



Investing in Safety from the Ground Up

From pipe replacement projects to state-of-the-art technology and training, we are investing in safety. Everywhere.

DALLAS (September 2018). The communities we serve are where our customers and our employees call home, send kids to school, shop, play ballgames, live life. **Communities are why we provide safe, reliable delivery of natural gas.**

We all want the same thing. The safe delivery of natural gas to the communities where we live, work, and raise our families.

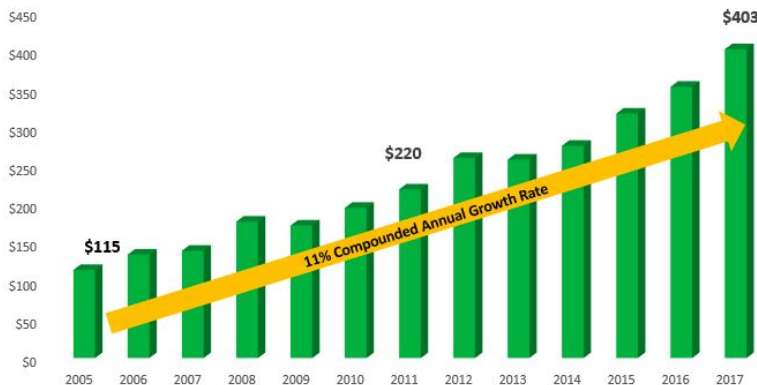
Our employees wake up every day resolutely **dedicated to our mission to keep people safe.** Natural gas incidents are uncommon but they do occur, and we believe one is too many. When someone in our community gets hurt, it is deeply personal to us. We grieve.

We're investing in safety from the ground up. Our Mid-Tex system covers over 32,000 miles of underground pipelines. You could walk 10,000 steps every day for more than 17 years before you covered our entire Mid-Tex system.

Since 2005, we have increased our rate of spending every year to modernize this system. Today, our capital spending is the **highest in the state** and is among the highest of our peers in the nation. Even so, it will take time to modernize infrastructure that was put in place over four generations.



1,672,581	Customers (meters)
550	Communities Served
32,165	Miles of Pipeline
1,699	Employees
13,409	Community Service Hours
\$1,021,584	Charitable Giving



We started this modernization in earnest the year we bought the system by investing in capital improvements (including replacing aging pipelines and installing equipment that improves the safety and reliability of our system).



As a regulated utility, Texas law **limits our profits** to what we have spent on our system **in the past**. And **we are reinvesting profits back into the system**. Since 2005, we have spent almost 4 times more — **\$3 billion** — than our profits earned on our system. And, over the next five years, we plan to invest at least **\$3 billion more**.

Current customer rates cover only about 50%-60% of our capital spending needs. We sell

stock to investors and issue bonds to creditors to cover the rest. As an investor-owned utility, we can only attract these necessary resources if we are financially healthy and operate in a regulatory environment that permits a sustained level of capital investment in pipe replacement. Even so, we **limit the dividends** we pay to investors so we can spend as much capital as possible on our system.

We work every day to keep the public, our employees, and our system safe.

Our **damage prevention program** proactively provides information to contractors or excavators so that they can take steps to avoid damaging pipes and causing a release of natural gas.

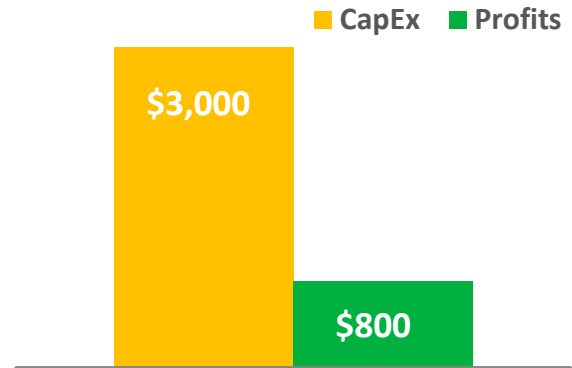
We **properly odorize the natural gas** so that people can readily detect the presence of natural gas and immediately leave the area.

We monitor our system for leaks. Day in and day out, we survey and monitor our natural gas system for leaks using the most advanced technology available. When a leak is detected, it is graded by trained technicians using state and federal guidelines to determine its risk, which dictates its timeline for repair. The more significant the leak, the sooner we repair it. We take immediate action to eliminate hazardous leaks.

We maintain close relationships with first responders and operate a 24-hour emergency hotline so anyone who suspects a leak can reach us quickly.

We opened our **industry leading training center** in 2011 where employees received more than **65,000 hours of hands-on technical training** in 2017.

Capital Spending and Profits
(in \$MMs)





Why not replace all the oldest pipe first? Like roads, bridges, and other infrastructure, natural gas infrastructure ultimately must be replaced. Although we'd like to replace all older pipelines immediately, just like with replacing older roads and bridges, replacing pipe takes time and resources. That's why we determine a schedule for replacement by using a risk-based prioritization model approved by the Railroad Commission of Texas (RRC) that considers many factors, including the pipe's age, location, material, leak history, environmental factors and more.

Our experience confirms that the age of the pipe involved is not the greatest threat to our system.

The greatest threat to our system is third party damage. Approximately 70% of Mid-Tex's hazardous leaks are caused by excavation damage. Nearly 75% of our reported incidents, including some serious incidents involving fatalities, involved third party damage or other outside forces. That's why we educate contractors, landscapers, and homeowners to call 811 before digging starts as required by law.



Excavators must also notify us if they damage our line, even if the damage does not result in an immediately obvious leak. We have reported serious incidents where people were injured or killed **because a third party damaged our system but didn't disclose it.**

We are accountable to state and federal regulators. If gas released from our pipeline (not a customer-owned gas line) may have fueled an incident that results in a death, hospitalization, property damage of \$50,000 or more, or significant gas loss, we file reports with the Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) and the RRC. The RRC will conduct an investigation of reportable incidents, issue findings, and provide a Pipeline Safety Evaluation Report that may include alleged violations.

These investigations and reports are publicly available on the RRC's website.

The RRC's enforcement action policy is to improve safety and promote compliance. In these investigations, we have the chance to show that we complied with the safety regulations or that the incident was beyond our control. For

RRC Policy. "Improved safety" is the "desired outcome of any enforcement action. Encouraging operators to take appropriate voluntary corrective action and future protect actions once a violation has occurred is an affective component of the enforcement process. Deterrence of violations through penalty assessments is also a necessary and effective component of the enforcement process. A rule-based penalty guideline to evaluate and rank pipeline safety-related violations is consent with the central goal of the Commission's enforcement efforts to promote compliance."

16 Texas Administrative Code § 8.135



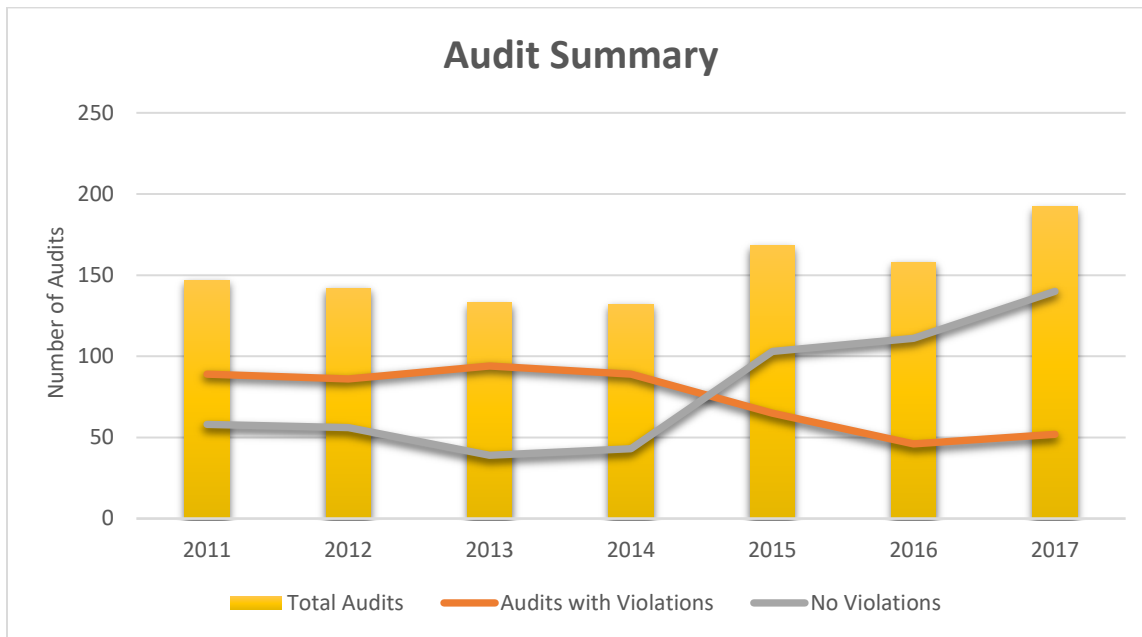
matters within our control, we take appropriate voluntary corrective action. The RRC’s Safety Division reviews the response and any correction plan and determines whether the response resolves the allegations. If not resolved, the matter may be referred to the RRC’s Enforcement Section. As in most judicial and administrative proceedings, cases typically settle, but, if not, it will proceed to a hearing for resolution.

Nearly every day of the year, the RRC is present on our system to ensure compliance with federal and state pipeline safety standards. The RRC not only enforces federal regulations but has established intrastate pipeline safety rules that are among the most stringent in the country.

From 2011 to 2017, the RRC conducted nearly 1,100 safety audits on our Mid-Tex system. Each audit includes a handful of auditors reviewing reams of information and making field inspections over multiple days or weeks to hold us accountable to following the rules.

In nearly half of those audits, the RRC’s extensive document review and field inspections resulted in a finding of **no alleged violations of safety regulations.**

Over that time period, the RRC has increased the frequency of its audits and thus the scrutiny of our system, and yet the number of audits resulting in **no findings of alleged violations** has increased significantly.





In those 1,100 safety audits, records show that the RRC’s auditors identified approximately 1,700 potential compliance issues, or **an average of about 1.6 alleged violations per audit**. As the benefits of our extensive training and infrastructure replacement programs have materialized, that average dropped from about 3 per audit in 2013 to 0.6 per audit in 2017.

By category, the alleged violations include atmospheric corrosion, cathodic protection, leaks, right-of-way, and miscellaneous matters. Nearly half of the alleged violations fall into the miscellaneous category that captures items such as records management or documentation issues and maintenance issues like meters identified as being in need of painting or repositioning, vegetation growth around pipes, etc. About 15% relate to maintenance of above-ground equipment to prevent corrosion.

Only about seven percent of those alleged violations were related to leaks. **And the number of alleged violations related to leaks has fallen consistently over that time period, from 37 in 2011 to only 3 in 2017.**

The RRC’s rigorous enforcement process improves safety by ensuring the compliance of our procedures, practices, and training and thus making us better every day at safely operating our system.

Partner with us.

to detect leaks and prevent accidents. We provide information to the public, emergency responders, excavators, and customers about the hazards of unintentional releases of natural gas. And, we use our state-of-the-art training facility located in Plano, Texas to teach natural gas safety to community officials, fire departments and other first responders.

Do not assume someone else will report the leak. We want you to call 911 and us any time you think that you might detect a gas leak — we’ll respond with the same urgency every time at no cost to you. We’d rather get a thousand calls where there is no presence of a gas leak than to miss the one chance to eliminate a hazardous condition when you’re not sure what you smell, see, or hear. Be safe. Act fast. Call.

Our experience confirms that our communities are safer when customers know how to safely use the natural gas we deliver to their homes. That’s why we’re continually educating the public about how

If You Smell Gas

Leave the area immediately! And from a safe distance call 911 and the Atmos Energy emergency number:

866-322-8667



Everyone should use all of their senses—smell, listen, or look—to check for signs of a leak. If you ever smell gas or otherwise detects leaking natural gas, leave the area immediately and call 911 and Atmos Energy at 1-866-322-8667.

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. Atmos Energy also manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas.