

# Wachovia Nantucket Equity Conference

**Pat Reddy**  
**SVP and Chief Financial Officer**  
**June 26, 2007**

# 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, and the Quarterly Report on Form 10-Q for the three and six-month periods ended March 31, 2007. 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.

## Company Profile

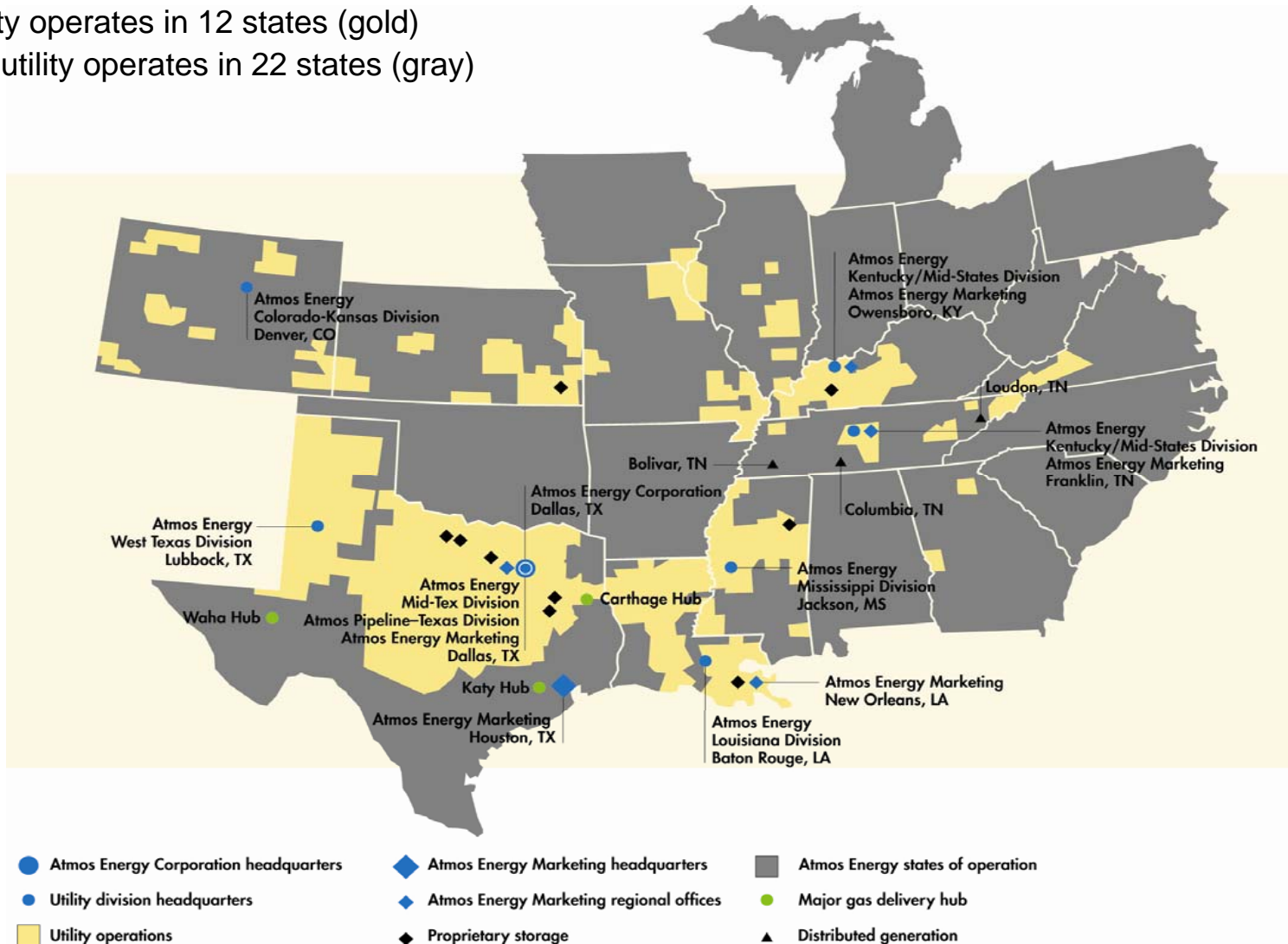
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- The nation's largest pure-gas distribution company and complementary nonutility businesses
- Solid financial foundation
- Track record of creating shareholder value
  - Consistent earnings growth
  - 23 consecutive years of increasing dividends
- Focused strategy over time
  - Grow through prudent acquisitions
  - Maximize core natural gas utility earnings capability
  - Complement core utility business through select nonutility operations

# Growth Through Acquisitions

## Scope of Operations

- Utility operates in 12 states (gold)
- Nonutility operates in 22 states (gray)



# Growth Through Acquisitions



## History of Successful Business Integration

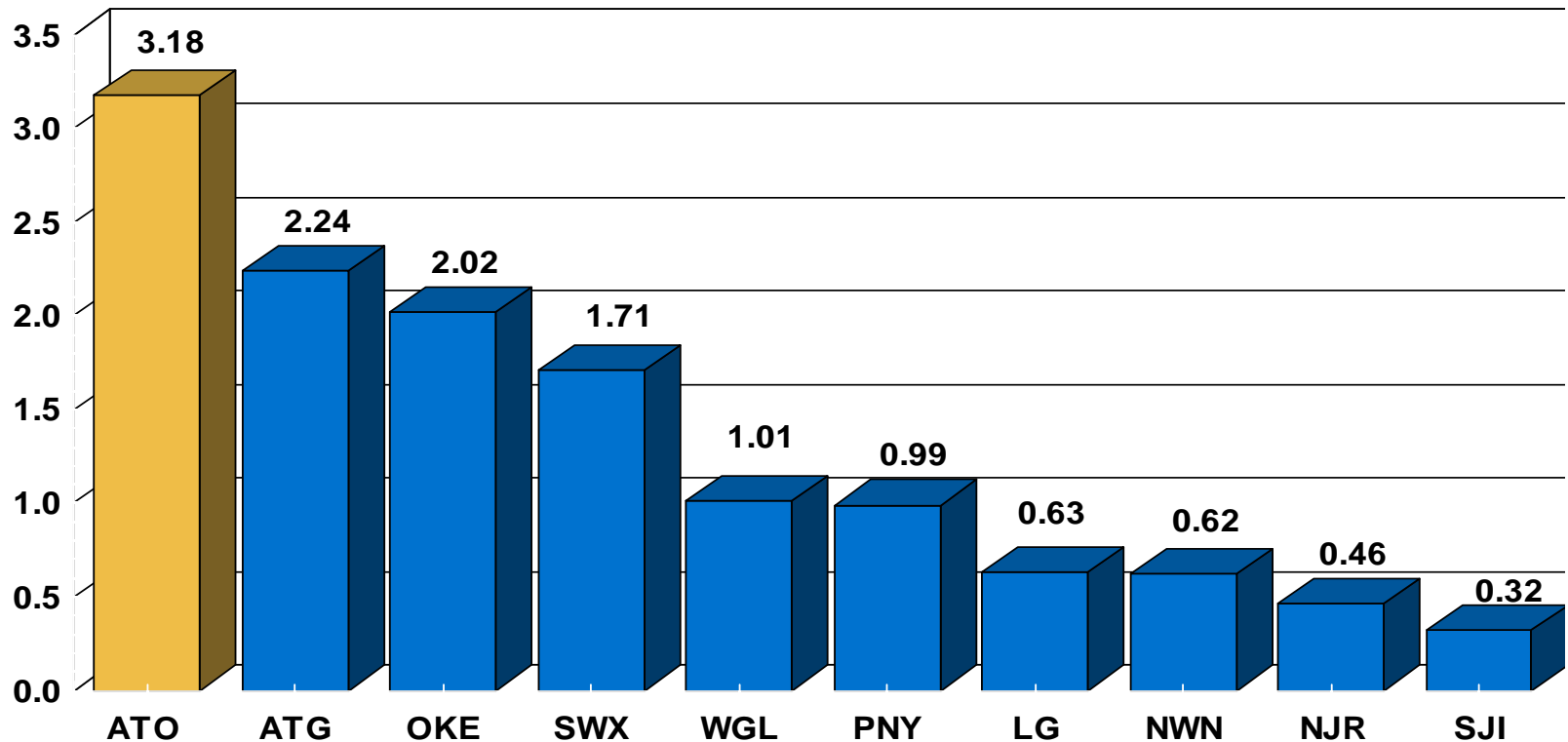
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Acquisition Date	Company Acquired	Customers Acquired	Purchase Price \$ (000s)
1986	Trans Louisiana Gas	69,000	44,100
1987	Western Kentucky Gas	147,000	85,100
1993	Greeley Gas Company	98,000	111,717
1997	United Cities Gas Co.	307,000	469,485
2000	ANG Missouri Assets	48,000	32,000
2001	55% interest in Woodward	-	26,657
2001	Louisiana Gas Service	279,000	363,399
2002	Mississippi Valley Gas	261,500	220,200
2004	ComFurT Gas Inc.	1,800	2,000
2004	TXU Gas Company	1,500,000	1,916,696

# Growth Through Acquisitions

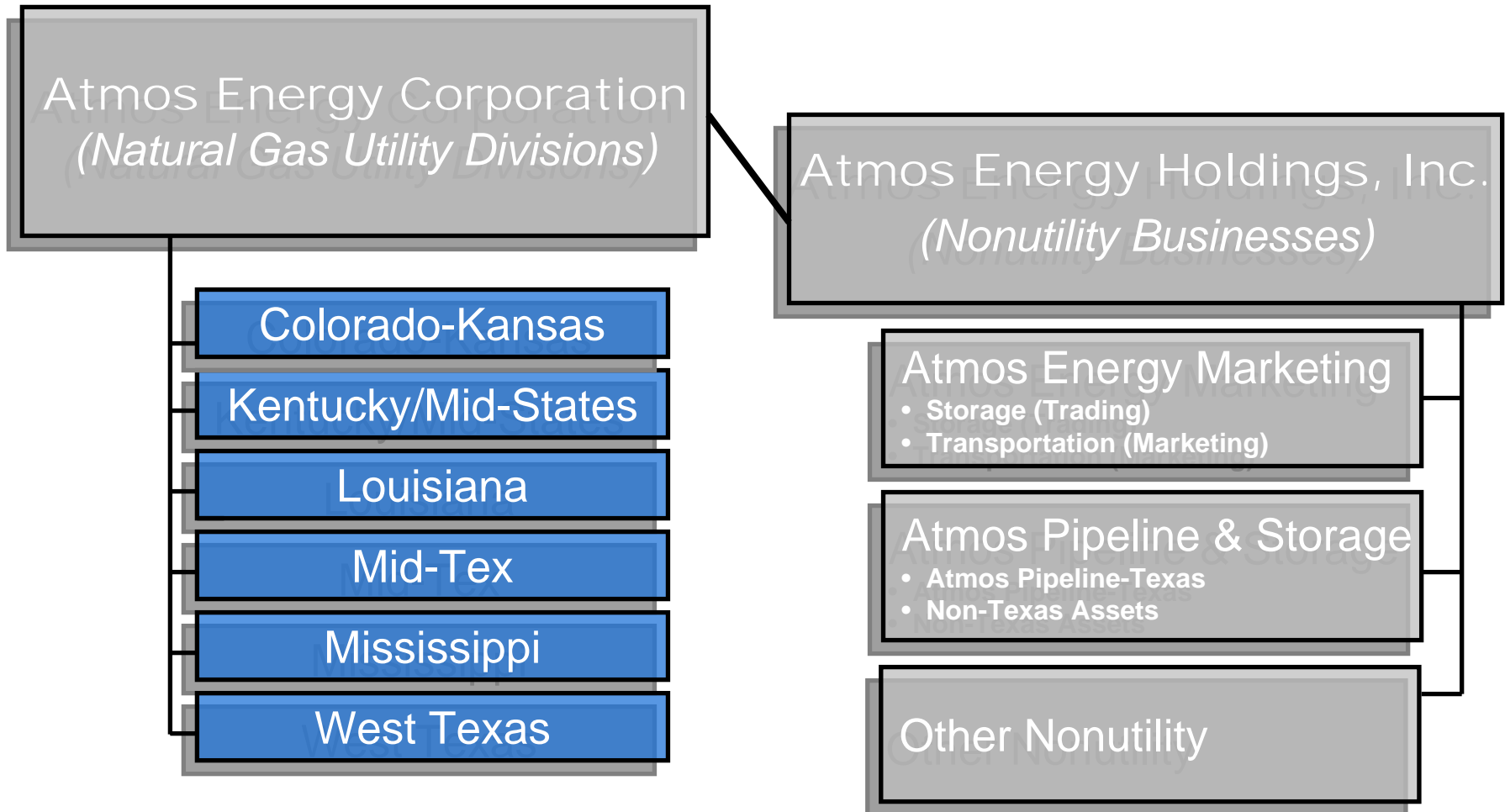
## Largest Pure-Play LDC Based on Customers

(customers in millions)



Note: Companies are represented by their stock ticker symbol and include AGL Resources, The Laclede Group, New Jersey Resources, Northwest Natural Gas, Oneok, Piedmont Natural Gas, South Jersey Industries, Southwest Gas and WGL Holdings.

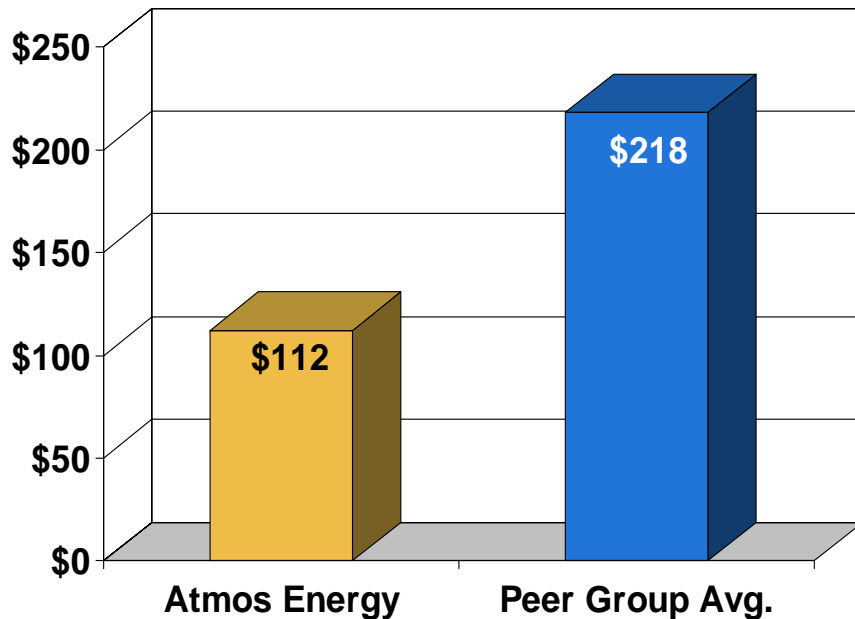
# Maximizing Core Utility Contribution



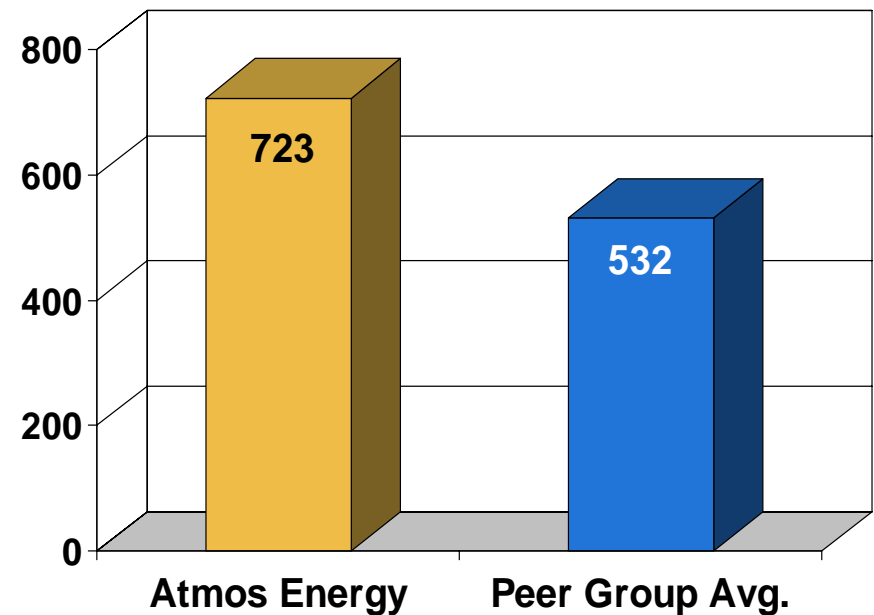
# Maximizing Core Utility Contribution

## Leading Utility Efficiency Metrics vs. Peers

### 2006 Utility O&M Expense Per Customer



### Customers Served per Utility Employee

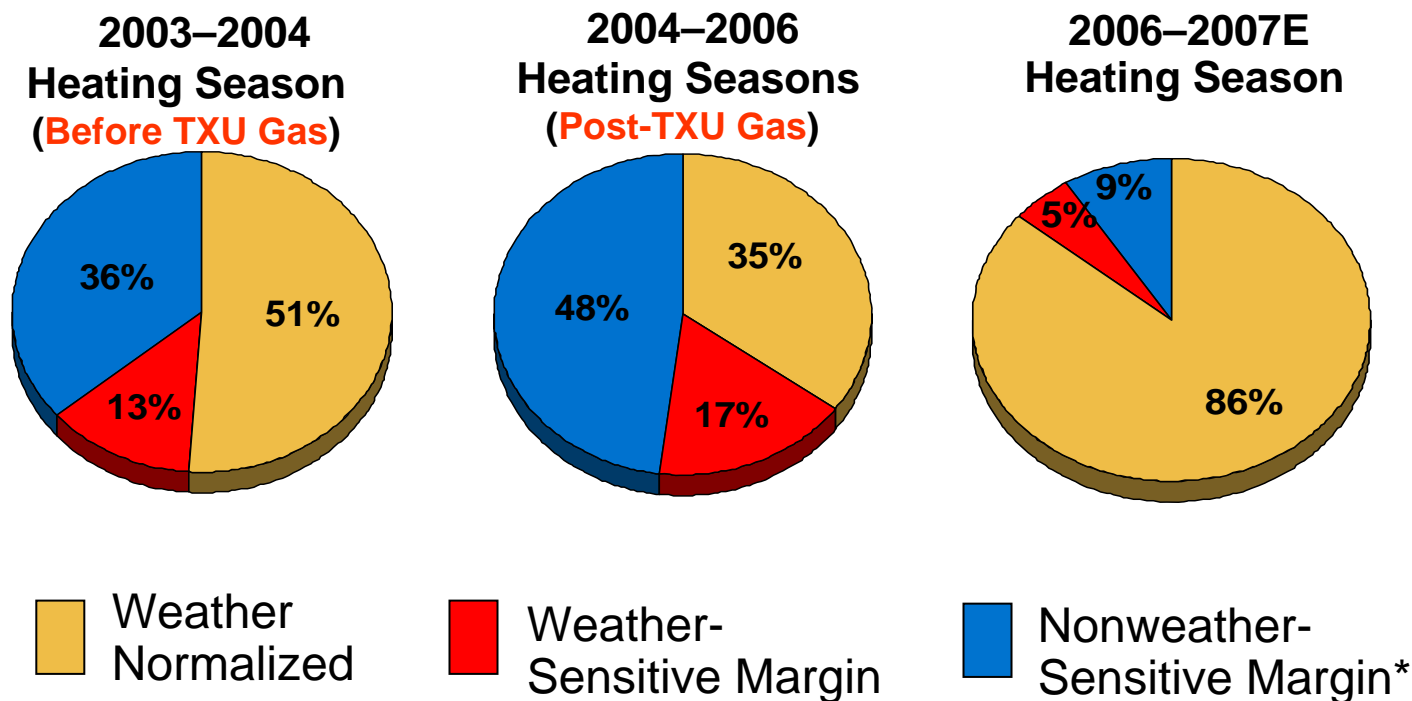


**Note:** Results are based on fiscal 2006 performance for Atmos and most recent information available for the peer group. Companies in the peer group include AGL Resources, KeySpan, Laclede, New Jersey Resources, Nisource, Northwest Natural Gas, Oneok, Piedmont Natural Gas, Southwest Gas and WGL Holdings.

# Maximizing Core Utility Contribution

## Stabilizing Utility Margin Sensitivity

- Weather Normalization Adjustment (WNA) for Mid-Tex and Louisiana divisions became effective for the 2006-2007 winter heating season, which reduced our margin exposure to weather from 17 percent to 5 percent.



\* 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

# Maximizing Core Utility Contribution

## Successfully 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%	✓	✓	✓		Partial
Louisiana	350,000	11%	✓	✓	✓	✓	
Mississippi	270,000	8%	✓	✓	✓	✓	
Remaining Jurisdictions	760,000	24%	✓	Partial		Partial	Partial

**Partial** means applicable within certain jurisdictions within the category.

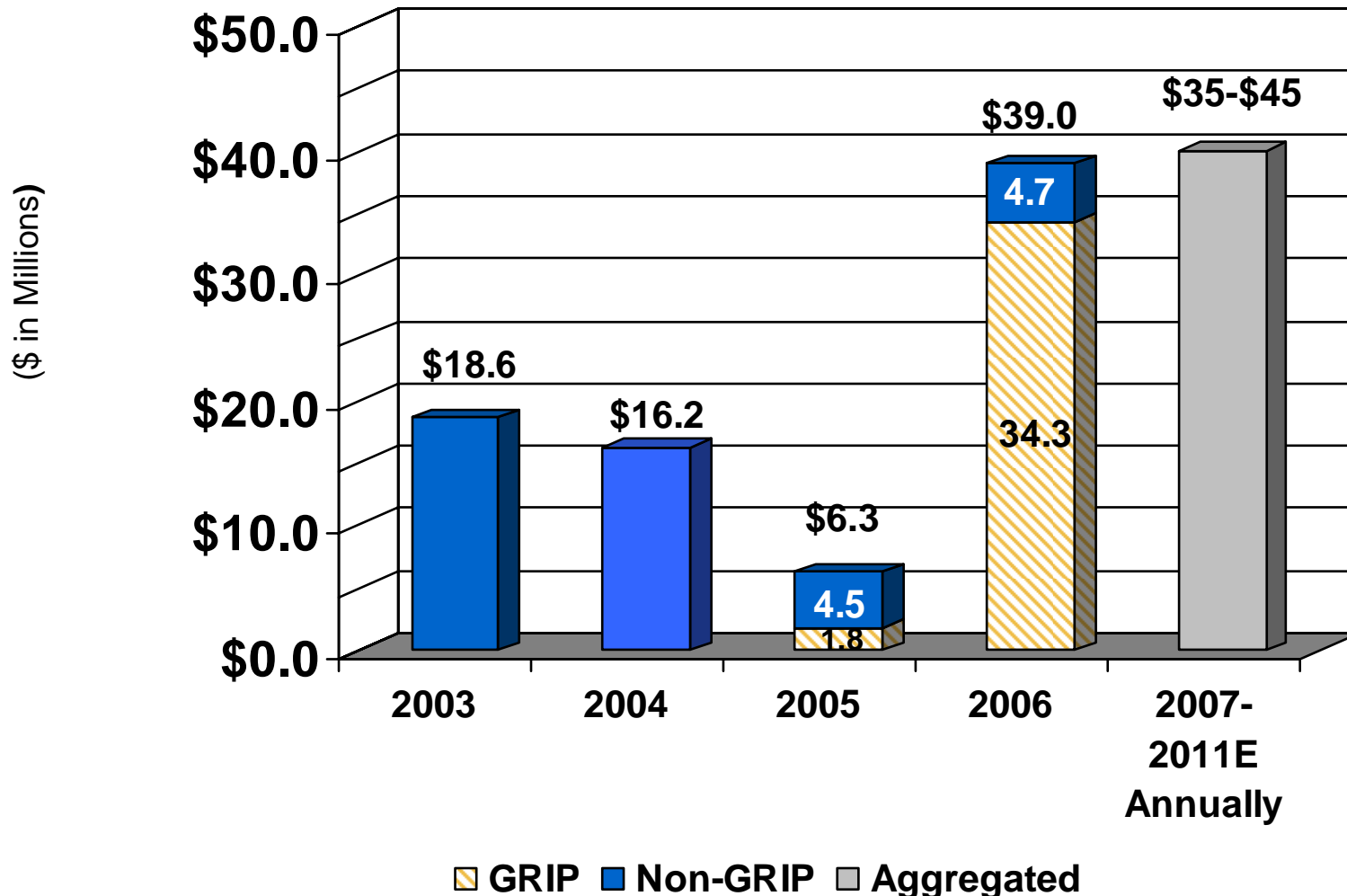
## Recent Regulatory Activity

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- Missouri – favorable rate settlement
  - Provides decoupling mechanism via straight fixed/variable rate design
  - Third Atmos jurisdiction to achieve decoupling
- Mid-Tex – rate order issued in March 2007
  - WNA mechanism utilizing 10 year weather experience
  - Capital structure of 52% debt and 48% equity; 10% authorized ROE
  - Annual revenue increase of about \$4.5 million
  - GRIP-related refund of \$2.3 million
- Kentucky – pending rate case
  - Filed for over \$10 million in December 2006
  - Requested rate design enhancements including decoupling and gas cost portion of bad debt
  - Currently in settlement discussions with the Attorney General of Kentucky
- Tennessee – pending rate case
  - Filed for an increase of \$11.0 million on May 4, 2007
  - Requested 11.75% ROE
  - Requested a customer utilization adjustment to address declining use
  - Average impact on customer of \$4.24 monthly
- Texas – annual GRIP filings
  - 2006 GRIP filing on May 31, 2007, for a \$12.4 million revenue increase for the Mid-Tex utility division and a \$13.0 million revenue increase for Atmos Pipeline-Texas
  - Filings for 2006 expenditures for the West Texas and Lubbock jurisdictions expected in the next 30 days

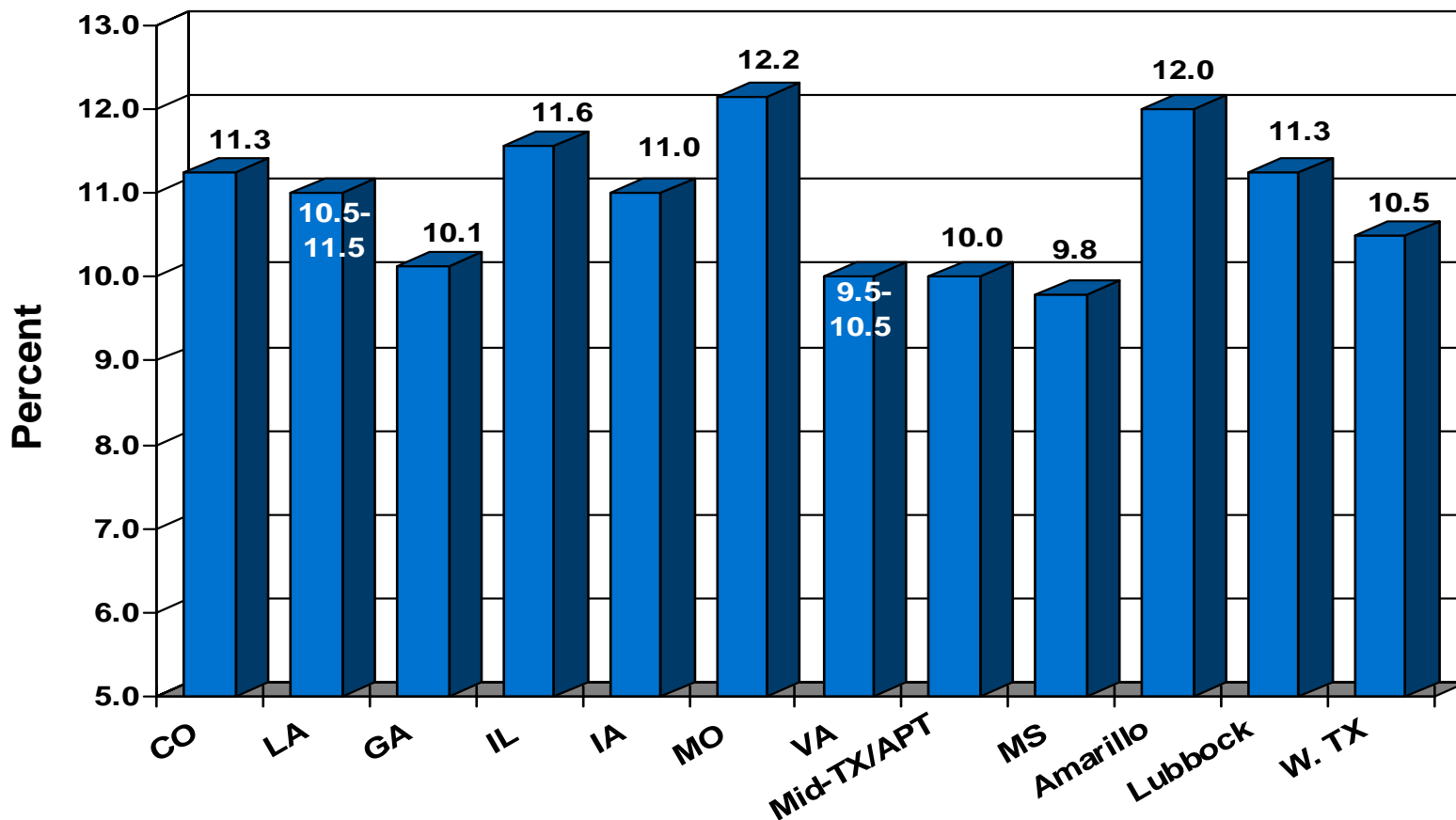
# Maximizing Core Utility Contribution

## Approved Annual Rate Increases in the Regulated Operations



# Maximizing Core Utility Contribution

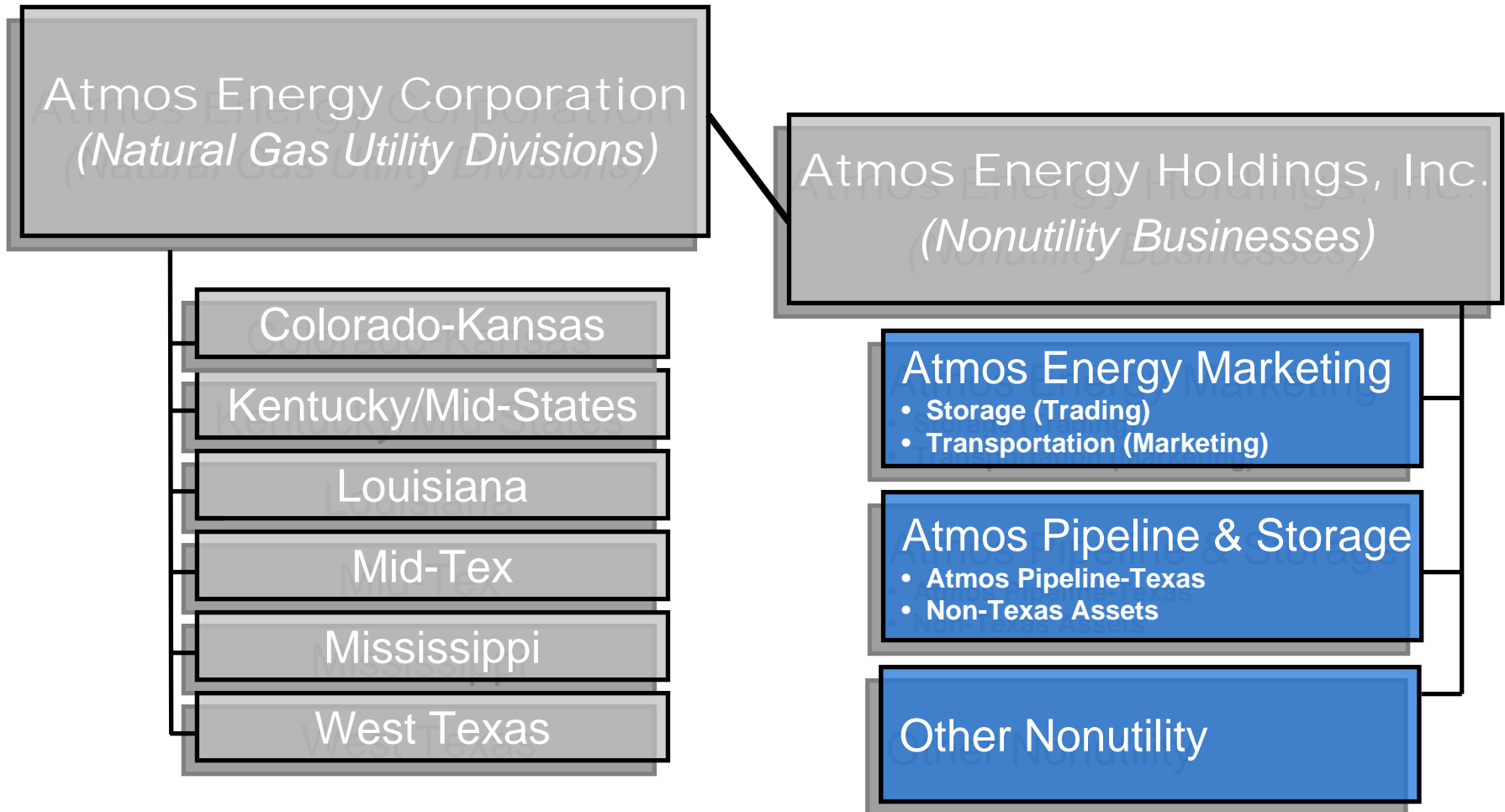
## Authorized Regulatory Return on Equity (ROE)\*



**Consolidated GAAP ROE at 9/30/06 was 8.9%**

\* ROE not stated in state commission's decision in Kansas, Kentucky and Tennessee

# Complementary Nonutility Operations



## Nonutility Business Segments Complement Core Utility Business

### Gas Marketing

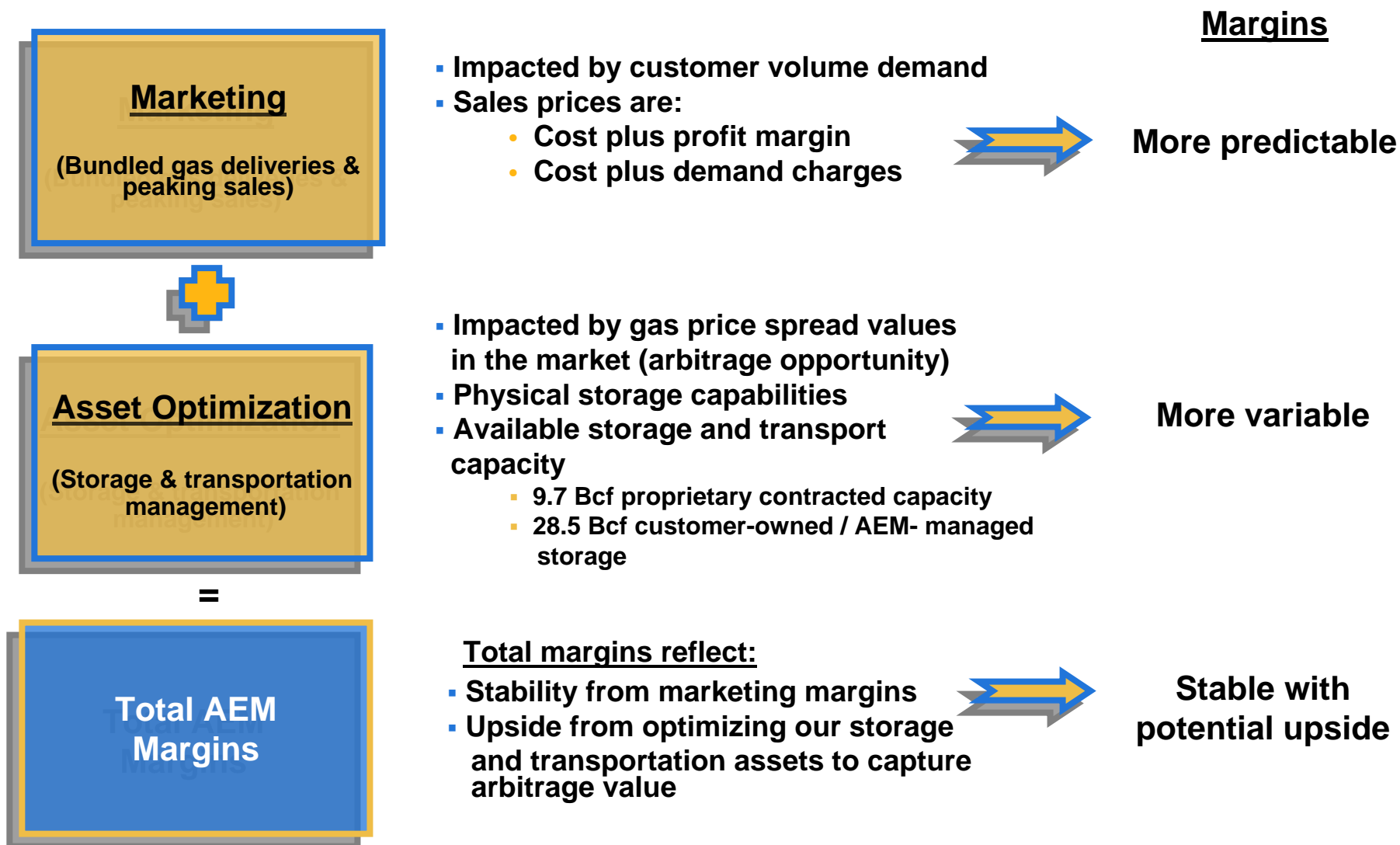
- Utilizes storage and transportation assets that are leased or managed to:
  - provide bundled city gate services (including base load sales, peaking sales, risk management and demand based storage services) to municipal, industrial, power generator, LDC and affiliate utility customers and
  - capture time and location price differentials (arbitrage) through various trading strategies

### Pipeline & Storage

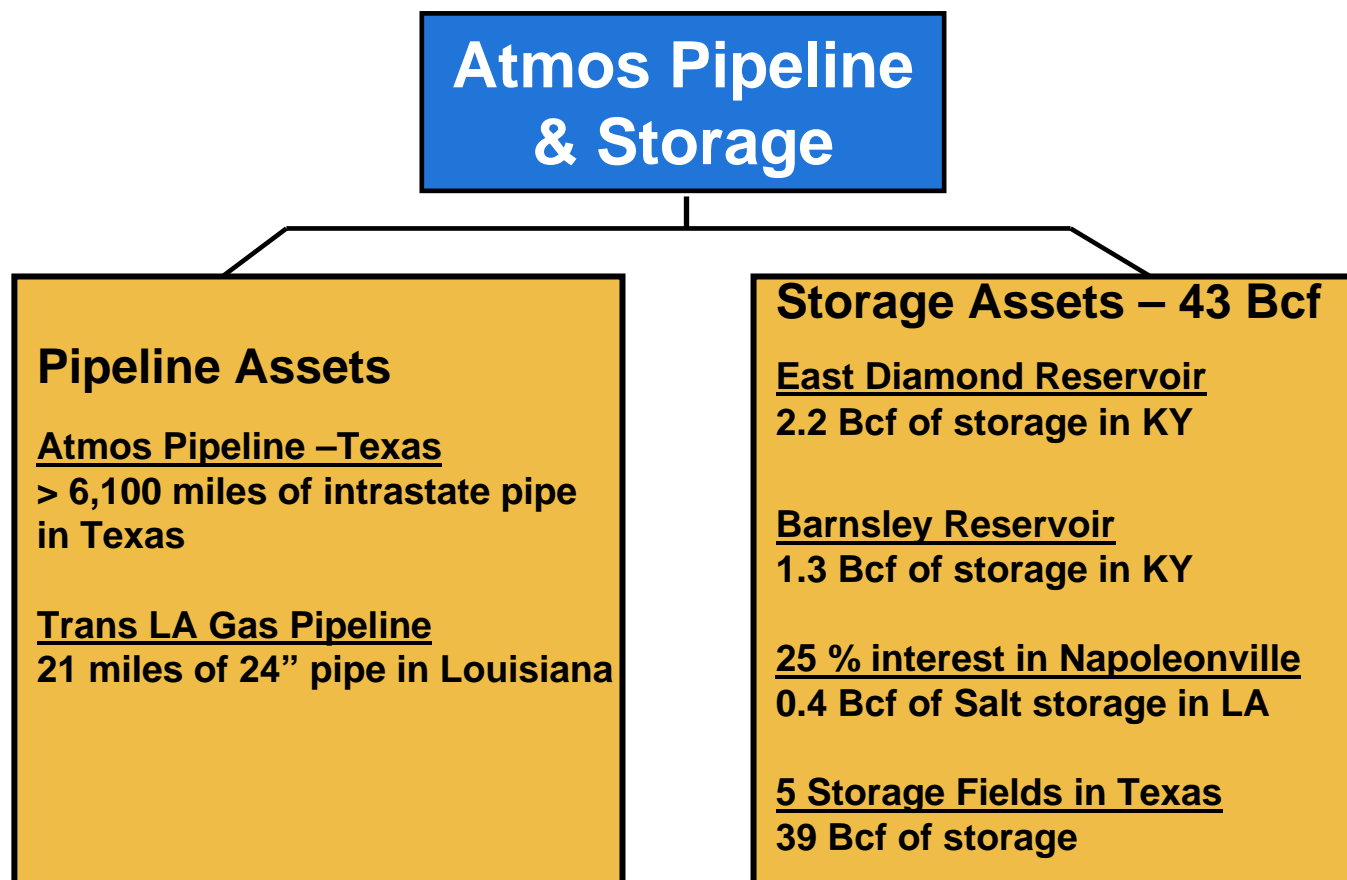
- Includes acquired pipeline and storage assets from TXU Gas (over 6,100 miles of intrastate pipelines and 5 storage facilities). Effective 10/1/04, these pipeline operations are regulated assets but functionally report under the nonutility businesses
- Owns or leases storage and pipeline assets in Texas, Kentucky and Louisiana that are utilized to provide storage and transportation services to municipal, industrial, power generator and affiliate utility customers

# Complementary Nonutility Operations Atmos Energy Marketing

## Gross Profit Margin Composition



## Ownership of Strategic Asset Base Provides Revenue Growth & Stability



Upstream pipeline services and storage-type services provided to Atmos Energy’s Mid-Tex Division, affiliates & third parties

# Complementary Nonutility Operations Atmos Pipeline - Texas

## Regulated Asset Base in Texas Provides Revenue Growth and Stability

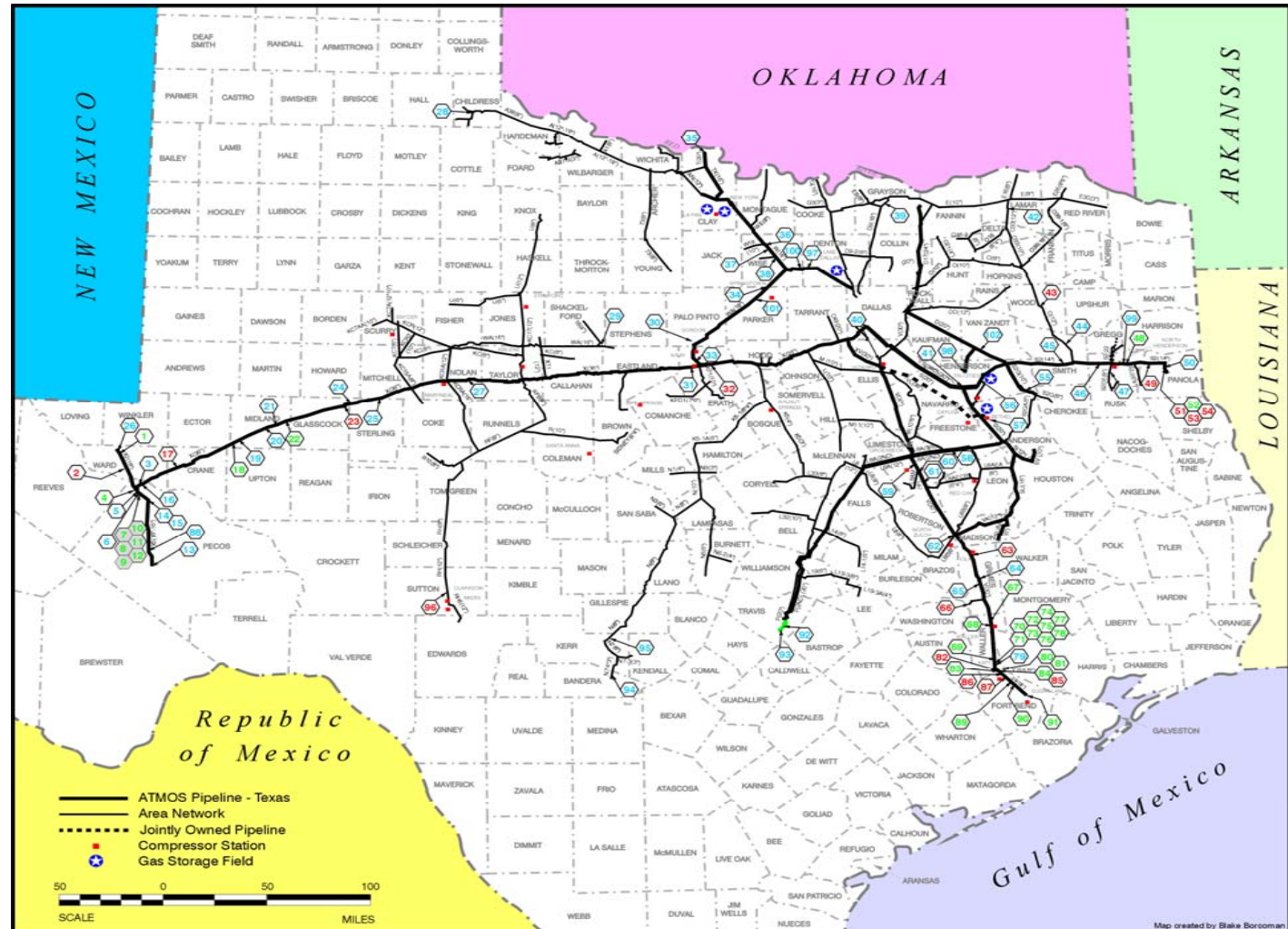
### Pipeline Operations

- 1,800 miles of backbone intrastate pipeline
- Integrated with Mid-Tex Division LDC
- Five storage facilities
- Working storage capacity of 39 Bcf

Completed four major projects in 2006 on the pipeline which is expected to add about \$15 million of additional revenue in fiscal 2007

Additional opportunities exist in the highly productive Barnett Shale reservoir

Pipeline transports and stores gas, and provides other pipeline services for distribution, industrial, electric generation, cross haul and other shippers

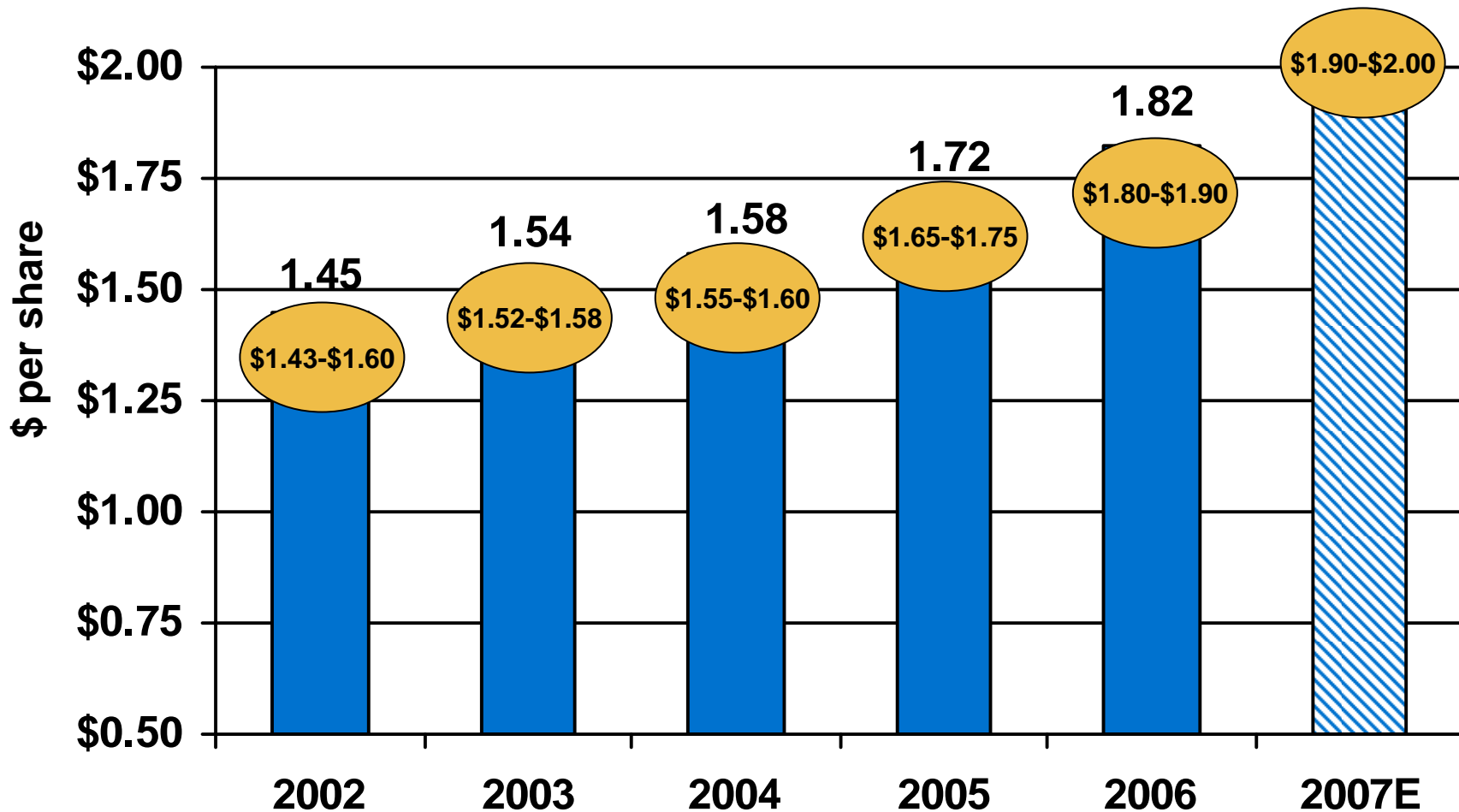


## Natural Gas Gathering Project Update

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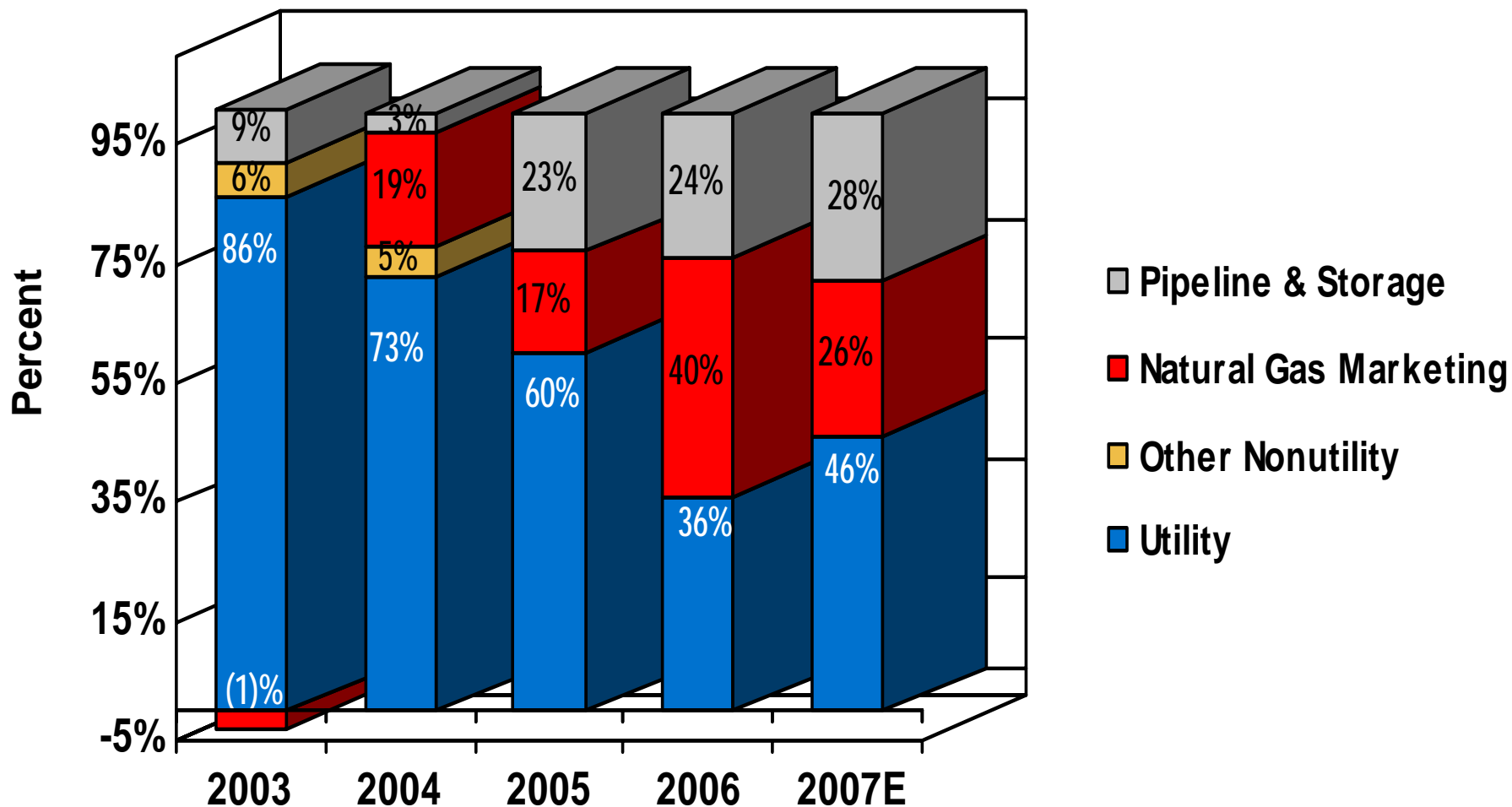
- In May 2006, announced plans to form a joint venture and construct a natural gas gathering system in Eastern Kentucky, referred to as Straight Creek
- Currently redesigning the original project to better serve the needs of the local producers in the area and to meet the company's economic requirements
- Redesigned project will likely be marginally smaller in both size and scope
- Revised in-service date expected to be delayed into the second half of fiscal 2008

## Earnings Per Share Compared to Company Guidance Reflects Management's Commitment to Shareholders



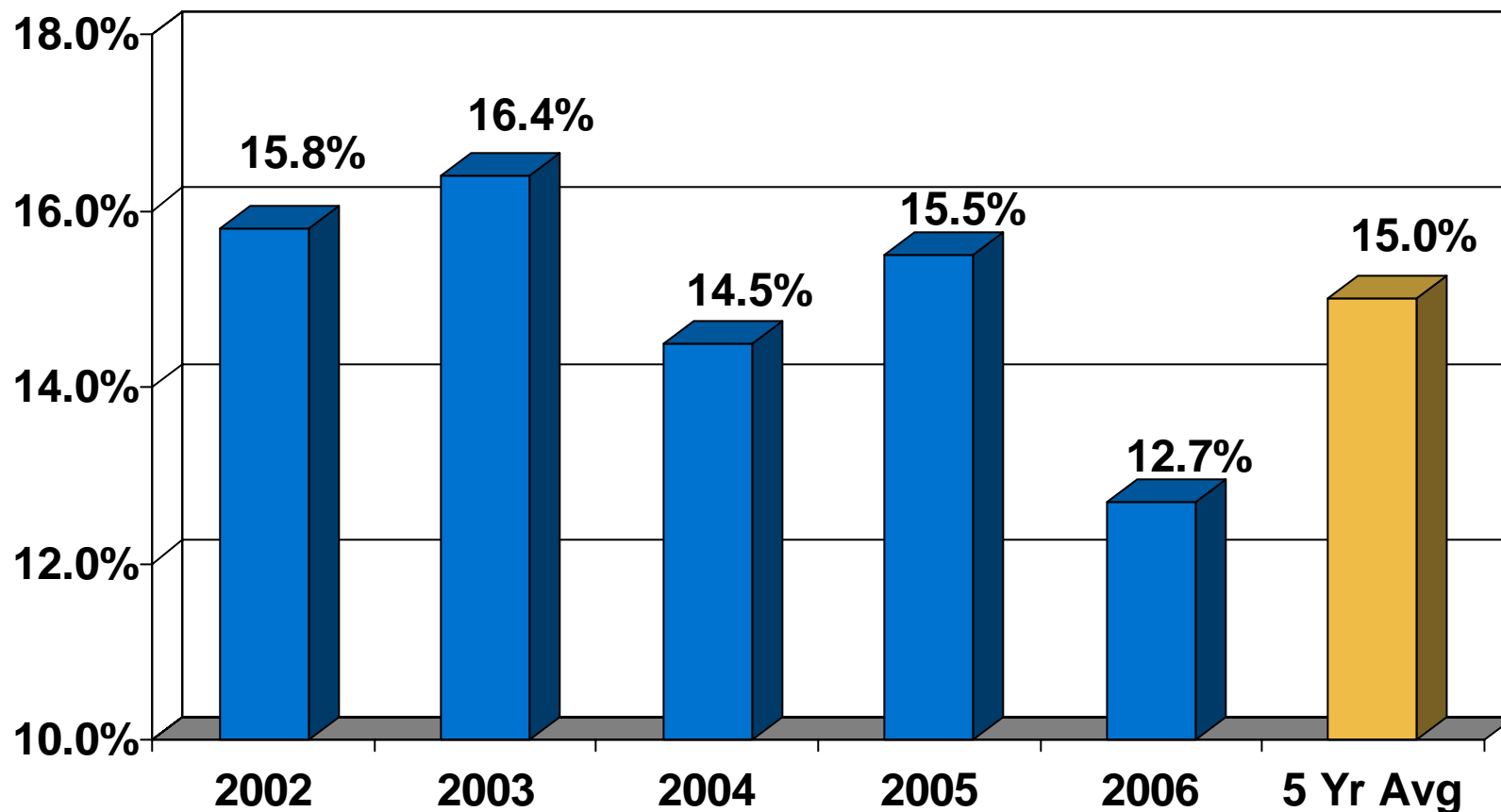
# Financial Measures

## Historical and Estimated Net Income Contribution by Segment



# Financial Measures

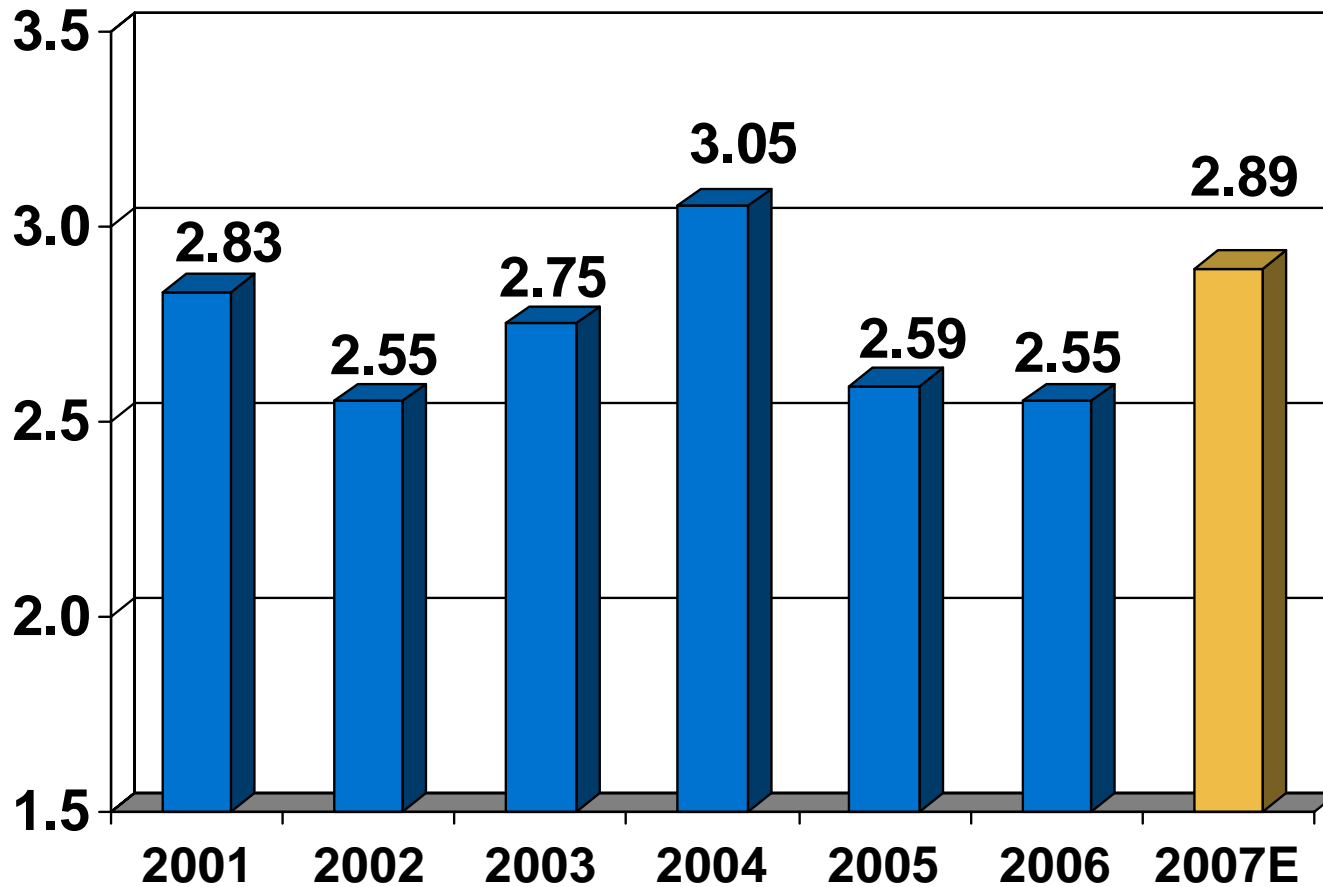
## Return on Invested Capital (ROIC\*) Remains Strong



\*ROIC - Return on invested capital is calculated using the following GAAP financial measures: Income before interest expense and income taxes plus common stock dividends paid, divided by the average of the year's beginning and ending long-term debt plus common equity. This measure is used to more precisely evaluate operational performance and management effectiveness.

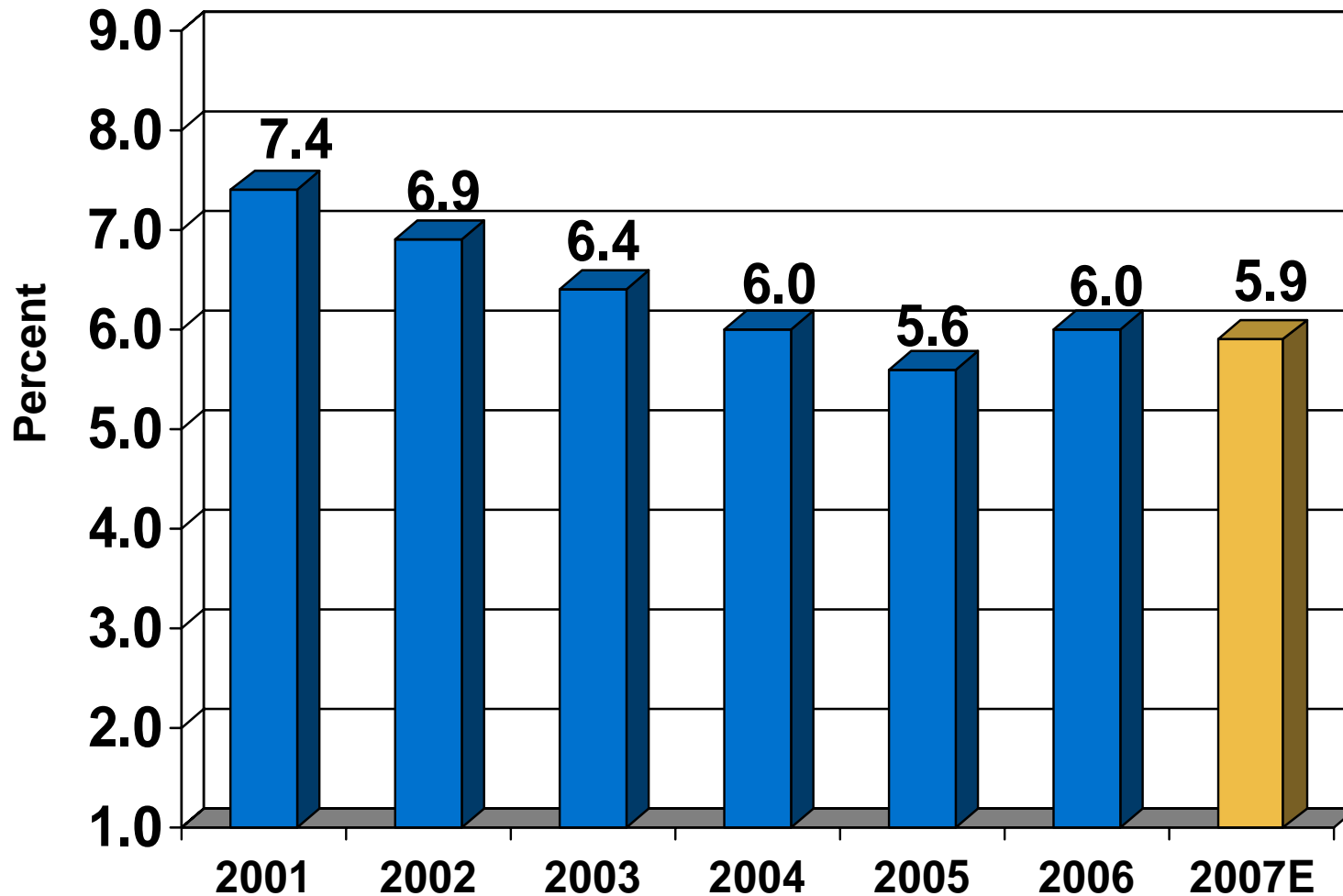
## Times Interest Earned Ratios\*

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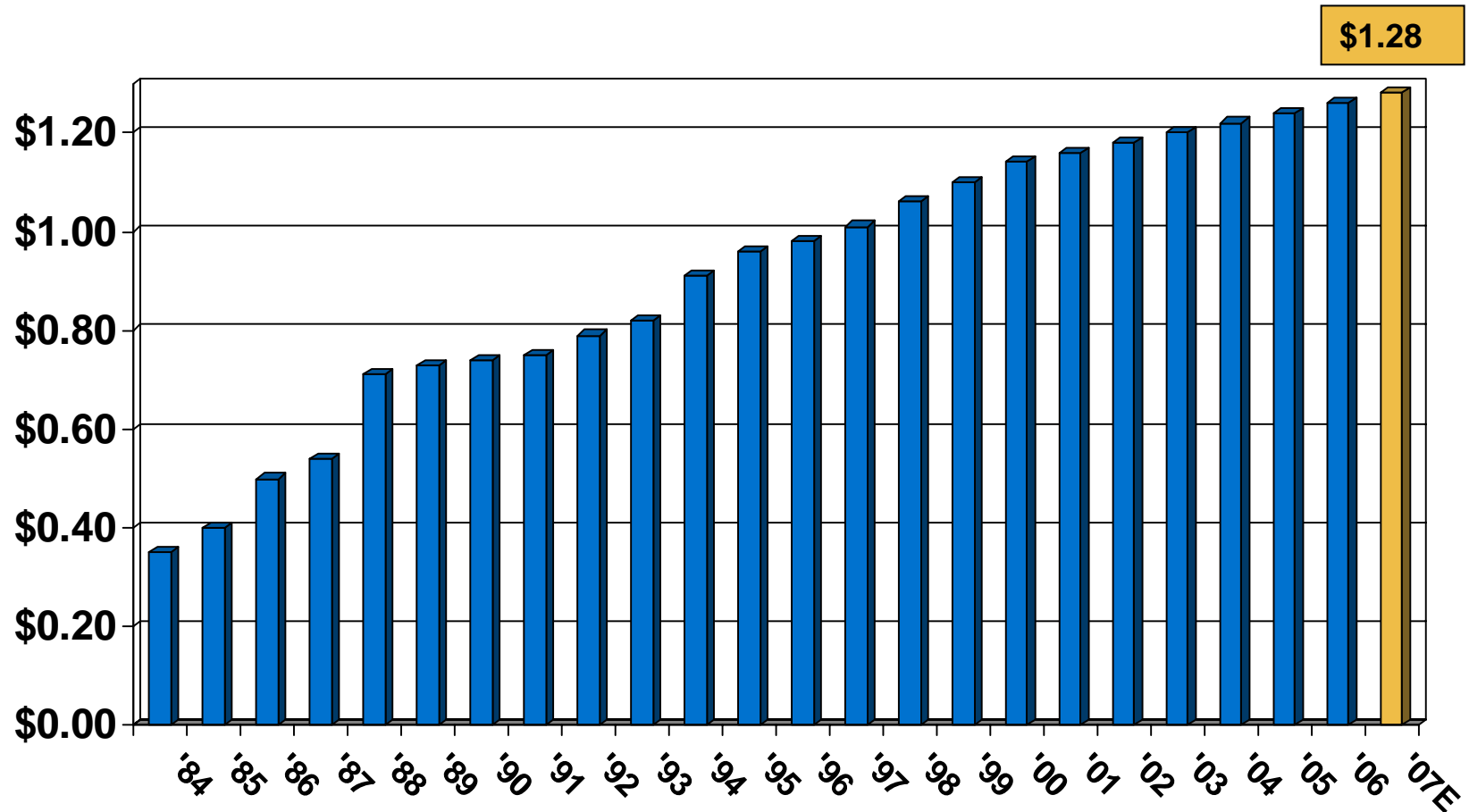


\*The times interest earned ratio measures the ability to satisfy annual interest costs

## Weighted Average Cost of Debt Remains Low



## Annual Dividend for the Years 1984 – 2007E

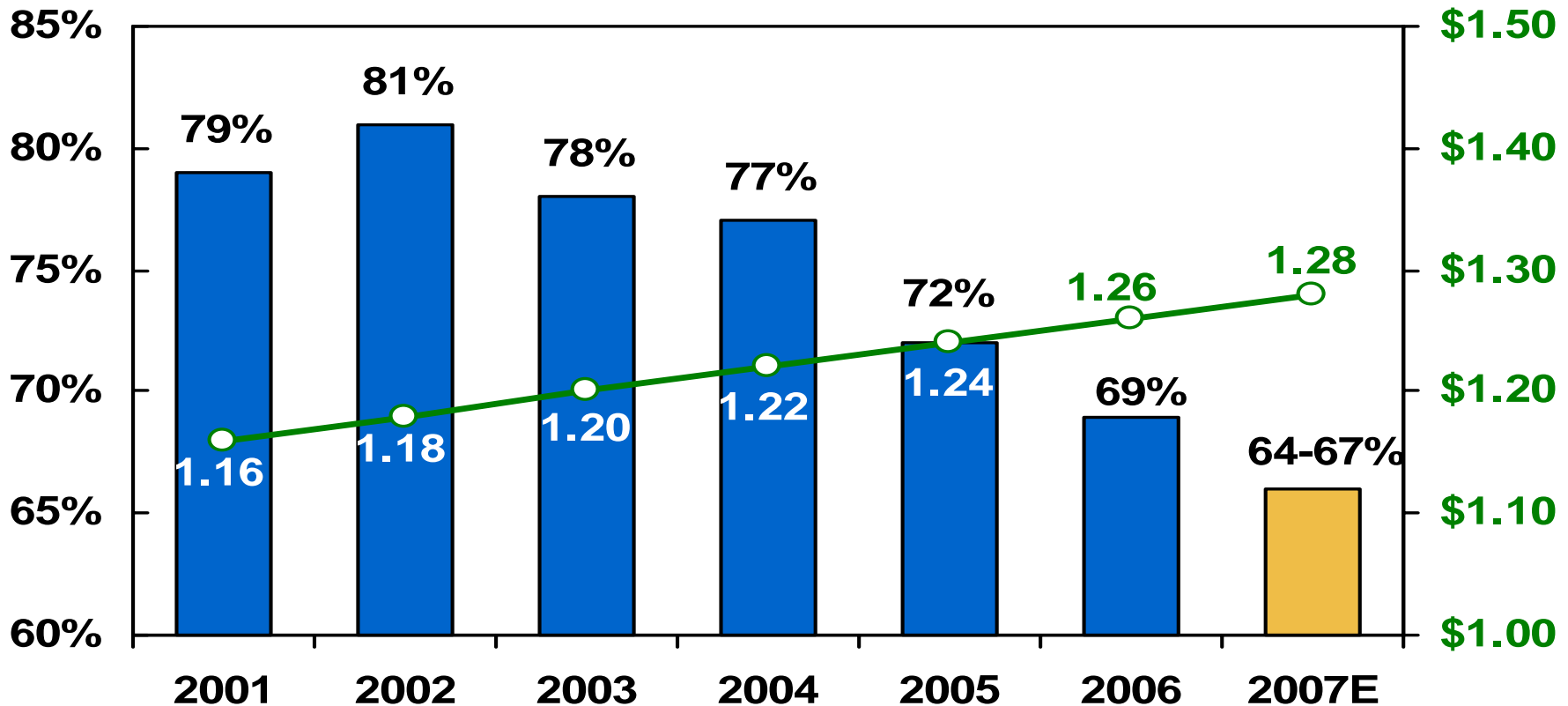


Note: Amounts are adjusted for mergers and acquisitions. For fiscal 2007, \$1.28 is the indicated annual dividend.

## Dividend Payout Ratio Steadily Reduced

Payout

Dividend / Share



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

## Shelf Registration and Recent Offerings

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- On December 4, 2006, Atmos Energy filed a registration statement with the SEC to issue up to \$900 million in new common stock and/or debt securities
- On December 13, 2006, we completed the sale of 6.3 million shares priced at \$31.50
  - Approximately \$192 million in net proceeds
  - 100% of proceeds used to reduce short-term debt
  - Reduced debt 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
- On June 14, 2007, we issued \$250 million of 6.35% senior notes due 2017

## Ample Liquidity Maintained From Multiple Sources

- Atmos Energy Corporation has \$918 million in committed unsecured credit facilities
  - \$600 million 5-year facility (expires December 2011) to backstop our CP program
  - \$300 million 364-day facility (expires November 2007) to utilize only if liquidity under \$600 million CP program is exhausted
  - \$18 million credit facility supplements daily cash needs
- Atmos Energy has additional \$25 million uncommitted facility for miscellaneous letters of credit
- Atmos Energy Marketing has a \$580 million receivables-based demand credit facility
  - Primary purpose is to provide standby L/C's to AEM's gas suppliers
  - Fully guaranteed by Atmos Energy Holdings (sub of Atmos)
  - Non-recourse to Atmos Energy Corporation

## Investment Grade Credit Ratings

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### ***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  
positive

### ***Fitch***

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

BBB+  
F-2  
stable

## Earnings Guidance – Fiscal 2007E

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- As of May 3, 2007, Atmos Energy still anticipated 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 December equity offering
  - Total expected gross margin contribution from the marketing segment in the range of \$100 million to \$110 million
  - Continued execution of rate strategy and collection efforts
  - Normal weather in non-WNA jurisdictions
  - Bad debt expense of no more than \$18 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>
<b>Utility</b>	\$ 63	\$ 81	\$ 53	\$ 76 - 79
<b>Natural Gas Marketing</b>	17	23	58	44 - 46
<b>Pipeline &amp; Storage</b>	3	31	36	46 - 48
<b>Other</b>	3	1	1	1 - 2
<b>Total</b>	<u>86</u>	<u>136</u>	<u>148</u>	<u>167 - 175</u>
<b>Avg. Diluted Shares</b>	54.4	79.0	81.4	87.7
<b>Earnings Per Share</b>	\$ 1.58	\$ 1.72	\$ 1.82	\$1.90 - \$2.00

For fiscal 2007, we project between \$365-\$385 million in capital expenditures

# Financial Measures – Fiscal 2007E



## Projected Cash Flow

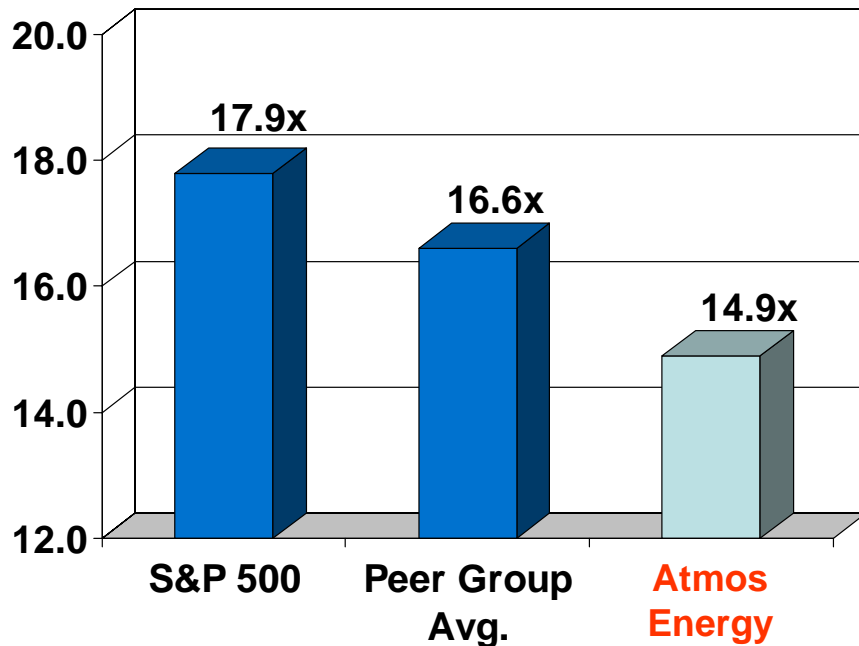
(\$ millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007E</u>
<b>Cash flows from operations</b>	\$ 271	\$ 387	\$ 311	<b>\$ 485 - 505</b>
<b>Maintenance/Non-growth capital</b>	(126)	(243)	(287)	<b>(254-263)</b>
<b>Dividends</b>	(67)	(99)	(102)	<b>(112)</b>
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<b>Cash available for debt reduction and growth projects</b>	\$ 78	\$ 45	\$ (78)	<b>\$ 119 - 130</b>

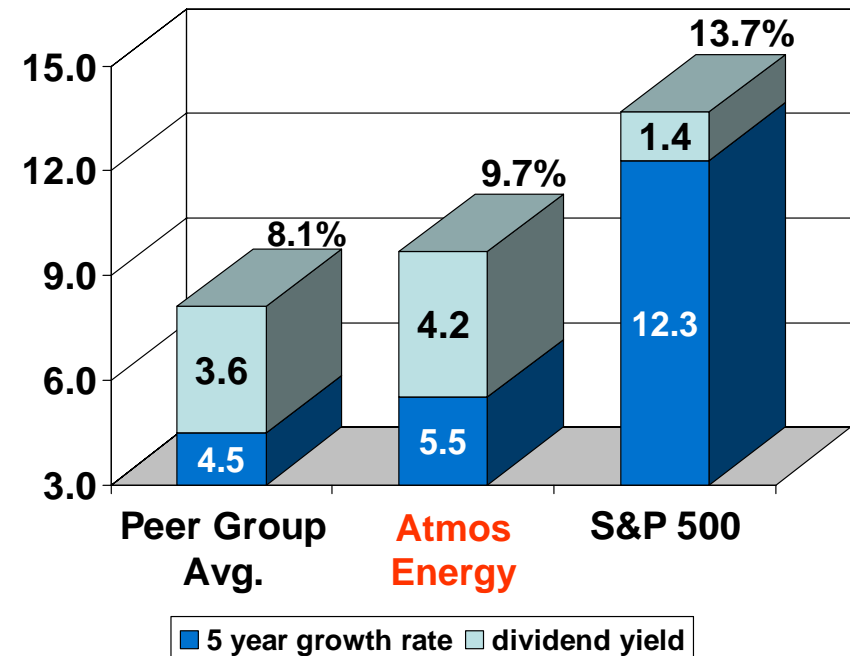
# Financial Measures

## Compelling Valuation and Total Return Propositions

**Forward P/E Estimates**



**5 Year Expected Total Return**



Source: Bloomberg @ 6/18/07

Companies in the peer group include AGL Resources, KeySpan, Laclede, New Jersey Resources, Nisource, Northwest Natural Gas, Oneok, Piedmont Natural Gas, Southwest Gas and WGL Holdings.

# Our Focus

## **Enterprise**

- Deliver predictable earnings 4 – 6% annually
- Dedicated to maintaining financial flexibility and enhancing credit profile
- Committed to adding value to shareholders

## **Utility**

- Pursue rate reform in each of our Utility jurisdictions
  - Margin decoupling
  - Reduce/eliminate lag
  - Recovery of gas cost portion of bad debt expense
- Redeploy capital spending to jurisdictions with accelerated recovery
- Earn at the authorized level in each jurisdiction
- Maintain leadership position in utility efficiency

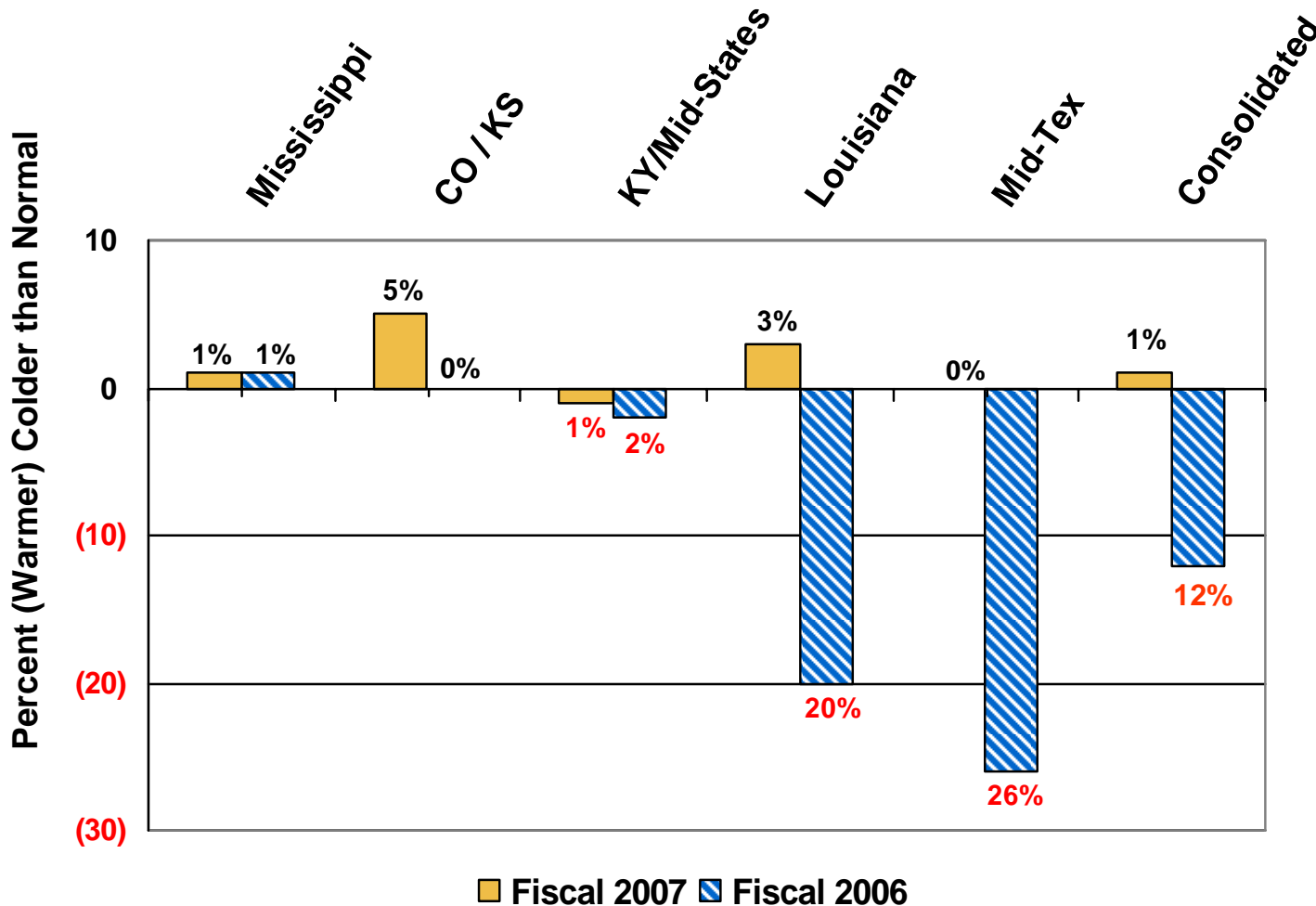
## **Nonutility**

- Develop internal projects in our Nonutility segment that provide substantial financial returns
- Execute commercial growth strategies in all businesses
- Develop successful gathering system project in Kentucky
- Identify other undeveloped opportunities

# Appendix

# Maximizing Core Utility Contribution

Year-Over-Year Weather Effect by Division, as adjusted for WNA \*

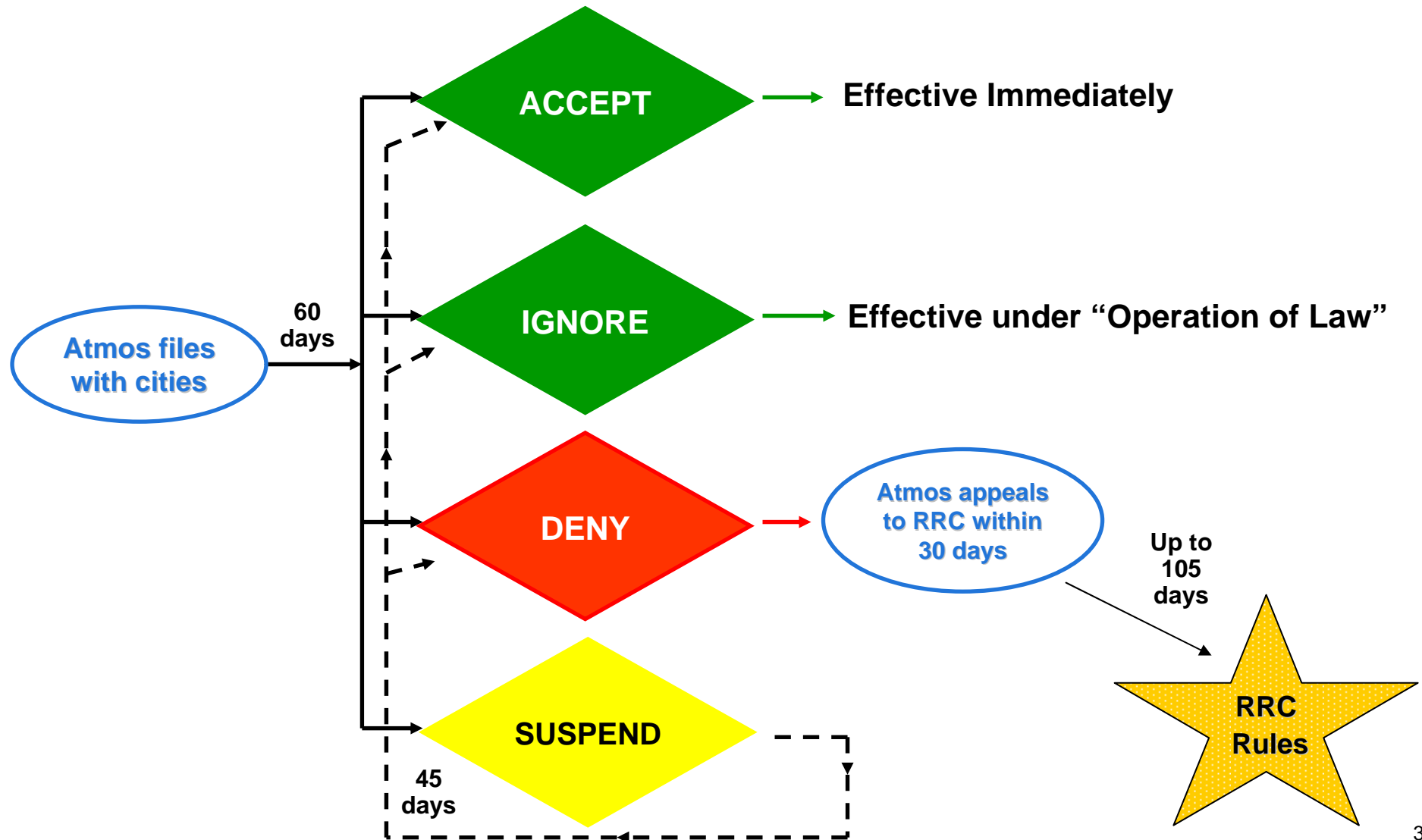


- Six Months ended March 31, 2007, consolidated gross profit has been adversely affected by about \$2 million, despite weather that was 1 percent colder than normal, as adjusted for WNA
- Six Months ended March 31, 2006, consolidated gross profit was adversely affected by \$32.3 million due to weather that was 12 percent warmer than normal, as adjusted for WNA
- Louisiana and Mid-Tex divisions implemented weather-normalized rates during fiscal 2007, which accounted for an increase in gross profit of \$11.8 million year over year

\* West Texas Division had no weather impact in either period

# Maximizing Core Utility Contribution

## GRIP Filing Process in Texas



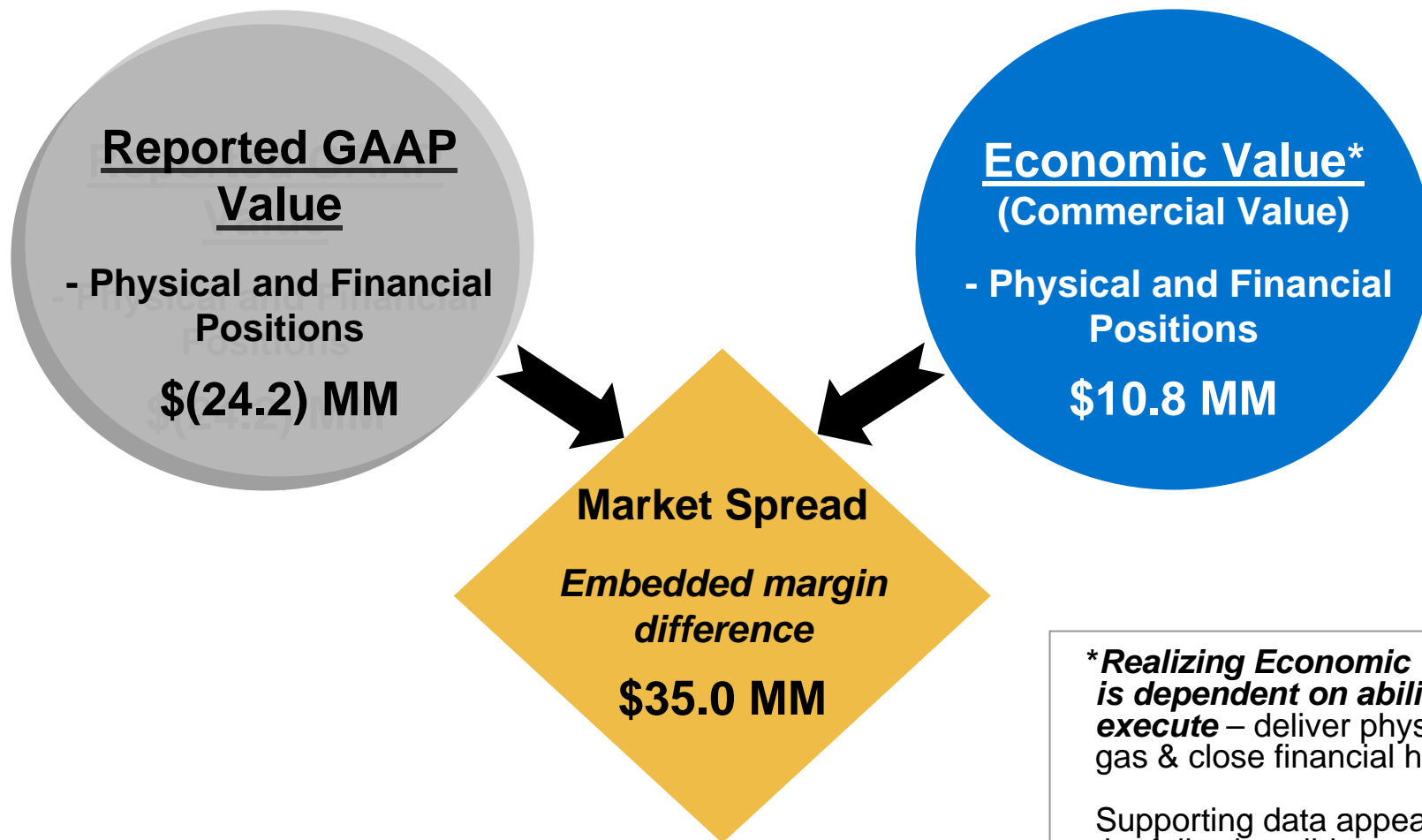
## Economic Value vs. GAAP Reported Results

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- We commercially manage our storage assets by capturing arbitrage value through optimization strategies that create embedded (forward) value in the portfolio. We financially 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 executed or when financials are settled and then reset to stay hedged against physical volumes.
  - **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.

# Atmos Energy Marketing

## Economic Value vs. GAAP Reported Results



**\*Realizing Economic Value is dependent on ability to execute** – deliver physical gas & close financial hedges

Supporting data appears on the following slide

## Economic Value vs. GAAP Reported Results

Period Ending	Physical Volume (Bcf)	Economic Value (EV)			Total (\$ in millions)	GAAP Reported Value - MTM		Market Spread	
		(\$ per MMBtu)				Total (\$ in millions)	Total (\$ in millions)	Total (\$ per MMBtu)	Total (\$ in millions)
		WASP	WACOG	EV					
12/31/2005	12.8	9.3918	8.8366	0.5552	7.1	(3.0094)	(38.6)	3.5646	45.7
3/31/2006	23.6	10.3880	9.0806	1.3074	30.8	(1.5195)	(35.8)	2.8269	66.6
12/31/2006	21.0	10.6691	7.7802	2.8889	60.6	1.5636	32.8	1.3253	27.8
3/31/2007	19.6	8.2196	7.6701	0.5495	10.8	(1.2347)	(24.2)	1.7842	35.0
<b>Variance</b>	(1.4)	\$ (2.4495)	\$ (0.1101)	\$ (2.3394)	\$ (49.8)	(2.7983)	\$ (57.0)	\$ 0.4589	\$ 7.2

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

## Conceptual Illustration of MTM Effect on Storage

Month	Inject	Withdraw	Gas Cost/Mcf	Prompt Month Gas Daily Index	Hedge	Volume	Hedge Price	January 2007 Futures	Spread	P&L \$MM	Economic Value \$MM
June	1 Bcf	0	\$7.00	N/A	Sell Futures	1 Bcf	\$11.00	\$11.00	\$4.00	\$0	\$4.0
July	0	0	\$7.00	\$6.00	N/A	1 Bcf	-	\$10.50	\$4.50	(\$0.5)	\$4.0
Sept.	0	0	\$7.00	\$6.00	N/A	1 Bcf	-	\$11.50	\$5.50	(\$1.0)	\$4.0
Jan.	0	1 Bcf	\$7.00	\$10.00	Buy Futures	1 Bcf	-	\$10.00	\$0.00	\$5.5	\$4.0
									<b>Total</b>	<b>\$4.0</b>	<b>\$4.0</b>

## Cash Versus Futures Spread

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- “Spread” refers to the difference between cash prices (Gas Daily) and futures prices (NYMEX) for the month of delivery.
- The greater the change in the spread, the larger our unrealized gain/loss.
- The hurricanes in 2005 created unusual volatility in natural gas prices, which caused spreads to widen considerably during that period.
- Historically, spreads have tended to be less than \$1.00/Mcf.