# Atmos Energy Corporation

November 15, 2017
New York

# Forward Looking Statements

The matters discussed or incorporated by reference in this presentation may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this presentation are forward-looking statements made in good faith by the company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this presentation or in any of our other documents or oral presentations, the words "anticipate," "believe," "estimate," "expect," "forecast," "goal," "intend," "objective," "plan," "projection," "seek," "strategy" or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this presentation, including the risks relating to regulatory trends and decisions, our ability to continue to access the credit and capital markets and the other factors discussed in our reports filed with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. Although we believe these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Further, we will only update our annual earnings guidance through our quarterly and annual earnings releases. All estimated financial metrics for fiscal year 2018 and beyond that appear in this presentation are current as of November 8, 2017.

# Corporate Overview



**Mike Haefner**

*President & Chief Executive Officer*

# Management Participants



**Michael Haefner**
**President and CEO**



**Kevin Akers**
**Senior VP, Safety and Enterprise Services**



**Dennis Gordon**
**President, Atmos Pipeline - Texas**



**David Park**
**Senior VP, Utility Operations**

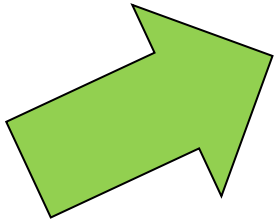


**Chris Forsythe**
**Senior VP and CFO**

# Evolution of Atmos Energy

**F1986 – F2011**
**Growth Through Acquisitions**

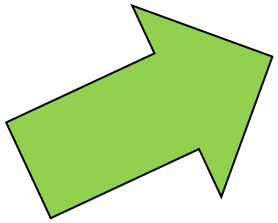
*Acquisitions of quality assets provided foundation for investment*



**F2012 - F2017**
**Growth Through Infrastructure Investment**

*Refinement of portfolio to be 100% regulated and geographically and financially more efficient*

- EPS: 8% CAGR
- CapEx: $5.5 Billion
- Rate Base: 10% CAGR
- Dividend: 5% CAGR



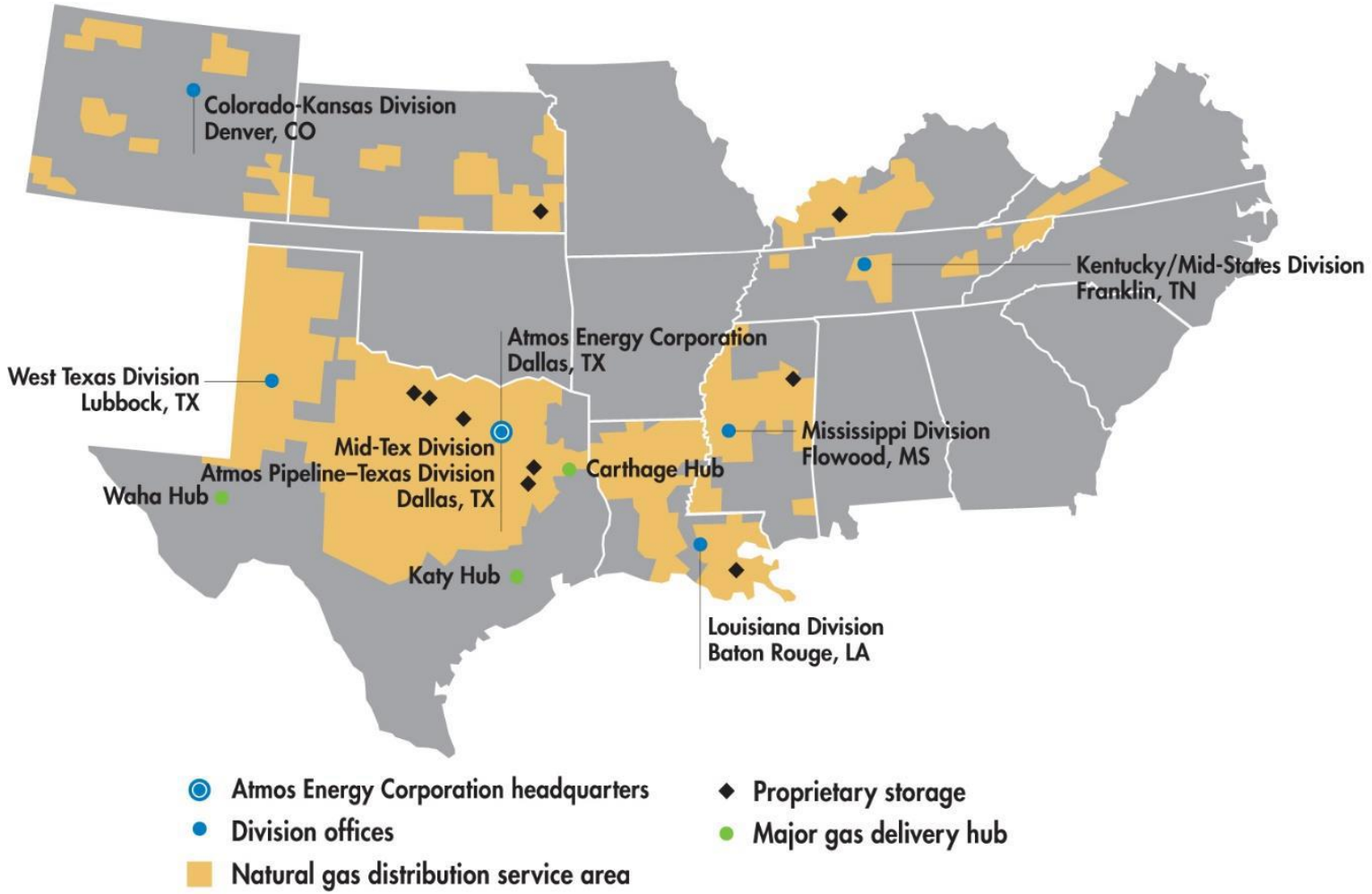
**F2018 – F2022**
**Growth Through Refinement of Infrastructure Investment Strategy**

*Well positioned to reinvest in quality assets in constructive regulatory jurisdictions to achieve continued steady growth*

- EPS: 6% - 8%
- CapEx: $8.0 Billion
- Rate Base: 10% - 12%
- Dividend: 6% - 8%

# Atmos Energy Footprint

## Attractive Service Areas Offer Operating Scale and Risk Diversification

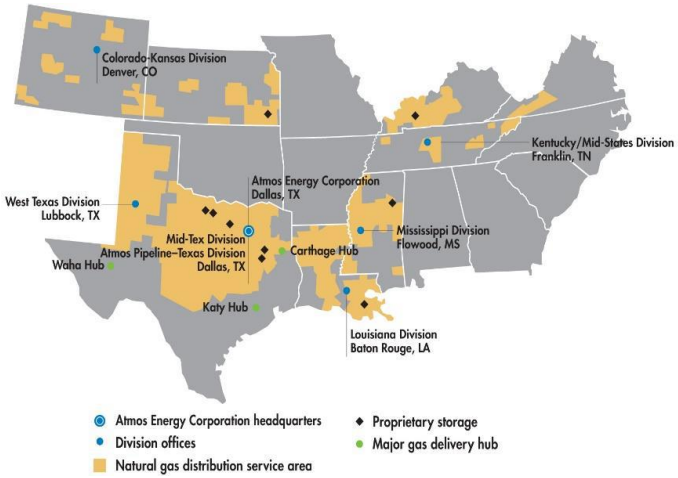




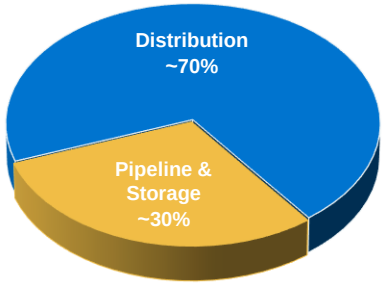

*As of November 8, 2017*

# Leading Natural Gas Delivery Platform

## Eight-state distribution territory

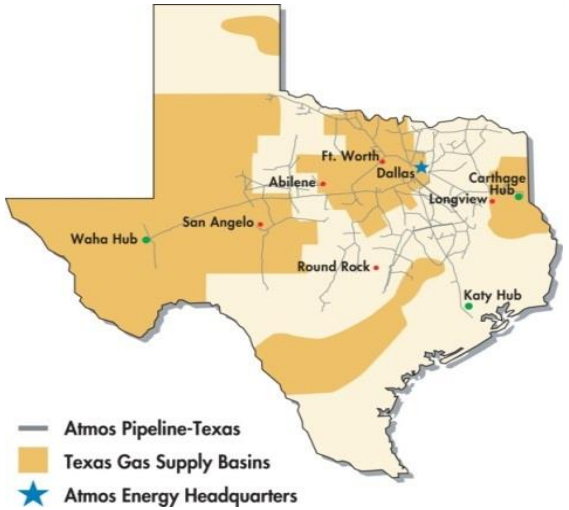



## Business mix




**2017 Adjusted Net Income**

## Intrastate pipeline system




## Diversified LDC platform in 8 states

- Largest pure-play LDC with over 3 million customers in 8 states
- ~71,000 miles of distribution and transmission mains
- ~58% of distribution rate base is located in Texas (~70% including pipeline)
- Blended allowed ROE of 10.0%
- Constructive regulatory mechanisms reduce or eliminate lag

## Favorably positioned pipeline spans Texas shale gas supply basins

- ~5,600 miles of intrastate pipeline
  - Spans multiple key shale gas formations
  - Connection to major market hubs
- Five storage facilities with 46 Bcf of working capacity
- Allowed ROE of 11.5%
- Margin derived from tariff-based rates primarily serving Mid-Tex and other LDCs



*As of November 8, 2017*

# Fiscal 2017 Achievements

- Year-over-year adjusted earnings per share growth of 8.1(1) percent; 15th consecutive year of increased earnings per share
- Fiscal 2017 total shareholder return of 15.2%
- 7.8% increase in fiscal 2018 indicated annual dividend to $1.94 per diluted share; 34th consecutive year of rising dividends
- Achieved annualized increases from implemented rate activity of approximately $104 million
- Ample Liquidity
  - Issued 1.3M common shares under at-the-market (ATM) program for $98.8 million in net proceeds
  - Completed a public offering of $500 million of 3.00% senior unsecured notes due 2027 and $250 million of 4.125% senior unsecured notes due 2044. Proceeds of $753 million were partially used to repay $250 million of 6.35% senior notes expiring in 2017
- Completed the sale of nonregulated gas marketing business, making Atmos Energy a fully-regulated company
- Mike Haefner named President and Chief Executive Officer; Kim Cocklin as Executive Chairman

(1) Excludes income from discontinued operations

# Attractive, Pure-Play Return

## Constructive Regulatory Mechanisms Support Efficient Conversion of Rate Base Growth Opportunities into Financial Results

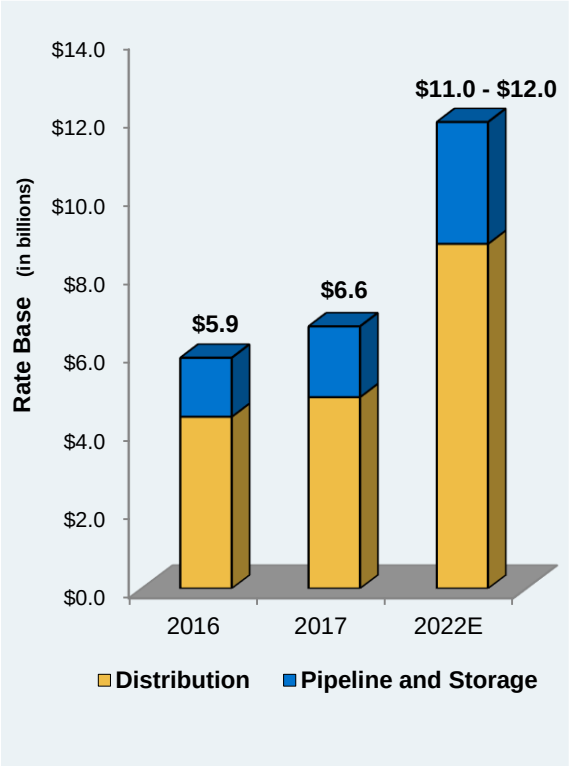
**~ $1.3 billion - $1.9 billion in annual capital investment through 2022**

+

**Constructive rate mechanisms reducing regulatory lag**

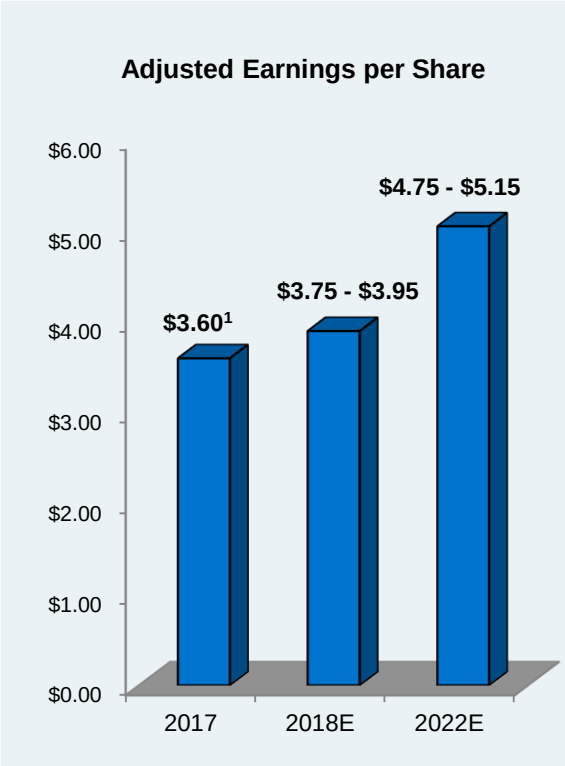
=

**6% - 8% Consolidated EPS growth**










[1] Excludes $0.13 associated with discontinued operations



*As of November 8, 2017*

# Investment Highlights

## A Pure-Play, High-Growth Natural Gas Delivery Investment Proposition

**Attractive pure-play total return**

- Attractive total return proposition of 8 - 10%
- 6 - 8% forecasted EPS growth through Fiscal 2022; attractive dividend yield
- Earnings are 100% regulated and rate base driven

**Diversified asset base with constructive regulation**

- Regulated distribution assets in 8 states serving over 3 million customers
- Favorably positioned regulated pipeline spans Texas shale gas supply basins
- Constructive rate mechanisms reduce or eliminate regulatory lag

**Strong rate base growth**

- Strong forecasted rate base growth through Fiscal 2022
- Annual capital expenditures of ~$1.3 billion - $1.9 billion through Fiscal 2022; ~80% spent on safety and reliability
- Earning on over 95% of annual capex within 6 months; ~99% within 12 months

**Strong financial foundation with consistent track record**

- 15 consecutive years of EPS growth; 34 consecutive years of dividend growth
- 7.8% indicated dividend increase for 2018E
- High investment-grade credit ratings (A, A2) with ample liquidity



*As of November 8, 2017*

# Safety Strategy



**Kevin Akers**

*Senior VP Safety & Enterprise Services*

# Safety Vision

## Our Vision is to be the Safest Provider of Natural Gas Services

### Focused on investing in:

- System Safety
  - Replacing higher risk pipe materials and equipment
  - Replacing steel service lines
  - Enhancing pipeline integrity assessments
  - Underground storage integrity
  - New technology
- Public Safety
  - Emergency response
  - Customer & community education
  - Public awareness
- Employee Safety
  - State-of-the-art training
  - Tools and equipment
  - Eliminate at-risk behavior
  - Incident free



# Employee Safety
# Charles K Vaughan Training Center

## Technical & Safety Training – Flow Lab and Gas City

- State-of-the-art facility
- Comprehensive training
  - Meter reading
  - Service
  - Construction
  - Measurement
  - Corrosion
  - Emergency responder
- Approximately 300-400 employees new to their jobs each year
- Between 1,000 – 2,000 employees enrolled in refresher courses annually

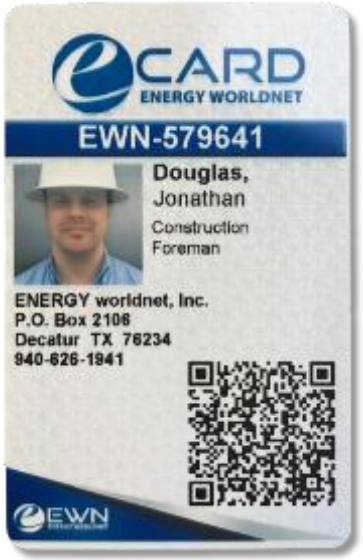




# Reducing Risk & Enhancing Ability to Scale

## Process and Continuous Improvement

- AGA Peer to Peer Review
  - Charter member of program
  - 2017 review included damage prevention and quality management
- Employee & Contractor OQ Badges
  - Ability to scan at job site using mobile apps for contractors and Atmos Energy employees
- Line Locating Sourcing
  - Enterprise process for line locating services
  - QA/QC and audit reporting
- Pipeline Record Verification and Scanning
  - Standardized document scanning & storage
  - QA/QC and audit reporting




Contractor OQ Badge



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# Reducing Risk & Enhancing Ability to Scale

## Underground Storage Integrity Management

- PHMSA issued Interim Final Rule (IFR) December 2016
- Implementing industry recommended practices
- Executing on our risk reduction and mitigation plans
  - Proactive well monitoring
  - Inventory verification analysis
  - Scheduled mechanical integrity
  - Well-control, emergency response plan
  - Periodically conduct tabletop exercises for emergency preparedness and response



# Reducing Risk & Enhancing Ability to Scale

## New Technology Deployment

- Asset Data Collection









- Innovative Leak Detection

- Wireless Meter Reading
- Wireless Cathodic Protection Monitoring








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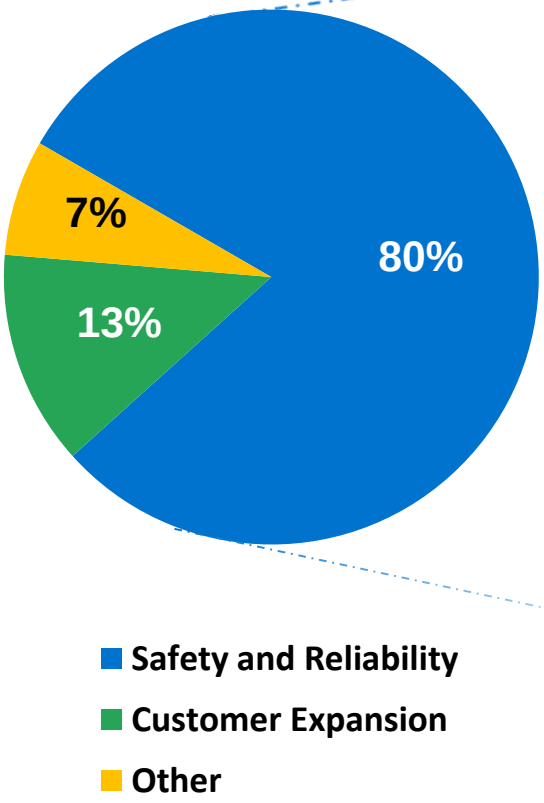
# Capital Spending Mix

## Safety & Reliability Investments Enable Modernization of Infrastructure




| *$ millions* | FISCAL 2017 CAPEX |
|---|---|
| $ 473 | Repair and replace transmission and distribution pipelines |
| $ 129 | Fortification |
| $ 118 | Service line replacement |
| $ 97 | Install and replace measurement & regulating equipment |
| $ 53 | Enhance storage and compression capabilities |
| $ 44 | Pipeline integrity management projects |
| $ 914 | Total Safety and Reliability Spending |
| **$ 1,137** | **Total Capital Spending** |



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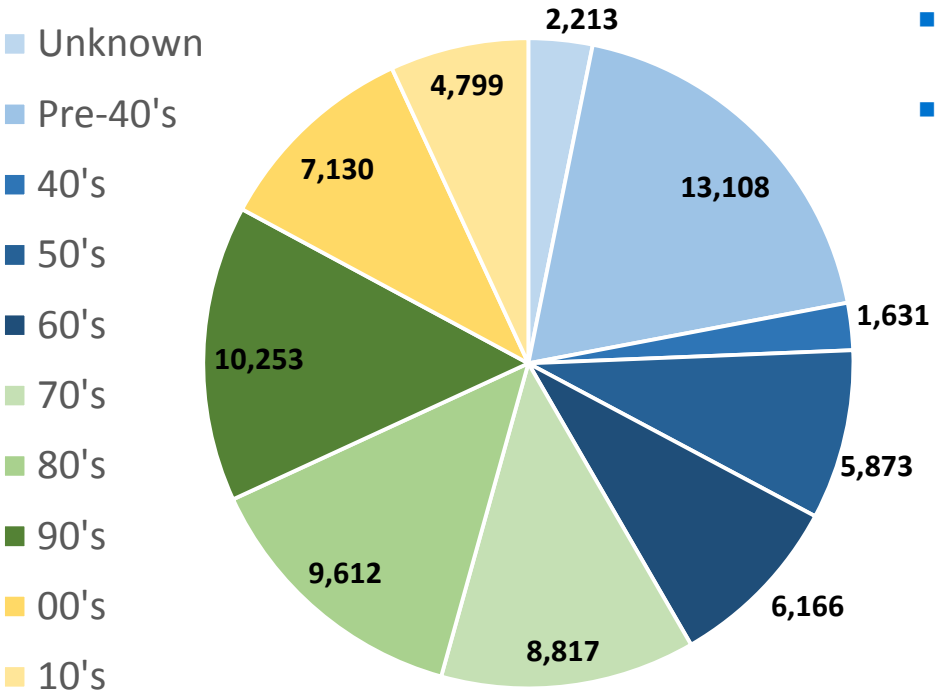
# Distribution System

## Miles of Pipe by Decade of Installation




- ~ 70,000 Total Miles of Distribution Main
- ~ 42% Installed Pre-1970
- Comprehensive Pipe Replacement Program Risk Assessment Factors Include:
  - Legacy construction practices
  - Material type
  - Leak history
  - Age
  - Location
  - Soil type

*Source: 2016 DOT Report*



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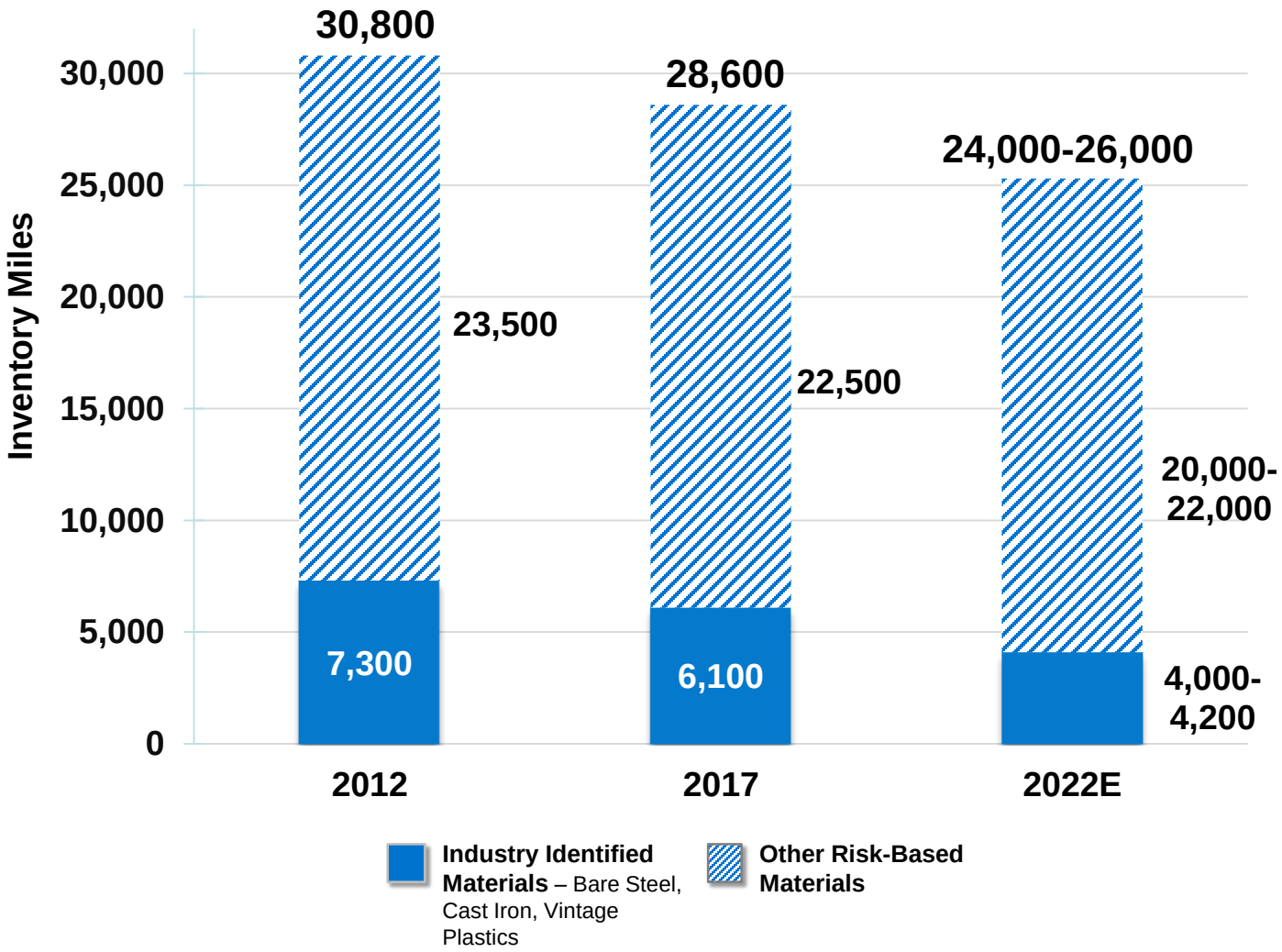
# Risk-Based Replacements - Distribution

## Inventory of Pre-1970 Materials




**Inventory of Industry Identified Materials**

- 4,900 Miles Bare Steel
- 700 Miles Vintage Plastic
- 500 Miles Cast Iron



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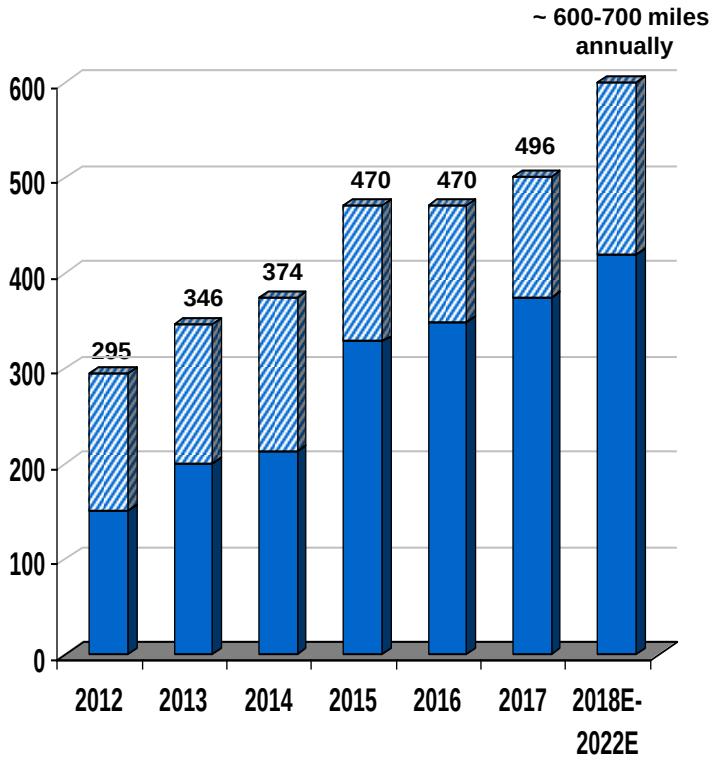
# Pipe Replacement Mileage

## Estimated Miles Replaced by Fiscal Year - An Ongoing Commitment

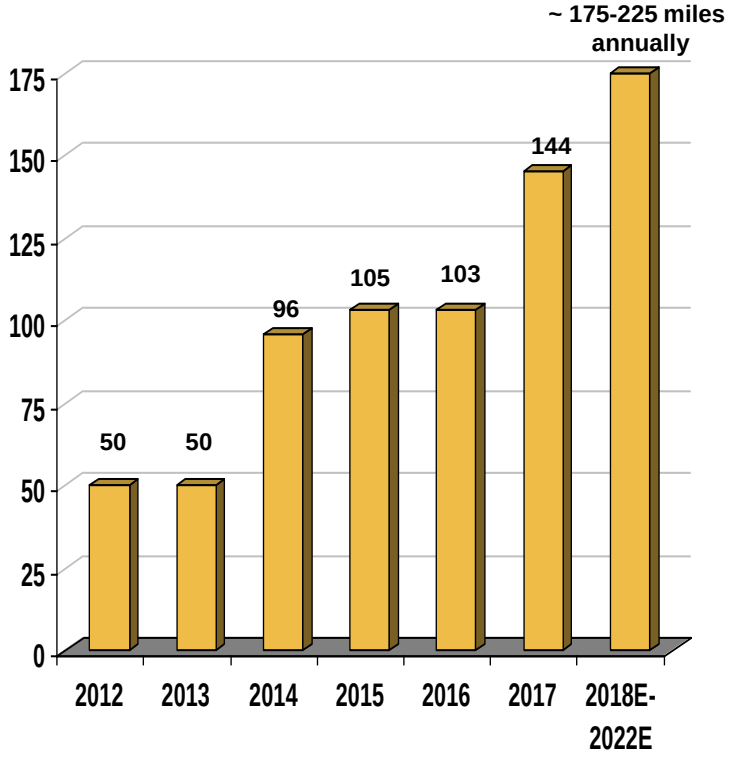
### Distribution Miles




**Industry Identified Materials** – Bare Steel, Cast Iron, Vintage Plastics

**Other Risk-Based Materials**

### Transmission Miles



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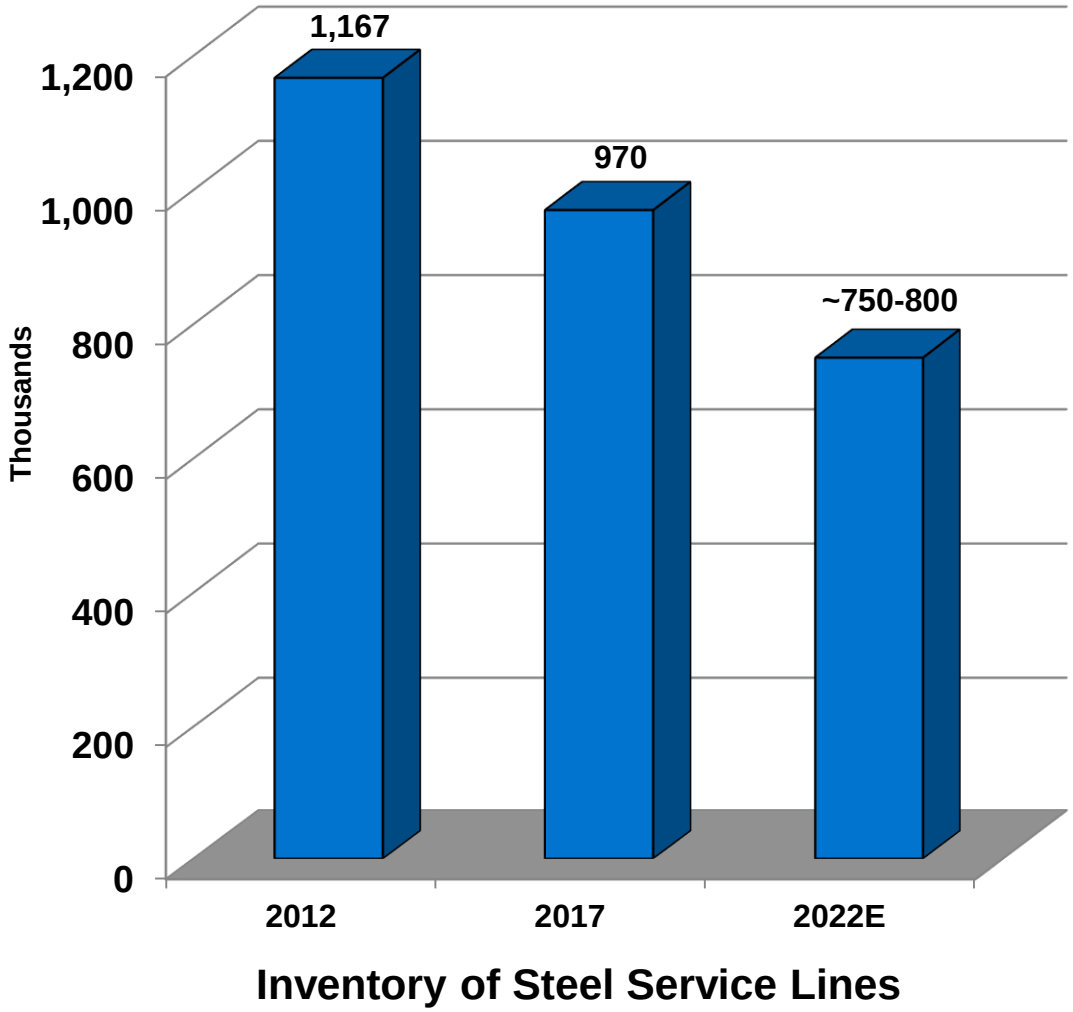
# Focused Steel Service Lines Replacement

## Replacing ~ 40,000 Steel Service Lines Annually




- New service lines use state of the art material, construction and joining practices
- Service lines are in close proximity to customer residence and business locations
- Approximately 70% of leaks occur on service lines



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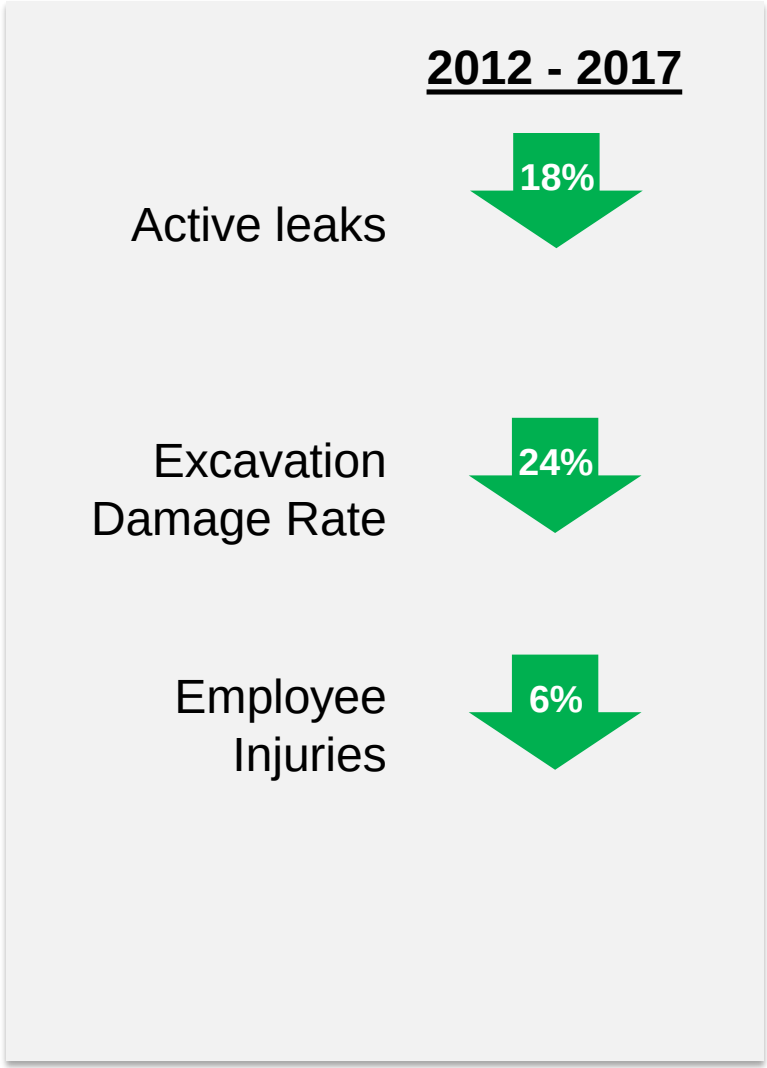
# Reducing Risk

## Improved Safety Performance

- Significant progress over last 6 years
- Employee-driven safety culture
- Focus on reducing or mitigating risk
- Managing leak inventories through a combination of infrastructure replacement and leak management programs
- Measuring safety performance with Atmos Energy expectations and values






*As of November 8, 2017*

# In Summary

## Well Aligned with Stakeholders

- Executing on our strategy to become the safest provider
- Significant prudent investment opportunity in our infrastructure and people
- Partnering with regulators and communities
- Leveraging new technology and business processes
- Benefiting customers, communities, employees and investors





# Atmos Pipeline - Texas Overview

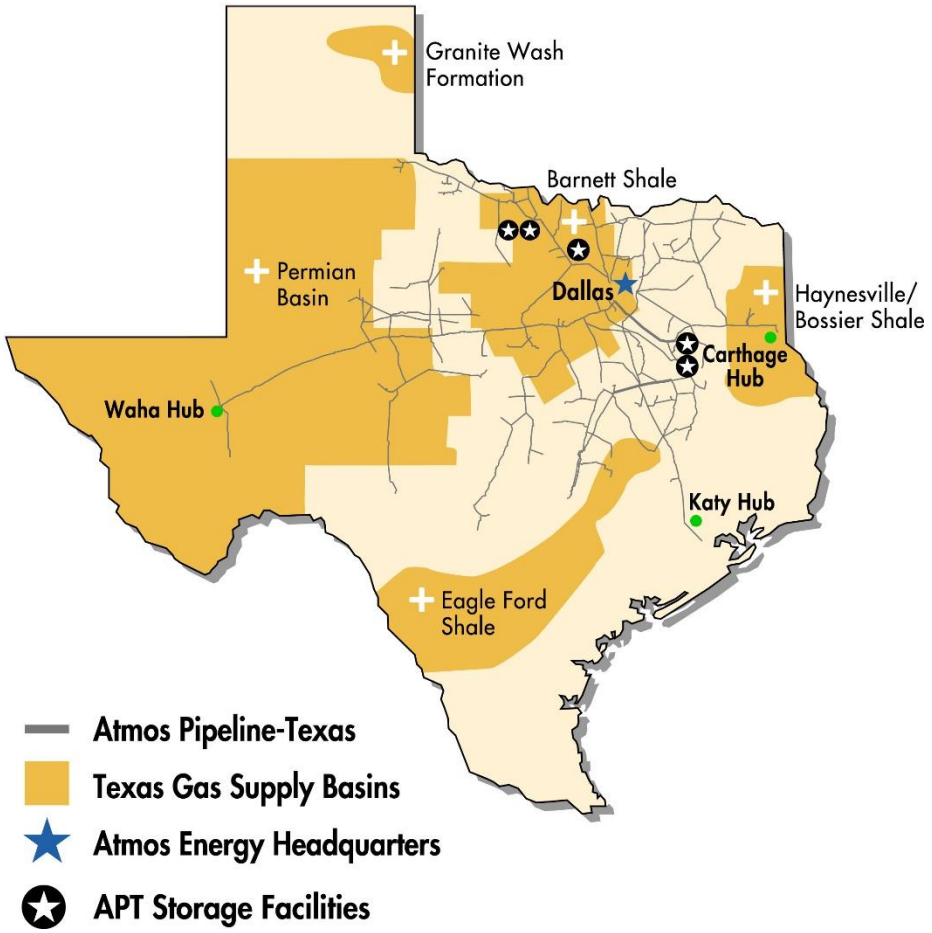


**Dennis Gordon**

*President, Atmos Pipeline-Texas*

# Atmos Pipeline - Texas

## Regulated Pipeline Serves Growing Texas Consumer and Supply Markets




- Primary purpose is to provide regulated transportation and storage services to system customers, primarily Mid-Tex Division
- Transported approximately 750 Bcf in Fiscal 2017
- Demonstrated peak day total throughput of approximately 3.7 Bcf
- Five storage facilities with 46 Bcf of working gas capacity
- APT serves a dynamic market
  - DFW Metroplex
  - Austin Corridor
  - Industrial Markets
  - Power Generation
- Connects to major market hubs
  - Waha
  - Katy
  - Carthage

Pipeline spans multiple gas formations: Barnett Shale, Haynesville/Bossier Shale, Permian Basin, Eagle Ford Shale



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# Atmos Pipeline - Texas Regulatory Structure

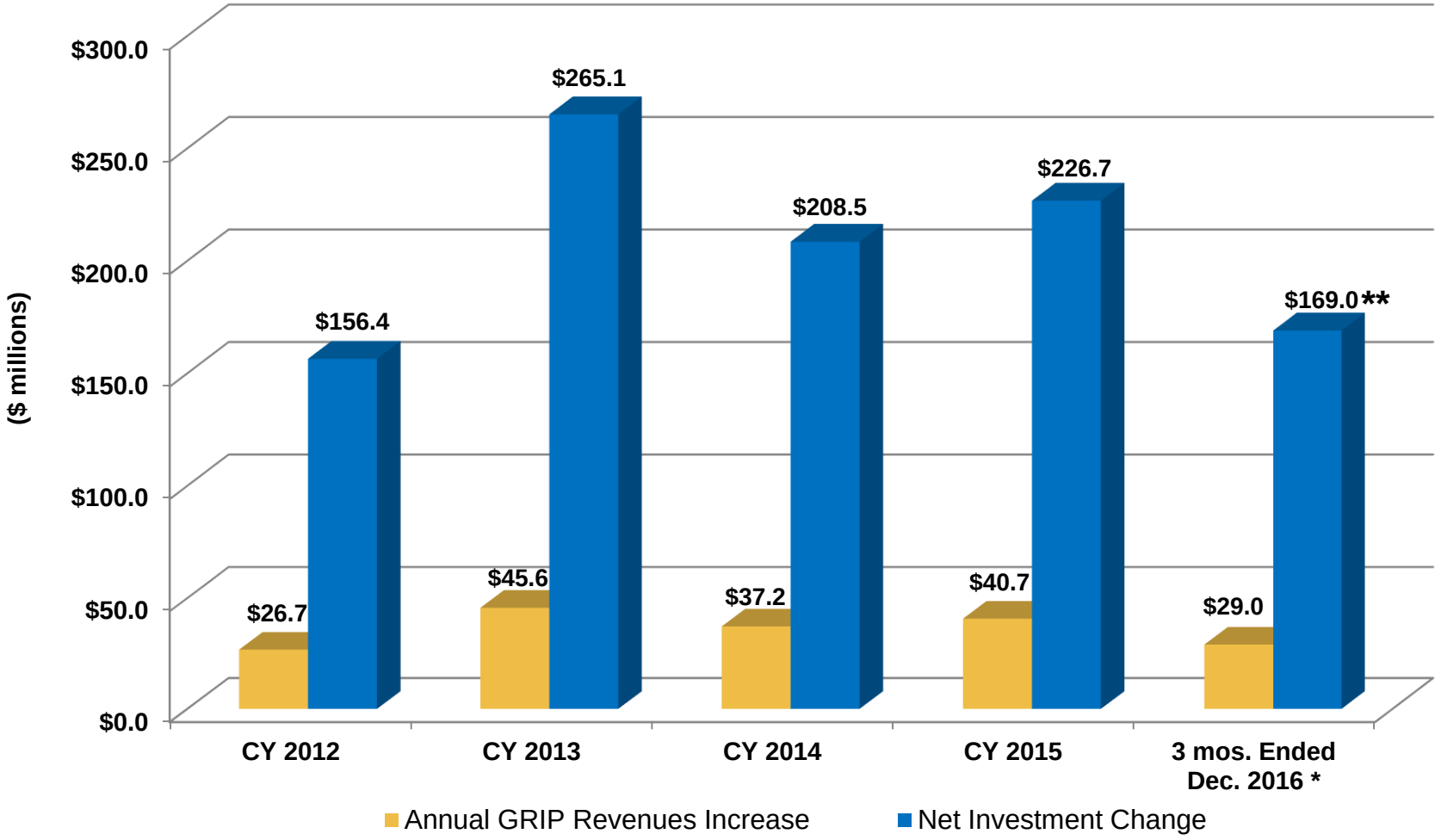
- Texas Railroad Commission has Original Jurisdiction
  - Cost of service tariffs for regulated customers
  - Prudency of investments
  - Priority of service

- GUD 10580 – Most Recent Case Established ( August 2017)
  - 11.5% return on equity; overall return of 8.87%
  - $13 Million annual increase in operating income
  - Annual O&M of $121.8 million; $41 million increase
  - $1.3 Billion investment approved by RRC
  - Straight fixed variable rate design – Revenues not exposed to volume variability

- Gas Reliability Infrastructure Program (GRIP)
  - Legislation signed into law June 2003
  - Annually adjusts rate base for change in net investment
  - Requirement for full rate case every five years (next case to be filed no later than 2022)

# Atmos Pipeline - Texas
# GRIP Results

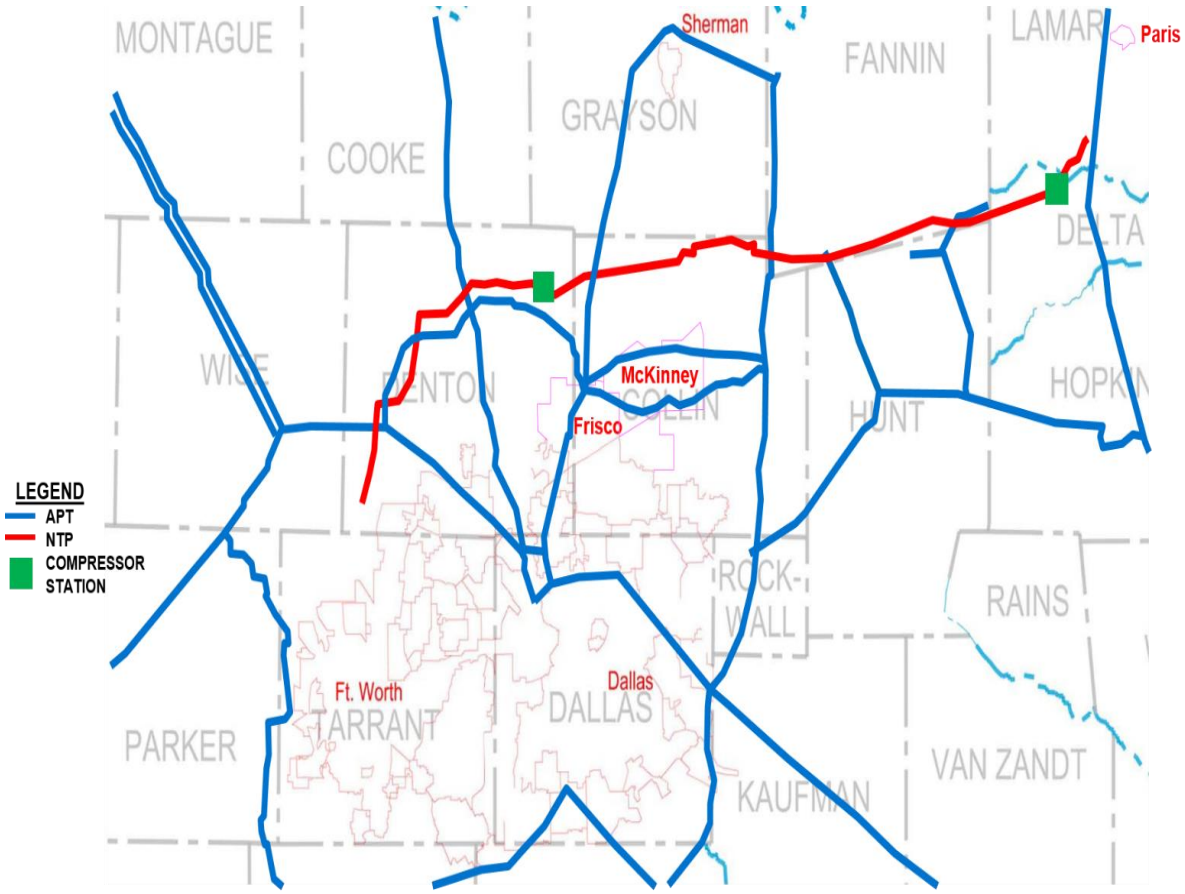
## GRIP - Gas Reliability Infrastructure Program by Calendar Year




* After including the $13 million Operating Income increase from the General Rate Case, the annual impact to Operating Income for Calendar Year 2016 is $42 million.
** Includes $85 million for the acquisition of EnLink - North Texas Pipeline.

# Atmos Pipeline - Texas
# Enlink - North Texas Pipeline

## Strategically Positioned to Serve Growing North Texas Customer Demand




- 140-mile, 24-inch pipe acquired December 2016 for $85M
- $20M - $30M estimated CAPEX for system enhancements in F2018
- 250,000 Mmbtu/d current production
- Facilitates increasing LDC deliveries in growing Collin, Denton, and Grayson counties
- Provides increased access to Barnett shale, Oklahoma, and northeast gas supply basins
- Strong corporate relocations continuing in northern area of the DFW metroplex: Toyota, Liberty Mutual Insurance, FedEx Corp and Dallas Cowboys Star Complex - relocations/expansions expect to add about 15K jobs
- Frisco and McKinney are 2 of the nation's 10 fastest-growing cities
- Collin County projected to grow from current population of 865 thousand to 3.8 million by 2050



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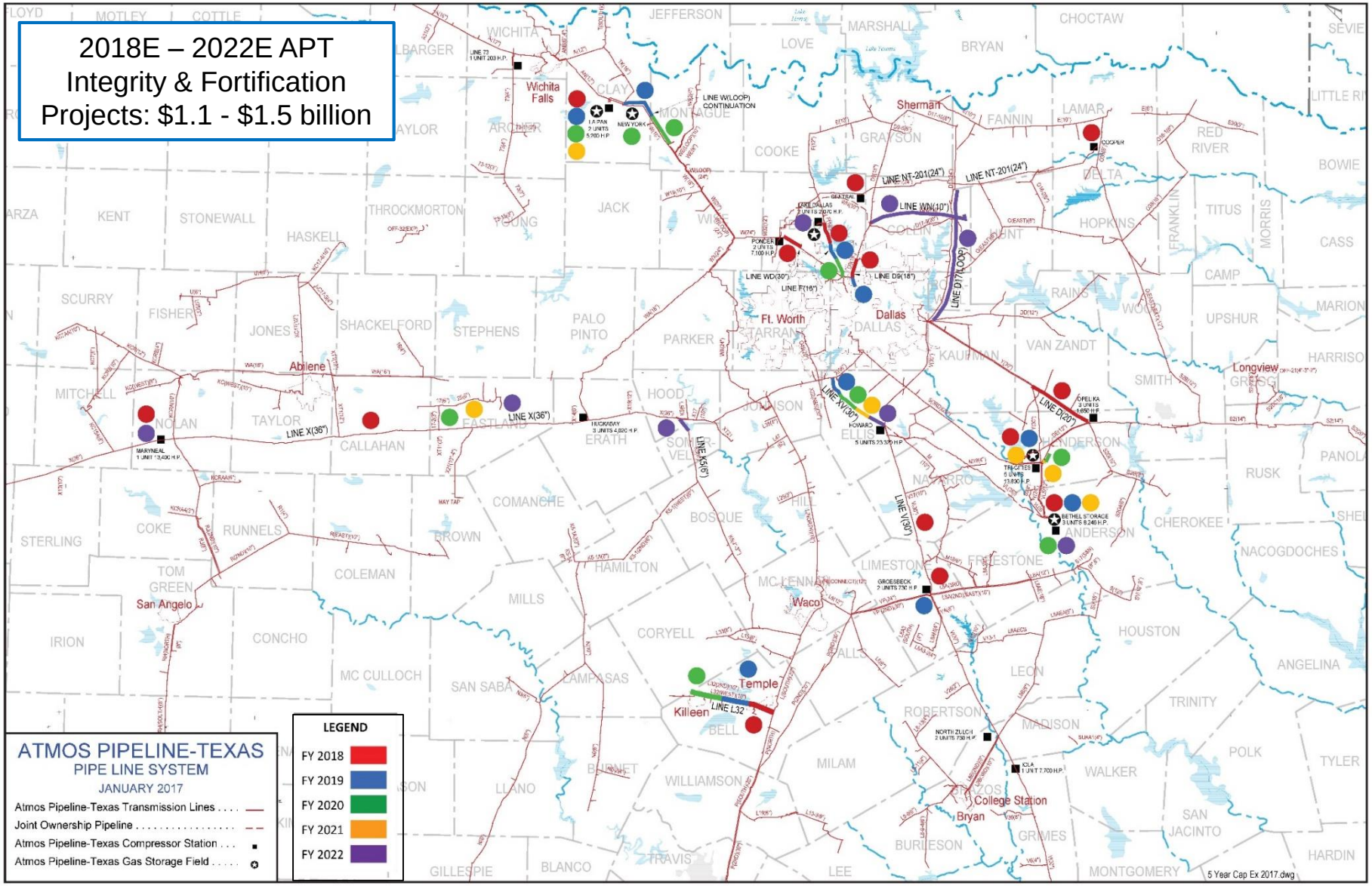
# Atmos Pipeline - Texas Investment Outlook

- Anticipated CAPEX spend of $375- $550 million per year
  - Pipeline integrity / compliance $200 - 300 million
  - Maintenance / replacement $100 - 150 million
  - Fortification / growth $ 50 - 100 million
  - Other / Projects Opportunity driven
- All CAPEX is focused on serving APT's regulated customers
  - System safety
  - Enhance capacities
  - Service reliability
  - Gas supply
- All CAPEX is GRIP eligible



# Atmos Pipeline - Texas
# Partial Capital Projects List

2018E – 2022E APT
Integrity & Fortification
Projects: $1.1 - $1.5 billion



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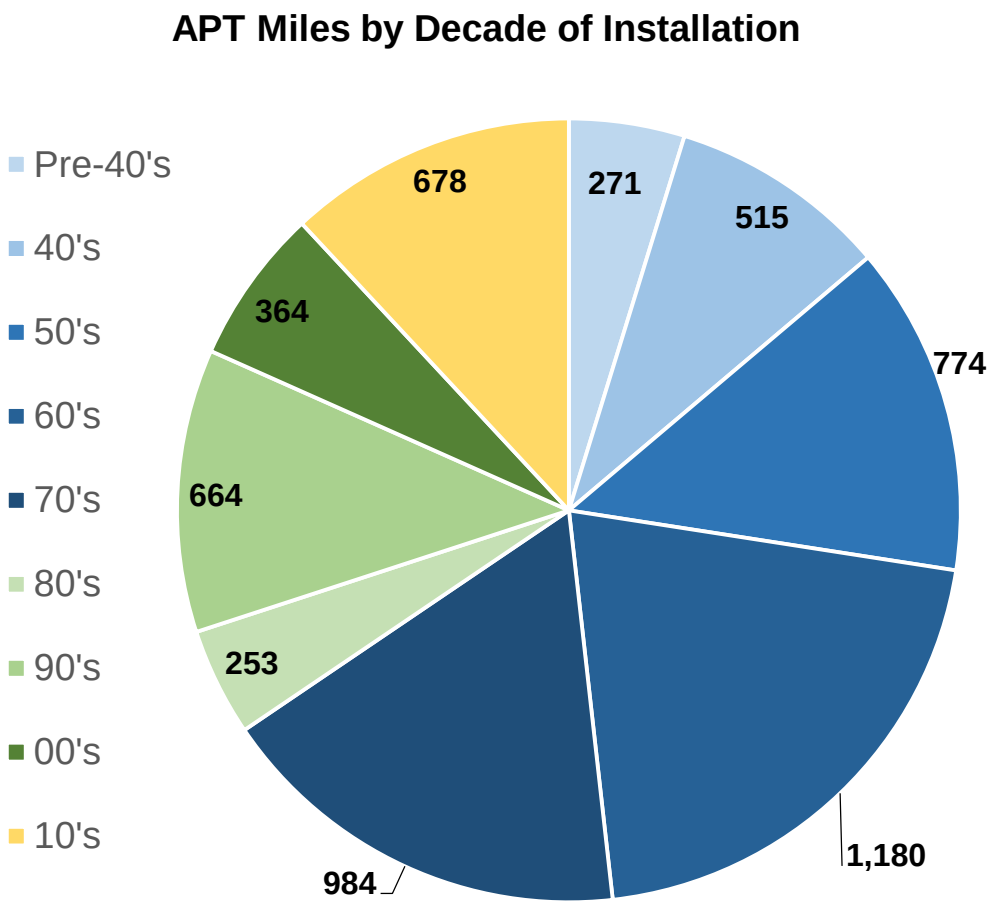
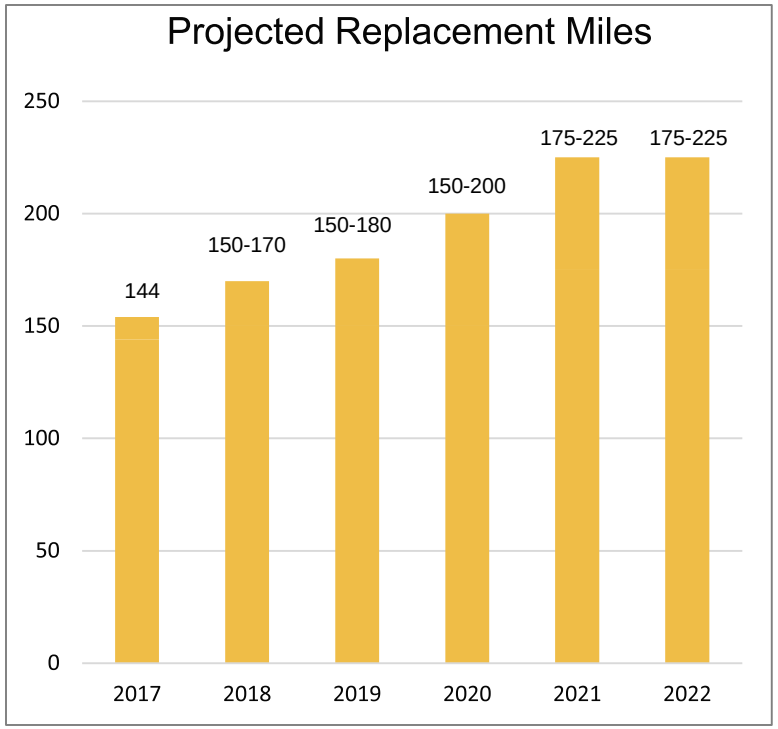
# Atmos Pipeline - Texas
# Ongoing Commitment - Sustainability




*Pre-1970 Inventory: 2,740 miles (49%)*

Source: DOT PHMSA Annual Report 2016



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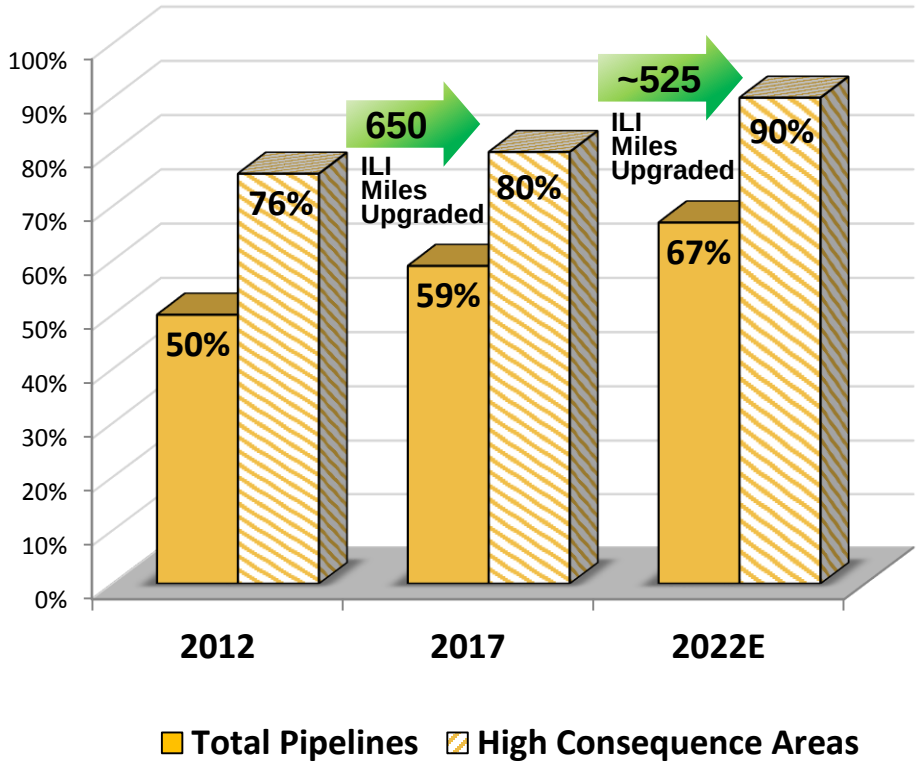
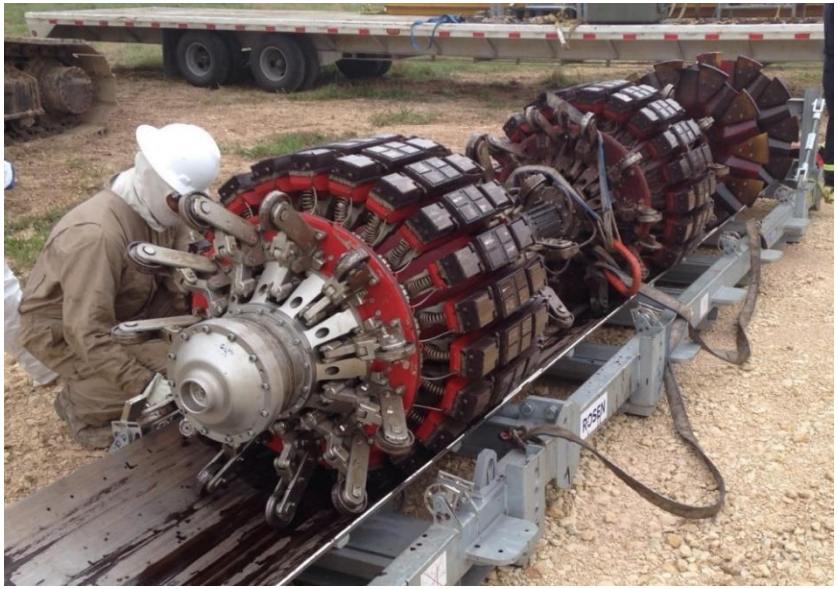
# Atmos Pipeline - Texas
# Pipeline Integrity Management

Approximate Percentage of APT Transmission Pipe Capable of In-Line Inspection



36 inch Electro-Magnetic Acoustic Transducer (EMAT) In-Line Inspection tool being loaded into Line X

## Pipeline Integrity Management drives CapEx investments

- Upgrading lines with pigging facilities
- Replacing valves, fittings, and pipe to allow ILI tool to travel through pipeline
- Assessing and repairing abnormalities by installing weldover sleeves, composite wraps, or replacement of pipe
- Prioritization of pipe replacement based on ILI results
- Installation of remote control valves



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# Urban Pipeline Replacement
# Growth, Maintenance and Integrity






Line F (Denton & Dallas Co) & D9 (Denton & Dallas Co)

- Two Large Urban Replacement Projects in Progress
- 18 miles of 16 inch, $55-$75 million, F2016-F2020
- 10 miles of 20 inch, $25-$35 million, F2017-F2020





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# Metroplex Fortification Project
# Growth, Replacement and Fortification

Line WD (Wise, Denton, Dallas Co)

- 37 miles of 20 inch from Boyd to Coppell
- $95-$105 million CAPEX
- 6 year project (F2016-F2021)





# Groesbeck Compression
# Additional Gas Supply & Reliability

Groesbeck Compression

- Connect / transport approximately 200 MMcf/d of Permian Production
- $40-$45 million CAPEX
- Operational: November 2018
- Supports Austin/Katy Deliverability




Above: Similar unit as the one being installed



*As of November 8, 2017*

# Regulatory Strategy



**David Park**

*Senior Vice President, Utility Operations*

# Evolution of Atmos Energy

**Pre-F2012**

**Focus on integrating acquisitions & reducing volatility in earnings**

Implemented regulatory mechanism to drive more consistent earnings:

- Weather normalization adjustments
- Higher base charges
- Bad debt gas cost recovery
- Pension trackers

**F2012 - F2017**

**Focus on improving system safety through infrastructure replacement**

Implemented annual rate and infrastructure mechanisms to reduce regulatory lag:

- Mechanisms added to six states
- Expense deferrals added to two states

**F2018 – F2022**

**Further refinement of infrastructure investment strategy**

Continue to build on strong foundation of transparency and trust with stakeholders:

- Execution of infrastructure investment projects
- Cost management
- Refinement of mechanisms

# Regulatory Strategy Focused on Safety

## Strong Regulatory Support

- Regulatory Support Has Enabled
  - Replacement of at-risk and aging pipeline
  - Performance of necessary maintenance & monitoring work
  - Employee training to improve safety and compliance with evolving rules and regulation
- Outcome
  - Reduced regulatory lag
  - More predictable earnings & cash flows
  - Long-term sustainable growth opportunity
  - Alignment of stakeholders

# Regulatory and Recovery Mechanisms

## ~ 95% of Annual CAPEX Begins to Earn a Return Within Six Months

| | Regulatory Mechanism | | Recovery Method | | Service Territory Detail | | | Capex |
|---|---|---|---|---|---|---|---|---|
| Jurisdiction | Infrastructure Program | Deferral/ Forward-Looking | Annual Filing | General Case | Meters (thousands) | Rate Base ($ millions) | Rate Base % of Total | F2018E ($ millions) |
| Texas | | | | | | | | |
| ▪ Mid-Tex | 8.209 | ✓ | RRM/DARR/ GRIP | - | 1,385 | 2,363 | 36 | 465 - 485 |
| ▪ Pipeline | GRIP | - | GRIP * | - | NA | 1,768 | 27 | 375 - 450 |
| ▪ West Texas | 8.209 | ✓ | RRM/GRIP | - | 311 | 477 | 7 | 95 - 105 |
| Louisiana | RSC | ✓ | RSC | - | 360 | 542 | 8 | 100 - 110 |
| Mississippi | SIR | ✓ | SRF/SGR/SIR | - | 271 | 426 | 6 | 90 - 100 |
| Kentucky | PRP | ✓ | PRP | ✓ | 182 | 374 | 6 | 70 - 80 |
| Tennessee | - | ✓ | ARM | - | 148 | 303 | 4 | 50 - 60 |
| Kansas | GSRS | - | GSRS | ✓ | 135 | 207 | 3 | 15 - 20 |
| Colorado | SSIR | ✓ | SSIR | ✓ | 118 | 143 | 2 | 20 - 25 |
| Virginia | - | - | - | ✓ | 24 | 48 | 1 | 6 - 8 |

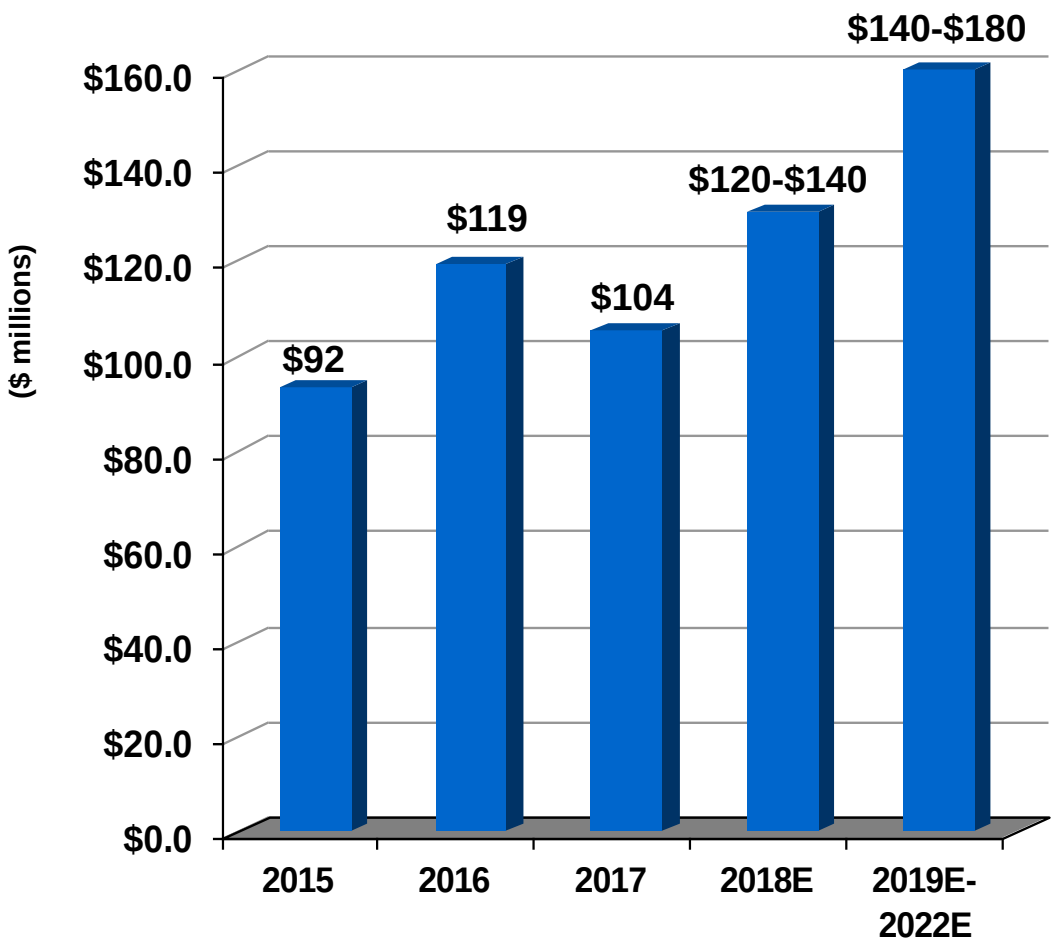
* **Requires a rate case every 5 years**



***As of November 8, 2017***

# Constructive Rate Outcomes Drive Operating Income Growth

## Annualized Increases from Implemented Rate Activity




- Customers and investors benefit from fair and reasonable regulation
- Earning on over 95% of annual CAPEX within 6 months of test year end
- Distribution features:
  - 97% Weather normalization stabilizes rates and margins
  - 76% Bad Debt Recovery insulates margins from the commodity portion of bad debt expense



*As of November 8, 2017*

# Key Regulatory Developments - Fiscal 2018E

## Rate Filing Outlook – Fiscal 2018E

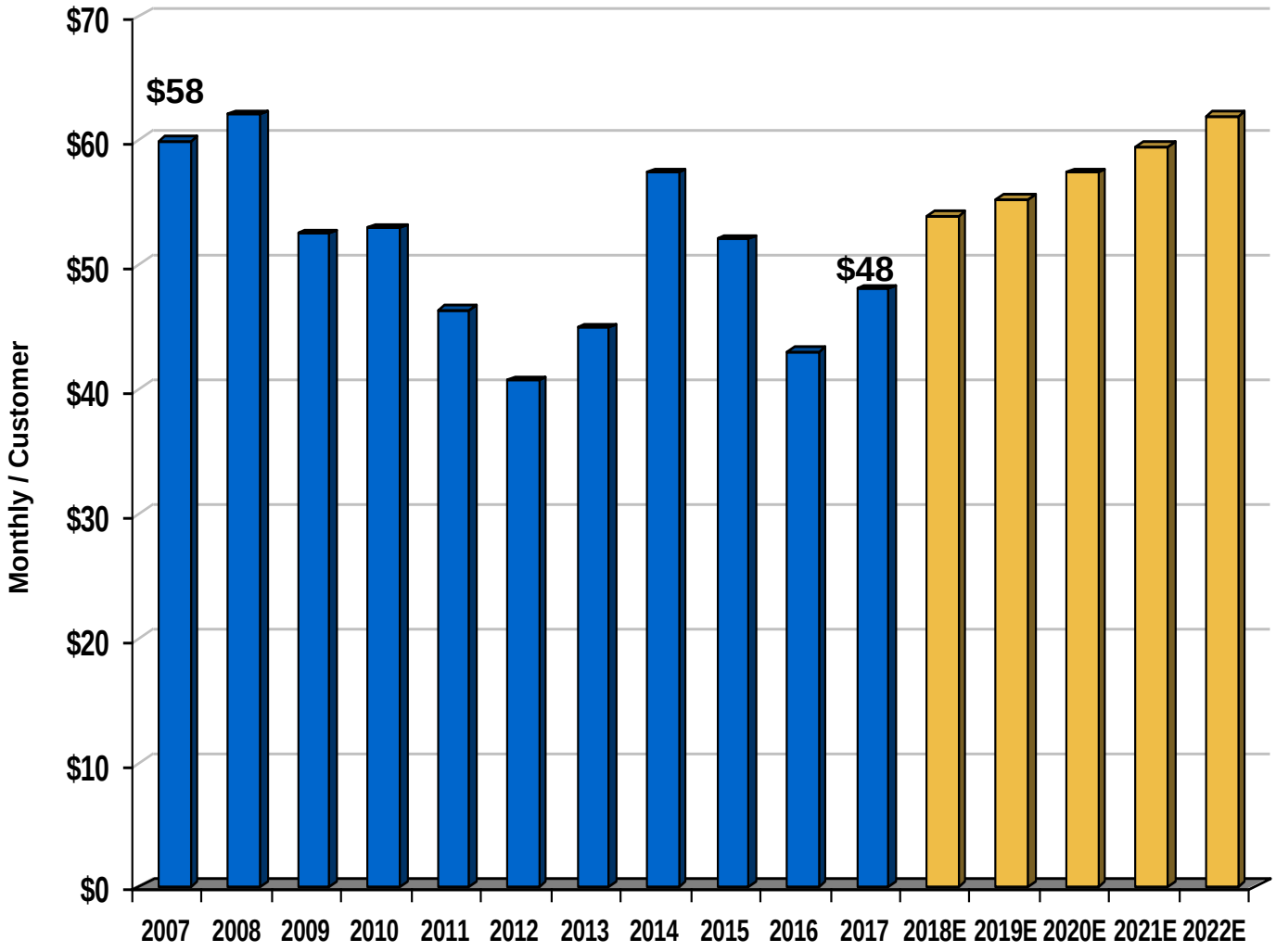
| Q1<br>October – December | Q2<br>January – March | Q3<br>April – June | Q4<br>July –September |
|---|---|---|---|
| Kansas – Anticipate filing Gas System Reliability Surcharge (GSRS) in November 2017; new rates anticipated Q2 fiscal 2018 | Atmos Pipeline Texas (APT) – Anticipate filing 2017 GRIP request in February 2018; new rates anticipated Q3 fiscal 2018 | Mississippi – Anticipate filing System Integrity Rider (SIR) in March 2018; new rates anticipated Q1 fiscal 2019 | Kentucky – Anticipate Pipe Replacement Program (PRP) filing in August 2018 new rates anticipated Q1 fiscal 2019 |
| Colorado – Anticipate filing System Safety and Integrity Rider (SSIR) in November 2017; new rates anticipated Q2 fiscal 2018 | Tennessee – Anticipate filing annual mechanism in February 2018; new rates anticipated Q3 fiscal 2018 | Louisiana – Anticipate LGS annual Rate Stabilization Clause filing in April 2018; new rates anticipated Q4 fiscal 2018 | Mississippi – Anticipate Stable Rate Filing and Supplemental Growth Rider filings in September 2018; new rates anticipated Q1 fiscal 2019 |
| Louisiana – Anticipate filing TransLa jurisdiction annual Rate Stabilization Clause filing in December 2017; new rates anticipated Q3 fiscal 2018 | Mid-Tex Cities – Anticipate Rate Review Mechanism (RRM) filing in March 2018; new rates anticipated fiscal 2018 | | |
| | Texas Environs Customers - Anticipate filing GRIP in March 2018; new rates anticipated Q3 fiscal 2018 | | |
| | West Texas ALDC – Anticipate filing annual GRIP request in March 2018; new rates anticipated Q3 fiscal 2018 | | |
| | West Texas Cities – Anticipate Rate Review Mechanism (RRM) filing in March 2018; new rates anticipated fiscal 2018 | | |



*As of November 8, 2017*

# Average Residential Bill

## Average Customer Bill Remains Affordable




**2018E – 2022E Assumptions**

- Normal weather and consumption
- $1.3 billion - $1.9 billion annual CAPEX
- Average all-in gas cost of $4.50 to $5.50 per mcf



*As of November 8, 2017*

# Monthly Household Bills

## Natural Gas Bills Lowest Among Residential Utilities



| Natural Gas | Water | Cable/Satellite TV | Electric | Mobile Phone |
|---|---|---|---|---|
| $48 | $104 | $106 | $114 | $121 |

**Sources:**

- **Natural Gas $48.** *F2017 Atmos Energy enterprise-wide average monthly residential bill*
- **Water $104.** *Circle of Blue (www.circleofblue.org); 2016 average monthly residential bill of 30 major U.S. cities-does not include sewer or stormwater*
- **Cable/SatelliteTV $106.** *Q3 2017; Leichtman Research Group, Pay-TV in the U.S. 2017*
- **Electric $114.** *Energy Information Administration (www.eia.gov); 2015 average monthly residential bill*
- **Mobile Phone $121.** *Federal Communications Commission (www.fcc.gov); 2016 average monthly bill for 2 smartphones*

# Financial Overview



**Chris Forsythe**

*Senior Vice President and CFO*

# Attractive, Pure-Play Return

## Constructive Regulatory Mechanisms Support Efficient Conversion of Rate Base Growth Opportunities into Financial Results

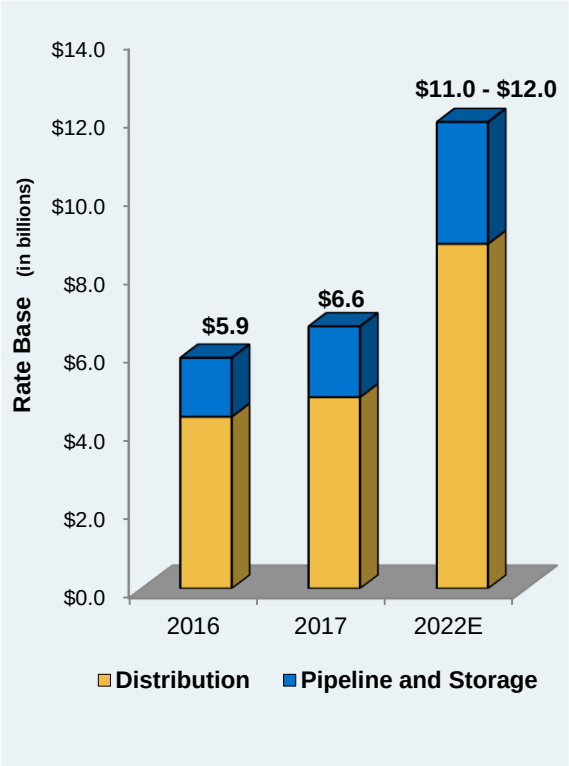
**~ $1.3 billion - $1.9 billion in annual capital investment through 2022**

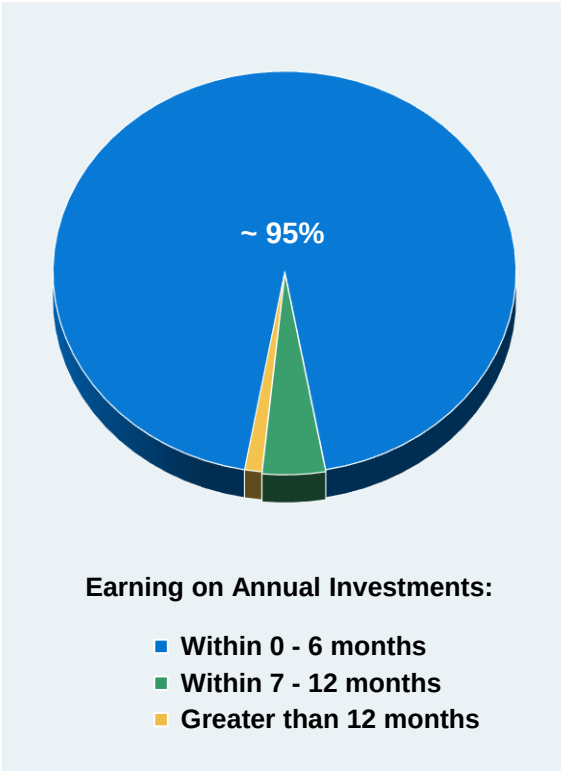
+

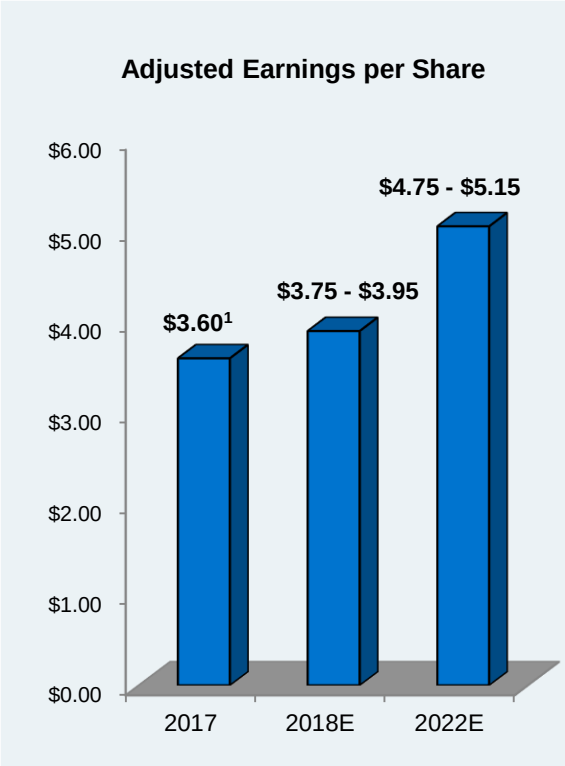
**Constructive rate mechanisms reducing regulatory lag**

=

**6% - 8% Consolidated EPS growth**



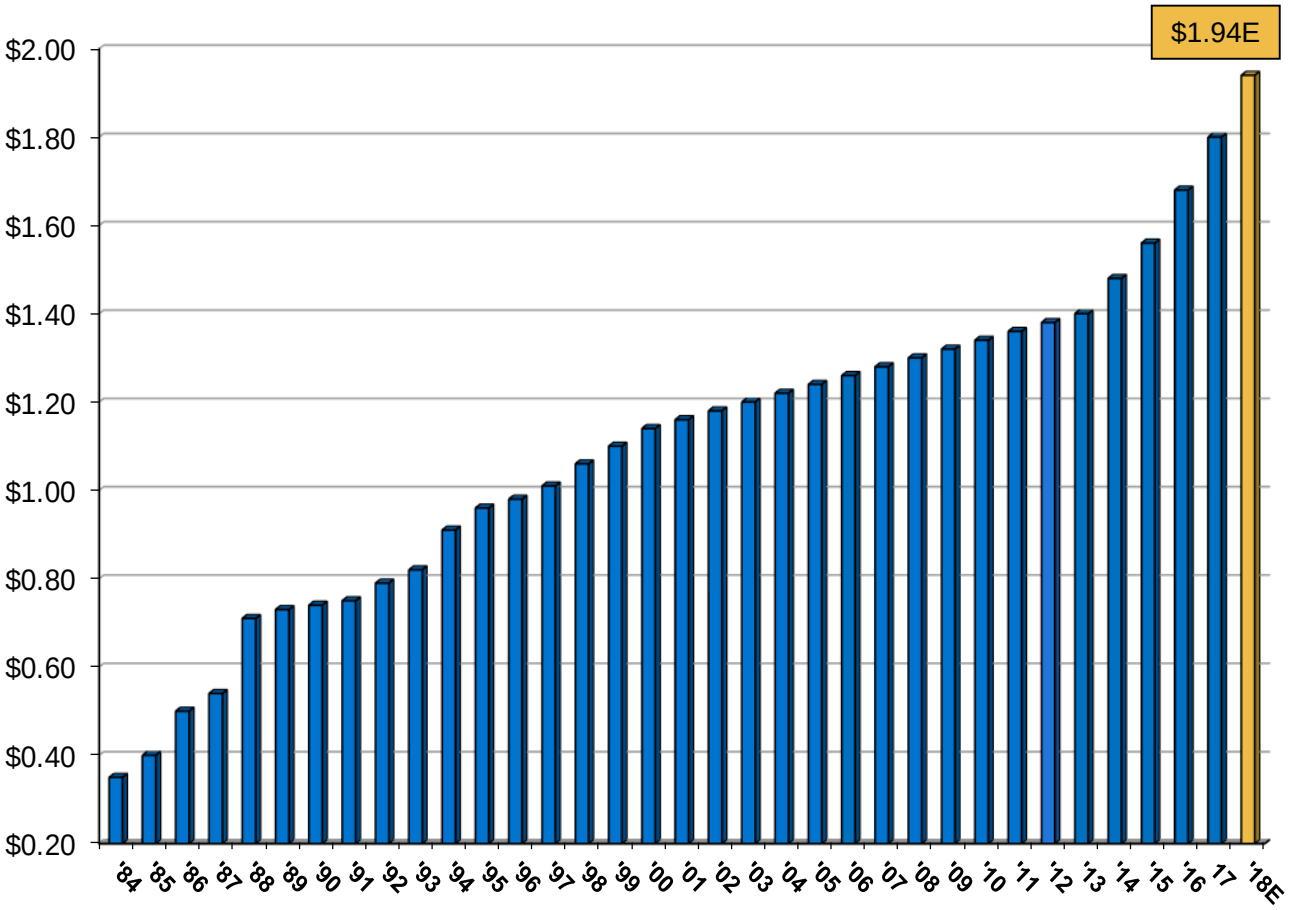

[1] Excludes $0.13 associated with discontinued operations



*As of November 8, 2017*

# Sustainable and Growing Dividend

## 34 Consecutive Years of Dividend Increases




- **Dividend increased 7.8% for Fiscal 2018**
- **The indicated annual dividend rate for Fiscal 2018 is $1.94**
- **Dividend has increased each year for the past 34 years**
- **Targeted payout ratio of 50-55%**

**Note:** Amounts are adjusted for mergers and acquisitions.

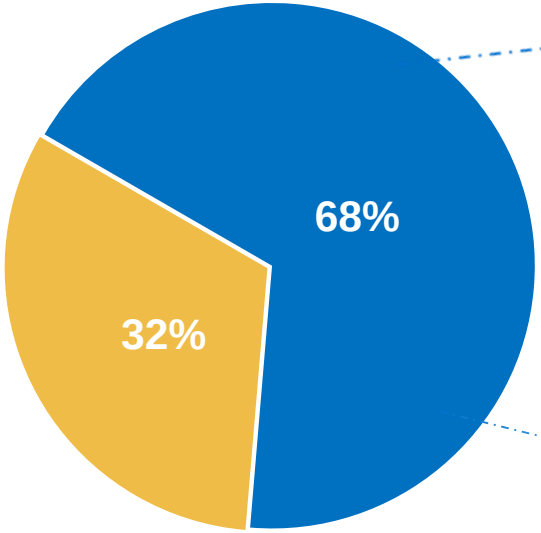


*As of November 8, 2017*

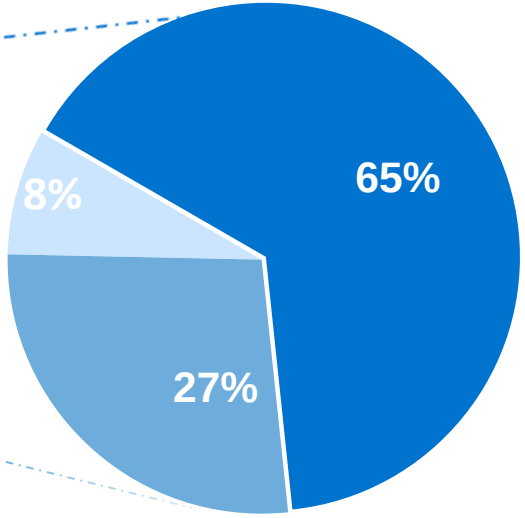
# Regulated Business Mix

## 100% Regulated Assets Creates Stable Revenue Stream

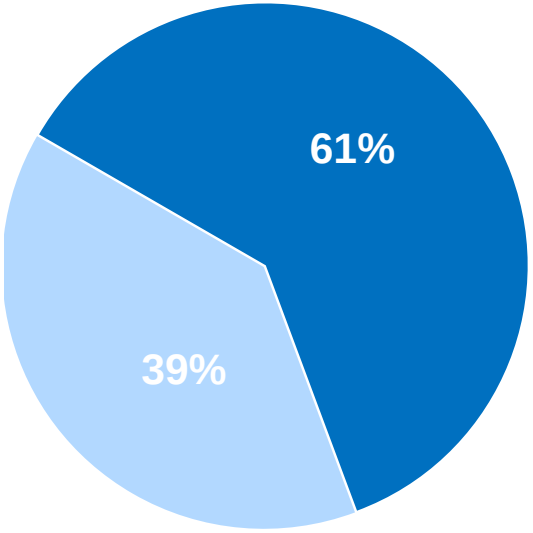
Net Income




Distribution Operating Revenues




Distribution Gross Profit






*As of November 8, 2017*

# Consolidated Financial Results – Fiscal 2017

## Fiscal 2017 Net Income versus Fiscal 2016 Net Income

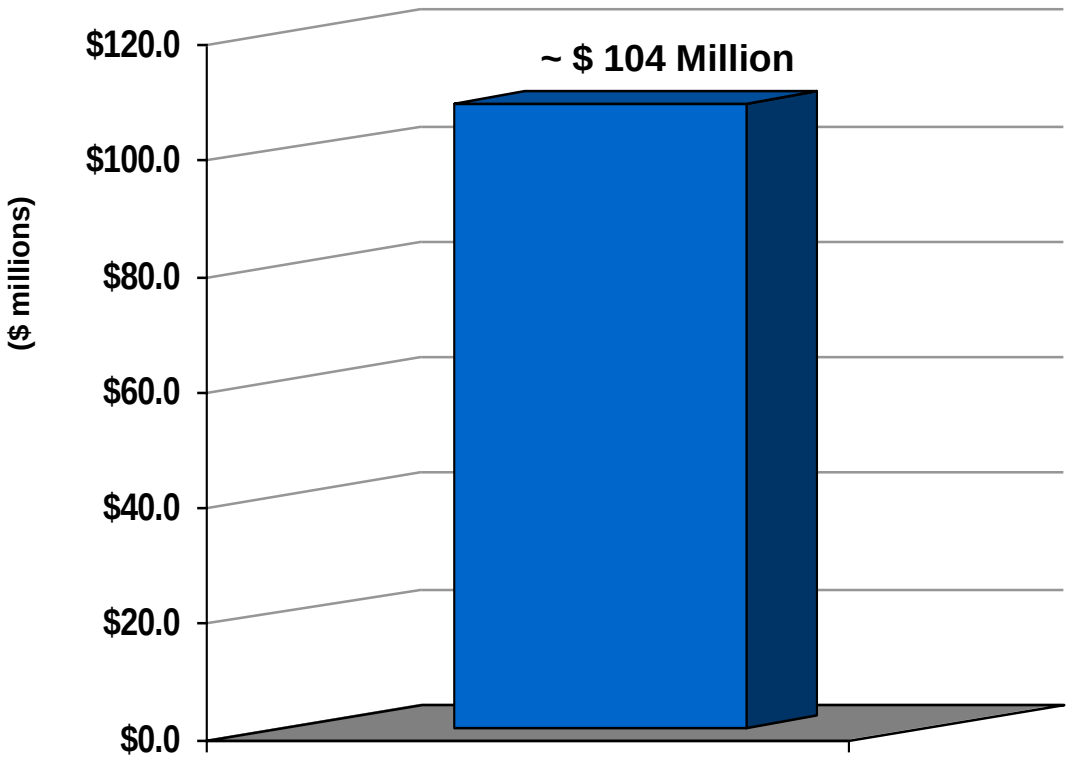
| **Fiscal 2017 Net Income** *($ millions, except EPS)* | **Distribution** | **Pipeline & Storage** | **Natural Gas Marketing** | **TOTAL** | **Average Diluted Shares** | **EPS *** |
|---|---|---|---|---|---|---|
| Net Income | $ 268 | $ 114 | $ 14 | $ 396 | 106.1 | $ 3.73 |
| Less: Discontinued Operations | --- | --- | (14) | (14) | 106.1 | (0.13) |
| Net Income from Continuing Operations | $ 268 | $ 114 | $ --- | $ 382 | 106.1 | $ 3.60 |

| **Fiscal 2016 Net Income** *($ millions, except EPS)* | **Distribution** | **Pipeline & Storage** | **Natural Gas Marketing** | **TOTAL** | **Average Diluted Shares** | **EPS *** |
|---|---|---|---|---|---|---|
| Net Income | $ 234 | $ 111 | $ 5 | $ 350 | 103.5 | $ 3.38 |
| Less: Discontinued Operations | --- | --- | (5) | (5) | 103.5 | (0.05) |
| Net Income from Continuing Operations | $ 234 | $ 111 | $ --- | $ 345 | 103.5 | $ 3.33 |

* Since Atmos Energy has non-vested share-based payments with a nonforfeitable right to dividends, there is a requirement to use the two-class method of computing earnings per share. As a result, EPS cannot be calculated directly from the income statement.

# Key Regulatory Developments - Fiscal 2017

## Annualized Operating Income Increases from Implemented Rate Activity




**Selected Rate Activity**
**Fiscal 2017**

- **$36.2M - Mid-Tex RRM**
- **$13.0M – APT SOI**
- **$ 9.7M - Mid-Tex DARR**
- **$ 9.0M - Mississippi SRF/SGR/SIR**
- **$ 6.7M - Tennessee ARM**
- **$ 6.2M – Louisiana-LGS RSC**
- **$ 5.0M - Kentucky PRP**
- **$ 4.7M - West TX ALDC GRIP**
- **$ 4.4M - Louisiana-TransLa RSC**
- **$ 4.3M - West Texas Cities RRM**

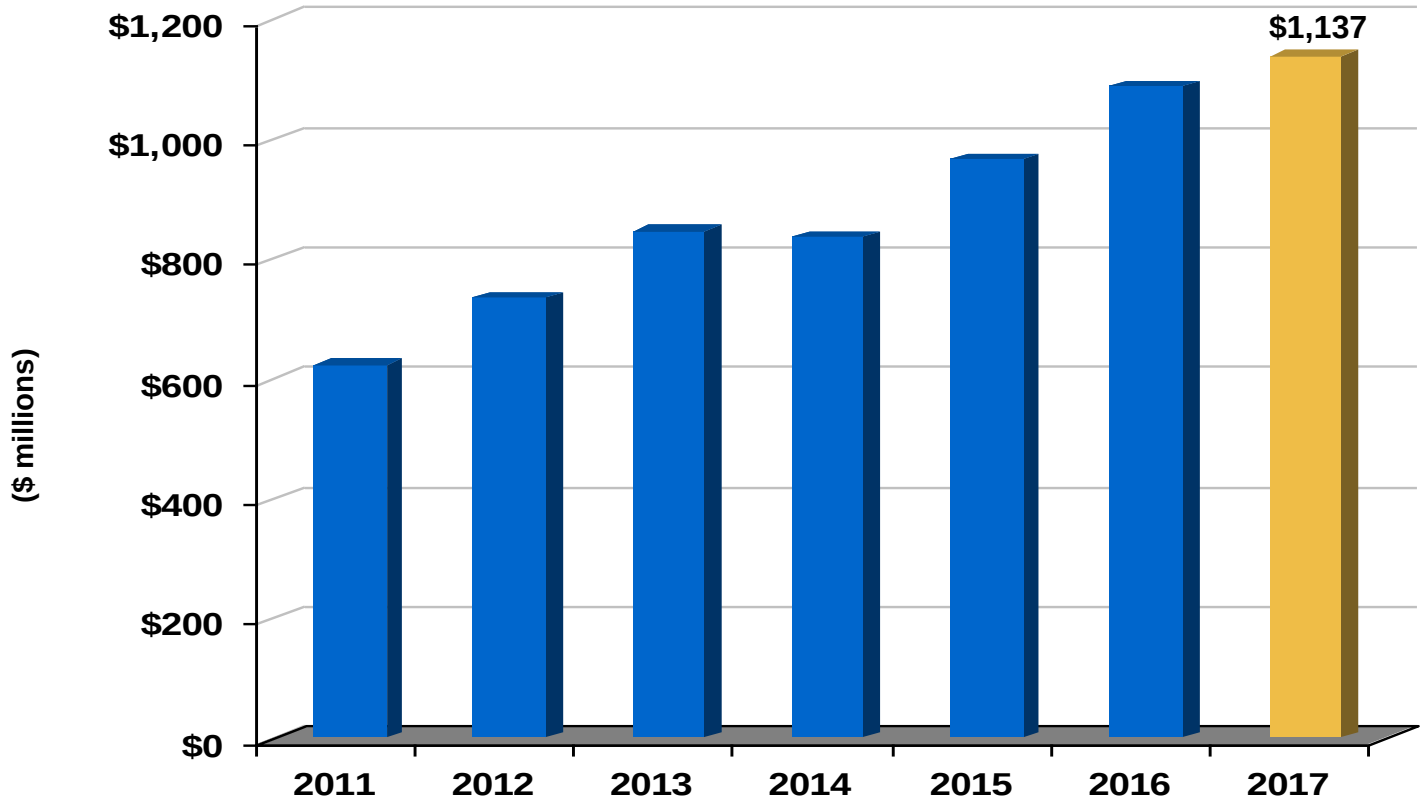


*As of November 8, 2017*

# Capital Spending

## Continued Rate Base Growth Driven by Safety and Reliability Investments

Increased national focus on safety and reliability






*As of November 8, 2017*

# Consolidated Financial Results - Fiscal 2017

## Long-Term Financing Activities

- $875 million in proceeds received from long-term debt financing
  - $500 million of 3.00% senior unsecured notes due 2027
  - $250 million of 4.125% senior unsecured notes due 2044
    - Net proceeds used to repay maturing $250 million of 6.35% senior unsecured notes in June 2017
  - $125 million of incremental financing under our $200 million term loan
- $98.8 million net proceeds received from sale of 1.3M common shares sold under our at-the-market (ATM) program

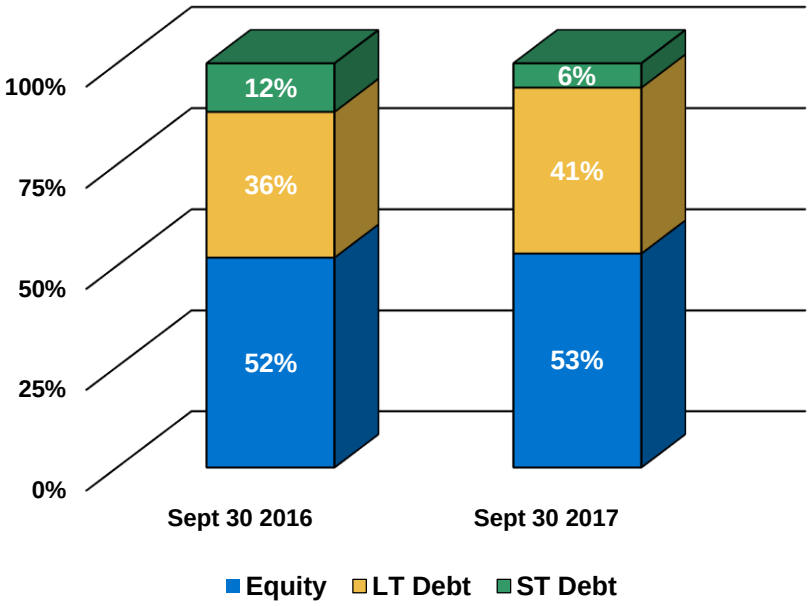


*As of November 8, 2017*

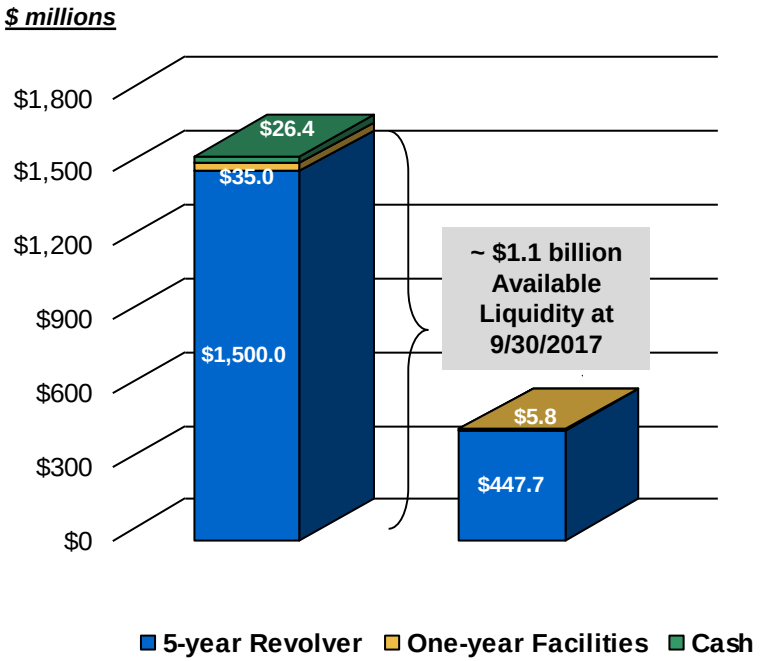
# Strong Financial Foundation

## Capitalization and Liquidity Profile

Total Capitalization at September 30, 2017




Liquidity Profile as of September 30, 2017





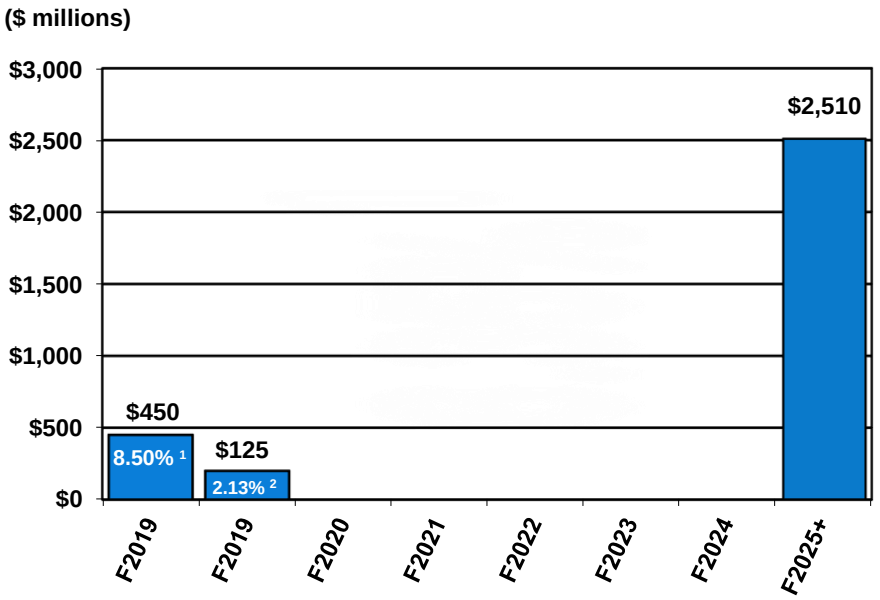

*As of November 8, 2017*

# Strong Financial Foundation

## Improved Weighted Average Cost of Long-Term Debt

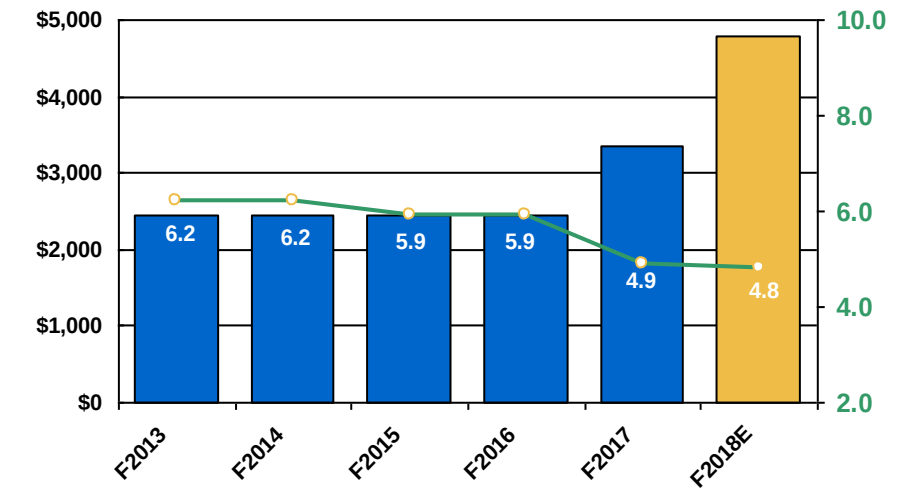
Average maturities about 17 years

**Debt Maturity as of September 30, 2017**




**Net Long - Term Debt**

**Interest Rate %**




[1] These notes mature March 2019. The Treasury yield component associated with the anticipated refinancing of these notes has been effectively fixed at 3.782%.

[2] Drawn under the $200 million floating rate multi-draw loan.

| | Moody's | Standard & Poor's |
|---|---|---|
| ▪ Senior Unsecured | A2 | A |
| ▪ Commercial Paper | P-1 | A-1 |
| ▪ Ratings Outlook | Stable | Stable |



*As of November 8, 2017*

# Fiscal 2018E – 2022E Guidance

# Fiscal 2018E Guidance

## Net Income

| *($ millions, except EPS)* | 2017 Adjusted Net Income | 2018E* |
|---|---|---|
| **Distribution** | **$ 269** | **$ 285 – 305** |
| **Pipeline & Storage** | **114** | **125 – 135** |
| **Total Net Income** | **$ 383** | **$ 410 – 440** |
| **Avg. Diluted Shares** | **106.1** | **110.0 – 112.0** |
| **Earnings Per Share [1, 2]** | **$ 3.60** | **$ 3.75 – $3.95** |

* Expected results for fiscal 2018 assumes normal weather. Changes in events or other circumstances that the Company cannot currently anticipate could materially impact earnings, and could result in earnings for fiscal 2018 significantly above or below this outlook.

[1] Since Atmos Energy has non-vested share-based payments with a non-forfeitable right to dividends, there is a requirement to use the two-class method of computing earnings per share. As a result, EPS cannot be calculated directly from the income statement.

[2] Fiscal 2017 earnings are adjusted to exclude earnings from discontinued operations of $14 million or $0.13 per share as a result of divesting Atmos Energy Marketing in 2Q17.

# Fiscal 2018E Guidance

## Selected Expenses

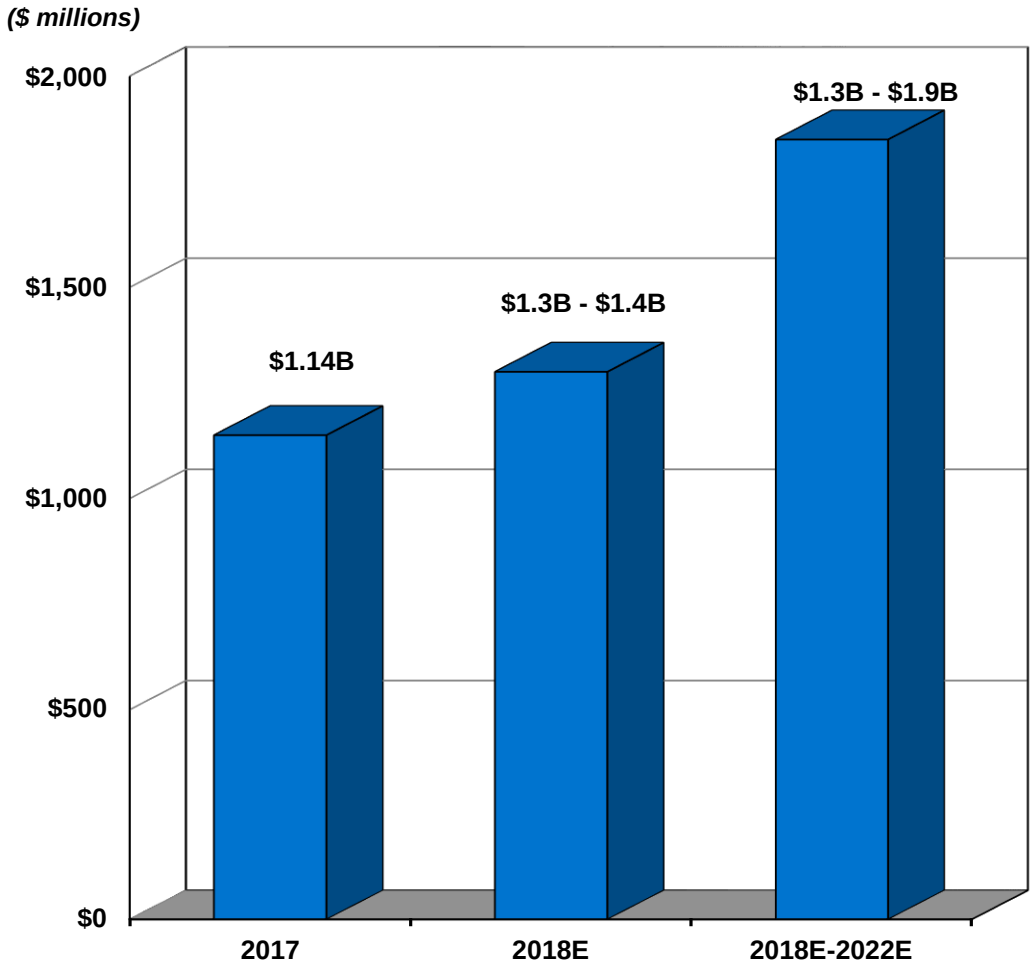
| *($ millions)* | Fiscal 2017 | Fiscal 2018E* |
|---|---|---|
| O&M | $ 547 | $ 525 – 555 |
| D&A | $ 321 | $ 350 – 370 |
| Interest | $ 118 | $ 125 – 135 |
| Income Tax | $ 221 | $ 240 – 270 |
| Effective Tax Rate | 36.6% | 36% - 38% |

* Expected results for fiscal 2018 assumes normal weather. Changes in events or other circumstances that the Company cannot currently anticipate could materially impact earnings, and could result in earnings for fiscal 2018 significantly above or below this outlook.

# Capital Expenditures Drive Rate Base Growth

## Consolidated 2018E Capital Expenditures of $1.3 billion - $1.4 billion

Over 95% of annual CAPEX begins to earn a return within 6 months from end of test year




**Safety & Reliability ~$1.0 - $1.1B**

- **System integrity**-replacement of pipe, leak repairs and cathodic protection
- **Pipeline integrity**-includes replacement of pipelines, installation of pigging facilities, and other state and federal integrity management compliance costs
- **Other system improvements**-system enhancements and AMI

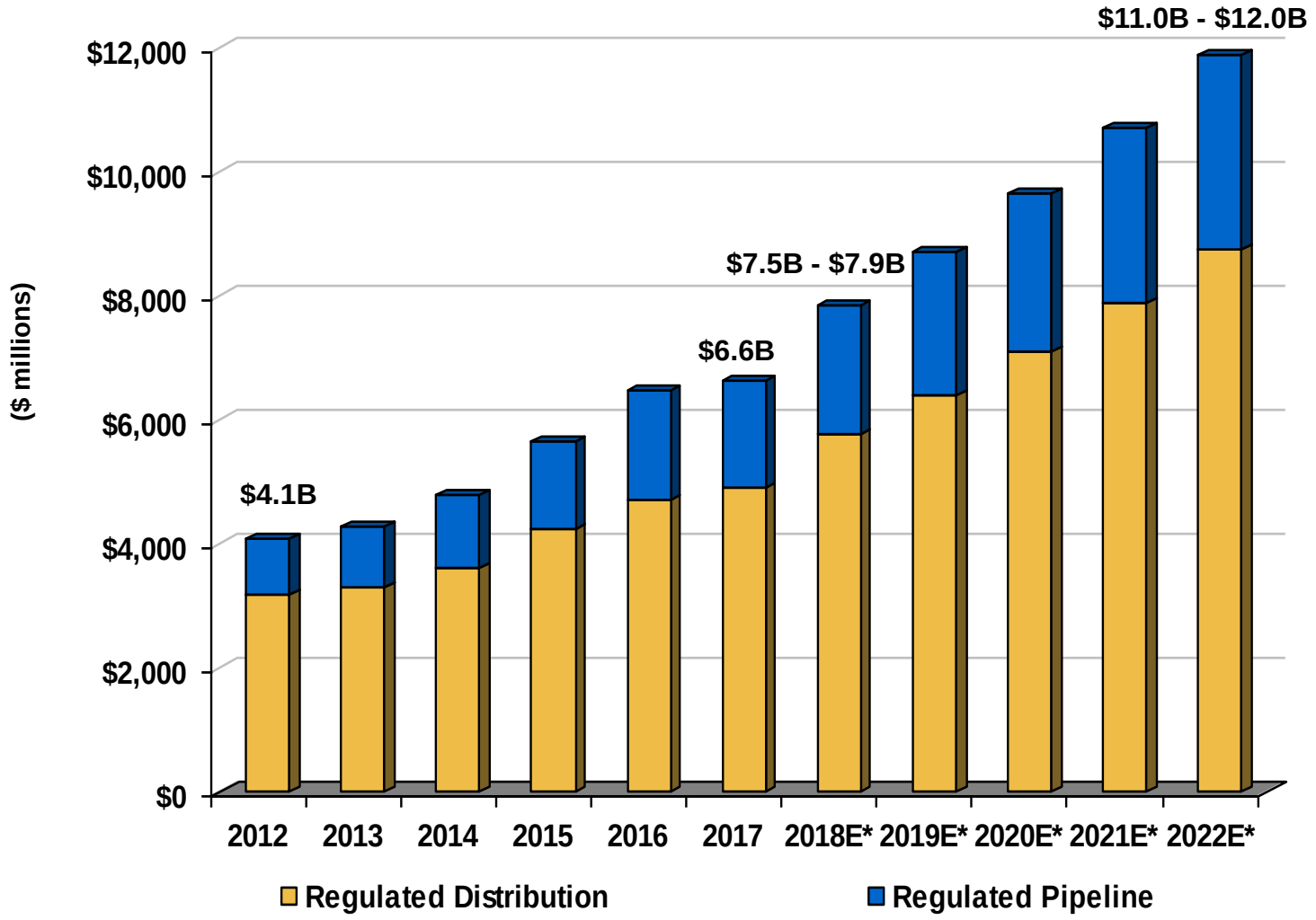


*As of November 8, 2017*

# Capital Spending Drives Rate Base Growth

## Strong Regulated Rate Base Growth

Focused on enhancing system safety and reliability




* Regulated rate base as estimated at the end of each fiscal year



*As of November 8, 2017*

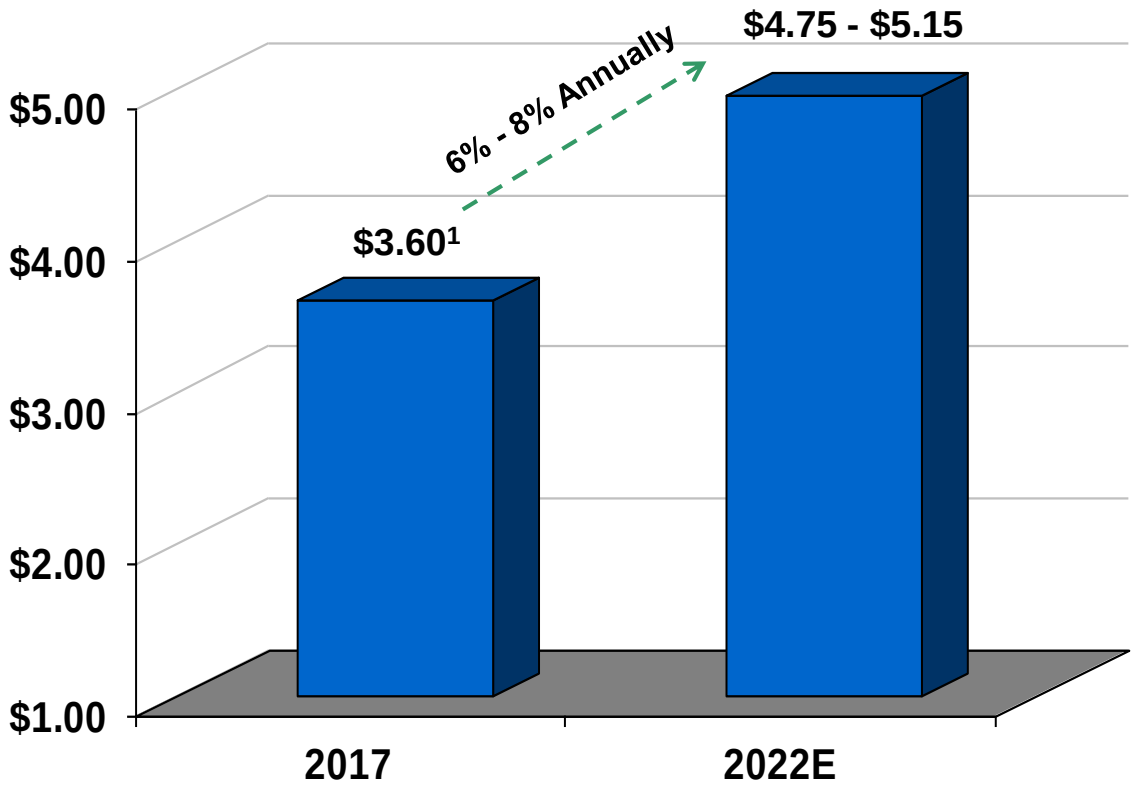
# Anticipated Financing Plans
# Fiscal 2018E – Fiscal 2022E

- Currently anticipate incremental long-term financing of $3.0 - $3.5 billion through fiscal 2022
- A substantial portion of our capex program is funded by free cash flow.
- Funded annually via cash flows, issuance of debt and equity securities to maintain a balanced capital structure with an equity-to-capitalization ratio in a target range of 50 to 60 percent, inclusive of short-term debt
- New $500 million At-The-Market equity issuance program included in financing plans
- Short-term debt utilized to provide cost-effective financing until it can be replaced with a mix of long–term debt and equity financing
- Based on estimated spending levels of $1.3 billion to $1.9 billion annually through fiscal 2022

***Financing plans are reflected in our earnings and EPS growth estimates for Fiscal 2018 through Fiscal 2022***

# Earnings Per Share Expected to Grow Between 6% - 8% Annually

## Driving Annual Shareholder Returns of 8% - 10%




**Key Assumptions**

- Capital expenditures of $1.3 billion - $1.9 billion annually, financed with a blend of long-term debt & equity
- Maintain existing regulatory mechanisms for infrastructure investment
- Normal weather
- O&M expense inflation rate of 1.5% - 2.5% annually
- Approximately $3.0 billion to $3.5 billion of incremental financing through Fiscal 2022

[1] Excludes $0.13 per share of income from discontinued operations related to the sale of the marketing business



*As of November 8, 2017*

# Summary

**Mike Haefner**

# 2018 Challenges & Opportunities

## Atmos Well Positioned

- Track Record of Consistent Earnings Growth
- 100% Regulated
- Constructive Regulatory Jurisdictions
- Long Runway of Opportunity to Invest for Growth

## Opportunities

- Continued Investment in Safety & Reliability
- Stable Rate Treatments
- System Growth Opportunities
- Emerging Technologies
- Stable Affordable Gas Prices

## Challenges

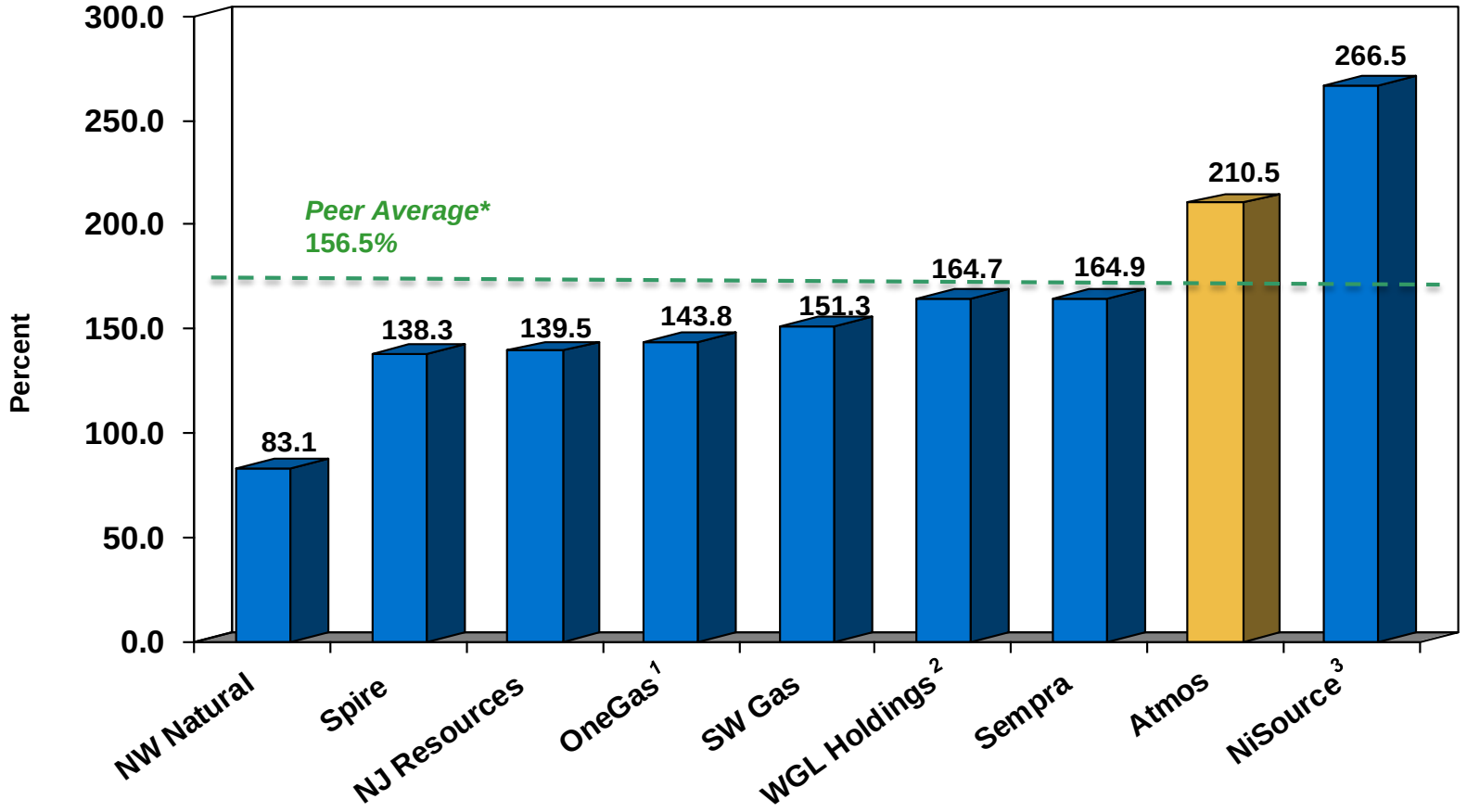
- Evolving Safety and Asset Record Retention Regulations
- Continued Operational Execution
- Skilled Workforce
- Uncontrollable Macro Variables
- Preserving Constructive Rate Making Environments



*As of November 8, 2017*

# Total Shareholder Return

## Since Implementing Growth through Infrastructure Investment Strategy




* Peer Average excludes ATO
1 OneGas beginning 1/16/14
2 AltaGas announces acquisition of WGL 1/25/17
3 NI beginning 7/2/15, subsequent to spin-off of CPGX

# Key Takeaways

## A Pure-Play, High-Growth Natural Gas Delivery Investment Proposition

| | |
|---|---|
| **Pure-Play** | EPS and dividend growth of 6% - 8% |
| **Asset Base** | 85% of rate base and capex in constructive regulatory states of Texas, Louisiana, and Mississippi |
| **Rate Base Growth** | Rate base growth of 10% - 12% driven by reinvestment in infrastructure |
| **Financial Foundation** | Proven record of consistent earnings and dividend growth with conservative balance sheet |

**Sustainable execution drives annual shareholder return of 8% - 10%**



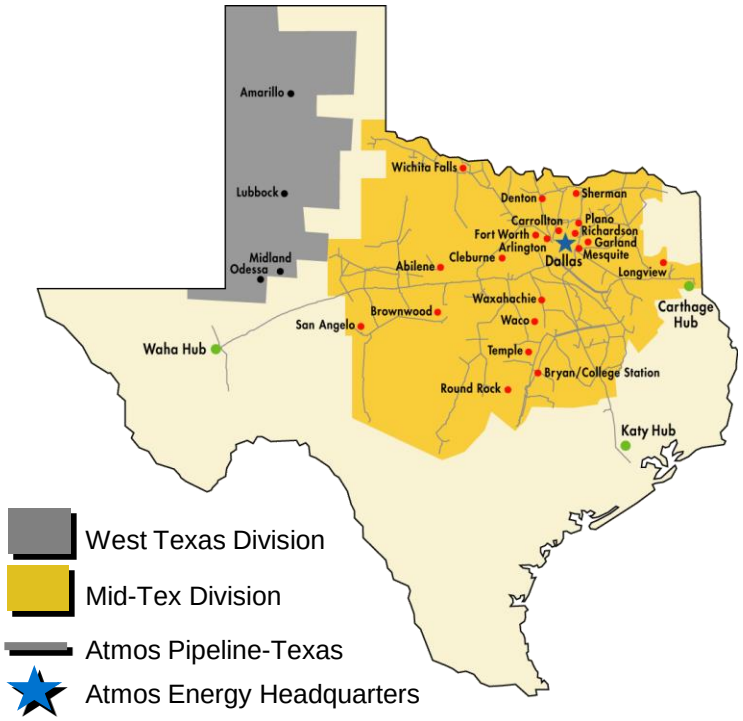
*As of November 8, 2017*

# Appendix

# Pipeline and Storage Operations

## Atmos Pipeline - Texas

- About 5,600 miles of intrastate pipeline
- Working storage capacity of 46 Bcf
- Railroad Commission of Texas (RRC): 3 elected commissioners, with six-year staggered terms
- Rates updated annually through GRIP (Gas Reliability Infrastructure Program)
  - Approved change in net utility plant investment incurred in the prior calendar year; based on existing returns
  - Requires general rate case every 5 years
- Straight fixed/variable rates
- Rider Rev margin normalization credited to tariff-based customers; $64.5 million benchmark




| Jurisdiction | Effective Date of Last Rate Action | Date of Last Rate Filing (Pending) | Authorized/ Requested Operating Income $ millions | Rate Base $ thousands | Requested Rate Base $ thousands | Authorized Rate of Return | Requested Rate of Return | Authorized Return on Equity | Requested Return on Equity | Authorized Debt/Equity Ratio | Requested Debt/Equity Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Atmos Pipeline-Texas (GUD 10580) | 8/1/17 | | $13.0 | $1,767,600 | | 8.87% | | 11.50% | | 47/53 | |
| Atmos Pipeline-Texas GRIP | | 9/1/17 | $29.0 | | $1,888,492 | 8.87% | | 11.50% | | 47/53 | |

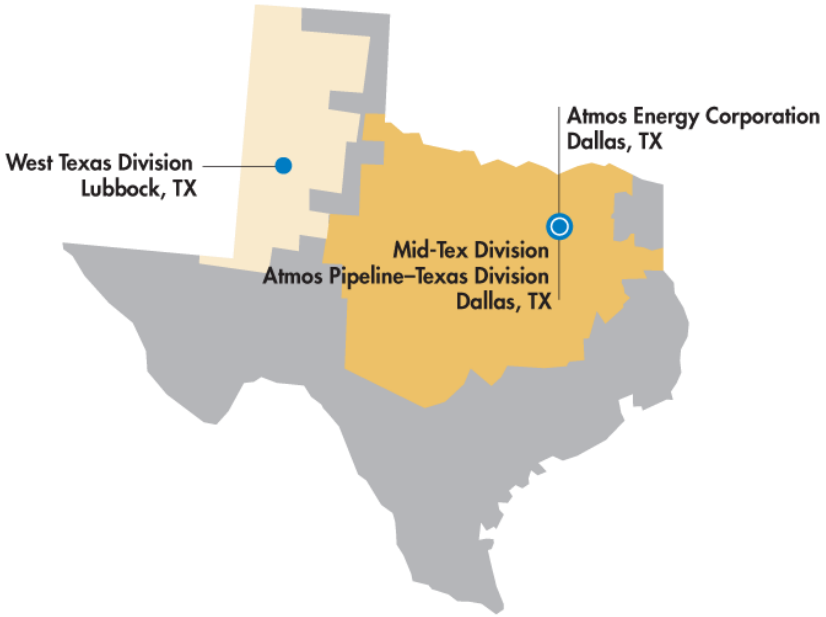


*As of November 8, 2017*

# Distribution Operations

## Mid-Tex Division

- Largest natural gas distributor in TX; serves ~ 550 communities
- Net customer growth of 1.1%; about 18,200 customers in F2017
- Approximately 29,000 miles of distribution pipe
- Each municipality has original jurisdiction
- Railroad Commission of Texas (RRC) has appellate jurisdiction and original jurisdiction over environs customers
- Annual Rate Review Mechanism to update rates for approximately 80% of customers
- Dallas Annual Rate Review (DARR) updates rates and replaces GRIP filings for approximately 15% of customers – City of Dallas
- GRIP filings update rates for approximately 5% of customers – Environs; based on existing returns and the change in net utility plant investment
- Weather normalization from November - April
- Rule 8.209 – System safety and reliability capital deferral mechanism
- Bad debt gas cost & pension post-retiree expense deferral




| Jurisdiction | Effective Date of Last Rate Action | Date of Last Rate Filing (Pending) | Authorized/ Requested Operating Income $ millions | Rate Base $ thousands (1) | Requested Rate Base $ thousands (1) | Authorized Rate of Return | Requested Rate of Return | Authorized Return on Equity | Requested Return on Equity | Authorized Debt/Equity Ratio | Requested Debt/Equity Ratio | Meters at 9/30/17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mid-Tex City of Dallas SOI | | 8/18/17 | $2.2 | | $2,480,157 | 8.57% | 8.15% | 10.50% | 10.50% | 48/52 | 44/56 | N/A |
| Mid-Tex Cities 2016 RRM | 6/1/17 | | $36.2 | $2,362,937 | | 8.36% | | 10.50% | | 45/55 | | 1,384,965 |
| Appealed Mid-Tex Dallas DARR (GUD 10640) | 6/1/16 | 6/1/17 | $5.4 $9.7 | $2,076,415 | $2,273,567 | 8.28% | 8.38% | 10.10% | 10.10% | 41/59 | 41/59 | 229,496 |
| Mid-Tex Environs GRIP (GUD 10607) | 5/23/17 | | $1.6 | $2,204,407 | | 8.57% | | 10.50% | | 48/52 | | 58,120 |

(1) Rate base for Mid-Tex Cities, Environs and Dallas represented on a "system-wide" basis

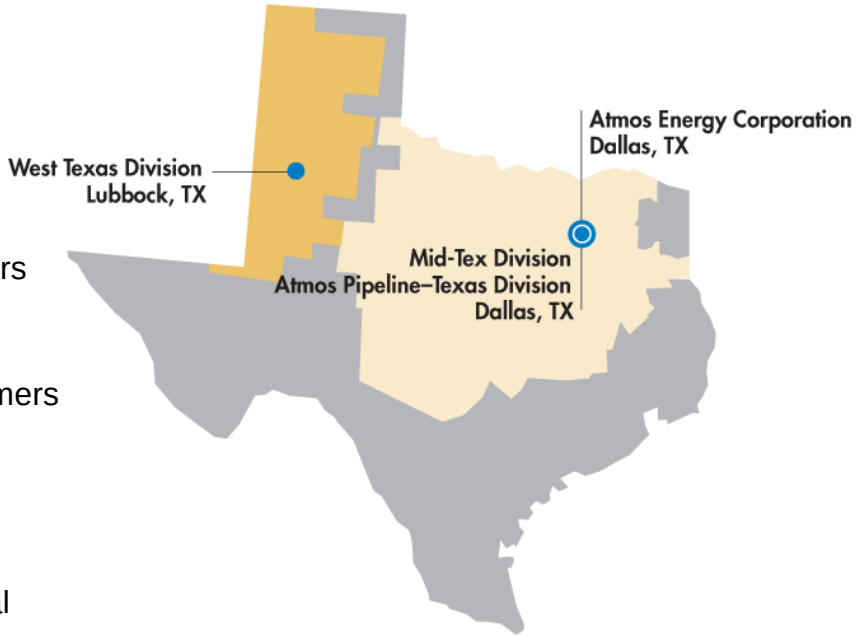


*As of November 8, 2017*

# Distribution Operations

## West Texas Division

- Serves about 80 communities
- Net customer growth of 0.6%; about 1,700 customers in F2017
- Approximately 7,700 miles of distribution pipe
- Each municipality has original jurisdiction
- Railroad Commission of Texas (RRC) has appellate jurisdiction and original jurisdiction over environs customers
- Annual Rate Review Mechanism updates rates for approximately 50% of customers
- GRIP filings update rates for approximately 50% of customers (Amarillo, Lubbock, Dalhart, Channing)
- Weather normalization from October – May
- Rule 8.209 – System safety and reliability capital deferral mechanism
- Bad debt gas cost & pension post-retiree expense deferral




| Jurisdiction | Effective Date of Last Rate Action | Date of Last Rate Filing (Pending) | Authorized/ Requested Operating Income $ millions | Rate Base $ thousands (1) | Requested Rate Base $ thousands (1) | Authorized Rate of Return | Requested Rate of Return | Authorized Return on Equity | Requested Return on Equity | Authorized Debt/Equity Ratio | Requested Debt/Equity Ratio | Meters at 9/30/17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| West Texas Division SOI | 4/1/14 | | $ 8.4 | $ 324,264 | | (2) | | (2) | | (2) | | 311,188 |
| WTX Cities RRM | 3/15/17 | | $ 4.3 | (2) | | (2) | | 10.50% | | (2) | | N/A |
| WTX ALDC GRIP (3) | 4/25/17 | | $ 4.7 | $ 476,665 | | 8.57% | | 10.50% | | 48/52 | | N/A |
| WTX Environs GRIP (3) (GUD 10608) | 5/23/17 | | $ 0.9 | $ 476,665 | | 8.57% | | 10.50% | | 48/52 | | N/A |

(1) Rate base is represented on a "system-wide" basis
(2) Not included in the respective state commission's final decision
(3) GRIP filings are based on existing returns and the change in net utility plant investment



*As of November 8, 2017*

# Distribution Operations

## Louisiana Division

- Serves about 300 communities
- Net customer growth of 0.3%; about 1,100 customers in F2017
- Over 8,300 miles of distribution pipe
- Public Service Commission – 5 elected commissioners, serve staggered 6-year terms
- Rates updated annually through the Rate Stabilization Clause (RSC), which contains a safety and reliability mechanism (SIIP) that includes deferral of carrying costs
- Weather normalization in place from December – March
- Post-retiree expense averaging




| Jurisdiction | Effective Date of Last Rate Action | Date of Last Rate Filing (Pending) | Authorized/ Requested Operating Income $ millions | Rate Base $ thousands | Requested Rate Base $ thousands | Authorized Rate of Return | Requested Rate of Return | Authorized Return on Equity | Requested Return on Equity | Authorized Debt/Equity Ratio | Requested Debt/Equity Ratio | Meters at 9/30/17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LGS (U-34424) | 9/20/17 | | $6.2 | $ 385,435 | | 7.43% | | 9.80% | | 47/53 | | 283,135 |
| Trans La (U-34343) | 9/20/17 | | $ 4.4 | $ 156,200 | | 7.50% | | 9.80% | | 47/53 | | 76,429 |



*As of November 8, 2017*

# Distribution Operations

## Mississippi Division

- Serves about 110 communities
- Net customer growth of -0.1%; about -300 customers in F2017
- Over 6,500 miles of distribution pipe
- Public Service Commission – 3 elected commissioners with 4-year terms; terms expire January 2020
- Rates updated annually through Stable Rate Filing (SRF) for capital and expenses; forward-looking capital and associated costs
  - System Integrity Rider (SIR) is a separate safety and reliability mechanism that includes capital spending and associated costs
  - Supplemental Growth Rider (SGR) is a separate mechanism that encourages system expansion to support industrial development
- Weather normalization in place from November - April




| Jurisdiction | Effective Date of Last Rate Action | Date of Last Rate Filing (Pending) | Authorized/ Requested Operating Income $ millions | Rate Base $ thousands | Requested Rate Base $ thousands | Authorized Rate of Return | Requested Rate of Return | Authorized Return on Equity | Requested Return on Equity | Authorized Debt/Equity Ratio | Requested Debt/Equity Ratio | Meters at 9/30/17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mississippi SRF (2005-UN-0503) | 1/12/17 | 9/5/17 | $ 4.4<br>$ 4.2 | $ 387,252 | $376,956 | 7.85% | 7.60% | 9.73% | 9.92% | 47/53 | | 270,754 |
| Mississippi SGR (2013-UN-023) | 1/1/17 | 9/5/17 | $ 1.3<br>$ 1.4 | $ 17,437 | $ 8,891 | 9.04% | 8.69% | 12.00% | 12.00% | 47/53 | | N/A |
| Mississippi SIR (2015-UN-049) | 1/1/17 | 9/5/17 | $ 3.3<br>$ 8.1 | $ 21,345 | $ 47,757 | 7.85% | 7.60% | 9.73% | 9.92% | 47/53 | | N/A |

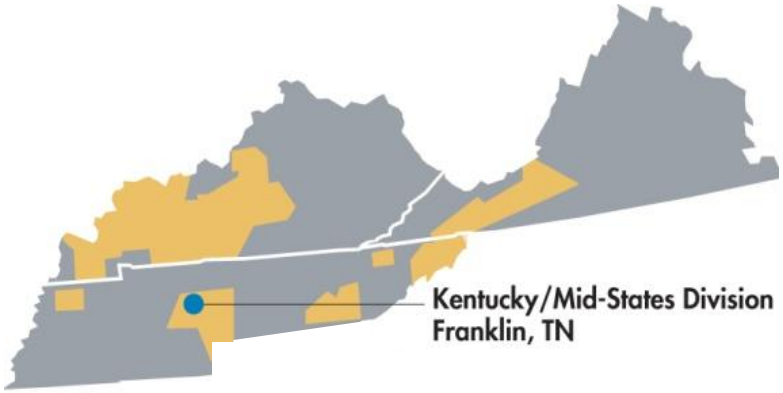


*As of November 8, 2017*

# Distribution Operations

## Kentucky/Mid-States

- Serves about 230 communities in 3 states
- Net customer growth of 1.1%; about 3,700 customers in F2017
- About 8,300 miles of distribution pipe
- KY: 3 appointed commissioners, 4-year staggered terms
  - Traditional rates with forward-looking costs of service
  - Annual PRP adjusts bills annually for anticipated CAPEX
  - Weather normalization from November – April
  - Bad debt gas cost recovery
- TN: 5 appointed commissioners, 4-year terms
  - Annual rate making mechanism with forward-looking costs of service and true-up filing
  - Weather normalization from November – April
  - Bad debt gas cost recovery, pension cash contributions recovered as incurred
- VA: 3 appointed commissioners, 6-year staggered terms
  - Annual forward-looking infrastructure mechanism (SAVE)
  - Weather normalization January – December
  - Bad debt gas cost recovery




| Jurisdiction | Effective Date of Last Rate Action | Date of Last Rate Filing (Pending) | Authorized/ Requested Operating Income $ millions | Rate Base $ thousands | Requested Rate Base $ thousands | Authorized Rate of Return | Requested Rate of Return | Authorized Return on Equity | Requested Return on Equity | Authorized Debt/Equity Ratio | Requested Debt/Equity Ratio | Meters at 9/30/17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Kentucky (2017-00349) | 8/5/16 | 9/28/17 | $ 2.7<br>$ 4.8 | $ 335,833 | $430,095 | (1) | 7.73 | (1) | 10.30 | (1) | 47/53 | 181,638 |
| Kentucky PRP (2017-00308) | 11/14/16 | 7/28/17 | $ 5.0<br>$ 5.6 | $ 38,173 | $ 42,401 | 7.71% | | 9.80% | | 51/49 | | N/A |
| Tennessee ARM (17-00012) | 6/1/17 | | $ 6.7 | $ 302,953 | | 7.49% | | 9.80% | | 47/53 | | 147,620 |
| Virginia (PUE-2015-00119) | 11/7/16 | | $ 0.0 | $ 47,581 | | (1) | | (1) | | (1) | | 24,153 |

(1) Not included in the respective state commission's final decision



*As of November 8, 2017*

# Distribution Operations

## Colorado-Kansas Division

- Serves about 170 communities
- Net customer growth of 1.3%; about 3,300 customers in F2017
- About 6,800 miles of distribution pipe
- CO: 3 appointed commissioners, 4-year staggered terms
  - Forward-looking system infrastructure rider (SSIR)
- KS: 3 appointed commissioners, 4-year staggered terms
  - Annual infrastructure mechanism – Gas Safety and Reliability Surcharge (GSRS)
  - Weather normalization from November – April
  - Bad debt gas cost recovery
  - Property tax deferral
  - Post-retiree pension expense deferral




| Jurisdiction | Effective Date of Last Rate Action | Date of Last Rate Filing (Pending) | Authorized/ Requested Operating Income $ millions | Rate Base $ thousands | Requested Rate Base $ thousands | Authorized Rate of Return | Requested Rate of Return | Authorized Return on Equity | Requested Return on Equity | Authorized Debt/Equity Ratio | Requested Debt/Equity Ratio | Meters at 9/30/17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Colorado (17AL-0429G) | 1/1/16 | 6/26/17 | $ 2.1<br>$ 2.9 | $ 129,094 | $ 140,938 | 7.82% | 8.14% | 9.60% | 10.50% | 48/52 | 44/56 | 118,410 |
| Colorado SSIR 16AL-0839G) | 1/1/17 | | $ 1.4 | $ 13,500 | | 7.82% | | 9.60% | | 48/52 | | N/A |
| Kansas GSRS (17-ATMG-141-TAR) | 2/9/17 | | $ 0.8 | $ 207,197 | | (1) | | (1) | | (1) | | 135,141 |

(1) Not included in the respective state commission's final decision



*As of November 8, 2017*

# Regulatory Activities

| Jurisdictions | | Effective Date of Last Rate Action | Date of Last Rate Filing (Pending) | Authorized Operating Income $ millions | Requested Operating Income $ millions | Rate Base $ thousands (1) | | Requested Rate Base $ thousands | Authorized Rate of Return | Requested Rate of Return | Authorized Return on Equity | Requested Return on Equity | Authorized Debt/Equity Ratio | Requested Debt/Equity Ratio | Meters at 9/30/17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Atmos Pipeline-TX (GUD 10580) | | 8/1/17 | | $ 13.0 | | $ 1,767,600 | | | 8.87% | | 11.50% | | 47/53 | | NA |
| Atmos Pipeline-TX GRIP | | | 9/1/17 | | $ 29.0 | | | $1,888,492 | 8.87% | | 11.50% | | 47/53 | | NA |
| Mid-Tex - City of Dallas SOI | | | 8/18/17 | | $ 2.2 | | 3 | $2,480,157 | 8.57% | 8.15% | 10.50% | 10.50% | 48/52 | 44/56 | NA |
| Mid-Tex Cities 2016 RRM | | 6/1/17 | | $ 36.2 | | $2,362,937 | 3 | | 8.36% | | 10.50% | | 45/55 | | 1,384,965 |
| Appealed Mid-Tex Dallas DARR (GUD 10640) | | 6/1/16 | 6/1/17 | $ 5.4 | $ 9.7 | $ 2,076,415 | 3 | $2,273,567 | 8.28% | 8.38% | 10.10% | 10.10% | 41/59 | 41/59 | 229,496 |
| Mid-Tex Environs GRIP (GUD 10607) | 5 | 5/23/17 | | $ 1.6 | | $ 2,204,407 | 3 | | 8.57% | | 10.50% | | 48/52 | | 58,120 |
| West Texas Division SOI | 4 | 4/1/14 | | $ 8.4 | | $ 324,264 | 3 | | 2 | | 2 | | 2 | | 311,188 |
| West Texas Cities RRM | | 3/15/17 | | $ 4.3 | | 2 | | | 2 | | 10.50% | | 2 | | NA |
| WTX ALDC GRIP | 5, 6 | 4/25/17 | | $ 4.7 | | $ 476,665 | 3 | | 8.57% | | 10.50% | | 48/52 | | NA |
| WTX Environs GRIP (GUD 10608) | 5 | 5/23/17 | | $ 0.9 | | $ 476,665 | 3 | | 8.57% | | 10.50% | | 48/52 | | NA |
| Louisiana-LGS (U-34424) | | 9/20/17 | | $ 6.2 | | $ 385,435 | | | 7.43% | | 9.80% | | 47/53 | | 283,135 |
| Louisiana-Trans La (U-34343) | | 9/20/17 | | $ 4.4 | | $ 156,200 | | | 7.50% | | 9.80% | | 47/53 | | 76,429 |

(See Next Page for Footnote Explanations)



*As of November 8, 2017*

# Regulatory Activities *(continued)*

| Jurisdictions | | Effective Date of Last Rate Action | Date of Last Rate Filing (Pending) | Authorized Operating Income $ millions | Requested Operating Income $ millions | Rate Base $ thousands (1) | | Requested Rate Base $ thousands | Authorized Rate of Return | Requested Rate of Return | Authorized Return on Equity | Requested Return on Equity | Authorized Debt/Equity Ratio | Requested Debt/Equity Ratio | Meters at 9/30/17 |
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| Kentucky (2017-00349) | | 8/15/16 | 9/28/17 | $ 2.7 | $ 4.8 | $ 335,833 | | $430,095 | 2 | 7.73 | 2 | 10.30 | 2 | 47/53 | 181,638 |
| Kentucky PRP (2017-00308) | | 11/14/16 | 7/28/17 | $ 5.0 | $ 5.6 | $ 38,173 | | $ 42,401 | 7.71% | | 9.80% | | 51/49 | | NA |
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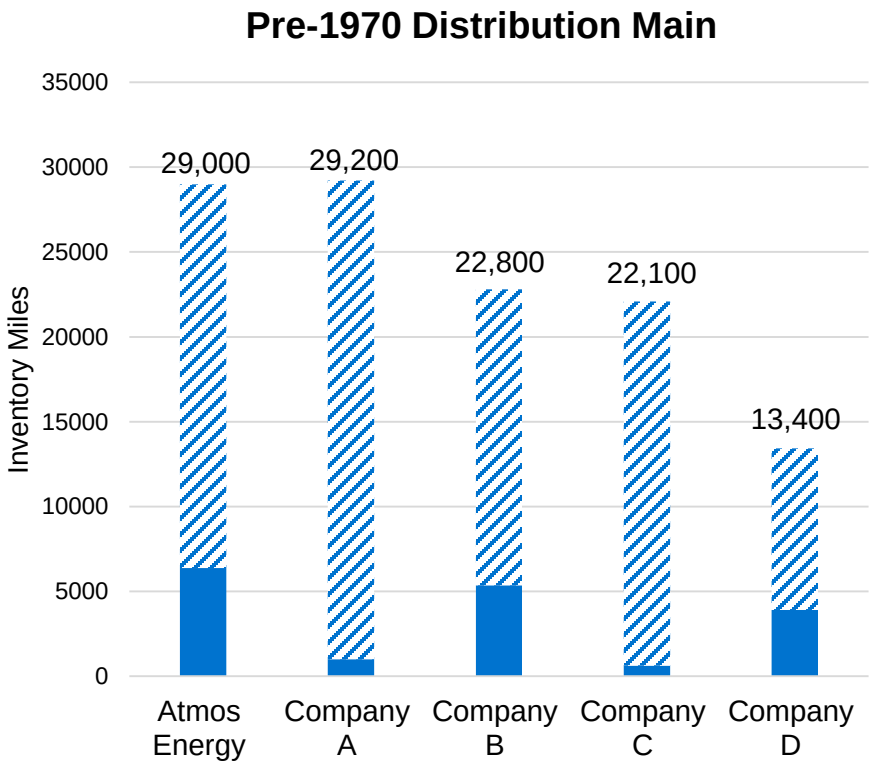
| Kansas GSRS (17-ATMG-141-TAR) | | 2/9/17 | | $ 0.8 | | $ 207,197 | | | 2 | | 2 | | 2 | | 135,141 |
| Colorado (17AL-0429G) | | 1/1/16 | 6/26/17 | $ 2.1 | $ 2.9 | $ 129,094 | | $140,938 | 7.82% | 8.14% | 9.60% | 10.50% | 48/52 | 44/56 | 118,410 |
| Colorado SSIR (16AL-0839G) | | 1/1/17 | | $ 1.4 | | $ 13,500 | | | 7.82% | | 9.60% | | 48/52 | | NA |
| Virginia (PUE-2015-00119) | | 11/7/16 | | $ 0.0 | | $ 47,581 | | | 2 | | 2 | | 2 | | 24,153 |

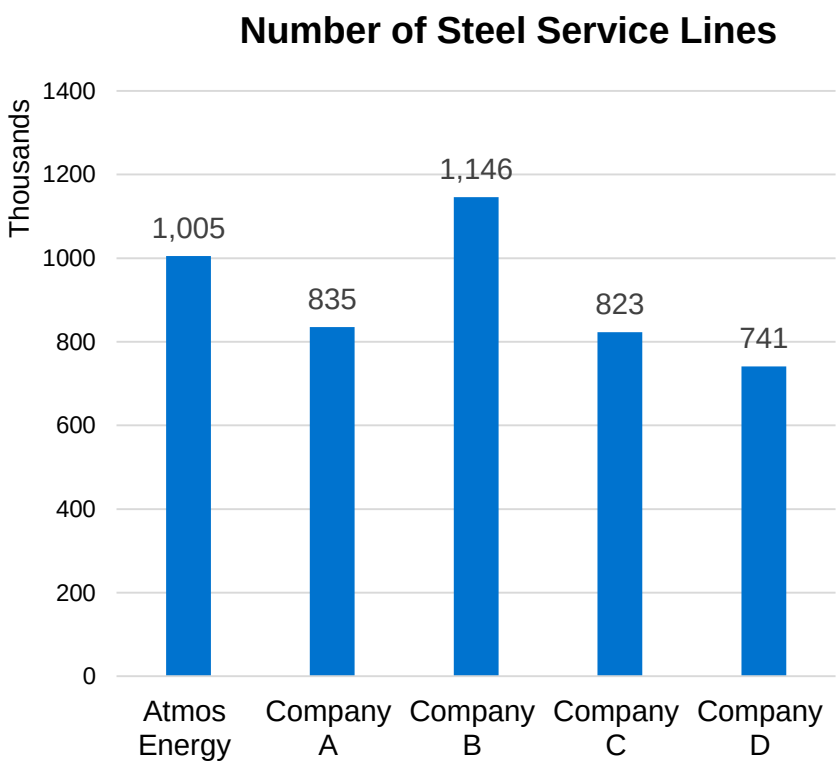
1. Rate base, authorized rate of return and authorized return on equity presented in this table are those from the last base rate case for each jurisdiction. These rate bases, rates of return and returns on equity are not necessarily indicative of current or future rate bases, rates of return or returns on equity.
2. A rate base, rate of return, return on equity or debt/equity ratio was not included in the respective state commission's final decision.
3. Division rate base is represented on a 'system-wide' basis.
4. Parameters including Rate of Return, Return on Equity and Capital Structure were identified for GRIP filings.
5. GRIP filings are based on existing returns and the change in net utility plant investment.
6. Includes the cities of Amarillo, Lubbock, Dalhart and Channing

**Other**: Annual Rate Filing Mechanisms allowed in Mid-Tex Cities RRM, Mid-Tex Dallas DARR, West Texas Cities RRM, Louisiana, Mississippi and Tennessee; Bad Debt Rider allowed in all jurisdictions except Colorado, Louisiana and Mississippi; WNA allowed in all jurisdictions except Colorado.

# Industry Comparison - Distribution

## Replacement Opportunities

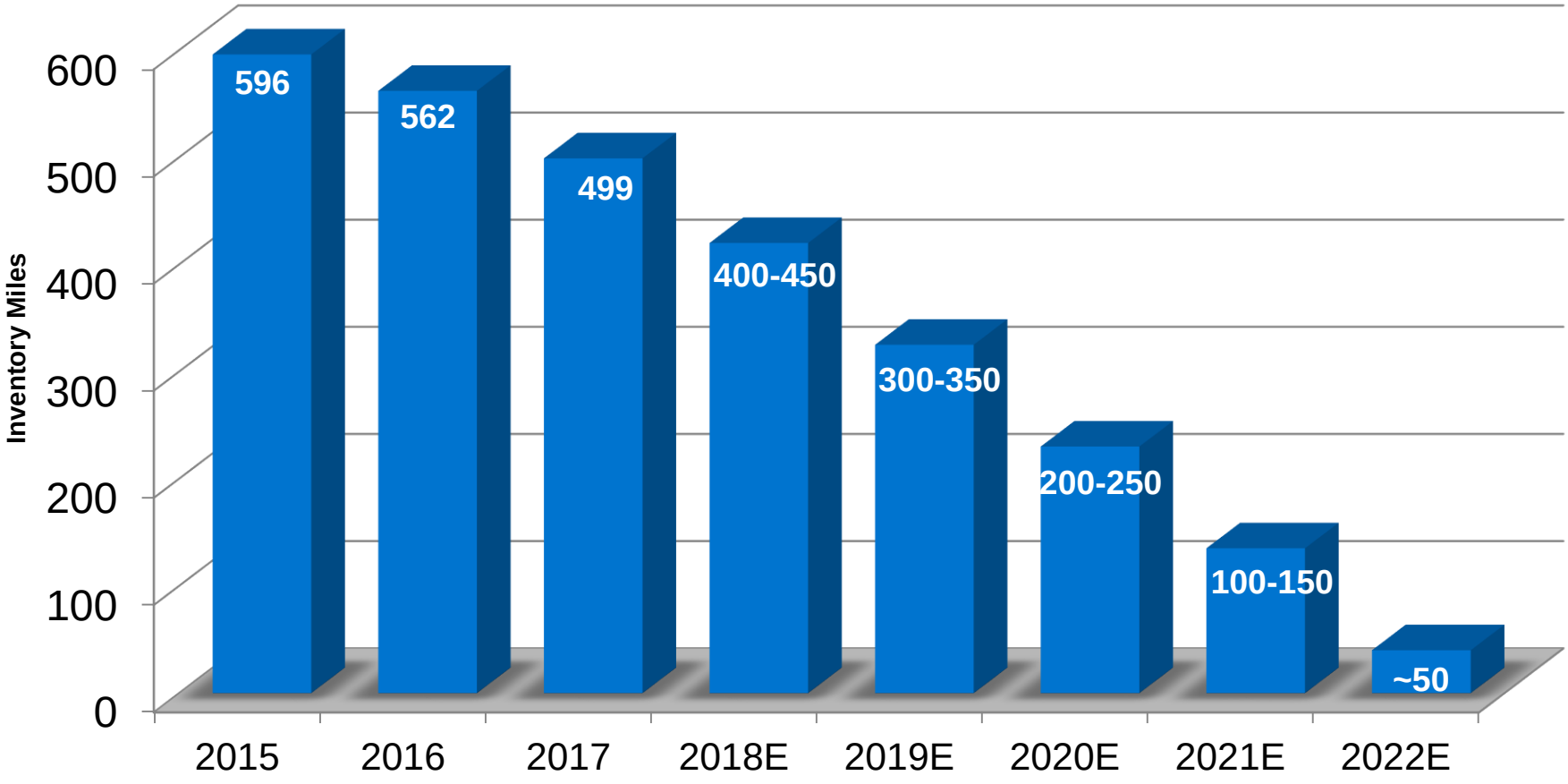



***Source: 2016 DOT Reports***

# Remaining Miles of Cast Iron Pipe

## Cast Iron Pipe to be Eliminated by Fiscal 2023

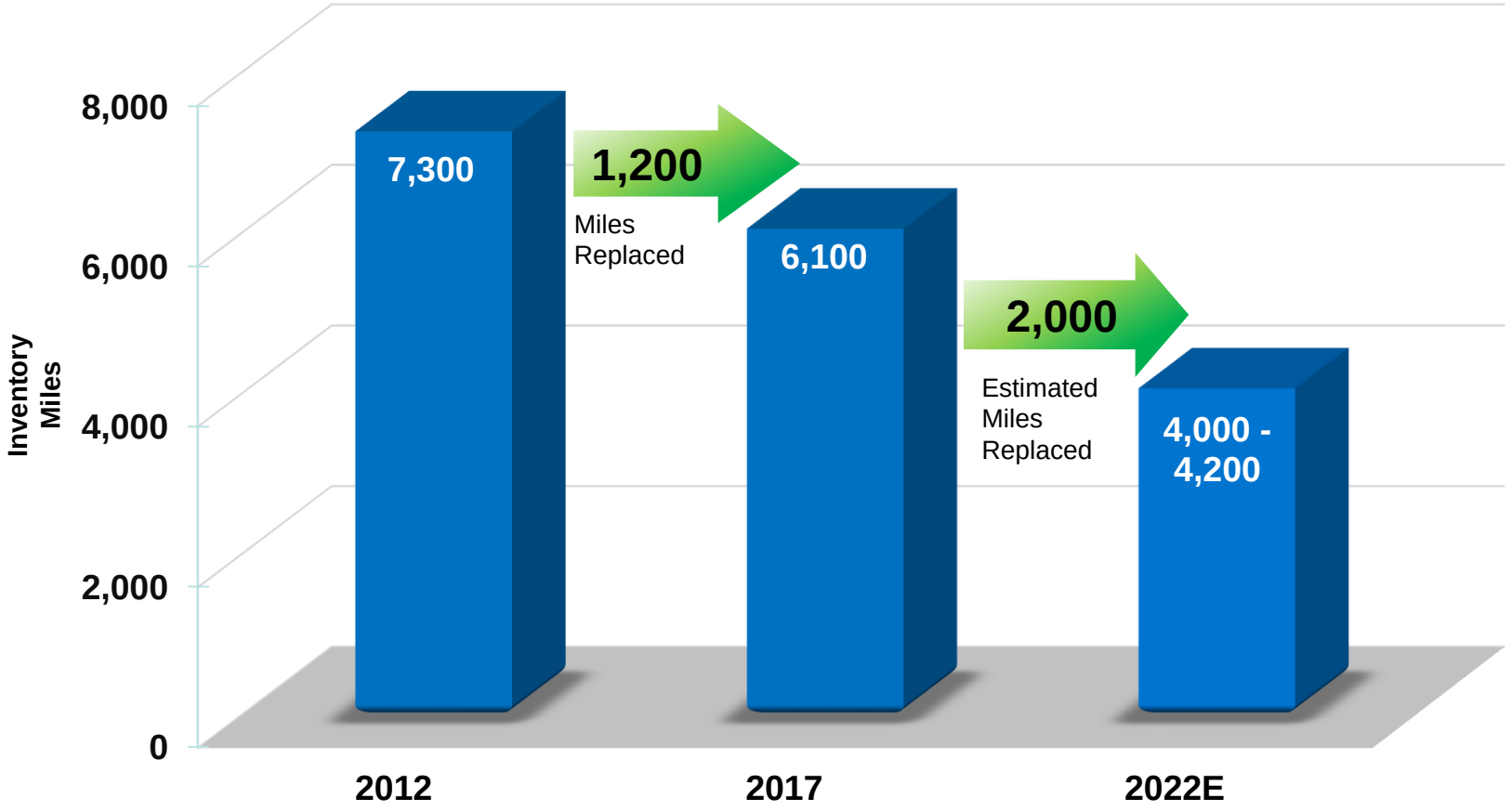





*As of November 8, 2017*

# Industry Identified Materials - Distribution

Bare Steel, Cast Iron, & Vintage Plastic Projected to be Replaced over 20 Years

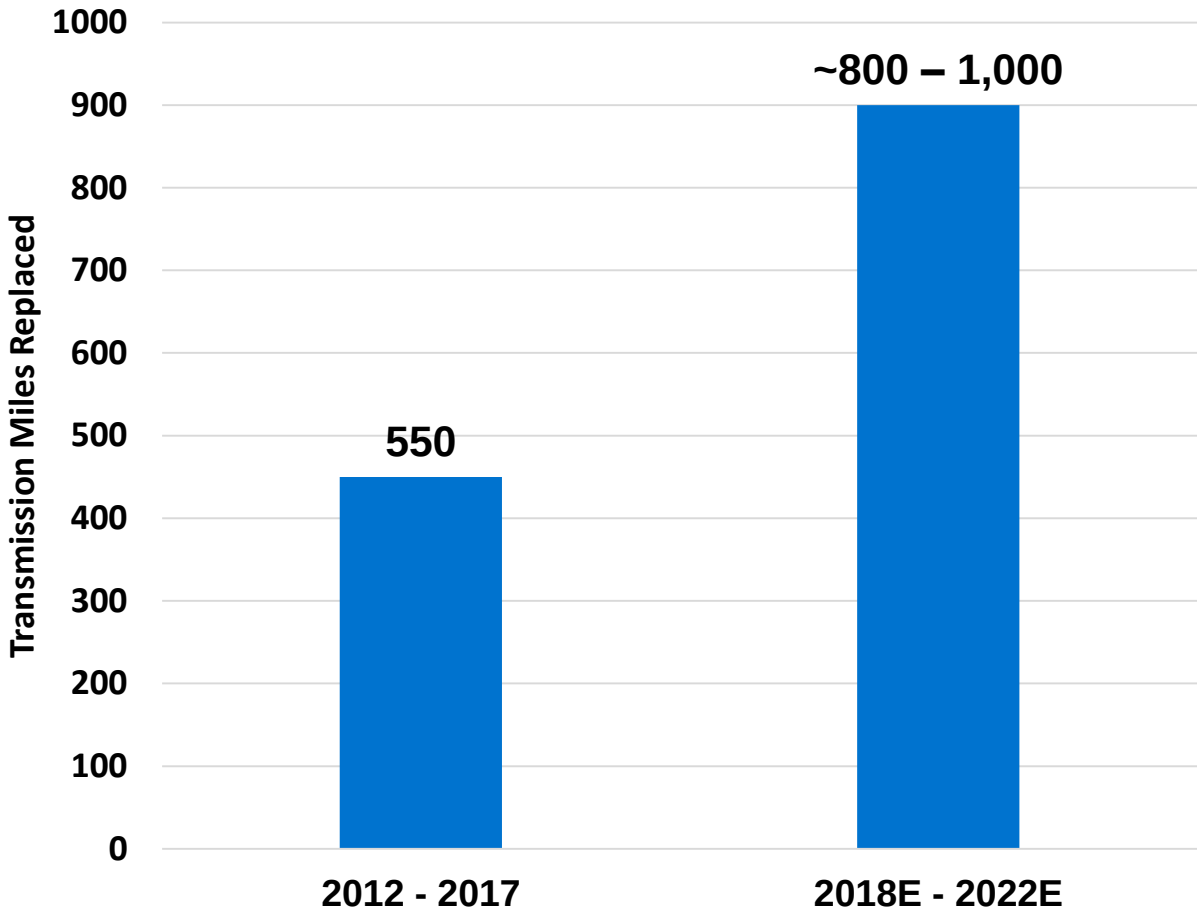





*As of November 8, 2017*

# Risk-Based Replacements - Transmission

## Miles Replaced



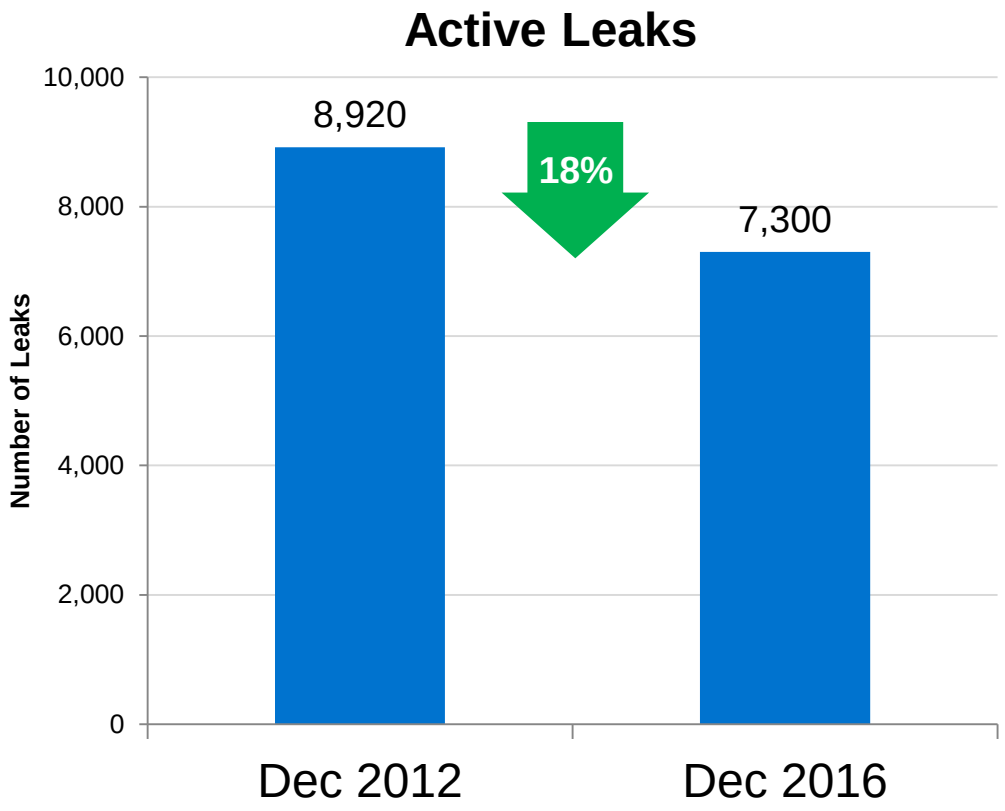

- Total Miles of Transmission Pipe **6,780 miles**



*As of November 8, 2017*

# Reducing Emissions

## Maintaining Our Assets in a Way that is Environmentally Responsible




- In 2016, we became a founding partner in the EPA's Natural Gas STAR Methane Challenge Program
- Investing in our infrastructure reduces vintage materials throughout our system
- Annually, approximately 5,700 leaks due to 3rd party excavation damages



*As of November 8, 2017*