

ATMOS ENERGY CORP
Form 424B2
October 20, 2004

Table of ContentsFiled Pursuant to Rule 424(b)(2)
Registration No. 333-118706**PROSPECTUS SUPPLEMENT**

(To prospectus dated September 15, 2004)

\$1,400,000,000**Atmos Energy Corporation****\$300,000,000 Floating Rate Senior Notes due 2007****\$400,000,000 4.00% Senior Notes due 2009****\$500,000,000 4.95% Senior Notes due 2014****\$200,000,000 5.95% Senior Notes due 2034**

We will pay interest on the 2007 notes on January 15, April 15, July 15 and October 15 of each year the 2007 notes are outstanding, beginning January 15, 2005. The 2007 notes will bear interest at the three-month LIBOR Rate plus 0.375% and will mature on October 15, 2007. Interest on the 2007 notes will be reset on each interest payment date, beginning on January 15, 2005. We will pay interest on the 2009 notes, the 2014 notes and the 2034 notes on April 15 and October 15 of each year they are outstanding, beginning April 15, 2005. The 2009 notes will bear interest at the rate of 4.00% per year and will mature on October 15, 2009. The 2014 notes will bear interest at the rate of 4.95% per year and will mature on October 15, 2014. The 2034 notes will bear interest at the rate of 5.95% per year and will mature on October 15, 2034. We may redeem the 2007 notes, in whole or in part, on any interest payment date on or after April 15, 2006 and we may redeem the 2009 notes, the 2014 notes and the 2034 notes at any time prior to maturity, in whole or in part, in all cases at a redemption price described in this prospectus supplement. See Description of the Notes Optional Redemption.

All of the notes are unsecured and rank equally with all of our other existing and future unsubordinated debt. The notes will be issued only in registered form in denominations of \$1,000.

Concurrently with this offering, we are also conducting a separate public offering of 13,000,000 shares of our common stock, plus up to an additional 1,950,000 shares issuable pursuant to an over-allotment option granted to the underwriters of the common stock offering. Neither the completion of this offering nor the completion of the offering of our common stock is contingent upon the other.

Investing in the notes involves risks. See the Risk Factors section beginning on page S-12 of this prospectus supplement.

	Price to Investors(1)	Underwriting Discount	Proceeds, Before Expenses, to Atmos
Per 2007 note	100%	.35%	99.65%
Total	\$ 300,000,000	\$ 1,050,000	\$298,950,000
Per 2009 note	99.608%	.6%	99.008%
Total	\$ 398,432,000	\$ 2,400,000	\$396,032,000
Per 2014 note	99.993%	.65%	99.343%
Total	\$ 499,965,000	\$ 3,250,000	\$496,715,000
Per 2034 note	99.392%	.875%	98.517%
Total	\$ 198,784,000	\$ 1,750,000	\$197,034,000

(1) Plus accrued interest from October 22, 2004, if settlement occurs after that date

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a

criminal offense.

All of the notes will be delivered in book-entry form through The Depository Trust Company on or about October 22, 2004.

Merrill Lynch & Co.

Banc of America Securities LLC

JPMorgan

SunTrust Robinson Humphrey

SG Corporate & Investment Banking

KBC Financial Products USA Inc.

Piper Jaffray

Wachovia Securities

The date of this prospectus supplement is October 18, 2004.

Table of Contents

We have not, and the underwriters have not, authorized any other person to provide you with any information or to make any representation that is different from, or in addition to, the information and representations contained in this prospectus supplement, the accompanying prospectus or any of the documents that are incorporated by reference in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer of any securities other than the notes by means of this prospectus supplement. This document is in two parts. The first part is this prospectus supplement, which describes specific terms of this offering and other matters relating to us and our financial condition. The second part is the accompanying prospectus, dated September 15, 2004, which gives more general information about securities we may offer from time to time, some of which may not apply to the notes we are currently offering. If the description of this offering or our operations varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as the information contained in any document incorporated by reference, is accurate as of the date of each such document only, unless the information specifically indicates that another date applies.

TABLE OF CONTENTS**Prospectus Supplement**

	Page
<u>Incorporation by Reference</u>	ii
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	iii
<u>Prospectus Supplement Summary</u>	S-1
<u>Risk Factors</u>	S-12
<u>Use of Proceeds</u>	S-15
<u>Capitalization</u>	S-16
<u>The TXU Gas Acquisition</u>	S-18
<u>Unaudited Pro Forma Combined Financial Information</u>	S-22
<u>Our Business</u>	S-32
<u>Description of the Notes</u>	S-40
<u>Material U.S. Federal Income Tax Considerations</u>	S-49
<u>Underwriting</u>	S-52
<u>Legal Matters</u>	S-54
<u>Experts</u>	S-54

Prospectus

Cautionary Statement Regarding Forward-Looking Statements	ii
Risk Factors	1
Atmos Energy Corporation	5
Securities We May Offer	7
Use of Proceeds	7
Ratio of Earnings to Fixed Charges	8
The TXU Gas Acquisition	8
Description of Debt Securities	12
Description of Common Stock	27
Plan of Distribution	31
Legal Matters	32
Experts	32
Where You Can Find More Information	33
Incorporation of Certain Documents by Reference	33

Table of Contents

We are not offering to sell any of our shares of common stock with this prospectus supplement. We will offer our shares of common stock only by means of a separate prospectus supplement.

The distribution of this prospectus supplement and the accompanying prospectus, and the offering of the notes, may be restricted by law in certain jurisdictions. You should inform yourself about, and observe, any of these restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which the offer or solicitation is not authorized, or in which the person making the offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make the offer or solicitation.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference information in this prospectus supplement and the accompanying prospectus that we have filed with it. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, except for any information that is superseded by information that is included directly in this prospectus supplement or the accompanying prospectus.

We incorporate by reference in this prospectus supplement and the accompanying prospectus the documents listed below and any future filings we make with the SEC under sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 prior to the termination of this offering. These additional documents include periodic reports, such as annual reports on Form 10-K and quarterly reports on Form 10-Q, and current reports on Form 8-K (other than information furnished under Items 2.02 and 7.01, which is deemed not to be incorporated by reference in this prospectus supplement or the accompanying prospectus), as well as proxy statements. You should review these filings as they may disclose a change in our business, prospects, financial condition or other affairs after the date of this prospectus supplement. The information that we file later with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act and before the termination of this offering will automatically update and supersede previous information included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

This prospectus supplement and the accompanying prospectus incorporate by reference the documents listed below that we have filed with the SEC but have not been included or delivered with this document:

Our annual report on Form 10-K for the year ended September 30, 2003;

Our proxy statement dated December 29, 2003;

Our quarterly reports on Form 10-Q for the quarterly periods ended December 31, 2003, March 31, 2004 and June 30, 2004; and

Our current reports on Form 8-K filed with the SEC on January 22, 2004, July 7, 2004, July 16, 2004, August 31, 2004, September 29, 2004 and October 6, 2004, Item 5 in our current report on Form 8-K/A filed with the SEC on July 2, 2004 and Item 8.01 in our current report on Form 8-K filed with the SEC on October 5, 2004.

These documents contain important information about us and our financial condition.

Table of Contents

You may obtain a copy of any of these filings, or any of our future filings, from us without charge by requesting it in writing or by telephone at the following address or telephone number:

Atmos Energy Corporation

1800 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240
Attention: Susan C. Kappes
(972) 934-9227

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Statements contained or incorporated by reference in this prospectus supplement that are not statements of historical fact are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933. Forward-looking statements are based on management's beliefs as well as assumptions made by, and information currently available to, management. Because such statements are based on expectations as to future results and are not statements of fact, actual results may differ materially from those stated. Important factors that could cause future results to differ include, but are not limited to:

the successful integration of our acquisition of the natural gas distribution and pipeline operations of TXU Gas Company and the refinancing of the short-term indebtedness incurred in connection with the consummation of the acquisition;

adverse weather conditions, such as warmer-than-normal weather in our utility service territories or colder-than-normal weather that could adversely affect our natural gas marketing activities;

national, regional and local economic conditions;

increased competition from other energy suppliers and alternative forms of energy;

regulatory trends and decisions, including deregulation initiatives and the impact of rate proceedings before various state regulatory commissions;

changes in the availability and prices of natural gas, including the volatility of natural gas prices;

effects of inflation;

market risks beyond our control affecting our risk management activities, including market liquidity, commodity price volatility and counterparty creditworthiness;

our increased indebtedness and our ability to continue to access the capital markets; and

other factors discussed in this prospectus supplement, the accompanying prospectus and our other filings with the SEC.

All of these factors are difficult to predict and many are beyond our control. Accordingly, while 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. When used in our documents or oral presentations, the words anticipate, believe, estimate, expect, forecast, goal, intent, objective, plan, projection, seek, strategy or similar words are intended to identify forward-looking statements. We undertake no obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise.

For further factors you should consider, please refer to the Risk Factors section beginning on page S-12 of this prospectus supplement and on page 1 of the accompanying prospectus and the Management's Discussion and Analysis of Financial Condition and Results of Operations section in our

Table of Contents

annual report on Form 10-K for the year ended September 30, 2003 and in our quarterly reports on Form 10-Q for the quarterly periods ended December 31, 2003, March 31, 2004 and June 30, 2004.

In this prospectus supplement, the terms we, our, us and Atmos refer to Atmos Energy Corporation and its subsidiaries unless the context suggests otherwise, the term you refers to a prospective investor and the abbreviations Mcf, MMcf and Bcf mean thousand cubic feet, million cubic feet and billion cubic feet, respectively.

In this prospectus supplement, we refer to the floating rate senior notes due 2007 as the 2007 notes, the 4.00% senior notes due 2009 as the 2009 notes, the 4.95% senior notes due 2014 as the 2014 notes and the 5.95% senior notes due 2034 as the 2034 notes, and we collectively refer to the 2007 notes, the 2009 notes, the 2014 notes and the 2034 notes as the notes.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

You should read the following summary in conjunction with the more detailed information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

Atmos Energy Corporation

Atmos Energy Corporation and its subsidiaries are engaged primarily in the natural gas utility business, as well as other natural gas nonutility businesses. We distribute natural gas through sales and transportation arrangements to more than 3.1 million residential, commercial, public authority and industrial customers, including approximately 1.5 million residential and business customers in Texas that we recently acquired through the acquisition of the natural gas distribution and pipeline operations of TXU Gas Company. The TXU Gas acquisition makes us one of the largest publicly-traded companies in the United States whose primary business is the transmission and distribution of natural gas and the provision of related services. It also makes us one of the largest intrastate pipeline operators in Texas.

We operate our utility business through our seven regulated utility divisions, which cover service areas located in 12 states. Our primary service areas are located in Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee and Texas. We have more limited service areas in Georgia, Illinois, Iowa, Missouri and Virginia. In addition, we transport natural gas for others through our distribution and pipeline systems.

Through our nonutility businesses, we provide natural gas management and marketing services to municipalities, other local gas distribution companies and industrial customers in 18 states. We own or hold an interest in natural gas storage fields in Kentucky, Louisiana and Texas that we use to supply natural gas to our customers. We market natural gas to industrial and agricultural customers primarily in West Texas and to industrial customers in Louisiana.

Our operations are currently divided into three segments:

the utility segment, which includes our related natural gas distribution operations;

the natural gas marketing segment, which includes a variety of natural gas management services; and

our other nonutility segment, which primarily includes our pipeline and storage operations.

Our overall strategy is to:

integrate the operations of TXU Gas that we acquired;

improve the quality and consistency of earnings growth, while operating our natural gas utility and nonutility businesses exceptionally well; and

enhance and strengthen a culture built on our core values.

Over the last five years, we have grown through several acquisitions, including our acquisition in April 2001 of the remaining 55% interest in Woodward Marketing, L.L.C. that we did not already own, our acquisition in July 2001 of the assets of Louisiana Gas Service Company, our acquisition in December 2002 of Mississippi Valley Gas Company and our acquisition in October 2004 of the natural gas distribution and pipeline operations of TXU Gas.

We have experienced over 20 consecutive years of increasing dividends and consistent earnings growth after giving effect to our acquisitions. We have achieved this record of growth while operating our utility operations efficiently by managing our operating and maintenance expenses, leveraging our technology, such as our 24-hour call center, to achieve more efficient operations, focusing on regulatory rate proceedings to increase revenue as our costs increased, and mitigating weather-related risks through weather-normalized rates in many of our service areas. Additionally, we have strengthened our nonutility

Table of Contents

business by ceasing speculative trading activities and actively pursuing opportunities to increase the amount of storage available to us.

Our core values include focusing on our employees and customers while conducting our business with honesty and integrity. We are strengthening our culture through ongoing communication with our employees and enhanced employee training.

Our principal executive offices are at 1800 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240, our telephone number is (972) 934-9227, and our Internet website address is www.atmosenergy.com. Information contained in or connected to our Internet website is not a part of this prospectus supplement or the accompanying prospectus.

The TXU Gas Acquisition

On October 1, 2004, we completed our acquisition of the natural gas distribution and pipeline operations of TXU Gas Company.

The TXU Gas operations we acquired are regulated businesses engaged in the purchase, transmission, distribution and sale of natural gas in the north-central, eastern and western parts of Texas. Through these newly acquired operations, we provide gas distribution services to approximately 1.5 million residential and business customers in Texas, including the Dallas/ Fort Worth metropolitan area. We also now own and operate a system consisting of 6,162 miles of gas transmission and gathering lines and five underground storage reservoirs, all within Texas.

The purchase price for the TXU Gas acquisition was approximately \$1.905 billion (after preliminary closing adjustments), which we paid in cash. We acquired approximately \$121 million of working capital of TXU Gas and did not assume any indebtedness of TXU Gas in connection with the acquisition. TXU Gas provided for the repayment of all of its indebtedness and redeemed all of its preferred stock prior to closing and retained and agreed to pay certain other liabilities under the terms of the acquisition agreement. The purchase price is subject to further adjustment after closing for the actual amount of working capital we acquired and other specified matters. We anticipate that any post-closing adjustments will not be material.

We funded the purchase price for the TXU Gas acquisition with approximately \$235.8 million in net proceeds from our offering of 9,939,393 shares of common stock, which we completed on July 19, 2004, and approximately \$1.7 billion in net proceeds from our issuance on October 1, 2004 of commercial paper backstopped by a senior unsecured revolving credit agreement, which we entered into on September 24, 2004 for bridge financing for the TXU Gas acquisition. In this prospectus supplement, we refer to the July offering of our common stock as the July 2004 common stock offering, the senior unsecured revolving credit agreement as the bridge financing facility and the \$1.7 billion of commercial paper that we issued backstopped by the bridge financing facility together with any commercial paper we may issue to refinance this commercial paper, as the acquisition commercial paper. We expect to use the net proceeds of this offering and our common stock offering described below to repay in full the acquisition commercial paper. The proceeds of this offering and our common stock offering will reduce permanently the availability under the bridge financing facility.

In June 2004, we entered into two agreements to fix the Treasury yield component of \$675 million principal amount of the notes, which we refer to as the June 2004 Treasury lock agreements. In September 2004, we entered into two additional agreements to fix the Treasury yield component of an additional \$200 million principal amount of the notes. We intend to terminate and settle the June 2004 Treasury lock agreements on October 22, 2004, using additional short-term borrowings. The fair value of the June 2004 Treasury lock agreements, as of October 18, 2004, represents an obligation of approximately \$44.0 million, which is the amount we expect to pay on October 22, 2004 in connection with the settlement of the June 2004 Treasury lock agreements. In this prospectus supplement, we refer to the

Table of Contents

settlement of the June 2004 Treasury lock agreements as the Treasury lock settlement. To the extent we have any remaining net proceeds from the common stock offering following the repayment in full of the balance of the acquisition commercial paper, we intend to use such remaining net proceeds to repay a portion of the short-term debt incurred in connection with the Treasury lock settlement.

In this prospectus supplement, we refer to TXU Gas Company as TXU Gas and our acquisition of the natural gas distribution and pipeline operations of TXU Gas as the TXU Gas acquisition. For more information on the terms of the TXU Gas acquisition, the TXU Gas operations we acquired in the TXU Gas acquisition and the terms of the financing for the TXU Gas acquisition, see The TXU Gas Acquisition beginning on page S-18.

Common Stock Offering

Concurrently with this offering, we are also offering 13,000,000 shares of our common stock, plus up to an additional 1,950,000 shares issuable pursuant to an overallotment option granted to the underwriters in the common stock offering, in a separate public offering by means of a separate prospectus supplement. Except as otherwise indicated, all information in this prospectus supplement assumes that the underwriters in the common stock offering will not exercise their overallotment option. We intend to use the estimated net proceeds from the common stock offering of approximately \$309.7 million, based on an assumed offering price of \$24.85 per share and after deducting approximately \$13.3 million of estimated offering related fees and expenses, including the underwriting discount and commissions, to repay the balance of the acquisition commercial paper. To the extent we have any remaining net proceeds from the common stock offering following the repayment in full of the balance of the acquisition commercial paper, we intend to use such remaining net proceeds to repay a portion of the short-term debt incurred in connection with the Treasury lock settlement.

In this prospectus supplement, we refer to the offering of our shares of common stock as the common stock offering. Neither the completion of this offering nor the completion of the common stock offering is contingent upon the other.

Table of Contents**Summary Consolidated Historical Financial Data**

(in thousands, except per share data)

Atmos Energy Corporation

The following table presents summary consolidated financial data of Atmos Energy Corporation for the periods and as of the dates indicated. We derived the summary consolidated financial data for our fiscal years ended September 30, 2003, 2002 and 2001 from our audited consolidated financial statements, which are incorporated by reference in this prospectus supplement from our annual report on Form 10-K for the year ended September 30, 2003. We have reclassified some prior year amounts to conform with the current year presentation. We derived the summary consolidated financial data for the nine months ended June 30, 2004 and 2003 from our unaudited consolidated financial statements, which are also incorporated by reference in this prospectus supplement from our quarterly report on Form 10-Q for the quarterly period ended June 30, 2004. Please note that because of seasonal and other factors, the results of operations for the nine-month periods presented below are not indicative of results of operations for the entirety of each fiscal year.

The information in the following table is only a summary and does not provide all of the information contained in our financial statements. Therefore, you should read the information presented below in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included in our annual report on Form 10-K for the year ended September 30, 2003, and our quarterly report on Form 10-Q for the quarterly period ended June 30, 2004, each of which is incorporated by reference in this prospectus supplement.

	Nine Months Ended June 30,		Year Ended September 30,		
	2004	2003	2003	2002	2001
(unaudited)					
Income Statement Data					
Operating revenues	\$2,427,159	\$2,363,044	\$2,799,916	\$1,650,964	\$1,725,481
Gross profit	472,671	435,198	534,976	431,140	375,208
Operating expenses	282,256	260,640	347,136	275,809	244,927
Operating income	190,415	174,558	187,840	155,331	130,281
Cumulative effect of accounting change, net of income tax benefit		(7,773)	(7,773)		
Net income	92,611	74,124	71,688	59,656	56,090
Diluted net income per share before cumulative effect of accounting change, net of tax	\$ 1.78	\$ 1.82	\$ 1.71	\$ 1.45	\$ 1.47
Diluted net income per share	\$ 1.78	\$ 1.65	\$ 1.54	\$ 1.45	\$ 1.47
Cash dividends paid per share	\$ 0.915	\$ 0.900	\$ 1.20	\$ 1.18	\$ 1.16

S-4

Table of Contents

	As of June 30,		As of September 30,		
	2004	2003	2003	2002	2001
(unaudited)					
Balance Sheet Data					
Total assets(1)	\$ 2,680,532	\$ 2,460,079	\$ 2,626,913	\$ 2,061,135	\$ 2,110,214
Debt					
Long-term debt	\$ 863,266	\$ 864,348	\$ 863,918	\$ 670,463	\$ 692,399
Short-term debt(2)	5,918	10,447	127,940	167,771	221,942
Total debt	\$ 869,184	\$ 874,795	\$ 991,858	\$ 838,234	\$ 914,341
Shareholders' equity	\$ 926,846	\$ 827,453	\$ 857,517	\$ 573,235	\$ 583,864

	Nine Months Ended June 30,		Year Ended September 30,		
	2004	2003	2003	2002	2001
Other Financial Data					
Ratio of earnings to fixed charges(3)	3.79	3.55	2.85	2.46	2.48

- (1) For the unaudited balance sheet as of June 30, 2004 and all previous periods, we have reclassified our regulatory removal obligation from accumulated depreciation to a liability. The amounts presented above for total assets reflect this reclassification for all periods presented.
- (2) Short-term debt is comprised of current maturities of long-term debt and short-term debt.
- (3) For purposes of computing ratio of earnings to fixed charges, earnings consist of the sum of our pretax income from continuing operations and fixed charges. Fixed charges consist of interest expense, amortization of debt discount, premium and expense, capitalized interest and a portion of lease payments considered to represent an interest factor.

Table of Contents**TXU Gas Company**

The following table presents summary historical consolidated financial data of TXU Gas Company for the periods and as of the dates indicated. We derived the summary historical consolidated financial data for the fiscal years ended December 31, 2003, 2002 and 2001 from the audited consolidated financial statements of TXU Gas, which are incorporated by reference in this prospectus supplement from our current report on Form 8-K filed with the SEC on July 7, 2004. We derived the summary historical consolidated financial data for the six months ended June 30, 2004 and 2003 from the unaudited consolidated financial statements of TXU Gas, which are incorporated by reference in this prospectus supplement from our current report on Form 8-K filed with the SEC on August 31, 2004. Please note that because of seasonal and other factors, the results of operations for the six-month periods presented below are not indicative of results of operations for the entirety of each fiscal year.

Please note that the summary consolidated financial data of TXU Gas presented below and the consolidated financial statements for TXU Gas incorporated by reference in this prospectus supplement reflect the entire assets and operations of TXU Gas for the periods and as of the dates indicated. However, we acquired only the natural gas distribution and pipeline operations of TXU Gas. Following the completion of the TXU Gas acquisition, all of the equity of TXU Gas continues to be beneficially owned by TXU Corp. Please refer to *The TXU Gas Acquisition and the Unaudited Pro Forma Combined Financial Information* for more information.

The information in the following table is only a summary and does not provide all of the information contained in the financial statements of TXU Gas. Therefore, you should read the information presented below in conjunction with the historical consolidated financial statements and related notes of TXU Gas for the fiscal years ended December 31, 2003, 2002 and 2001, which are included in our current report on Form 8-K filed with the SEC on July 7, 2004 and incorporated by reference in this prospectus supplement, and for the quarterly periods ended June 30, 2004 and 2003, which are included in our current report on Form 8-K filed with the SEC on August 31, 2004 and incorporated by reference in this prospectus supplement. See *Incorporation by Reference*.

	Six Months Ended June 30,		Year Ended December 31,		
	2004	2003	2003	2002	2001
(unaudited)					
Income Statement Data(1)					
Operating revenues	\$ 724,283	\$ 819,737	\$ 1,344,106	\$ 980,568	\$ 1,229,513
Operating expenses	732,821	748,133	453,279	407,962	428,595
Operating income (loss)	(8,538)	71,604	100,285	70,621	41,912
Net income (loss)	(123,378)	32,776	41,016	(12,810)	28,712
(unaudited)					
Balance Sheet Data(1)					
Total assets(2)	\$ 2,198,624	\$ 2,217,580	\$ 2,327,954	\$ 2,297,430	\$ 4,551,221
Debt					
Long-term debt(2)	\$ 280,077	\$ 275,737	\$ 430,285	\$ 580,466	\$ 708,090
Short-term debt	450,000	150,000	150,000	125,000	200,000
Total debt	\$ 730,077	\$ 425,737	\$ 580,285	\$ 705,466	\$ 908,090
Shareholder s equity	\$ 751,453	\$ 862,346	\$ 879,033	\$ 827,804	\$ 1,060,105

footnotes on following page

Table of Contents

- (1) As a result of the implementation of Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities*, in December 2003, a wholly-owned subsidiary financing trust that issued preferred securities ceased to be consolidated. We did not purchase the assets or assume the liabilities of the financing trust.
- (2) Total asset and long-term debt amounts were restated for all periods to include an investment in the wholly-owned subsidiary financing trust that ceased to be consolidated as described above and subordinated debentures issued by TXU Gas that were the sole assets of the financing trust. We did not purchase the assets or assume the liabilities of the financing trust.

S-7

Table of Contents

Summary Unaudited Pro Forma Combined Financial Information

(in thousands, except per share data)

The following table presents summary unaudited pro forma combined financial information for the periods and as of the dates indicated. This information is based on our historical consolidated financial statements and TXU Gas's historical financial statements, adjusted to give effect to the July 2004 common stock offering, the consummation of the TXU Gas acquisition, the use of the net proceeds from the July 2004 common stock offering and the issuance of the acquisition commercial paper to pay the purchase price for the TXU Gas acquisition and related fees and expenses and the use of the net proceeds of this offering and the common stock offering to repay in full the acquisition commercial paper and the short-term debt incurred in connection with the Treasury lock settlement, based on the fair value of the June 2004 Treasury lock agreements, which, as of June 30, 2004, represented an obligation of approximately \$7.1 million. The balance sheet data presented below reflects an increase in short-term debt to settle this obligation. As a result, the balance sheet data presented below reflects an additional \$12.5 million of cash and a repayment of \$18.1 million of short-term debt. However, as of October 18, 2004, the fair value of the June 2004 Treasury lock agreements represents an obligation of approximately \$44.0 million, which we will pay on October 22, 2004 with additional short-term borrowings. The change since June 30, 2004 in the fair value of the obligation representing the June 2004 Treasury lock agreements will reduce the amount of cash and cash equivalents and increase the amount of short-term debt compared to the amounts shown below and in the unaudited pro forma combined balance sheet.

The unaudited pro forma combined income statement information for the nine months ended June 30, 2004 and for the twelve months ended September 30, 2003 each give effect to each of these matters as if each had occurred on October 1, 2002. The unaudited pro forma combined balance sheet information as of June 30, 2004 gives effect to each of these matters as if each had occurred on June 30, 2004. The summary unaudited pro forma combined financial information presented below is not necessarily indicative of either our future results, or the results that might have been achieved if these matters had all occurred on such dates.

The summary unaudited pro forma combined financial information below should be read in conjunction with Unaudited Pro Forma Combined Financial Information. See The TXU Gas Acquisition for a description of the TXU Gas acquisition and the financing for the TXU Gas acquisition. See Common Stock Offering for a description of the common stock offering.

Table of Contents

	Nine Months Ended June 30, 2004	Year Ended September 30, 2003(1)
	(unaudited)	
Income Statement Data		
Operating revenues	\$3,496,155	\$4,126,293
Gross profit	908,138	1,070,811
Operating expenses	605,583	756,746
Operating income	302,555	314,065
Net income	133,003	115,950
Diluted net income per share	\$ 1.77	\$ 1.67

	As of June 30, 2004
	(unaudited)
Balance Sheet Data	
Total assets	\$4,882,044
Debt	
Long-term debt	\$2,260,447
Short-term debt(2)	5,918
Total debt	\$2,266,365
Shareholders' equity	\$1,472,334

	Nine Months Ended June 30, 2004	Year Ended September 30, 2003
Other Financial Data		
Ratio of earnings to fixed charges(3)	3.07	2.37

- (1) The results for TXU Gas used to prepare the unaudited pro forma combined income statement information for the year ended September 30, 2003 are derived from TXU Gas's statement of income for the year ended December 31, 2003. See Summary Consolidated Historical Financial Data - TXU Gas Company.
- (2) Short-term debt is comprised of current maturities of long-term debt and short-term debt.
- (3) For purposes of computing ratio of earnings to fixed charges, earnings consist of the sum of our pretax income from continuing operations and fixed charges. Fixed charges consist of interest expense, amortization of debt discount, premium and expense, capitalized interest and a portion of lease payments considered to represent an interest factor.

Table of Contents

The Offering

Issuer	Atmos Energy Corporation
Notes Offered	<p>\$1,400,000,000 aggregate principal amount of notes, consisting of:</p> <p>\$300,000,000 aggregate principal amount of floating rate senior notes due 2007; \$400,000,000 aggregate principal amount of 4.00% senior notes due 2009; \$500,000,000 aggregate principal amount of 4.95% senior notes due 2014; and \$200,000,000 aggregate principal amount of 5.95% senior notes due 2034.</p>
Maturity	<p>The 2007 notes will mature on October 15, 2007. The 2009 notes will mature on October 15, 2009. The 2014 notes will mature on October 15, 2014. The 2034 notes will mature on October 15, 2034.</p>
Interest	<p>The 2007 notes will bear interest at the three-month LIBOR Rate plus 0.375%.</p> <p>Interest on the 2007 notes will be payable in arrears on January 15, April 15, July 15 and October 15 of each year the 2007 notes are outstanding, beginning on January 15, 2005. Interest on the 2007 notes will be reset on each interest payment date, beginning on January 15, 2005.</p> <p>The 2009 notes will bear interest at the rate of 4.00% per year. The 2014 notes will bear interest at the rate of 4.95% per year. The 2034 notes will bear interest at the rate of 5.95% per year.</p> <p>Interest on the 2009 notes, the 2014 notes and the 2034 notes will be payable in arrears on April 15 and October 15 of each year they are outstanding, beginning on April 15, 2005.</p>
Ranking	<p>The notes will be unsecured unsubordinated debt of Atmos and will rank equally with all of our existing and future unsubordinated debt. All our secured debt will have a prior claim with respect to the assets securing that debt.</p>
Optional Redemption	<p>We may redeem the 2007 notes, in whole or in part, on any interest payment date on or after April 15, 2006, at a redemption price equal to 100% of the principal amount of the 2007 notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date, as described in Description of the Notes Optional Redemption on page S-42.</p> <p>We may redeem the 2009 notes, the 2014 notes and the 2034 notes at any time, in whole or in part, at a redemption price equal to the greater of the principal amount of the notes to be redeemed and the make-whole redemption price, plus, in each case, accrued and unpaid interest, if any, to the redemption date, as described in Description of the Notes Optional Redemption on page S-42.</p>

Table of Contents

Covenants of the Indenture We will issue the notes under an indenture which will, among other things, restrict our ability to create liens and to enter into sale and leaseback transactions. See Description of Debt Securities Covenants in the accompanying prospectus on page 17.

Use of Proceeds We estimate that our net proceeds from this offering, after deducting the underwriting discount and commissions and estimated offering expenses payable by us, will be approximately \$1.39 billion. We intend to use the net proceeds of this offering to repay a portion of the acquisition commercial paper. We expect to repay the balance of the acquisition commercial paper with the net proceeds of the common stock offering. Neither the completion of this offering nor the completion of the common stock offering is contingent upon the other. See Use of Proceeds on page S-15.

See Risk Factors beginning on page S-12 and other information included and incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of the factors you should consider carefully before deciding to invest in the notes.

Table of Contents

RISK FACTORS

You should consider carefully all of the information that is included or incorporated by reference in this prospectus supplement and the accompanying prospectus before investing in the notes. In particular, you should evaluate the uncertainties and risks referred to or described below, which may adversely affect our business, financial condition or results of operations. Additional uncertainties and risks that are not presently known to us or that we currently deem immaterial, including those associated with the TXU Gas acquisition, may also adversely affect our business, financial condition or results of operations.

Factors Affecting Our Company and Our Industry

The factors affecting our company and our industry that could impact our business, financial condition or results of operations include those factors described in this prospectus supplement and in the information incorporated by reference in this prospectus supplement and the accompanying prospectus. In particular, please refer to Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Factors that May Affect Our Future Performance in our annual report on Form 10-K for the year ended September 30, 2003, which is incorporated by reference in this prospectus supplement, and those factors listed in this prospectus supplement in Cautionary Statement Regarding Forward-Looking Statements for a discussion of some of the factors that could affect our future operations or performance.

Risks Relating to the TXU Gas Acquisition

In addition to the factors affecting our company and our industry, the risks outlined below relating to the TXU Gas acquisition could also adversely affect our business, financial condition or results of operations.

We may not be able to refinance the acquisition commercial paper or indebtedness under the bridge financing facility when required or on reasonable terms.

On October 1, 2004, we issued \$1.7 billion in acquisition commercial paper backstopped by the bridge financing facility to finance a portion of the TXU Gas acquisition. We may use the bridge financing facility as a backup liquidity facility for issuances of acquisition commercial paper, or we may borrow directly under the bridge financing facility. Since we intend to repay the acquisition commercial paper and the bridge financing facility is limited to a term of 364 days from its effective date, we will be required to find long-term financing to refinance the acquisition commercial paper and any indebtedness under the bridge financing facility that we may incur in the future prior to September 23, 2005. We intend to use the proceeds of this offering and the common stock offering for this purpose. There can be no assurance that the common stock offering will be successful. Additionally, the consummation of the common stock offering is not a condition to the consummation of this offering, and the proceeds of this offering alone will not be sufficient to refinance in full the acquisition commercial paper and any borrowings under the bridge financing facility. If we fail to refinance all of the indebtedness backstopped by or outstanding under the bridge financing facility by September 23, 2005, it would be an event of default under the terms of the bridge financing facility that could result in the acceleration of the repayment of our other indebtedness and force us, at significant expense, to refinance all or a portion of our indebtedness or sell a portion of our business to repay our indebtedness. As a result, the value of the notes being offered by this prospectus supplement could be materially impacted.

Our indebtedness and leverage increased materially with the TXU Gas acquisition.

On October 1, 2004, we incurred approximately \$1.7 billion of short-term indebtedness, through the issuance of the acquisition commercial paper, to finance a portion of the TXU Gas acquisition. On an adjusted basis, giving effect to the incurrence of this short-term indebtedness as if it had occurred on June 30, 2004, our total debt, as of June 30, 2004, would have increased from \$869.2 million to \$2.5 billion and our ratio of total debt to capitalization (including short-term debt and current maturities

Table of Contents

of long-term debt), as of June 30, 2004, would have increased from 48.4% to 68.7%. On a pro forma as further adjusted basis, giving effect to the incurrence of this short-term indebtedness and the use of the net proceeds of this offering and the common stock offering to refinance all of this short-term indebtedness and repay the short-term debt incurred in connection with the Treasury lock settlement, as if each had occurred on June 30, 2004, our total debt, as of June 30, 2004, would have increased from \$869.2 million to \$2.3 billion and our ratio of total debt to capitalization (including short-term debt and current maturities of long-term debt), as of June 30, 2004, would have increased from 48.4% to 60.6%. Our ratio of total debt to capitalization is expected to be greater during the current winter heating season as we make additional short-term borrowings to fund natural gas purchases and meet our working capital requirements. We expect to increase our working capital facility from \$350 million to \$600 million at the time of the closing of this offering. This will help us to meet our increased working capital requirements as a result of the TXU Gas acquisition. This increase in our indebtedness could limit our flexibility in planning for, or reacting to, changes in our business or economic conditions.

Our long-term debt is currently rated as investment grade by Standard & Poor's Ratings Services, Moody's Investors Service, Inc. and Fitch, Inc., the three credit rating agencies that rate our long-term debt securities. There can be no assurance that these rating agencies will maintain investment grade ratings for our long-term debt. If we were to lose our investment-grade rating, the commercial paper markets and the commodity derivatives markets could become unavailable to us. This would increase our borrowing costs for working capital and reduce the borrowing capacity of our gas marketing affiliate. In addition, if our commercial paper ratings were lowered, it would increase the cost of commercial paper financing and could reduce or eliminate our ability to access the commercial paper markets. If we are unable to issue commercial paper, we intend to borrow under our bank credit facilities to meet our working capital needs. This would increase the cost of our working capital financing. Additionally, if we are unable to issue commercial paper, we may be required to make borrowings under the bridge financing facility to refinance the acquisition commercial paper, which would increase our costs related to the financing of the TXU Gas acquisition.

We may not be able to implement the TXU Gas acquisition successfully.

The TXU Gas acquisition is larger than any of the nine other acquisitions we have made since 1986. In addition to operating the natural gas distribution system we acquired in the TXU Gas acquisition, we will manage pipeline operations on a scale greater than in the past. As a consequence, we may experience the need for additional management attention and resources, we may be required to develop relationships with additional regulatory authorities in the service areas of the TXU Gas operations we acquired or we may face unanticipated challenges or delays in integrating the TXU Gas operations we acquired into our business. In addition, employees important to the TXU Gas operations we acquired may decide not to continue employment with us. If these events occur, the acquired operations may not achieve the results or otherwise perform as expected.

The TXU Gas operations we acquired are subject to their own risks, which we may not be able to manage successfully.

The financial results of the TXU Gas operations we acquired are subject to many of the same factors that affect our financial condition and results of operations, including weather sensitivity, extensive federal, state and local regulation, increasing gas costs, competition, market risks and national, regional and local economic conditions.

In addition, the TXU Gas distribution operations we acquired do not have weather-normalized rates. This means we will not be able to increase customers' bills to offset lower gas usage when the weather is warmer than normal. As a result, the financial results for the TXU Gas operations we acquired may be adversely affected in the event of a warmer-than-normal heating season unless we are able to obtain weather-normalization adjustments from the Texas regulatory authorities.

Table of Contents

The TXU Gas transmission operations we acquired include interconnected natural gas transmission lines, underground storage reservoirs, compressor stations and related properties within Texas. The operation of these transmission facilities also involves risks. These include the possibility of breakdown or failure of equipment or pipelines, the impact of unusual or adverse weather conditions or other natural events and the risk of performance below expected levels of throughput or efficiency. Breakdown or reduced performance of a transmission facility may prevent the facility from performing under applicable sales agreements which, in certain situations, could result in termination of those agreements or incurring a liability for liquidated damages. Insurance, warranties, indemnities or performance guarantees may not cover any or all of the liquidated damages, lost revenues or increased expenses associated with a breakdown or reduction in performance of a transmission facility. If we are unsuccessful in managing these risks, our business, financial condition and results of operations could be adversely affected.

We have only limited recourse under the acquisition agreement for losses relating to the TXU Gas acquisition.

The diligence conducted in connection with the TXU Gas acquisition and the indemnification provided in the acquisition agreement may not be sufficient to protect us from, or compensate us for, all losses resulting from the acquisition or TXU Gas's prior operations. For example, under the terms of the acquisition agreement, the first \$15 million of many indemnifiable losses are to be borne by us, and the agreement provides for sharing of losses with respect to unknown environmental matters that may affect the assets we acquired after we have borne \$10 million in costs relating to such matters. In addition, under the terms of the acquisition agreement, the maximum aggregate amount of such losses for which TXU Gas will indemnify us is approximately \$192.5 million. A material loss associated with the TXU Gas acquisition for which there is not adequate indemnification could negatively affect our results of operations, our financial condition and our reputation in the industry and reduce the anticipated benefits of the acquisition.

There may be other risks or costs resulting from the TXU Gas acquisition that are not known to us.

We may not be aware of all of the risks associated with the TXU Gas acquisition. Any discovery of adverse information concerning the assets or operations we acquired could be material and, in many cases, would be subject to only limited rights of recovery. In addition, we will likely have to make capital expenditures, which may be significant, but which amount has not been fixed, to enhance or integrate the assets and operations we acquired.

Table of Contents

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately \$1.39 billion, after deducting the underwriting discount and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to repay a portion of the acquisition commercial paper.

We intend to use the assumed net proceeds from the common stock offering of approximately \$309.7 million to repay the balance of the acquisition commercial paper and a portion of the short-term debt incurred in connection with the Treasury lock settlement. Neither the completion of this offering nor the completion of the common stock offering is contingent upon the other.

As of October 18, 2004, we had approximately \$1.7 billion of acquisition commercial paper outstanding and the acquisition commercial paper had a weighted average interest rate of approximately 2.48% per year and a weighted average remaining maturity of approximately six days. As of October 18, 2004, the fair value of the June 2004 Treasury lock agreements represents an obligation of approximately \$44.0 million. See Prospectus Supplement Summary The TXU Gas Acquisition for more information on the June 2004 Treasury lock agreements and the Treasury lock settlement.

For more information on the financing for the TXU Gas acquisition, please see The TXU Gas Acquisition Financing for the TXU Gas Acquisition.

Table of Contents

CAPITALIZATION

The following table presents our short-term debt and capitalization as of June 30, 2004:

on an actual basis;

on an as adjusted basis, giving effect to the application of the \$235.8 million of net proceeds from our July 2004 common stock offering and the \$1.7 billion of net proceeds from our initial issuance of the acquisition commercial paper to finance the TXU Gas acquisition, as if each had occurred on June 30, 2004;

on a pro forma as adjusted basis, giving effect to the transactions referred to in the immediately preceding bullet point and as further adjusted to give effect to the application of approximately \$1.39 billion of net proceeds of this offering to repay a portion of the acquisition commercial paper, as if each had occurred on June 30, 2004; and

on a pro forma as further adjusted basis, giving effect to the transactions referred to in the two immediately preceding bullet points and as further adjusted to give effect to the application of the assumed \$309.7 million of net proceeds from the common stock offering to repay the balance of the acquisition commercial paper and the short-term debt incurred in connection with the Treasury lock settlement and for general corporate and working capital purposes, as if each had occurred on June 30, 2004.

The fair value of the June 2004 Treasury lock agreements represented an obligation of approximately \$7.1 million as of June 30, 2004. However, as of October 18, 2004, the fair value of the June 2004 Treasury lock agreements represents an obligation of approximately \$44.0 million, which we will pay on October 22, 2004 with additional short-term borrowings. The table below assumes \$7.1 million is required for the Treasury lock settlement, which results in approximately \$30.6 million of additional proceeds being available to repay short-term debt and held as cash for general corporate and working capital purposes, as of June 30, 2004. The change since June 30, 2004 in the fair value of the obligation representing the June 2004 Treasury lock agreements will reduce the amount of cash and cash equivalents and increase the amount of short-term debt compared to the amounts shown in the table below and in the unaudited pro forma combined balance sheet.

You should read this table in conjunction with the unaudited consolidated financial statements and related notes included in our quarterly report on Form 10-Q for the quarterly period ended June 30, 2004, which is incorporated by reference in this prospectus supplement. For more information on the terms of the TXU Gas acquisition and the financing for the TXU Gas acquisition, see The TXU Gas Acquisition.

Table of Contents

As of June 30, 2004				
	Actual	As Adjusted	Pro Forma As Adjusted	Pro Forma As Further Adjusted
(in thousands)				
Cash and cash equivalents(1)	\$ 126,895	\$ 126,895	\$ 126,895	\$ 139,413
Short-term debt				
Acquisition commercial paper	\$ 5,918	\$ 1,669,240	\$ 280,909	\$ 5,918
Current portion of long-term debt	5,918	5,918	5,918	5,918
Other short-term debt(2)		9,240	9,240	
Total short-term debt	\$ 5,918	\$ 1,684,398	\$ 296,067	\$ 5,918
Long-term debt, less current portion(3)	\$ 863,266	\$ 863,266	\$ 2,260,447	\$ 2,260,447
Shareholders' equity				
Common stock, no par value (stated at \$.005 per share); 100,000,000 shares authorized; 52,579,303 shares issued and outstanding, actual; 62,518,696 shares issued and outstanding, as adjusted and pro forma as adjusted; and 75,518,696 shares issued and outstanding, pro forma as further adjusted(4)	263	313	313	378
Additional paid-in capital	762,464	998,174	998,174	1,307,837
Retained earnings	167,535	167,535	167,535	167,535
Accumulated other comprehensive loss	(3,416)	(3,416)	(3,416)	(3,416)
Shareholders' equity	926,846	1,162,606	1,162,606	1,472,334
Total capitalization(5)	\$ 1,790,112	\$ 2,025,872	\$ 3,423,053	\$ 3,732,781

- (1) The pro forma as further adjusted cash and cash equivalents reflects an increase in cash of \$12.5 million. However, as a result of the change since June 30, 2004 in the fair value of the obligation representing the June 2004 Treasury lock agreements, we will not have available proceeds from the common stock offering that we could hold in cash.
- (2) The as adjusted and pro forma as adjusted amounts of other short-term debt reflect short-term borrowings of approximately \$7.5 million to pay costs and expenses associated with the TXU Gas acquisition and short-term borrowings of approximately \$1.7 million to pay costs and expenses associated with the bridge financing facility and the acquisition commercial paper. The pro forma as further adjusted amount of other short-term debt reflects the repayment of \$9.2 million in other short-term debt. However, we intend to incur additional short-term debt in connection with the Treasury lock settlement as a result of the change since June 30, 2004, in the fair value of the obligation representing the June 2004 Treasury lock agreements.
- (3) The pro forma as adjusted and the pro forma as further adjusted long-term debt amounts reflect the issuance of \$1.4 billion in aggregate principal amount at maturity of notes priced at a discount of approximately \$2.8 million, as set forth on the cover page of this prospectus supplement.
- (4) The number of shares of common stock issued and outstanding excludes 1,783,779 shares of our common stock then issuable upon exercise of outstanding options and share unit awards and up to 1,950,000 shares issuable upon the exercise of the overallotment option granted to the underwriters of the common stock offering.
- (5) Total capitalization excludes the acquisition commercial paper, the current portion of long-term debt and other short-term debt.

Table of Contents

THE TXU GAS ACQUISITION

Description of the TXU Gas Acquisition

On October 1, 2004, we completed the acquisition of the natural gas distribution and pipeline operations of TXU Gas. TXU Gas is a subsidiary of TXU Corp., a public company. The TXU Gas acquisition was structured as a merger between a wholly-owned subsidiary of ours and TXU Gas, with both our subsidiary and TXU Gas as surviving entities following the merger. Accordingly, we will treat the TXU Gas acquisition as an asset acquisition for accounting purposes. Immediately following the merger, our subsidiary was merged into us, and the acquired operations now constitute a new operating division of ours.

The purchase price for the TXU Gas acquisition was approximately \$1.905 billion (after preliminary closing adjustments), which we paid in cash. We acquired approximately \$121 million of working capital of TXU Gas and did not assume any indebtedness of TXU Gas in connection with the acquisition. TXU Gas provided for the repayment of all of its indebtedness and redeemed all of its preferred stock prior to closing and retained and agreed to pay certain other liabilities under the terms of the acquisition agreement. The purchase price is subject to further adjustment after closing for the actual amount of working capital we acquired and other specified matters. We anticipate that any post-closing adjustments will not be material.

Acquisition Agreement. In the acquisition agreement, TXU Gas made representations and warranties as to its historical financial statements, material liabilities, operation in the ordinary course and absence of any material adverse change in its assets or business. It also provided a representation and warranty as to the compliance of its prior SEC filings with the applicable SEC requirements. Other representations and warranties addressed its permits, title to assets, material contracts, environmental matters, regulatory matters, labor matters, benefits matters, tax matters, insurance matters, transactions with affiliates and other matters. TXU Gas agreed to indemnify us against a breach of specified representations and warranties for a period of 15 months after the closing for aggregate losses that exceed \$15 million. However, TXU Gas also agreed to retain all liabilities relating to pre-closing tax and employee matters and environmental liabilities that are related to its former manufactured gas plants, which we did not acquire, or that are not related to the assets we acquired. The indemnity from TXU Gas relating to these retained liabilities is without limit as to time or amount. In addition, for three years after the closing, we have agreed to share any environmental liabilities associated with the assets we acquired that are not disclosed in the acquisition agreement. In this regard, TXU Gas agreed to indemnify us against environmental liabilities involving at least \$1 million once these liabilities exceed \$10 million in the aggregate and TXU Gas will pay 50% of the amount of these liabilities between \$10 million and \$20 million and 100% of these liabilities thereafter. The maximum aggregate indemnity payable by TXU Gas on account of these representations and warranties or environmental liabilities associated with the assets we acquired is approximately \$192.5 million. TXU Corp. has guaranteed all of TXU Gas's payment obligations under the acquisition agreement.

Employees. Upon the closing of the TXU Gas acquisition, we added approximately 1,350 employees who, prior to the closing, were employees of TXU Gas or involved in the TXU Gas operations we acquired. The initial positions and base salaries of the transitioned employees are comparable to the positions and base salaries held by them immediately prior to the closing of the TXU Gas acquisition, and we have agreed that the employees' base salaries will not be reduced for at least one year after the closing of the TXU Gas acquisition. The other terms of employment and employee benefit plans applicable for the transitioned employees are generally comparable to our similarly situated non-union gas utility employees. Although we did not assume the existing employee benefit liabilities or plans of TXU Gas, for purposes of determining the annual pension cost we have agreed to give the transitioned employees credit for years of TXU Gas service under our pension plan. For purposes of our post-retirement medical plan, we received a credit of \$20 million (subject to post-closing adjustment) against the purchase price to permit us to provide partial past service credits for retiree medical benefits under our retiree medical plan. The

Table of Contents

\$20 million credit approximates the actuarially determined present value of the accumulated benefits related to the past services of the transferred employees.

Transitional Services. At closing, TXU Gas and some of its affiliates entered into transitional services agreements with us to provide call center, meter reading, customer billing, collections, information reporting, software, accounting, treasury, administrative and other services traditionally provided by TXU Gas and its affiliates to the TXU Gas operations we acquired. The initial term of each of these agreements will expire on October 1, 2005. Any particular service may be terminated during the initial term on 90 days notice, except for call center, customer billing, collections, information reporting, administrative and other services provided under our agreement with TXU Gas, which may not be terminated during the initial term. After the initial term, all of the service agreements continue on a month-to-month basis until canceled by either party with at least 30 days prior written notice. In addition, we have an option to extend the business services provided during the initial term by TXU Gas for a period of six months beyond the initial term, so long as we exercise our option at least 120 days before the expiration of the initial term. The agreements require us to pay the service providers' costs for the services. Also at closing, we entered into a transitional access agreement with TXU Gas and some of its affiliates in order to allow the parties the same level of access to certain properties, facilities, software applications and other items that they were provided prior to the closing. The initial term of this agreement also expires on October 1, 2005, and the agreement also continues on a month-to-month basis thereafter until canceled by either party with at least 30 days prior written notice.

The foregoing is a summary of certain provisions of the relevant agreements. This summary is qualified in its entirety by reference to the agreements, which are included as exhibits to our current reports on Form 8-K filed with the SEC on July 7, 2004 and October 6, 2004, and incorporated by reference in this prospectus supplement. See "Incorporation by Reference."

In connection with the TXU Gas acquisition, we acquired the franchises held by TXU Gas to provide natural gas utility services to cities, towns and other municipalities in Texas. As part of the TXU Gas acquisition, we determined, on the basis of representations and warranties in the acquisition agreement and our diligence, that we needed the consent of two such cities for the acquisition of their franchises and we received the necessary consents prior to closing. However, we have received letters from two other cities, including the City of Dallas, raising the issue of whether, under the terms of their franchises, we should have also obtained their consents. We are currently in discussions with the City of Dallas on this issue. As these discussions are at an early stage, we cannot predict the outcome, but one alternative suggested by the City of Dallas is that we consider renewing our non-exclusive franchise with the City of Dallas prior to its 2009 expiration date. We do not currently know what changes, if any, the City of Dallas might propose in the terms of the franchise, were we to agree to an early renewal, or whether the City of Dallas will take other action with respect to the franchise, were we not to do so. However, we believe that the costs to us associated with a renewal would not be material. We have not received any similar inquiries from other cities, towns or municipalities, but we cannot assure you that we will not receive similar inquiries in the future.

Operations Acquired in the TXU Gas Acquisition

The TXU Gas operations we acquired are regulated businesses engaged in the purchase, transmission, storage, distribution and sale of natural gas in the north-central, eastern and western parts of Texas.

Through the TXU Gas operations we acquired, we are able to provide gas distribution service through 26,431 miles of distribution mains and purchase, distribute and sell natural gas to approximately 1.5 million residential and business customers in approximately 550 cities and towns, including the 11-county Dallas/ Fort Worth metropolitan area. The distribution service rates we are able to charge these residential and business customers generally have been established by the municipal governments of the cities and towns served, with the Texas Railroad Commission having appellate, or in some instances,

Table of Contents

primary jurisdiction. The majority of these residential and business customers use natural gas for heating, and their needs are directly affected by the mildness or severity of the heating season.

Among the TXU Gas operations we acquired are interconnected natural gas transmission lines, five underground storage reservoirs (including a salt dome facility), 24 compressor stations and related properties, all within Texas. With our acquisition from TXU Gas of a system consisting of 6,162 miles of transmission and gathering lines, we are now one of the largest intrastate pipeline operators in Texas. Through these facilities, we transport natural gas to our distribution system and other customers, with the rates for such transmission services being regulated by the Texas Railroad Commission.

For more information on TXU Gas, please see the historical consolidated financial statements and related notes of TXU Gas for the years ended December 31, 2003, 2002 and 2001 and for the quarterly period ended March 31, 2004, which are included in our current report on Form 8-K filed with the SEC on July 7, 2004 and incorporated by reference in this prospectus supplement, and the historical consolidated financial statements and related notes of TXU Gas for the three and six month periods ended June 30, 2004, which are included in our current report on Form 8-K filed with the SEC on August 31, 2004 and incorporated by reference in this prospectus supplement. Please note that the historical consolidated financial statements for TXU Gas included in our current reports on Form 8-K reflect the entire assets and operations of TXU Gas. However, we only acquired the natural gas distribution and pipeline operations of TXU Gas. For more information on the operations of TXU Gas that we acquired, see Unaudited Pro Forma Combined Financial Information and Our Business.

Financing for the TXU Gas Acquisition

We funded the purchase price for the TXU Gas acquisition with the \$235.8 million net proceeds from the July 2004 common stock offering and approximately \$1.7 billion in net proceeds from our issuance on October 1, 2004 of the acquisition commercial paper, which is backstopped by the bridge financing facility. The bridge financing facility is a 364-day, \$1.7 billion senior unsecured revolving credit agreement that we entered into on September 24, 2004 with nine financial institutions. We may use the bridge financing facility as a backup liquidity facility for issuances of acquisition commercial paper, or we may borrow directly under the bridge financing facility. We expect to use the proceeds of this offering, along with the proceeds of the common stock offering, to repay in full the acquisition commercial paper. Neither the completion of this offering nor the completion of the common stock offering is contingent upon the other. We have hedged the Treasury yield component of \$875 million of the notes we are issuing in this offering. For more information on these arrangements, see Prospectus Supplement Summary The TXU Gas Acquisition.

Any borrowings that we may make under the bridge financing facility will bear interest at a rate dependent on our credit ratings at the time of such borrowing and based, at our election, on LIBOR or a base rate. Borrowings based on LIBOR would bear interest at an annual rate ranging from LIBOR plus 0.5% to 1.75%. At our current credit ratings, LIBOR-based borrowings would bear interest at an annual rate of LIBOR plus 1.0%. In addition, we must pay quarterly commitment and utilization fees at rates dependent on our credit ratings. At our current credit ratings, the commitment fee is 0.15% per year and the utilization fee, payable only when utilization exceeds 33 1/3% of the aggregate commitment, would be 0.125% per year. As of October 12, 2004, we had no borrowings outstanding under the bridge financing facility.

The bridge financing facility will expire on September 23, 2005, at which time any outstanding indebtedness under the bridge financing facility will be due and payable. We are required to reduce any indebtedness outstanding and the availability under the bridge financing facility to the extent of the net cash proceeds from the sale of the notes being offered by this prospectus supplement, the sale of our shares of common stock offered in the common stock offering and any other public issuances of debt or equity securities, with exceptions for issuances of capital stock under any dividend reinvestment plan, direct stock purchase plan, employee benefit plan or to employee, directors or officers, purchase money

Table of Contents

financings and any commercial paper backstopped by or borrowings under our working capital credit facility.

The bridge financing facility contains usual and customary covenants for transactions of this type. In addition, the bridge financing facility provides that our ratio of total debt to capitalization (including short-term debt and current maturities of long-term debt) may not exceed 70% as of the last day of any fiscal quarter. For the purpose of calculating this ratio as of December 31, 2004, up to \$200 million of our outstanding borrowings made for working capital purposes in the fiscal quarter ended December 31, 2004, whether under our existing \$350 million working capital facility or any refinancing thereof or through the issuance of commercial paper other than acquisition commercial paper, will be excluded from total debt.

The proceeds of this offering and the common stock offering will reduce permanently the availability under the bridge financing facility.

For more information on the bridge financing facility, please see our current report on Form 8-K filed with the SEC on September 29, 2004, which includes, as an exhibit thereto, a copy of the bridge financing facility.

Table of Contents

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial statements are based on our historical consolidated financial statements and TXU Gas's historical financial statements, each incorporated by reference in this prospectus supplement, adjusted to give effect to the July 2004 common stock offering, the consummation of the TXU Gas acquisition, the use of the net proceeds from the July 2004 common stock offering and the issuance of the acquisition commercial paper to pay the purchase price for the TXU Gas acquisition and related fees and expenses and the use of the net proceeds of this offering and the common stock offering to repay in full the acquisition commercial paper and the short-term debt incurred in connection with the Treasury lock settlement. The unaudited pro forma combined statement of income for the nine months ended June 30, 2004 and for the twelve months ended September 30, 2003 gives effect to these matters as if each had occurred on October 1, 2002. The unaudited pro forma combined balance sheet as of June 30, 2004 gives effect to these matters as if each had occurred on June 30, 2004.

The unaudited pro forma combined financial statements reflect pro forma adjustments that are described in the accompanying notes and are based on available information and certain assumptions we believe are reasonable but are subject to change. In our opinion, all adjustments that are necessary to present fairly the pro forma information have been made. The unaudited pro forma combined financial statements do not purport to represent what our results of operations or financial position would actually have been had the matters described above occurred on such dates or to project our results of operations or financial position for any future date or period. The unaudited pro forma combined financial statements include adjustments that reflect our preliminary estimates of the allocation of the purchase price to the acquired assets and assumed liabilities of TXU Gas. The preliminary purchase price allocation is subject to change as more detailed analyses are completed and additional information related to the fair values of TXU Gas's assets acquired and liabilities assumed in the TXU Gas acquisition become available. Final purchase accounting adjustments may differ materially from the pro forma adjustments presented herein. The unaudited pro forma combined financial statements do not reflect any operating efficiencies and cost savings that we may achieve with respect to the combined entities nor any expense associated with achieving these benefits.

The historical financial statements of TXU Gas are based on TXU Gas's historical financial statements as filed with the SEC. To prepare the unaudited pro forma combined statement of income for the year ended September 30, 2003, we used our consolidated statement of income for the twelve months ended September 30, 2003 and TXU Gas's statement of income for the twelve months ended December 31, 2003. To prepare the unaudited pro forma combined statement of income for the nine months ended June 30, 2004, we used our consolidated statement of income for the nine months ended June 30, 2004 and derived TXU Gas's statement of income for the nine months ended June 30, 2004 using TXU Gas's unaudited statement of income for the six months ended June 30, 2004 and its audited statement of income for the twelve months ended December 31, 2003, which are incorporated by reference in this prospectus supplement, and TXU Gas's unaudited statement of income for the nine months ended September 30, 2003, which is not incorporated by reference in this prospectus supplement. Please note that the historical financial information of TXU Gas presented in the unaudited pro forma combined balance sheet and the unaudited pro forma combined statements of income reflect the entire assets and operations of TXU Gas for the periods and as of the dates indicated. However, in the TXU Gas acquisition we acquired only the natural gas distribution and pipeline operations of TXU Gas. See Note 2(a) in the Notes to the Unaudited Pro Forma Combined Financial Statements.

You should read the following unaudited pro forma combined financial information in conjunction with our audited and unaudited consolidated financial statements and the related notes incorporated by reference in this prospectus supplement and TXU Gas's audited and unaudited financial statements and related notes, which are included in our current reports on Form 8-K filed with the SEC on July 7, 2004 and August 31, 2004 and incorporated by reference in this prospectus supplement. See Incorporation by Reference.

Table of Contents**UNAUDITED PRO FORMA COMBINED BALANCE SHEET**

As of June 30, 2004

	Historical Atmos	Historical TXU Gas	Pro Forma Adjustments	Pro Forma
(in thousands)				
ASSETS				
Property, plant and equipment	\$2,588,059	\$2,008,888	\$ (147,629)(a)(b)	\$4,449,318
Less accumulated depreciation and amortization	903,313	384,619	(884)(a)(b)	1,287,048
Net property, plant and equipment	1,684,746	1,624,269	(146,745)	3,162,270
Current assets				
Cash and cash equivalents	126,895	8,001	4,517 (a)(j)	139,413
Accounts receivable, net	243,719	28,751	41,760 (a)	314,230
Gas stored underground	90,141	129,528		219,669
Other current assets	18,710	56,071	(34,930)(a)	39,851
Total current assets	479,465	222,351	11,347	713,163
Goodwill and intangible assets	275,844	299,768	139,440 (b)	715,052
Deferred charges and other assets	240,477	52,236	(1,154)(a)(c)(d)	291,559
	\$2,680,532	\$2,198,624	\$ 2,888	\$4,882,044
CAPITALIZATION AND LIABILITIES				
Shareholders' equity				
Preferred stock	\$	\$ 75,000	\$ (75,000)(a)	\$
Common stock	263	4	111 (b)(c)	378
Additional paid-in capital	762,464	815,521	(270,148)(b)(c)	1,307,837
Retained earnings	167,535	(135,173)	135,173 (b)	167,535
Accumulated other comprehensive income (loss)	(3,416)	(3,899)	3,899 (b)	(3,416)
Shareholders' equity	926,846	751,453	(205,965)	1,472,334
Long-term debt	863,266	280,077	1,117,104 (a)(c)	2,260,447
Total capitalization	1,790,112	1,031,530	911,139	3,732,781
Current liabilities				
Accounts payable and accrued liabilities	201,123	89,273	(54,469)(a)	235,927
Other current liabilities	210,759	129,588	(95,904)(a)(j)	244,443
Short-term debt		300,000	(300,000)(a)(c)(j)	
Current maturities of long-term debt	5,918	150,000	(150,000)(a)	5,918
Total current liabilities	417,800	668,861	(600,373)	486,288
Deferred income taxes	227,899	29,722	(29,722)(b)	227,899
Regulatory cost of removal obligation	105,059	134,661		239,720
Deferred credits and other liabilities	139,662	333,850	(278,156)(a)(d)	195,356
	\$2,680,532	\$2,198,624	\$ 2,888	\$4,882,044

The accompanying notes are an integral part of the unaudited pro forma combined financial statements.

Table of Contents**UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME****For the Nine Months Ended June 30, 2004**

	Historical Atmos	Historical TXU Gas	Pro Forma Adjustments	Pro Forma
(in thousands, except per share data)				
Operating revenues				
Utility segment	\$ 1,425,022	\$ 1,075,050	\$ (6,054)(e)	\$ 2,494,018
Natural gas marketing segment	1,255,386			1,255,386
Other nonutility segment	20,492			20,492
Intersegment eliminations	(273,741)			(273,741)
	<u>2,427,159</u>	<u>1,075,050</u>	<u>(6,054)</u>	<u>3,496,155</u>
Purchased gas cost				
Utility segment	1,003,977	633,529		1,637,506
Natural gas marketing segment	1,214,395			1,214,395
Other nonutility segment	9,158			9,158
Intersegment eliminations	(273,042)			(273,042)
	<u>1,954,488</u>	<u>633,529</u>		<u>2,588,017</u>
Gross profit	472,671	441,521	(6,054)	908,138
Operating expenses				
Operation and maintenance	166,476	280,548	(87,442)(e)(f)	359,582
Depreciation and amortization	69,879	56,988	(5,739)(e)(f)(g)	121,128
Taxes, other than income	45,901	78,962	10 (e)	124,873
Total operating expenses	<u>282,256</u>	<u>416,498</u>	<u>(93,171)</u>	<u>605,583</u>
Operating income	190,415	25,023	87,117	302,555
Miscellaneous income (expense)	7,850	(120,306)	123,317 (e)(f)	10,861
Interest charges	49,506	26,086	23,916 (e)(h)	99,508
	<u>148,759</u>	<u>(121,369)</u>	<u>186,518</u>	<u>213,908</u>
Income (loss) before income taxes	148,759	(121,369)	186,518	213,908
Income tax expense (benefit)	56,148	(15,654)	40,411 (i)	80,905
	<u>92,611</u>	<u>(105,715)</u>	<u>146,107</u>	<u>133,003</u>
Net income (loss)	\$ 92,611	\$ (105,715)	\$ 146,107	\$ 133,003
Per share data				
Basic income per share	\$ 1.79			\$ 1.78
Diluted income per share	\$ 1.78			\$ 1.77
Weighted average shares outstanding				
Basic	51,788		22,939	74,727
Diluted	52,166		22,939	75,105

The accompanying notes are an integral part of the unaudited pro forma combined financial statements.

Table of Contents**UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME****For the Twelve Months Ended September 30, 2003**

	Historical Atmos	Historical TXU Gas	Pro Forma Adjustments	Pro Forma
(in thousands, except per share data)				
Operating revenues				
Utility segment	\$ 1,554,082	\$ 1,344,106	\$ (17,729)(e)	\$ 2,880,459
Natural gas marketing segment	1,668,493			1,668,493
Other nonutility segment	21,630			21,630
Intersegment eliminations	(444,289)			(444,289)
	<u>2,799,916</u>	<u>1,344,106</u>	<u>(17,729)</u>	<u>4,126,293</u>
Purchased gas cost				
Utility segment	1,062,679	790,542		1,853,221
Natural gas marketing segment	1,644,328			1,644,328
Other nonutility segment	1,540			1,540
Intersegment eliminations	(443,607)			(443,607)
	<u>2,264,940</u>	<u>790,542</u>		<u>3,055,482</u>
Gross profit	534,976	553,564	(17,729)	1,070,811
Operating expenses				
Operation and maintenance	205,090	287,811	(36,554)(e)(f)	456,347
Depreciation and amortization	87,001	74,054	(8,253)(e)(f)(g)	152,802
Taxes, other than income	55,045	91,414	1,138 (e)	147,597
Total operating expenses	<u>347,136</u>	<u>453,279</u>	<u>(43,669)</u>	<u>756,746</u>
Operating income	187,840	100,285	25,940	314,065
Miscellaneous income	2,191	3,658	(4,361)(e)	1,488
Interest charges	63,660	40,862	25,807 (e)(h)	130,329
Income before income taxes	126,371	63,081	(4,228)	185,224
Income tax expense	46,910	19,287	3,077 (i)	69,274
Net income (loss)	<u>\$ 79,461</u>	<u>\$ 43,794</u>	<u>\$ (7,305)</u>	<u>\$ 115,950</u>
Per share data				
Basic income per share	\$ 1.72			\$ 1.67
Diluted income per share	\$ 1.71			\$ 1.67
Weighted average shares outstanding				
Basic	46,319		22,939	69,258
Diluted	46,496		22,939	69,435

The accompanying notes are an integral part of the unaudited pro forma combined financial statements.

Table of Contents

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited pro forma combined financial statements give effect to the July 2004 common stock offering, the consummation of the TXU Gas acquisition, the use of the \$235.8 million of net proceeds from the July 2004 common stock offering and the approximately \$1.7 billion of net proceeds from the issuance of the acquisition commercial paper to pay the purchase price for the TXU Gas acquisition and related fees and expenses, and the use of approximately \$1.39 billion of net proceeds of this offering and approximately \$309.7 million of net proceeds from the common stock offering to repay in full the acquisition commercial paper and acquisition related costs and expenses and the short-term debt incurred in connection with the Treasury lock settlement.

The cash purchase price paid to TXU Gas for the assets that were acquired was approximately \$1.905 billion (after preliminary closing adjustments). We incurred approximately \$7.5 million in related transaction costs for a total purchase price of \$1.913 billion. To finance the TXU Gas acquisition, we used the proceeds of our July 2004 common stock offering and our issuance of the acquisition commercial paper. We intend to use the proceeds of this offering and the common stock offering and other short-term debt or available cash to repay in full the acquisition commercial paper and fund the Treasury lock settlement. Neither the completion of this offering nor the completion of the common stock offering is contingent upon the other. See *The TXU Gas Acquisition Financing for the TXU Gas Acquisition* for more information on the financing of the TXU Gas acquisition.

We have prepared the unaudited combined pro forma financial statements:

based on an assumed weighted average effective interest rate of the notes of approximately 4.76% per year (see Note 2(h) for more information on the calculation of the assumed weighted average effective interest rate of the notes); and

assuming our sale of 13,000,000 shares of our common stock at an assumed price of \$24.85 per share, generating net proceeds of approximately \$309.7 million, after deducting approximately \$13.3 million of estimated offering related fees and expenses, including the underwriting discount and commissions, and that the underwriters have not exercised their option to purchase up to an additional 1,950,000 shares of our common stock to cover overallocments.

The TXU Gas acquisition will be accounted for as an asset purchase with Atmos acquiring substantially all of the assets of TXU Gas. For more information on the assets and liabilities of TXU Gas that will not be acquired, see Note 2.

The unaudited pro forma combined balance sheet gives effect to the July 2004 common stock offering, the consummation of the TXU Gas acquisition, the use of the net proceeds from the July 2004 common stock offering and the issuance of the acquisition commercial paper to pay the purchase price for the TXU Gas acquisition and related fees and expenses and the use of the net proceeds of this offering and the common stock offering to repay in full the acquisition commercial paper and the short-term debt incurred in connection with the Treasury lock settlement, as if each had occurred on June 30, 2004. The unaudited pro forma combined statements of income assume these matters all occurred on October 1, 2002, the first day of our 2003 fiscal year. The historical amounts used as the basis for the unaudited pro forma combined financial statements have been derived from the historical financial statements as follows:

Unaudited pro forma combined balance sheet. Both the Atmos and TXU Gas historical amounts are derived from the respective company's unaudited balance sheets as of June 30, 2004 incorporated by reference in this prospectus supplement.

Unaudited pro forma combined statements of income. The Atmos historical amounts are derived from our audited income statement for the year ended September 30, 2003 and the

S-26

Table of Contents**NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS (Continued)**

unaudited income statement for the nine months ended June 30, 2004, both of which are incorporated by reference in this prospectus supplement.

As TXU Gas uses a calendar year end and Atmos uses a September 30 fiscal year end, for purposes of the unaudited pro forma combined statement of income for the twelve months ended September 30, 2003, TXU Gas's audited income statement for the twelve months ended December 31, 2003 has been used, which is incorporated by reference in this prospectus supplement.

For purposes of the unaudited pro forma combined statement of income for the nine months ended June 30, 2004, TXU Gas's actual nine months ended June 30, 2004 have been used. The historical amounts for TXU Gas for the nine months ended June 30, 2004 are derived by subtracting the corresponding amounts in TXU Gas's unaudited income statement for the nine months ended September 30, 2003 from the corresponding amounts in TXU Gas's audited income statement for the twelve months ended December 31, 2003 and then adding the corresponding amounts in TXU Gas's unaudited income statement for the six months ended June 30, 2004. TXU Gas's audited income statement for the twelve months ended December 31, 2003 and its unaudited income statement for the six months ended June 30, 2004 are incorporated by reference into this prospectus supplement. TXU Gas's income statement for the nine months ended September 30, 2003 is not included or incorporated by reference in this prospectus supplement.

The following table illustrates how the historical amounts for TXU Gas for the nine months ended June 30, 2004 were derived:

	(a) Twelve Months Ended December 31, 2003	(b) Nine Months Ended September 30, 2003	(c) Six Months Ended June 30, 2004	(a) - (b) + (c) Nine Months Ended June 30, 2004
	(in thousands)			
Operating revenues	\$1,344,106	\$993,339	\$724,283	\$1,075,050
Purchased gas cost	790,542	584,674	427,661	633,529
Gross profit	553,564	408,665	296,622	441,521
Operating expenses				
Operation and maintenance	287,811	212,785	205,522	280,548
Depreciation and amortization	74,054	55,264	38,198	56,988
Taxes, other than income	91,414	73,893	61,441	78,962
Total operating expenses	453,279	341,942	305,161	416,498
Operating income (loss)	100,285	66,723	(8,539)	25,023
Miscellaneous income (expense)	3,658	2,735		