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 Pursuant to Docket No. 15-GIMG-343-GIG	)))	Docket No. 18-ATMG-316-CPL

SUBMITTAL OF 2025 ANNUAL REPORT OF ATMOS ENERGY CORPORATION

Atmos Energy Corporation ("Atmos Energy" or "Company") submits the attached 2025 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 (2024) 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.

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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 2025 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, 2025.

NOTARY PUBLIC - State of Kansas
RONDA ROSSMAN
My Appt. Expires May 25, 2026

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, 2025, addressed to:

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ATMOS ENERGY 2025 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 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 solely 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 and the System Integrity Program ("SIP") to address proactive facilities replacement. During calendar year 2024, Atmos Energy invested approximately $30,873,651 million on GSRS related activities and $8,085,509 in SIP related activities. Further, Atmos Energy invested an additional $8,322,502 million in safety, reliability and modernization capital projects that were not recoverable through the GSRS or the SIP.

II. 343 PLAN STATUS UPDATE

TABLE 1 - 343 Statistics

	343 Plan	CY2018 Historical	CY2019 Historical	CY2020 Historical	CY2021 Historical	CY2022 Historical	CY2023 Historical	CY2024 Historical	CY2025 Projection[1]
Number of Urban Areas	87	79	79	77	73	71	67	63	58
Miles of Bare Steel Main in Class 3 Locations	596	577	554	541	521	508	490	470	463
Replacement Rate of Bare Steel Mains in Class 3 Locations (Miles/Year)	17[2]	14	4	14	20	13	18	20	7
Number of Bare Steel Service Lines	28,000	18,577	23,192	22,482	21,908	21,077	20,178	19,194	18,808

[1]The estimates in this column are based on the estimates for planned projects to be included in SIP. It is difficult to estimate the miles of main and number of services that will be replaced through safety and reliability spending recovers through GSRS and base rates, as that work is more reactive in nature.

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

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Bare Steel Services Replacement (Lines/Year)	1,370	1461	292	710	574	831	899	984	386
Miles of Cast Iron Mains	0	0	0	0	0	0	0	0	0
Years to Completion[3]	35	35	34	33	32	32	31	30	29

	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025 Projection
Underground Leaks per 100 Miles of Obsolete Piping	41.2	39.5	30	37	25	28	33	28	N/A

Total Project Cost, Current $	$348 million

3. In 2024, the Company replaced 20 miles of bare steel mains in Class 3 locations and 984 steel services lines. Overall investment in safety, reliability and GSRS increased in fiscal year 2024 from 2023 levels.

4. Atmos Energy uses a risk ranking model to help prioritize 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

[3]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.

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.

5. The Company notes that it has continued to increase its investment in safety and reliability from historical levels. See Table 2 below for the fiscal year spending and Table 3 for the calendar year spending. Also included in Table 3 are estimates regarding costs per unit. Atmos Energy cautions that the pricing for this capital work is highly dependent upon the specifics of each project and has limited usefulness when viewed as an average cost.

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 Historical	FY 2025 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	$40,961,056	$46,320,440

TABLE 3 - Estimated Replacement Costs

	343 Plan	CY2018 Historical	CY2019 Historical	CY2020 Historical	CY2021 Historical	CY2022 Historical	CY2023 Historical	CY2024 Historical	CY2025 Projection
Main Replacement ($/mile)	$525,000	$535,000	$308,470	$608,082	$447,675	$854,285	$736,305	$702,598	$772,857
Service Line Replacement ($/ea.)	$1,400	$1,982	$2,100	$2,235	$2,370	$5,423	$3,709	$3,511	$3,862

	2015-2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025 Projection
Total Safety, Reliability and GSRS Spending	$18,299,984	$23,250,158	$23,067,054	$21,658,034	$32,898,531	$36,610,898	$38,440,980	$47,281,662	$46,320,440

	2016-2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025 Projection
Average miles undesirable pipe replaced	53	30	8	22	26	22	18.8	24.8	14.8
Average cost of replacing undesirable pipe ($/mile-equivalent)	$504,444	$338,349	$262,800	$457,673	$388,603	$336,862	$683,617	$560,605	$652,170

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.

III. PLASTIC PIPE DATA

7. 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. Based on discussions with the Staff, Atmos Energy has been conducting leak surveys on its plastic pipe inventory on a three-year frequency. 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. To put this data in context, however, Atmos Energy notes that PHMSA continues to cite to the information in AB-07-01 and AB-02-07 in support of proposed rules to continue to address these identified risks. For example, in the Notice of Proposed Rulemaking regarding

Distribution Integrity Management programs ("DIMP") initiated on September 30, 2023, PHMSA states:

> Certain vintages and types of plastic piping are also known throughout the industry to present acute threats to pipeline integrity. For example, susceptibility to premature brittle-like cracking of certain Aldyl "A" pipe, along with other vintages and manufacturers' products, is a well-documented problem in the industry and the subject of the advisory bulletin ADB–07–02 [sic.]. In this advisory bulletin, PHMSA recommended that operators consider the threat of brittlelike cracking applicable to any Aldyl "A" pipe in service (under the general category of "material"), ***regardless of whether the threat had resulted in leakage to date***. Similarly, PHMSA also alerted operators to the risks of material degradation on Driscopipe8000 (Driscopipe Series 8000 high-density poly-ethylene (HDPE)) pipe in Arizona and Nevada in ADB–2012–03. (emphasis added.)[4]

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

8. 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.

[4] https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/2023-08/PHMSA%20Nat%20Gas%20Distribution%20NPRM%20-%20as%20submitted%20to%20FR.pdf, at p. 52-53.

TABLE 4 - Johnson County Contiguous System

Year	Gas In	Gas Out	Known Loss	L&U Volume	L&U Percentage
2024	12,850,438	12,894,056	1,848	45,465	0.35%

9. 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.

It is Atmos Energy's stated vision to be the safest provider of natural gas services. We established AtmoSpirit nearly 30 years ago, and it has been the foundation of our deeply rooted safety culture. From their first day of employment to their retirement, our employees learn and live AtmoSpirit's five principles: Inspire Trust, Be at Your Best, Bring Out the Best in Others, Make a Difference, and Focus on the Future. In fiscal year 2024, 694 new employees attended Atmos Essentials training to learn the AtmoSpirit principles. Our focus on Employee Safety, System Safety, and Public Safety drives our procedures, processes, training, oversight, and assurance activities.

Building on the strong foundation established by AtmoSpirit, we implemented API RP 1173 Pipeline Safety Management Systems (PSMS). The 10 PSMS elements flow from our AtmoSpirit principles that have supported our safety culture for decades. The elements are integrated into our risk management and pipeline safety approach to continuously improve practices that enhance the safety of employees, customers, and the communities we serve.