

ATMOS ENERGY CORP
Form DEF 14A
December 28, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Atmos Energy Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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December 28, 2010

Dear Atmos Energy Shareholder:

You are cordially invited to attend the annual meeting of shareholders on Wednesday, February 9, 2011, at 9:30 a.m. Central Standard Time. The meeting will be held in the Pavilion Ballroom at the Belo Mansion, 2101 Ross Avenue, Dallas, Texas 75201.

The matters to be acted upon at the meeting are described in the Notice of Annual Meeting of Shareholders and Proxy Statement. In addition, we will review the affairs and progress of the Company during the past year and discuss the results of operations for the first quarter of our 2011 fiscal year.

Your vote is very important, regardless of the number of shares you hold. Whether or not you plan to attend the meeting in person, please cast your vote, as instructed in the Notice of Internet Availability of Proxy Materials (Notice) or proxy card, over the Internet, by telephone or on the proxy card, as promptly as possible. If you received only a Notice in the mail or by electronic mail, you may also request a paper proxy card to submit your vote by mail, if you prefer. However, we encourage you to vote over the Internet or by telephone because it is convenient and saves printing costs and postage fees, as well as natural resources.

On behalf of your Board of Directors, thank you for your continued support and interest in Atmos Energy Corporation.

Sincerely,

Robert W. Best
Executive Chairman of the Board

Kim R. Cocklin
President and Chief Executive Officer

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ATMOS ENERGY CORPORATION

P.O. Box 650205

Dallas, Texas 75265-0205

NOTICE OF ANNUAL MEETING

OF SHAREHOLDERS

To Our Shareholders:

The annual meeting of the shareholders of Atmos Energy Corporation will be held in the Pavilion Ballroom at the Belo Mansion, 2101 Ross Avenue, Dallas, Texas 75201 on Wednesday, February 9, 2011, at 9:30 a.m. Central Standard Time for the following purposes:

1. To elect four directors for one-year terms expiring in 2012;
2. To act upon a proposal to approve an amendment to our 1998 Long-Term Incentive Plan (LTIP) to provide for an increase of 2,200,000 shares in the number of shares of common stock reserved for issuance under the plan and an extension of the term of the plan for an additional five years;
3. To act upon a proposal to approve an amendment to our Annual Incentive Plan for Management (Incentive Plan) to provide for an extension of the term of the plan for an additional five years;
4. To ratify the Audit Committee s appointment of Ernst & Young LLP (Ernst & Young) to serve as the Company s independent registered public accounting firm for fiscal 2011;
5. To act upon a proposal for a non-binding, advisory vote by the shareholders to approve the compensation of the named executive officers of the Company for fiscal 2010 (Say on Pay);
6. To act upon a proposal for a non-binding, advisory vote by the shareholders on the frequency of the advisory vote on Say on Pay in future years; and
7. To transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record of our common stock at the close of business on December 15, 2010 will be entitled to notice of, and to vote at, such meeting. The stock transfer books will not be closed. Your vote is very important to us. Regardless of the number of shares you own, please vote. All shareholders of record may vote (i) over the Internet, (ii) by toll-free telephone (please see the proxy card for instructions), (iii) by written proxy by signing and dating the proxy card and mailing it to us or (iv) by attending the annual meeting and voting in person. These various options for voting are described in the Notice or proxy card. For all shareholders who participate in our Retirement Savings Plan and Trust (RSP), your vote over the Internet, by telephone or on your proxy card will serve as voting instructions to the trustee of the RSP. If you have shares of our common stock issued to you under the RSP, only the trustee may vote your plan shares even if you attend the annual meeting in person.

All shareholders who hold their shares in street name in the name of a broker, bank or other nominee (broker) may submit their written votes through voting instruction forms provided by their brokers. If you hold your shares in street name, you may also generally vote your proxy over the Internet or by telephone, in accordance with voting instructions provided by your broker. Pursuant to recent amendments of the rules of the

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New York Stock Exchange (NYSE), brokers no longer have the discretion to vote the shares of customers who fail to provide voting instructions on any of the proposals listed above except the proposal to ratify the Audit Committee s appointment of Ernst & Young to serve as the Company s independent registered public accounting firm for fiscal 2011. Therefore, if you do not provide instructions to your broker to vote your shares, the broker may vote your shares only on that one proposal at our annual meeting. In addition, if you own your shares in street name and you intend to vote in person at the meeting, you must first obtain a legal proxy from your broker and bring that legal proxy to the annual meeting.

We encourage you to receive all proxy materials in the future electronically to help us save printing costs and postage fees, as well as natural resources in producing and distributing these materials. If you wish to receive these materials electronically next year, please follow the instructions on the proxy card or on our website at www.atmosenergy.com.

By Order of the Board of Directors,

DWALA KUHN
Corporate Secretary

December 28, 2010

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ATMOS ENERGY CORPORATION

P.O. Box 650205

Dallas, Texas 75265-0205

PROXY STATEMENT

for the

2011 ANNUAL MEETING OF SHAREHOLDERS

to be Held on February 9, 2011

GENERAL MEETING MATTERS

Date, Time, Place and Purpose of Meeting

Our 2011 annual meeting of shareholders will be held on Wednesday, February 9, 2011, at 9:30 a.m. Central Standard Time in the Pavilion Ballroom at the Belo Mansion, 2101 Ross Avenue, Dallas, Texas 75201. The purpose of the 2011 annual meeting is set forth in the Notice of Annual Meeting of Shareholders to which this proxy statement is attached. Atmos Energy Corporation is referred to as Atmos Energy, the Company, our, us or we in this proxy statement.

Internet Availability of Proxy Materials

Under rules of the U.S. Securities and Exchange Commission (SEC), we are furnishing proxy materials to our shareholders primarily over the Internet, rather than mailing paper copies of the materials (including our Summary Annual Report and Annual Report on Form 10-K for fiscal 2010) to each shareholder. If you received only a Notice by mail or electronic mail, you will not receive a paper copy of these proxy materials unless you request one. Instead, the Notice will instruct you as to how you may access and review the proxy materials on the Internet. The Notice will also instruct you as to how you may access your proxy card to vote over the Internet. If you received a Notice by mail or electronic mail and would like to receive a paper copy of our proxy materials, free of charge, please follow the instructions included in the Notice.

We anticipate that the Notice will be mailed to our shareholders on or about December 28, 2010 and will be sent by electronic mail to our shareholders who have opted for such means of delivery on or about December 30, 2010.

Revocability and Voting of Proxies

Any shareholder of record giving a proxy has the power to revoke the proxy at any time prior to its exercise by (1) submitting a new proxy with a later date, including a proxy given over the Internet or by telephone; (2) notifying our Corporate Secretary in writing before the meeting; or (3) voting in person at the meeting. Any shareholder owning shares in street name who wishes to revoke voting instructions previously given to a broker should contact such broker for further instructions. An independent inspector will count the votes. Your vote will not be disclosed to us and will remain confidential except under special circumstances. For example, a copy of your proxy card will be sent to us if you add any written comments to the card. If you are a shareholder of record and give us your signed proxy, but do not specify how to vote on any particular proposal, we will vote your shares in favor of the nominees for election of directors (see *Proposal One Election of Directors* beginning on page 16), in favor of the proposal to amend our LTIP (see *Proposal Two Approval of Amendment to the 1998 Long-Term Incentive Plan* beginning on page 59), in favor of the proposal to amend our Annual Incentive Plan for Management (see *Proposal Three Approval of Amendment to the Annual Incentive Plan for Management* beginning on page 64), in favor of the proposal to ratify the Audit Committee's appointment of Ernst & Young as the independent registered public accounting firm for

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the Company for fiscal 2011 (see *Proposal Four Ratification of Appointment of Independent Registered Public Accounting Firm* on page 67), in favor of the advisory proposal to approve executive compensation for fiscal 2010 (see *Proposal Five Non-Binding, Advisory Vote on Approval of Executive Compensation* beginning on page 68) and select the one-year vote frequency on the advisory proposal regarding the frequency of vote on the approval of executive compensation (see *Proposal Six Non-Binding, Advisory Vote on Frequency of Advisory Vote on Approval of Executive Compensation* beginning on page 69).

Solicitation of Proxies

The proxy accompanying this statement is solicited by the management of the Company at the direction of our Board of Directors. It is expected that these materials will be first sent to our shareholders on or about December 28, 2010. We expect to solicit proxies primarily by mail, but our directors, officers, employees and agents may also solicit proxies in person or by telephone or other electronic means. We will pay for all costs of preparing, assembling and distributing the proxies and accompanying materials for the annual meeting of shareholders, including the costs of reimbursing brokers for forwarding proxies and proxy materials to their principals. We will ask brokers to prepare and send a Notice to customers or clients for whom they hold shares and forward copies of the proxy materials to such beneficial owners who request a paper copy. In addition, Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902 (Morrow) will assist us in the solicitation of proxies. We will pay approximately \$7,500 in fees, plus expenses and disbursements, to Morrow for its proxy solicitation services.

Common Stock Information; Record Date

As of December 15, 2010, our record date, there were 90,639,048 shares of our common stock, no par value, issued and outstanding, all of which are entitled to vote. These shares constitute the only class of our stock issued and outstanding. As stated in the Notice, only shareholders of record at the close of business on December 15, 2010 will be entitled to vote at the meeting. Each share is entitled to one vote.

Quorum Requirement

Our bylaws provide that if the holders of a majority of the issued and outstanding shares of our common stock entitled to vote are present in person or represented by proxy, there will be a quorum. The aggregate number of votes entitled to be cast by all shareholders present in person or represented by proxy at the annual meeting, whether those shareholders vote for, against or abstain from voting on any matter, will be counted for purposes of determining whether a quorum exists. Broker non-votes, which are described below, will also be considered present for purposes of determining whether a quorum exists.

Broker Non-Votes and Vote Required

If a broker holds your shares and you have previously elected to receive a paper copy of your proxy materials, this proxy statement and other proxy materials have been sent to your broker. You may have received this proxy statement directly from your broker, together with instructions as to how to direct the broker to vote your shares. If you desire to have your vote counted, it is important that you return your voting instructions to your broker. Rules of the NYSE determine whether proposals presented at shareholder meetings are considered routine or non-routine. If a proposal is routine, a

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broker holding shares for an owner in street name may vote on the proposal without voting instructions from the owner. If a proposal is non-routine, the broker may vote on the proposal only if the owner has provided voting instructions. A broker non-vote occurs when the broker is unable to vote on a proposal because the proposal is non-routine and the owner does not provide instructions. Broker non-votes have no effect on the vote on such a proposal because they are not considered present and entitled to vote. Proposals One, Two, Three, Five and Six are considered non-routine proposals. Therefore, brokers may vote on these proposals only if voting instructions are provided by the owner of the shares. Only Proposal Four, the proposal to ratify the appointment of Ernst & Young as the independent registered public accounting firm for the Company for fiscal 2011, is considered a routine proposal under the rules of the NYSE. As a result, brokers holding shares for an owner in street name may vote on Proposal Four, even if no voting instructions are provided by the owner of the shares.

For Proposals One through Five, the number of votes required for approval is a majority of the shares of our common stock present or represented by proxy and entitled to vote at the meeting. Abstentions will have the same effect as an against vote but, as discussed above, broker non-votes will have no effect on the vote for these proposals. For Proposal Six, the Non-Binding, Advisory Vote on Frequency of Advisory Vote on Approval of Executive Compensation, the selection of the frequency vote receiving the most votes will be considered as receiving approval. Abstentions and broker non-votes will have no effect on the vote for this proposal. If any other proposals are properly presented to the shareholders at the meeting, the number of votes required for approval will depend on the nature of the proposal. Generally, under Texas and Virginia law and our bylaws, the number of votes required to approve a proposal is a majority of the shares of common stock present or represented by proxy and entitled to vote at the meeting. The proxy gives discretionary authority to the proxy holders to vote on any matter not included in this proxy statement that is properly presented to the shareholders at the meeting. The persons named as proxies on the proxy card are Robert W. Best, Executive Chairman, Charles K. Vaughan, Director and Lead Director and Richard W. Cardin, Director and Chairman of the Audit Committee.

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CORPORATE GOVERNANCE AND OTHER BOARD MATTERS

Corporate Governance

In accordance with, and pursuant to, the corporate governance-related listing standards of the NYSE, the Board has adopted and periodically updated our Corporate Governance Guidelines (Guidelines), which govern the structure and proceedings of the Board and contain the Board's position on many governance issues. The Board has also adopted and periodically updated the Code of Conduct for our directors, officers and employees. The Code of Conduct provides guidance to the Board and management in areas of ethical business conduct and risk and provides guidance to employees and directors by helping them to recognize and deal with ethical issues including, but not limited to (i) conflicts of interest, (ii) gifts and entertainment, (iii) confidential information, (iv) fair dealing, (v) protection of corporate assets and (vi) compliance with rules and regulations. We have provided to our directors, officers and other employees a toll-free compliance hotline and a website by which they may report on an anonymous basis any observation of unethical behavior or suspected violation of our Code of Conduct. In addition, the Board has adopted and periodically updated the charters for each of its Audit, Human Resources and Nominating and Corporate Governance Committees. All of the foregoing documents are posted on the Corporate Governance page under the Investors tab of our website at www.atmosenergy.com.

Independence of Directors

The Board is comprised of a majority of independent directors in accordance with NYSE corporate governance-related listing standards. In accordance with rules of the SEC and the NYSE as well as our Guidelines, to be considered independent, a director must not have a direct or indirect material relationship with the Company or its management, other than as a director. To assist it in making its determination of the independence of each of its members, the Board has adopted its Categorical Standards of Director Independence (Standards). The Standards specify the criteria by which the independence of our directors will be determined and the types of relationships the Board has determined to be categorically immaterial, including relationships of directors and their immediate families with respect to past employment or affiliation with the Company, our management or our independent registered public accounting firm. For purposes of the Standards, the Board has adopted the definition of an immediate family member as set forth by the NYSE, which includes a director's spouse, parents, children, siblings and in-laws of the director, as well as anyone else (other than domestic employees) who shares such director's home. The Standards and our Guidelines are posted on the Corporate Governance page of our website.

Based on its review of the Standards, as well as applicable SEC and NYSE rules, and taking into consideration all business relationships between the Company and each non-employee director and non-employee director nominee, the Board has concluded that none of such relationships are material other than the relationship with Mr. Springer described below. Accordingly, the Board has affirmatively determined that Ms. Quinn, Dr. Meredith and Messrs. Cardin, Douglas, Esquivel, Gordon, Grable, Nichol, Vaughan and Ware are independent members of the Board. In addition, the Board has affirmatively determined that each member of the Audit, Human Resources and Nominating and Corporate Governance Committees are independent under the Standards, as well as applicable SEC and NYSE rules.

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In recommending to the Board that each director and nominee be found independent, the Nominating and Corporate Governance Committee reviewed and considered the following transactions, relationships or arrangements during the past three fiscal years, as discussed below. All matters described below fall within the Standards, including the monetary thresholds set forth in such standards.

Mr. Ware is president of Amarillo National Bank in Amarillo, Texas, which provides a \$25 million short-term line of credit to the Company, serves as a depository bank for us and is the trustee for our LTIP.

Mr. Douglas is executive vice president of Jones Lang LaSalle LLC in Dallas, Texas, which has provided office leasing services to the Company from time to time.

Several of our other directors either are natural gas customers or are affiliated with businesses that are natural gas customers of the Company in the ordinary course of business.

Because Mr. Springer's son-in-law is a partner with the firm of Ernst & Young, our independent registered public accounting firm, the Board has determined that Mr. Springer may not be considered independent from the Company under the Standards. However, Mr. Springer's son-in-law is not involved in our audit and is not considered a covered person with respect to us, as defined under the SEC's independence-related rules and regulations for auditors. Thus, this relationship has no effect on Ernst & Young's independence as our independent registered public accounting firm. Further, Mr. Springer does not serve on our Audit, Human Resources or Nominating and Corporate Governance Committees.

Related Person Transactions

In accordance with applicable SEC rules and in recognition that transactions into which we enter with related persons may present potential or actual conflicts of interest, our Board has adopted written guidelines with respect to related person transactions. For purposes of these guidelines, a reportable related person transaction is a transaction between the Company and any related person (i) involving more than \$120,000 when aggregated with all similar transactions during any fiscal year and (ii) where such related person has or will have a direct or indirect material interest in such transaction (other than solely as a result of being a director or a less than 10 percent beneficial owner of another entity). A related person is any (a) person who is or was (since the beginning of the last fiscal year) an executive officer, director or nominee for election as a director of the Company; (b) person who beneficially owns more than five percent of the Company's common stock or (c) immediate family member of any of the foregoing. An immediate family member includes a person's spouse, parents, children, siblings, in-laws and anyone residing in such person's home (other than domestic employees).

Under the guidelines, all executive officers, directors and director nominees are required to identify, to the best of their knowledge after reasonable inquiry, business and financial affiliations involving themselves or their immediate family members that could reasonably be expected to give rise to a related person transaction. Executive officers, directors and director nominees are required to advise the Corporate Secretary of the Company promptly of any change in the information provided and are asked periodically to review and reaffirm this information.

The Nominating and Corporate Governance Committee reviews the material facts of all related person transactions and either approves or disapproves of the entry into any such transaction. However, if advance committee approval of a related person transaction is not feasible, then it shall be considered

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and, if the committee determines it to be appropriate, ratified at the committee's next regularly scheduled meeting. In determining whether to approve or ratify a related person transaction, the committee takes into account, among other factors it deems appropriate, whether the related person transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction.

No director is allowed to participate in any discussion or approval of a related person transaction for which he or she is a related person, except that the director shall provide all material information concerning the transaction to the committee. If a related person transaction will be ongoing, the committee may establish guidelines for the Company's management to follow in its ongoing dealings with the related person. Thereafter, the committee, on at least an annual basis, shall review and assess ongoing relationships with the related person to see that they remain in compliance with the committee's related person transaction guidelines and that the related person transaction remains appropriate. In addition, the committee will periodically review the related person guidelines to determine if changes or modifications may be appropriate.

The committee also makes a recommendation to the Board as to whether the committee determines that an identified transaction is required to be reported as a related person transaction under SEC rules. Under SEC rules, certain transactions are deemed not to involve a material interest and thus, not reportable (including transactions in which the amount involved in any 12-month period is less than \$120,000 and transactions with entities where a related person's interest is limited to service as a non-employee director). In determining materiality for this purpose, information is considered material if, in light of all the facts and circumstances of the transaction, there is a substantial likelihood a reasonable investor would consider the information important in deciding whether to buy, sell or vote shares of Company stock. Transactions within the categorical standards specified below, which are pre-approved by the committee, are presumed not to be material and therefore, not reportable.

Transactions in the ordinary course of business with an entity for which a related person serves as an executive officer, provided (i) the affected director or executive officer does not participate in the decision on the part of the Company to enter into such transactions and (ii) the amount involved in any related category of transactions during any particular fiscal year is the lesser of (a) \$1 million or (b) an amount which is less than one percent of the entity's gross revenue for the most recently completed fiscal year for which data is publicly available;

Charitable gifts made in the ordinary course of business to a foundation, university or other nonprofit organization, provided (i) the affected director or executive officer does not participate in the decision on the part of the Company to make such gifts and (ii) the amount of gifts during any particular fiscal year is the lesser of (a) \$120,000 or (b) an amount which is less than one percent of the nonprofit entity's gross revenues for the most recently completed fiscal year for which data is publicly available;

Employment by the Company of a family member of an executive officer, provided the executive officer does not participate in decisions regarding the hiring, performance evaluation, or compensation of the family member; and

Payments under the Company's employee benefit plans and other programs that are available generally to the Company's employees (including contributions under the Company's educational matching gift programs and payments to providers under the Company's health care plans).

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The committee has reviewed the Company's ordinary course of business transactions during fiscal 2010 with companies for which non-employee directors serve as executive officers and all other related person transactions and has determined that, in accordance with the categorical standards described on page 6, none of those transactions involved a material interest and thus are not reportable. In addition, the Company is not aware of any related person transactions required to be reported under applicable SEC rules since the beginning of the last fiscal year where our policies and procedures did not require review or where such policies and procedures were not followed.

Board Leadership Structure

The Company's bylaws and Guidelines provide that our Board of Directors has the right to exercise its discretion to either separate or combine the offices of Chairman of the Board and Chief Executive Officer (CEO). This decision is based upon the Board's determination of what is in the best interests of the Company and its shareholders, in light of the circumstances and taking into consideration succession planning, skills and experience of the individuals filling those positions and other relevant factors. Until October 1, 2010, the Board had historically determined that the offices of Chairman of the Board and CEO should be combined, primarily to provide unified leadership and direction for the Company. However, on September 30, 2010, Mr. Best retired as CEO of the Company, a position he had held since March 1997, and was appointed by the Board as Executive Chairman effective October 1, 2010. In addition, Mr. Cocklin was appointed by the Board as President and CEO also effective October 1, 2010. Considering the skills and experience of Mr. Best and Mr. Cocklin, the need to provide an orderly leadership transition from Mr. Best to Mr. Cocklin, and the completion of the execution of the Company's succession planning process, the Board has determined that the Board and Company's leadership structure that is most appropriate at this time is to have an Executive Chairman separate from its CEO. The current leadership structure is based on the experienced leadership provided by a full-time Executive Chairman (currently Mr. Best) and a full-time CEO (currently Mr. Cocklin), with both positions being subject to oversight and review by the Company's independent directors. The Board recognizes that if the circumstances change in the future, other leadership structures might also be appropriate and it has the discretion to revisit this determination of the Company's leadership structure. A combined Chairman and CEO Board leadership structure has previously worked well for the Company and its shareholders and may do so in the future.

The Board's leadership structure is designed so that independent directors exercise oversight of the Company's management and key issues related to strategy and risk. Only independent directors serve on the Audit Committee, the Human Resources Committee and the Nominating and Corporate Governance Committee of the Board and all standing Board committees are chaired by independent directors. Additionally, independent directors regularly hold executive sessions of the Board outside the presence of the Executive Chairman, the President and CEO or any other Company employee and they generally meet in a private session with the Executive Chairman and the President and CEO at every regularly scheduled Board meeting.

Each year, the independent directors of the Board select an independent director to serve as a lead director (the Lead Director). The Lead Director performs the following duties: (i) convenes and chairs meetings of the non-management directors in executive sessions as may be necessary; (ii) coordinates and develops the agenda for executive sessions of the non-management directors; (iii) coordinates feedback to the Executive Chairman and the President and CEO on behalf of the non-management directors regarding business, management or other issues; (iv) collaborates with the

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Executive Chairman and the President and CEO in developing the agenda for meetings of the Board; (v) consults with the Executive Chairman and the President and CEO on related information that is sent to the Board; (vi) discusses the results of the performance evaluation of both the Executive Chairman and the President and CEO with the Chair of the Human Resources Committee; (vii) reports to the Executive Chairman and President and CEO the results of their respective performance evaluations and (viii) identifies and develops with the Executive Chairman and the President and CEO along with the Chair of the Nominating and Corporate Governance Committee, the Board's compositional needs and criteria for the selection of candidates to serve as directors. In performing the duties described above, the Lead Director is expected to consult with the chairs of the appropriate Board committees and solicit their participation. The Lead Director also performs such other duties as may be assigned to the Lead Director by the Board of Directors, the independent directors, the Executive Chairman or the President and CEO.

Risk Oversight Process

Our Board of Directors has the primary responsibility for risk oversight of the Company as a whole. However, the Board has delegated primary oversight responsibility to the Audit Committee. The Audit Committee is responsible for overseeing risks associated with financial and accounting matters, including compliance with all legal and regulatory requirements and internal control over financial reporting. In addition, the Audit Committee has oversight responsibility for the Company's overall business risk management process, which includes the identification, assessment, mitigation and monitoring of key business risks on a company-wide basis. To assist the Audit Committee in performing this function, for the last several years, the Audit Committee has engaged the firm of KPMG LLP (KPMG), which also serves as the Company's internal auditor, to perform an annual enterprise risk assessment, upon which KPMG reports to the Audit Committee at its meeting each spring. For fiscal 2010, 14 key business risks were assessed by KPMG, including physical infrastructure, gas supply, credit, liquidity, regulatory and compliance. The Chairman of the Audit Committee then reports to the Board at its next meeting on such risk assessment and the overall effectiveness of the key business risk processes and controls. In addition, KPMG presents a report on its internal audit activities during the prior quarter to the Audit Committee at its regularly-scheduled quarterly meetings. The report includes the audit activities performed the previous quarter, which address the key business risks previously identified during the annual enterprise risk assessment, including evaluations and assessments of internal controls and procedures.

In addition, at each quarterly Audit Committee meeting, the Audit Committee reviews with management the steps taken by management to ensure compliance with established risk management policies and procedures relating to the Company's marketing and trading subsidiary, Atmos Energy Marketing, LLC (AEM). Compliance with these risk management policies and procedures is monitored on a monthly basis by the AEM Risk Management Committee, which is comprised of officers of the Company and AEM along with other key employees. Such risk management policies and procedures address credit risk, liquidity risk, operational risk and legal/contract/regulatory risks. If appropriate, the Chairman of the Audit Committee then reports to the Board on any significant deviations from the risk management policies and procedures.

The Board has also charged the Human Resources Committee (HR Committee) with ensuring that our executive compensation policies and practices support the retention and development of executive talent with the experience required to manage risks inherent to our business and do not encourage or reward excessive risk-taking by our executives. See the discussion in *Compensation*

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Risk Assessment beginning on page 14 for more information on the specific processes used by the HR Committee to assess the risk profiles of our compensation programs. The Board believes that the current leadership structure of the Board supports effective oversight of the Company's risk management processes described above by providing independent leadership at the Board committee level, with ultimate oversight by the full Board as led by the Executive Chairman, the President and CEO and the Lead Director.

Lead Director and Communications with Directors

In accordance with the corporate governance-related listing standards of the NYSE, the independent directors of the Board have designated Charles K. Vaughan as the Lead Director at all meetings of non-management directors during fiscal 2011, which meetings will continue to be held by the Board on a regular basis. In addition, all independent members of the Board meet as a group at least once annually. Shareholders and other interested parties may communicate with Mr. Vaughan, individual non-management directors, or the non-management directors as a group, by writing to Board of Directors, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas, 75265-0205 or by electronic mail at boardofdirectors@atmosenergy.com. Our Senior Vice President and General Counsel, Louis P. Gregory, receives all such communications initially and forwards the communications to Mr. Vaughan or another individual non-management director, if applicable, as he deems appropriate. Interested parties may also contact our directors who are members of management, Robert W. Best, Executive Chairman (robert.best@atmosenergy.com) and Kim R. Cocklin, President and CEO (kim.cocklin@atmosenergy.com); by mail at Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205, or by telephone at 972-934-9227.

Committees of the Board of Directors

Standing Committees. We have certain standing committees, each of which is described below. The Executive Committee consists of the chairpersons of each of our standing committees and our Lead Director, Mr. Vaughan. Current members of the Executive Committee are Dr. Meredith and Messrs. Cardin, Gordon, Nichol and Vaughan. Mr. Vaughan, as Lead Director, serves as chairman of the committee. In accordance with our bylaws, the Executive Committee has, and may exercise, all of the powers of the Board of Directors during the intervals between the Board's meetings, subject to certain limitations and restrictions as set forth in the bylaws or as may be established by resolution of the Board from time to time. The Executive Committee held no meetings during fiscal 2010.

The Board has established a separately-designated standing Audit Committee in accordance with applicable provisions of the Securities Exchange Act of 1934 (Exchange Act). The Audit Committee consists of Ms. Quinn and Messrs. Cardin, Esquivel, Grable, Ware and Dr. Meredith. Mr. Cardin serves as chairman of the committee. As discussed in *Independence of Directors* on page 4, the Board has determined that each member of the committee satisfies the independence requirements of the NYSE and SEC. The Audit Committee oversees our accounting and financial reporting processes and procedures; reviews the scope and procedures of the internal audit function; appoints our independent registered public accounting firm and is responsible for the oversight of its work and the review of the results of its independent audits. The Audit Committee held five meetings during the last fiscal year and has adopted a charter, which it follows in conducting its activities. The committee's charter is available on the Corporate Governance page of our website.

The Human Resources Committee consists of Messrs. Douglas, Esquivel, Gordon, Grable and Nichol. Mr. Gordon serves as chairman of the committee. As previously discussed, the Board has

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determined that each member of the committee satisfies the independence requirements of the NYSE and SEC. This committee reviews and makes recommendations to the Board regarding executive compensation policy and strategy and specific compensation recommendations for the CEO as well as our other officers and division presidents. This committee retained the worldwide consulting firm of Towers Watson, formerly Towers Perrin, during fiscal 2010 from October 1, 2009 through June 30, 2010 to serve as its executive compensation consultant, which was directly accountable to the committee for the performance of its consulting services. In addition, the committee determines, develops and makes recommendations to the Board regarding severance agreements, succession planning and other related matters concerning our CEO as well as other officers and division presidents. This committee also administers our LTIP and Incentive Plan. During the last fiscal year, the committee held six meetings. The committee has adopted a charter, which it follows in conducting its activities. The committee's charter is available on the Corporate Governance page of our website.

The Nominating and Corporate Governance Committee consists of Ms. Quinn and Messrs. Cardin, Gordon, Nichol, Ware and Dr. Meredith. Mr. Nichol serves as chairman of the committee. As previously discussed, the Board has determined that each member of the committee satisfies the independence requirements of the NYSE and SEC. This committee makes recommendations to the Board regarding the nominees for director to be submitted to our shareholders for election at each annual meeting of shareholders, selects candidates for consideration by the full Board to fill any vacancies on the Board, which may occur from time to time, and oversees all of our corporate governance matters. The committee held three meetings during the last fiscal year. The committee has adopted a charter, which it follows in conducting its activities. The committee's charter is available on the Corporate Governance page of our website.

The Work Session/Annual Meeting Committee consists of Dr. Meredith and Messrs. Douglas, Nichol, Springer and Ware. Dr. Meredith serves as chairman of the committee. This committee selects the site and plans the meeting and agenda for the work session meeting of the Board held each year for the purpose of focusing on long-range planning and corporate strategy issues and selects the site for the annual meeting of shareholders. During the last fiscal year, the Work Session/Annual Meeting Committee held two meetings.

Other Board and Board Committee Matters

Human Resources Committee Interlocks and Insider Participation. As discussed above, the members of the HR Committee during the last fiscal year were Messrs. Douglas, Esquivel, Gordon, Grable and Nichol. None of the committee members were, during fiscal 2010 or previously, an officer or employee of the Company or any of our subsidiaries. In addition, there were no interlocking relationships between any executive officer of the Company and any other corporation during fiscal 2010.

Attendance at Board Meetings. During fiscal 2010, our Board held twelve meetings and each director attended at least 75 percent of the aggregate of (a) all meetings of the Board and (b) all meetings of the committees of the Board on which such director served. In addition, all members of our Board attended the 2010 annual meeting of shareholders held in Dallas, Texas on February 3, 2010. We strongly support and encourage each member of our Board to attend our annual meeting of shareholders.

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AUDIT COMMITTEE MATTERS

Independence of Audit Committee Members, Financial Literacy and Audit Committee Financial Experts

In addition to being declared as independent under the NYSE listing standards, applicable NYSE and SEC rules and regulations require that each member of an audit committee satisfy additional independence and financial literacy requirements and at least one of these members must satisfy the additional requirement of having accounting or related financial management expertise. This additional requirement can be satisfied if the Board determines that at least one Audit Committee member is an audit committee financial expert, within the meaning of applicable SEC rules and regulations. Generally, the additional independence requirements provide that (i) a member of the Audit Committee, or his or her immediate family members, are prohibited from receiving any direct or indirect compensation or fee from the Company or its affiliates and (ii) he or she may not be an affiliated person of the Company or any of its subsidiaries. An immediate family member is defined by applicable NYSE rules to include a director's spouse, parents, children, siblings and in-laws of the director, as well as anyone else (other than domestic employees) who shares the director's home.

Generally, the financial literacy requirements provide that the Board, in its business judgment, shall determine if each member is financially literate, taking into account factors such as the member's education, experience and ability to read and understand financial statements of public companies. Audit committee financial experts must have the following five additional attributes: (i) an understanding of generally accepted accounting principles and financial statements, (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves, (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities, (iv) an understanding of internal control over financial reporting and (v) an unders