

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of Atmos Energy's Compliance)
Filing of its Accelerated Pipe Replacement Plan) Docket No. 18-ATMG-316-CPL
Pursuant to Docket No. 15-GIMG-343-GIG)

**SUBMITTAL OF 2024 ANNUAL REPORT
OF ATMOS ENERGY CORPORATION**

Atmos Energy Corporation ("Atmos Energy" or "Company") submits the attached 2024 annual report to provide information on progress made by Atmos Energy with respect to its Plan for Systematic Accelerated Replacement of Bare Steel Service/Yard Lines and Bare Steel Mains Within Class 3 Locations/Urban Areas ("343 Plan"), which was filed with the Kansas Corporation Commission ("Commission") on April 24, 2018.

1. Atmos Energy has historically and continues to engage in extraordinary investment accelerating replacement of infrastructure beyond required levels to benefit its customers through the enhanced safety, reliability and modernization of its system. Over the past decade in Kansas, Atmos Energy has been investing in its infrastructure by replacing and modernizing its bare steel mains and service lines and has recovered its costs through general rate cases as well as utilizing the provisions of the Gas Safety and Reliability Policy Act of 2006 ("GSRS") to the greatest extent possible to achieve that goal.

2. Pursuant to the recommendations included in the Commission Staff's ("Staff") Memorandum filed in Docket No. 15-GIMG-343-GIG ("343 Docket") ("Staff Memorandum"), Atmos Energy submits the report attached hereto as Exhibit A. The report (1) details progress made in the preceding year, explaining any deviation from the preceding year's (2023) projections, any deviation from initial projections, and revising remaining plan projections; and (2) contains an

update of parameters similar to those listed in Tables LMH-1 and LMH-2 that were included in the body of the Staff Memorandum.

3. Atmos Energy remains steadfast in its commitment to the safety of its customers and continues to make substantial accelerated investments in the safety, reliability and modernization of its system, of which the investment that meets the characteristics described in the Order issued in the 343 Docket is only a subset. To the extent applicable, Atmos Energy has developed the attached Annual Report addressing the topics outlined in the Staff Memorandum. Please note that Atmos Energy plans its projects on a fiscal year basis, so the data requested on a calendar year basis may not provide an informative year-over-year comparison.

4. Atmos Energy looks forward to continuing to work with the Commission and its Staff to expand the systematic replacement described in the 343 Plan to modernize its system in both urban and rural areas across Kansas and to develop the rate recovery necessary to support that investment.



James G. Flaherty, #11177
ANDERSON & BYRD, LLP
216 S. Hickory ~ P.O. Box 17
Ottawa, Kansas 66067
(785) 242-1234, telephone
(785) 242-1279, facsimile
jflaherty@andersonbyrd.com

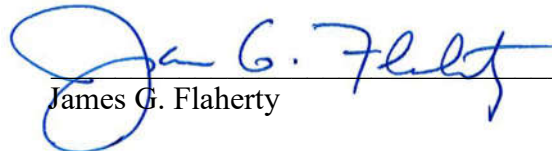
Shelly M. Bass
Associate General Counsel
Atmos Energy Corporation
5430 LBJ Freeway, 1800 Three Lincoln Centre
Dallas, Texas 75240
972-855-3756 Office
972-855-3080 Fax
shelly.bass@atmosenergy.com
Attorneys for Atmos Energy Corporation

VERIFICATION

STATE OF KANSAS
COUNTY OF FRANKLIN, ss:

James G. Flaherty, of lawful age, being first duly sworn on oath, states:

That he is the attorney for Atmos Energy Corporation, named in the foregoing 2024 Annual Report and is duly authorized to make this affidavit; that he has read the foregoing and knows the contents thereof; and that the facts set forth therein are true and correct.


James G. Flaherty

SUBSCRIBED AND SWORN to before me this 1st day of April, 2024.





Notary Public

Appointment/Commission Expires:

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via electronic mail this 1st day of April, 2024, addressed to:

Kathleen Ocanas
kathleen.ocanas@atmosenergy.com

Joseph R. Astrab
j.astrab@curb.kansas.gov

Todd E. Love
t.love@curb.kansas.gov

David W. Nickel
d.nickel@curb.kansas.gov

Della Smith
d.smith@curb.kansas.gov

Shonda Rabb
s.rabb@curb.kansas.gov

Carly R. Masenthin
c.masenthin@kcc.ks.gov

James H. Jeffries
jjeffries@mcguirewoods.com


James G. Flaherty

ATMOS ENERGY 2024 ANNUAL REPORT

I. INTRODUCTION; STATISTICS AND INVESTMENT INFORMATION

1. Since the filing of its Plan for Systematic Accelerated Replacement of Bare Steel Service/Yard Lines and Bare Steel Mains within Class 3 Locations/Urban Areas ("343 Plan") on April 24, 2018, Atmos Energy Corporation ("Atmos Energy" or "Company") has continued its proactive approach to risk assessment and pipeline replacement to continue to advance the safety, reliability and modernization of its system for the benefit of its Kansas customers to the extent possible, given both practical and regulatory constraints. To that end, Atmos Energy carefully monitors its system, devotes additional resources as necessary, and accelerates work when appropriate. This includes a comprehensive risk-based approach to prioritizing projects for the replacement of pipelines made of materials prone to leaks and potential failure. This approach is intended to proactively protect our customers and the public in general and permits Atmos Energy to monitor and inspect its system and renew pipe when needed, rather than doing so reactively.

2. Over the past year, Atmos Energy has been investing in infrastructure replacement through the capital investment recovered through its base rates and through fully utilizing the GSRS mechanism to address reactive facilities replacement in accordance with the statutory limitations on the use of that mechanism. During calendar year 2023, Atmos invested approximately \$23,704,233 million on GSRS related activities. Further, Atmos Energy invested an additional \$14,736,747million in safety, reliability and modernization capital projects that were not recoverable through the GSRS.

II. 343 PLAN STATUS UPDATE

TABLE 1 - 343 Statistics

	343 Plan	CY2018 Historical	CY2019 Historical	CY2020 Historical	CY2021 Historical	CY2022 Historical	CY2023 Historical	CY2024 Projection
Number of Urban Areas	87	79	79	77	73	71	67	63
Miles of Bare Steel Main in Class 3 Locations	596	577	554	541	521	508	490	474
Replacement Rate of Bare Steel Mains in Class 3 Locations (Miles/Year)	17 ¹	14	4	14	20	13	18	16
Number of Bare Steel Service Lines	28,000	18,577	23,192	22,482	21,908	21,077	20,178	19,842
Bare Steel Services Replacement (Lines/Year)	1,370	1461	292	710	574	831	899	336
Miles of Cast Iron Mains	0	0	0	0	0	0	0	0
Years to Completion ²	35	35	34	33	32	32	31	30

	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024 P
Underground Leaks per 100 Miles of Obsolete Piping	41.2	39.5	30	37	25	28	33	N/A
Total Project Cost, Current \$	\$348 million							

3. In 2023, the Company replaced 18 miles of bare steel mains in Class 3 locations and

¹ This figure represents an average replacement rate over a 35-year period beginning in January 2019.

² Atmos Energy's 343 Plan reflects a beginning date of January 2019. At this time, the Company's estimated number of years to complete the pipeline replacement described in the Plan has not been revised.

899 steel services lines. Overall investment in safety, reliability and GSRS increased in 2023 from 2022 levels.

4. Atmos Energy uses a risk ranking model to help determine the order in which to replace pipe. The model considers many factors to determine the likelihood of failure and the consequence of failure. Using these factors, the Company calculates a risk ranking of bare steel in Class 3 locations in 158 areas across 79 cities. The risk ranking methodology creates a score for each of the 158 areas using factors that assess likelihood of failure and consequence of failure. Atmos Energy has continued its discussions with the Staff to provide further insight into the details and mechanics of the risk prioritization model and looks forward to continuing those discussions.

5. The Company notes that it has continued to increase its investment in safety and reliability from historical levels. A snapshot of the Company's fiscal year spending, based on 12-months ending September 2023, shows a more accurate view of overall safety and reliability spending levels over the past three years. Using the Company's System Integrity Program, these levels have increased in 2023. *See*, Table 2 below.

TABLE 2 - Atmos Energy Fiscal Year Safety and Reliability Investment

	FY 2017 Historical	FY 2018 Historical	FY 2019 Historical	FY 2020 Historical	FY 2021 Historical	FY 2022 Historical	FY 2023 Historical	FY 2024 Projection
Total Safety, Reliability and GSRS Investment	\$16,777,634	\$18,476,504	\$25,022,392	\$23,152,971	\$24,127,663	\$29,507,435	\$38,206,857	\$38,662,921

TABLE 3 - Estimated Replacement Costs

	343 Plan	CY2018 Historical	CY2019 Historical	CY2020 Historical	CY2021 Historical	CY2022 Historical	CY2023 Historical	CY2024 Projection
Main Replacement (\$/mile)	\$525,000	\$535,000	\$308,470	\$608,082	\$447,675	\$854,285	\$736,305	\$809,936
Service Line Replacement (\$/ea.)	\$1,400	\$1,982	\$2,100	\$2,235	\$2,370	\$5,423	\$3,709	\$4,077
	2015-2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024P
Total Safety, Reliability and GSRS Spending	\$18,299,984	\$23,250,158	\$23,067,054	\$21,658,034	\$32,898,531	\$29,927,762	\$38,440,980	\$38,662,921
	2016-2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024 P
Average miles undesirable pipe replaced	53	30	8	22	26	22	18.8	25
Average cost of replacing undesirable pipe (\$/mile-equivalent)	\$504,444	\$338,349	\$262,800	\$457,673	\$388,603	\$336,862	\$683,617	\$514,080

6. Atmos Energy is achieving this level of investment by working closely with the communities we serve to coordinate projects to minimize disruption, achieve efficiencies, and maximize customer and community benefits. Using a cohesive communications plan, Atmos Energy is excelling at proactively sharing information and pre-planning with community leaders, which includes council meeting attendance, hosting community events, project signage, flyers, as well as partnering with city communications specialists who access social media to convey this information to the public. Building on this success, the Company is planning future events that will seek to share project information with civic leaders. Consistent communication with the cities Atmos Energy serves, partnered with superior customer service, ensures a measure of trust with all community stakeholders.

7. As an additional benefit to Kansas communities, Atmos Energy's cross bore prevention procedures include camera scoping of sewer lines. This allows the Company to meet the

requirements of the Kansas Underground Utility Damage Prevention Act when boring across sewer lines with typically unknown locations. Also, this enables the Company to provide cities with electronic GPS mapping of their wastewater system in project areas, which is a substantial benefit for the cities' future maintenance and project planning.

III. PLASTIC PIPE DATA

8. As noted in Staff's Memorandum, Kansas pipeline safety regulations currently require plastic piping to be surveyed at least once every five years or as often as necessary, while bare steel piping is required to be surveyed at least once every three years. In discussions with the Staff, Atmos Energy agreed to conduct leak surveys on its plastic pipe inventory on a three-year frequency, which aligns with the frequency of the annual surveys on its bare steel inventory. This approach allows Atmos Energy to efficiently schedule leak surveys across the system and provide for more frequent surveys of obsolete piping. Pursuant to the Staff's recommendation in its Memorandum, Atmos Energy has attached to this Annual Report the leak data on plastic pipe that includes the type of plastic, its manufacturer, and date of installation along with the characteristics of the leaks as provided in Attachment A.

IV. LOST AND UNACCOUNTED FOR GAS ("L&U") REPORT

9. Atmos Energy submits to the Commission a total L&U for the state of Kansas. In its 343 Plan, the Company stated that beginning in 2019, Atmos Energy would additionally submit the L&U for cities with more than 10,000 customers. For Atmos Energy, this includes piping in Johnson County that is connected to the Olathe system. The data regarding this system is shown in the table below. However, the Company cautions against the over-reliance on the use of L&U as a significant determinant in measuring the effectiveness of a pipe replacement plan. There are many

factors that contribute to L&U including but not limited to measurement, third-party damage, billing errors, leakage and the timing of billing and consumption.

TABLE 4 - Johnson County Contiguous System

Year	Gas In	Gas Out	Known Loss	L&U Volume	L&U Percentage
2023	13,144,105	,13,243,442	3,767	103,103	0.78%

10. The Staff's Memorandum also includes a recommendation that "the Utilities provide a summary of progress made to adopt/implement [a Pipeline Safety Management System (PSMS) as described in API Recommended Practice 1173] as part of their annual progress report." The Staff clarified that its recommendation is not to require that the PSMS be adopted by any certain date but rather to request an update on the status of the Utilities' activities informed by the Recommended Practice. Currently, the practices and procedures of Atmos Energy reflect the elements highlighted in API 1173. Atmos Energy continues to participate in industry discussion groups and workshops to gain expertise and better understand how to further develop and enhance its ongoing implementation of PSMS across its entire organization. Atmos Energy has taken additional voluntary and proactive measures to further the implementation of PSMS. Atmos Energy updated its initial self-assessment and again engaged its industry leading third-party expert, to perform an enterprise wide PSMS assessment. Atmos Energy has developed a PSMS program to allow it to reach significant and widespread implementation across all elements of a PSMS. These and other efforts in support of PSMS are supported at the highest levels of the organization, with a corporate officer primarily responsible for the design, adoption, and implementation of PSMS.