



Atmos Energy Announces Plans to Further Accelerate Pipe Replacement in its Mid-Tex Division

DALLAS (July 25, 2018). As part of the company’s ongoing commitment to safety, the Mid-Tex Division of Atmos Energy filed a supplement to its pipe replacement plan with the Railroad Commission of Texas pursuant to Rule 8.209 that outlines the utilities’ replacement projections throughout the 2018 calendar year.

“The safety of our customers and our communities is our highest priority at Atmos Energy,” said David Park, Atmos Energy Senior Vice President of Utility Operations. “This filing states our plans to further increase pipe replacement throughout the Mid-Tex Region. Our goal for the remainder of 2018 is to double the work crews dedicated to pipe replacement activity, including cast iron. This increase is in addition to the 40 crews added earlier in the year.”

Atmos Energy is working with local contractors to encourage and support the incremental increase of qualified contract crews that will be available to perform this further accelerated pipe replacement.

“Our planned pipe replacement projects have always been and will continue to be a top priority at Atmos Energy, with more than 80% of our investments directed toward enhancing the safety and reliability of our system,” said Mike Haefner, Atmos Energy President and CEO.

A copy of the supplement was posted to our website earlier this month. To view the supplement, click [here](#).

Update on Northwest Dallas

The NW Dallas distribution system is operating safely as it had been performing in the months and years before February and March 2018.

As expected, we reported to the Railroad Commission of Texas that we repaired more leaks in our Mid-Tex Division in the first half of 2018 than reported for the prior six-month period. Copies of our two most recent PS 95 Semi-Annual Leak Reports are posted on our website [here](#). This increase is largely explained by the abnormal, sudden, and unexplained leak activity within a confined geographic area in Northwest Dallas in February and March of this year.

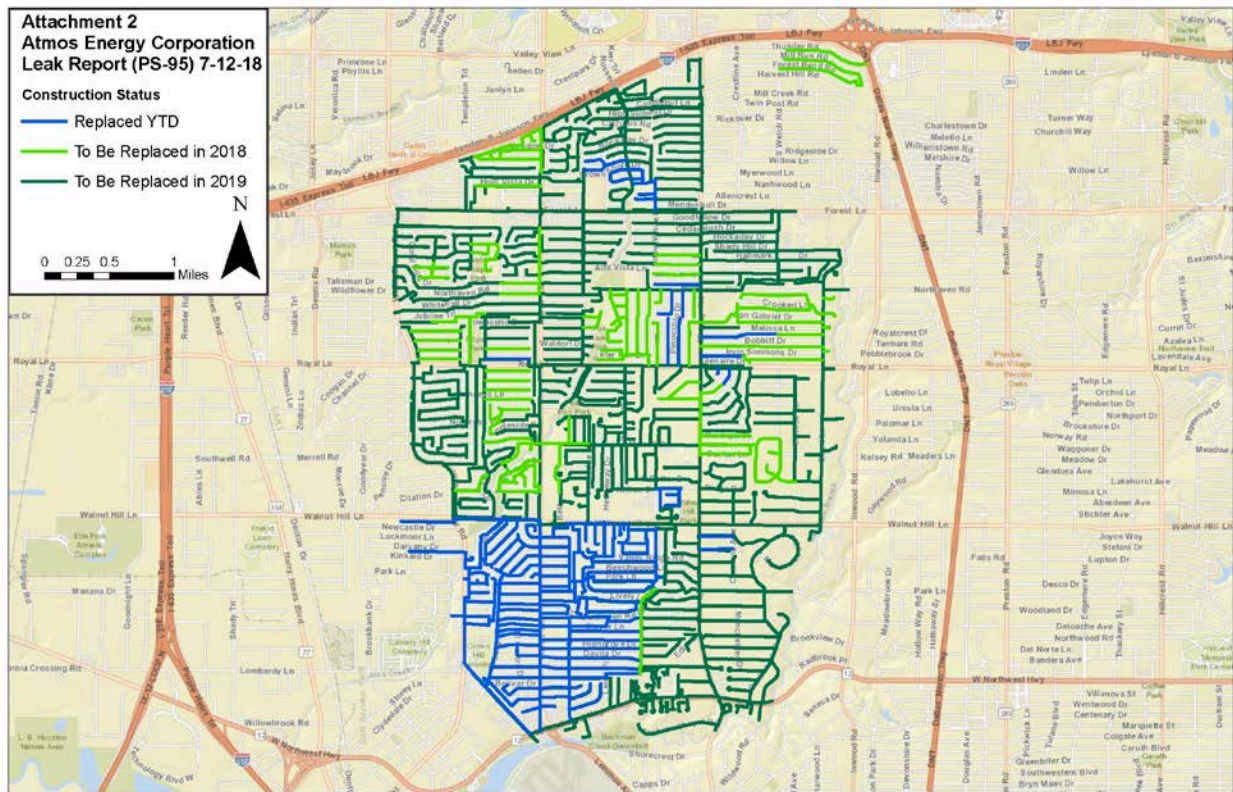


Our leak investigations revealed that **in less than a week's time**, our system experienced multiple times the number of leaks experienced in each of the previous three years over this area. In direct response to this leak activity, on March 1, 2018, Atmos Energy initiated a pipeline replacement project involving a planned outage of an area affecting approximately 2,800 residences.

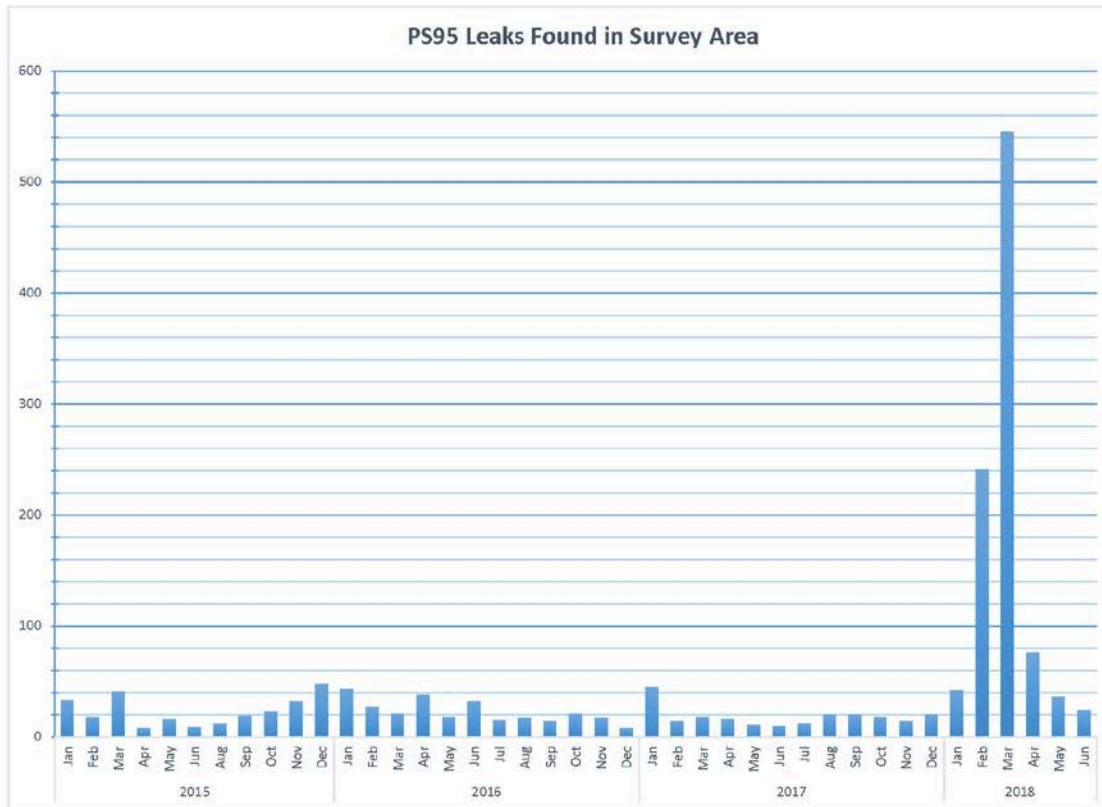
While crews worked to replace pipe within the planned outage area, Atmos Energy continued to closely monitor the area outside of the physical boundaries of the planned outage area (Survey Area) with the state-of-the-art leak survey technologies we used before, during, and after the outage. When a hazardous leak was found, crews took immediate action to eliminate the hazard.

During the same period, leak surveys outside the Survey Area identified isolated areas with leak occurrences higher than historic levels. In these cases, and whenever this occurs elsewhere on our system, leaks are addressed following established guidelines. If we find a leak that is hazardous (a Grade 1), we immediately eliminate the hazard. If the leak is non-hazardous, we schedule it for repair based on regulations and monitor it until that repair is performed. If the occupants of the property should be notified, we have an employee keep those individuals apprised of the situation.

Following the planned outage, crews remained in the Survey Area monitoring the system by conducting leak surveys, making required repairs, and completing additional replacement projects. The map below reflects the further accelerated replacement projects completed thus far this year across Northwest Dallas, those planned to be completed by the end of 2018, and the projects projected to be completed in 2019. A copy of the map was filed with the Commission and available [here](#) on our website. Additional pipeline replacement work throughout the Mid-Tex Division will continue as described in our March 15, 2018 letter to the Commission as well as our recently filed supplement. (See [Distribution Facilities Replacement Plan and Supplemental Report](#))



Our natural gas system in the Survey Area had been operating safely and was performing normally. In the first weeks of 2018, we found an average of 9 leaks per week in this Survey Area. In the days leading up to March 1 and through the end of March, we found an average of 130 leaks per week. From April through June 2018, we returned to finding an average of 9 leaks per week in the Survey Area even as we have continued to perform more frequent leak surveys.



To understand this sudden, unexplained, leak activity, we hired a geotechnical engineering firm to assess the system. (See [Report](#)) Based on all of the available information, we continue to believe that the geology of this specific area, coupled with the effects of extraordinary, sustained rainfall, and unique hydrology, as well as a number of other factors, caused the system to perform the way it did. We are working with both our experts and our regulators to appropriately account for these conditions in our risk models to direct the priority of our pipe replacement and leak survey activity in the future.

Even though there is no evidence that all of these factors exist anywhere else in our system, by including these factors in our risk-based prioritization model, our pipe replacement work and our leak survey work will be focused on areas where some of these factors may exist, even if not all of them do. As we have done here, we will continue to take into account any unknown and undiscovered conditions as they present themselves.



Operating our System Safely

We operate our system safely and in compliance with state and federal regulations. Atmos Energy diligently works to meet and surpass the requirements of these regulations through its own proactive efforts as well as through its cooperation with the Railroad Commission of Texas in ensuring compliance.

Modernizing Natural Gas Infrastructure

Since acquiring the assets of TXU Gas in 2004, Atmos Energy has invested over \$3 billion in replacing pipe, and we plan to spend another \$3 billion in the next 5 years as we increase the pace of pipeline replacement and modernization of our system. We continuously evaluate our natural gas distribution system and develop plans to address the risks as part of our Integrity Management Plan in compliance with state and federal regulations. This includes a risk based prioritization model approved by the Railroad Commission of Texas that considers many factors that can affect the performance of our system and thus the priority for replacement including maintenance history, age, material, joining method, and other factors. As technology advances or we learn new things about our system, we will continue to review and supplement our plans.

Ultimately, a number of factors will influence the rate at which further accelerated pipeline replacement may be accomplished. The most-influential factors will be the availability of qualified construction crews to perform the work and their ability to scale as we further accelerate pipe replacement; however, it may also be influenced by the availability of materials; trained and qualified employees to design, coordinate, and inspect the level of construction activity; contractors and fill material to conduct street repairs; and city resources to support the increased level of activity. Further, a constructive rate environment is necessary to attract the capital necessary to fund these significant investments.

Subject to these limiting factors, our goal is to perform an entire system replacement of a significant portion of northwest Dallas by the end of 2019 and to eliminate cast iron from the Mid-Tex distribution system by 2021.



Monitoring and Prevention

We actively monitor our system, repair leaks, and operate an emergency hotline 24 hours a day/7 days a week to respond to and investigate, reports of natural gas leaks. Every working day of the year, company employees are performing regularly scheduled leak surveys of our system. The frequency of these surveys is governed by regulations, and we use multiple technologies to perform leak surveys, some of which include infrared based leak detection, laser based technologies, and new technologies that have been developed for our industry. Moreover, as technology for finding leaks improves, we find and repair more leaks.

Atmos Energy has been, and continues to be, actively involved in working with industry research and development organizations and manufacturers to develop and evaluate new technologies to enhance safety. We were among the early participants in our industry to evaluate technologies that had the potential to be adapted to our industry, including leak detection equipment with sensors that are approximately 1,000 times more sensitive than traditional sensors.

Recognizing a Gas Leak - Odorant

Utilities odorize natural gas so that it is “readily detectable by a person with a normal sense of smell” as required by federal and state regulations. The odorant we use in our Mid-Tex Division adds a “rotten egg” odor to natural gas so that people can smell it if there is a leak and call us. We respond to tens of thousands of leak calls each year. All other activities of our service technicians are put on hold to respond to a call when someone smells gas. Our technicians also conduct periodic sampling with instruments to assure the proper concentration of odorant throughout our pipeline system.

We remind everyone: do not rely on your sense of smell alone to detect the presence of natural gas: use any of your senses—smell, listen, or look—to check for signs of a leak. If you ever smell or otherwise detect leaking natural gas, leave the premises immediately and call 911 and Atmos Energy at 1-866-322-8667. Do not assume someone else will call.



About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is the country's largest, fully-regulated, natural-gas-only distributor, serving over three million natural gas distribution customers in over 1,400 communities in eight states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas. For more information, visit www.atmosenergy.com. Atmos Energy can also be accessed through social media platforms such as Facebook, Twitter , Instagram and YouTube.