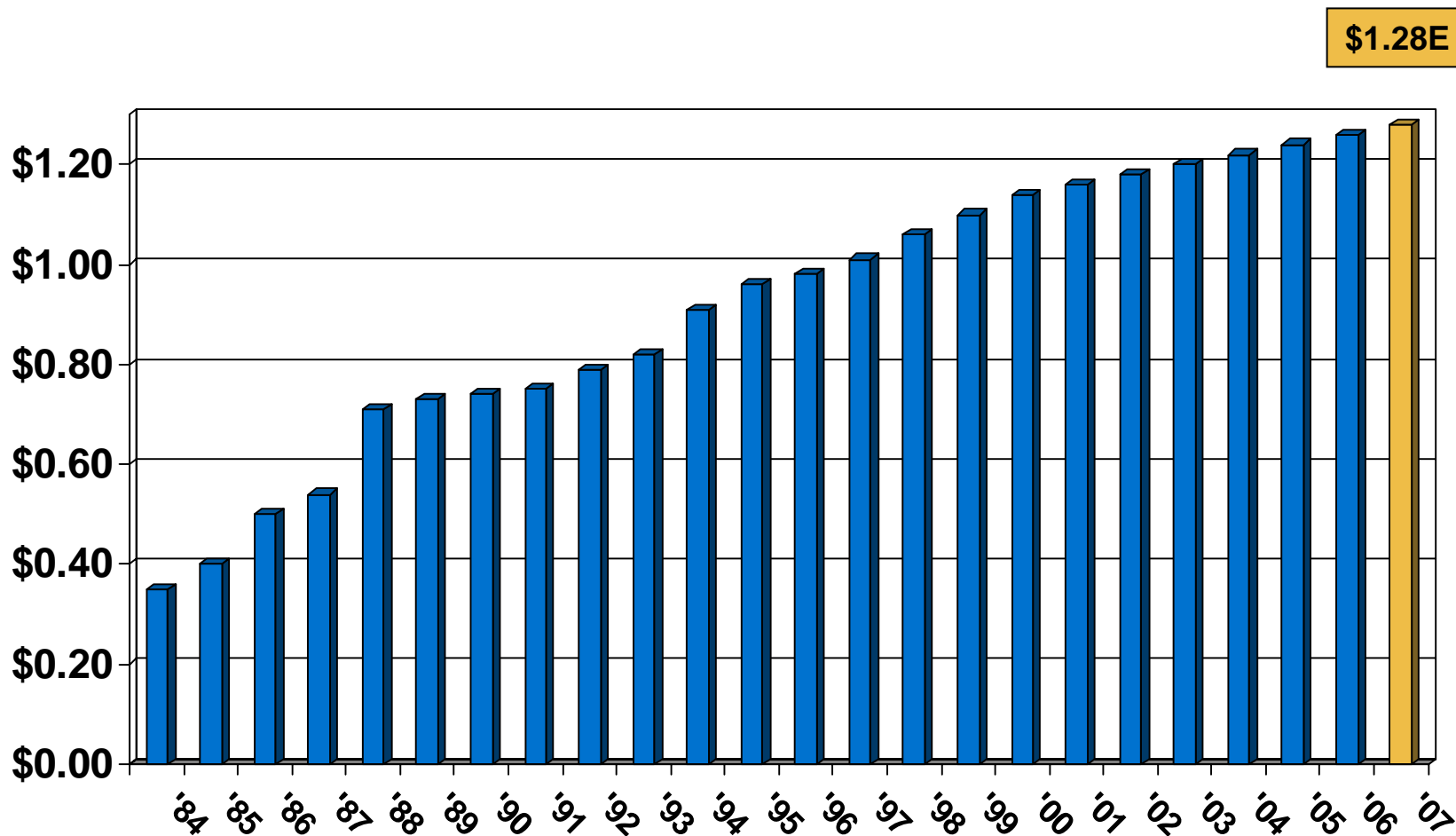
(\$ millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007E</u>
Cash flows from operations	\$ 271	\$ 387	\$ 311	\$ 440 - 460
Maintenance/Non-growth capital	(126)	(243)	(287)	(251-262)
Dividends	(67)	(99)	(102)	(112)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash available for debt reduction and growth projects	\$ 78	\$ 45	\$ (78)	\$ 77 - 86

Capital Expenditures

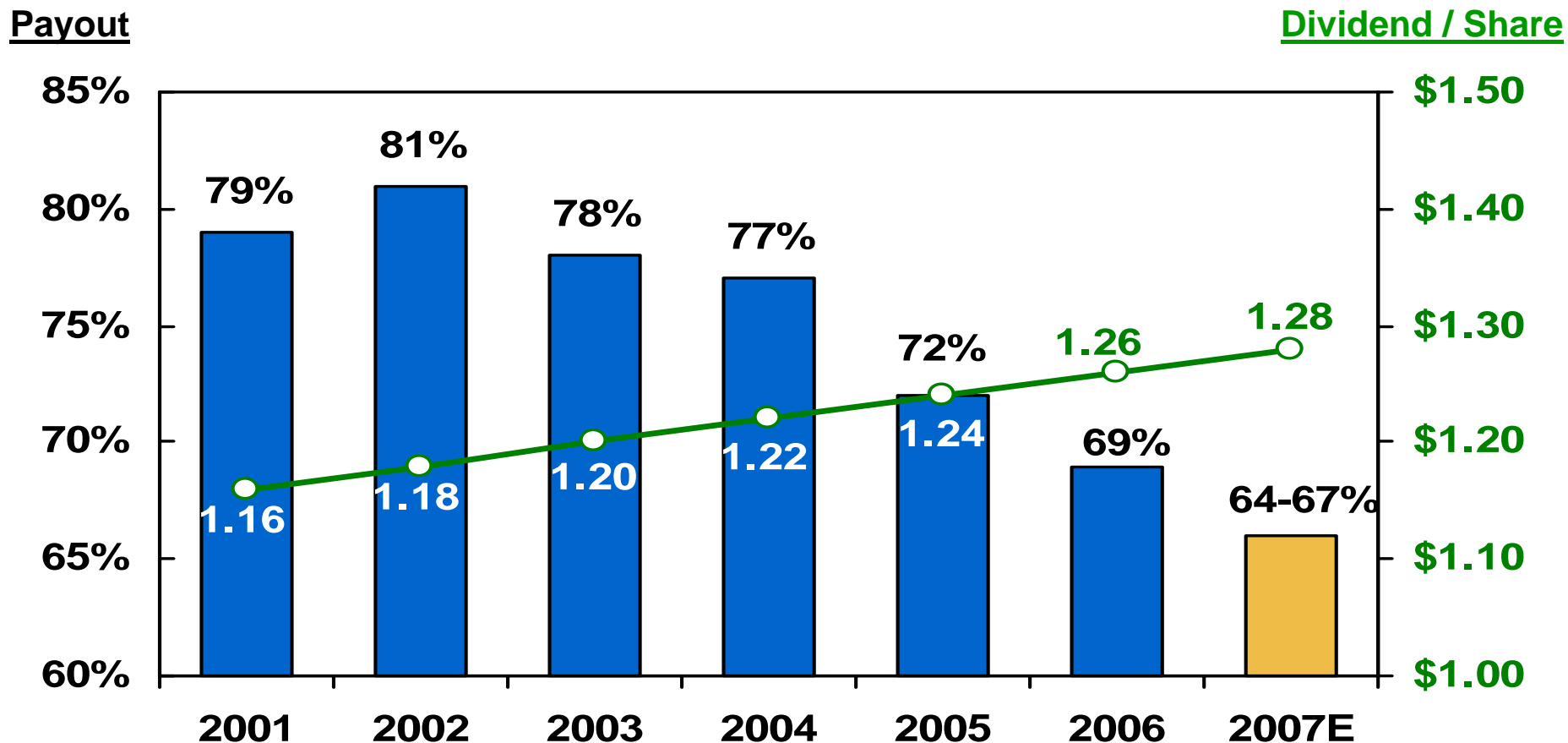
- In the 2006 fiscal year, Atmos Energy spent \$425.3 million in capital expenditures
- For fiscal 2007, we project between \$425-\$440 million in capital expenditures
 - Approximately \$251 - \$262 million maintenance
 - Nonutility: \$42 million - \$47 million
 - Utility: \$209 million - \$215 million
 - Approximately \$174 - \$178 million growth
 - Nonutility: \$78 million - \$79 million
 - Utility: \$96 million – \$99 million

Annual Dividend Growth



Note: Amounts are adjusted for mergers and acquisitions. For fiscal 2007, \$1.28 is the indicated annual dividend.

Dividend Payout Ratio



Current Dividend Yield Approximately 4%
Average LDC Payout Ratio = 65%

Consolidated Financial Results 2007 Fiscal Year First Quarter

Consolidated Income Statements – Fiscal 2007 1Q



(000s except EPS)	Three Months Ended December 31	
	2006	2005
Operating Revenues:		
Utility Segment	\$ 964,244	\$ 1,405,010
Natural Gas Marketing Segment	711,694	1,101,845
Pipeline and Storage Segment	49,852	39,712
Other Nonutility Segment	1,353	1,492
Intersegment Eliminations	<u>(124,510)</u>	<u>(264,239)</u>
	1,602,633	2,283,820
Purchased Gas Cost:		
Utility Segment	701,676	1,124,829
Natural Gas Marketing Segment	648,560	1,075,526
Pipeline and Storage Segment	225	-
Other Nonutility Segment	-	-
Intersegment Eliminations	<u>(123,420)</u>	<u>(263,125)</u>
	1,227,041	1,937,230
Gross Profit	375,592	346,590
Operation and Maintenance Expense	115,370	108,217
Depreciation and Amortization	48,995	43,260
Taxes, other than income	40,067	45,416
Miscellaneous Income	1,579	448
Interest Charges	<u>39,532</u>	<u>36,189</u>
Income Before Income Taxes	133,207	113,956
Income Tax Expense	<u>51,946</u>	<u>42,929</u>
Net Income	<u>\$ 81,261</u>	<u>\$ 71,027</u>
Net Income Per Share:		
Basic	\$ 0.98	\$ 0.88
Diluted	\$ 0.97	\$ 0.88
Average Shares Outstanding:		
Basic	82,726	80,259
Diluted	83,350	80,722

Utility Operating Income – By Division

Fiscal 2007 1Q



	Three Months Ended December 31	
	2006	2005
Utility Operating Income		
Colorado-Kansas Division	\$ 8,672	\$ 8,610
Louisiana Division	10,593	7,891
Kentucky Mid-States Division	14,203	20,490
Mid-Tex Division	35,340	50,787
Mississippi Division	7,599	9,993
West Texas Division	6,506	6,131
Other	198	2,347
Total Utility Operating Income	\$ 83,111	\$ 106,249

Utility Volumes - Fiscal 2007 1Q



	Three Months Ended December 31			
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>% Change</u>
Sales Volumes (MMcf)				
Residential	50,699	53,709	(3,010)	(6%)
Commercial	27,085	29,139	(2,054)	(7%)
Public authority and other	2,771	3,291	(520)	(16%)
Industrial	5,735	9,009	(3,274)	(36%)
Irrigation	110	40	70	175%
Total	<u>86,400</u>	<u>95,188</u>	<u>(8,788)</u>	<u>(9%)</u>
Transportation (MMcf)	<u>32,694</u>	<u>30,602</u>	<u>2,092</u>	<u>7%</u>
Total Consolidated				
Utility Volumes (MMcf)	<u><u>119,094</u></u>	<u><u>125,790</u></u>	<u><u>(6,696)</u></u>	<u><u>(5%)</u></u>

Cash Flow Statements - Fiscal 2007 1Q

	Year to Date December 31	
	2006	2005
(000s)		
Net income	\$ 81,261	\$ 71,027
Depreciation and amortization	49,078	43,407
Deferred income taxes	13,869	20,448
Other	4,718	3,680
Net change in operating assets and liabilities	16,043	(333,931)
Operating cash flow	164,969	(195,369)
Capital expenditures - growth	(21,819)	(34,573)
Capital expenditures - non-growth	(65,167)	(67,892)
Other, net	(1,324)	(1,121)
Operating cash flow after investing activities	76,659	(298,955)
Repayment of long-term debt	(1,717)	(1,695)
Dividends paid	(26,261)	(25,429)
Cash flow after acquisitions and growth capital	\$ 48,681	\$ (326,079)

Capitalization - Fiscal 2007 1Q

	As of December 31			
	<u>2006</u>		<u>2005</u>	
(000s)				
Short-term debt	\$ 154,471	3.6%	\$ 474,059	11.0%
Long-term debt	2,181,942	51.3%	2,184,783	50.9%
Shareholders' equity	1,920,457	45.1%	1,637,617	38.1%
Total capitalization	<u>\$ 4,256,870</u>	<u>100.0%</u>	<u>\$ 4,296,459</u>	<u>100.0%</u>

As a Reminder...

- The audio and slide presentation of this conference call will be available on Atmos Energy's Web site by 8:00 a.m. Eastern Standard Time on February 7, 2007, through midnight on May 2, 2007. Atmos Energy's Web site address is: www.atmosenergy.com.
- To listen to the live conference call, dial 800-218-0204 by 8:00 a.m. Eastern Standard Time on February 7, 2007.

Appendix

Summary of Utility Revenue – Related Tax Information

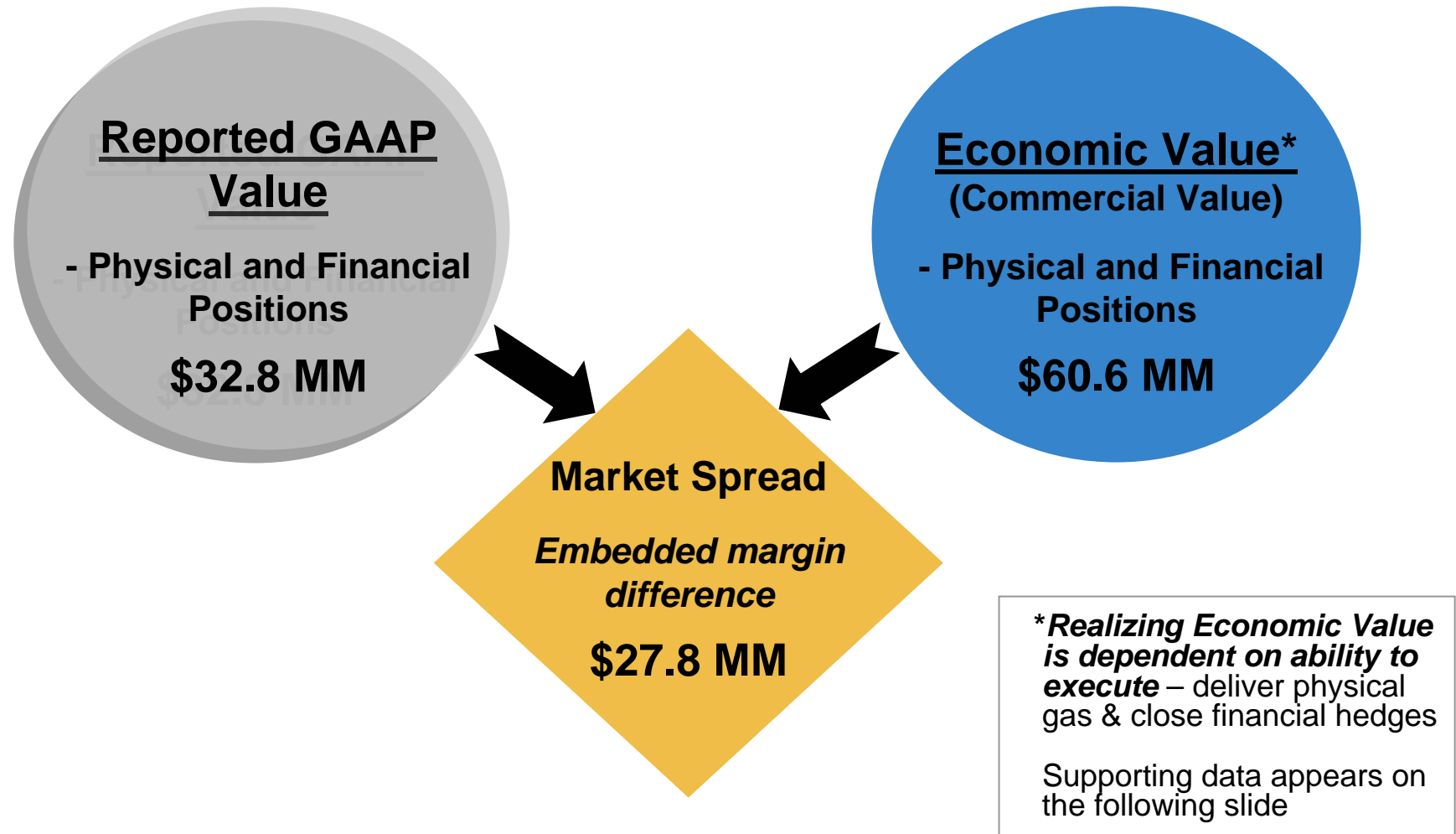
- Gross profit margins, primarily in our Mid-Tex Division, include franchise fees and gross receipts taxes, which are calculated as a percentage of revenue (inclusive of gas costs). We record the expense for these taxes as a component of taxes, other than income.
- Timing differences exist between the recognition of revenue for franchise fees recovered from our customers and the recognition of expense of franchise taxes, which may favorably or unfavorably affect net income; however, they offset over time with no permanent impact to net income.

	Q1 2007	Q1 2006	Change
	Actual	Actual	
	<i>(Amounts in thousands)</i>		
Amounts included in margin	30,154	45,381	(15,227)
Amounts included in taxes, other	(19,937)	(22,685)	2,748
Difference / Impact	\$ 10,217	\$ 22,696	\$ (12,479)

Economic Value vs. GAAP Reported Results

- We commercially manage our storage assets by capturing arbitrage value through optimization strategies that create embedded (forward) value in the portfolio. We report the transactions for external reporting purposes in accordance with GAAP.
- **GAAP Reported Value** is the period to period net change in fair value of the portfolio reported in the income statement that results from the process of marking to market the physical storage volumes and corresponding financial instruments in an interim period.
- **Economic Value** is the period to period forward margin of our storage portfolio that results from the process of calculating our weighted average cost of inventory (WACOG), and our weighted average sales price of our forward financials (WASP), then multiplying the difference times inventory volumes. This margin will be realized in cash when the hedged transaction is settled.
 - **Economic Value** represents the “forward” economic margin of the transactions, while GAAP reported results reflect that portion of our “forward” margin that has been recorded in the income statement.
 - **Volatility** in earnings includes the impact of the accounting treatment of our storage portfolio and is reflective of relatively high price volatility of the prompt month and the relatively low volatility of the offsetting forward months.

Economic Value vs. GAAP Reported Results



Economic Value vs. GAAP Reported Results

Period Ending	Physical Volume (Bcf)	Economic Value (EV)				GAAP Reported Value - MTM		Market Spread	
		(\$ per Bcf)			Total (\$ in millions)	(\$ per Bcf)	Total (\$ in millions)	Total	
		WASP	WACOG	EV				(\$ per Bcf)	(\$ in millions)
9/30/2005	6.9	6.3466	4.4435	1.9031	13.1	(2.1502)	(14.8)	4.0533	27.9
12/31/2005	12.8	9.3918	8.8366	0.5552	7.1	(3.0094)	(38.6)	3.5646	45.7
9/30/2006	14.5	11.9716	7.8329	4.1387	60.0	(1.1076)	(16.0)	5.2463	76.0
12/31/2006	21.0	10.6691	7.7802	2.8889	60.6	1.5636	32.8	1.3253	27.8
Variance	6.5	\$ (1.3025)	\$ (0.0527)	\$ (1.2498)	\$ 0.6	2.6712	\$ 48.8	\$ (3.9210)	\$ (48.2)

WASP: Weighted average sales price for gas held in storage

WACOG: Weighted average cost of AEM's gas in storage

EV: "Economic Value" which equals gas sales price (WASP) minus cost of gas (WACOG) on a per unit basis