



January 31, 2018

The Honorable Rob Olson
Kansas State Senate
236-E Capitol Building
Topeka, Kansas 66612

Dear Chairman Olson:

Atmos Energy's vision is to be the safest provider of natural gas services in the nation. To achieve that vision, our strategy is to operate our business exceptionally well, to invest in our people and our infrastructure, and to enhance our culture. We support Senate Bill 279 in its current form and appreciate this opportunity to provide input into your deliberations.

Our employees are responsible for nearly 72,000 miles of natural gas pipelines, serving more than three million customers in 1,400 communities of varying sizes in eight states. For each mile of pipe we maintain and for every community we serve, ensuring the safety and reliability of our gas transmission and distribution infrastructure stands as our company's core commitment and highest goal.

In most of our states enhanced rate recovery mechanisms have permitted us to replace aging infrastructure at an accelerated pace. This infrastructure includes materials identified by the industry and the U.S. Department of Transportation's Pipeline Hazardous Materials Safety Administration as having the greatest risk, such as vintage plastic, bare steel, and cast iron pipe as well as steel service lines.

During fiscal year 2017, Atmos Energy invested more than \$1 billion in improving our transmission and distribution system throughout our eight state service area. We project we will spend at least that amount in each of the next five years. Due to continued low prices for natural gas, we have accomplished this while keeping residential bills relatively flat over the past several years and one of the lowest utility bills in the household.

The Kansas Legislature created the Gas Safety and Reliability Policy Act of 2006 to underscore the importance of investment in the natural gas distribution infrastructure. That statute has enabled us to replace obsolete infrastructure and continue compliance with federal and state safety standards. In recent years however, industry regulations have changed substantially and continue to change.

Over the past decade in Kansas Atmos Energy has been investing in our infrastructure by replacing bare steel mains and service lines. While the Act paved the way for more timely recovery of our costs, our ability to replace these materials on an accelerated basis is constrained by the financial limits established in the Act.

Under the current statute, we are able to replace approximately 8 miles of obsolete facilities per year. Adoption of this bill would enable us to more than double the pace of our replacement with the latest pipeline technologies. Additionally the bill contains an important provision to establish a regulatory asset account which would provide utilities the opportunity to pursue full cost recovery of the investments eligible for deferral in subsequent rate cases.



As for regulatory oversight, the Kansas Corporation Commission (KCC) will continue to review and approve rate requests from the utilities including any filings associated with this Act. Atmos Energy appreciates the KCC, Staff and the Citizens' Utility Ratepayer Board's (CURB)'s efforts to explore innovative ways to improve pipeline safety in Kansas. This bill is a good step, and we are committed to collaborating with our regulators to pursue additional solutions that balance the goal of investing in the safety and reliability of our natural gas system with affordable rates for our customers.

Thank you for your service to our state, and for considering our viewpoint on this important bill.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer Ries". The signature is fluid and cursive.

Jennifer Ries
Vice President
Rates and Regulatory Affairs