



February 19, 2019

The Honorable Ty Masterson
Kansas State Senate
224-E Capitol Building
Topeka, Kansas 66612

Dear Chairman Masterson:

Atmos Energy Corporation appreciates this opportunity to express its opposition to Senate Bill 69, specifically the provisions that incorporate the natural gas utilities. For Atmos Energy, ensuring the safety and reliability of our gas infrastructure is our company's core commitment, and our vision is to be the safest provider of natural gas services in the nation.

Our vision is made possible by the regulatory framework, often referred to as the "regulatory compact," which recognizes the state and federal government's role in enabling utilities to provide safe, reliable, affordable service to serve the public interest. These concepts are described in the extensive Rate Study prepared by the Kansas Corporation Commission last year. For natural gas utilities, these laws are necessary to provide companies with the ability to ultimately invest billions of dollars in infrastructure and recover those investments over many decades. This framework obliges the utility to provide quality, essential services at the lowest reasonable cost. In turn, the regulator is required to examine the utility's expenses and investments and to allow the utility to recover only those costs that are prudently incurred, including the opportunity to earn a reasonable return on its investments made for the benefit of its customers and communities. This system works because it requires customers to pay only the appropriate amount of costs based on the service they receive, and it enables the utility to attract investors to supply the necessary capital.

A look at the history of natural gas utility rates nationally and in the State of Kansas demonstrates the effectiveness of this framework. Over the last ten years, Atmos Energy has invested \$9 billion in improving our natural gas transmission and distribution system throughout our eight state service area, \$200 Million of which was invested in Kansas for its 135,000 Kansas customers. Other utilities are experiencing similar unprecedented levels in safety-related investments. Yet the average natural gas rates for the U.S. and for Kansas are lower now than they were ten years ago. For example, according to the Energy Information Administration's data, for industrial customers over the last ten years the national average price has decreased by over 50%, and the Kansas average price for industrial customers has decreased by over 40% over that same timeframe.

The basic regulatory framework required in Kansas and across the country results in fair and reasonable rates to the benefit of customers, communities, and the nation as a whole. Atmos Energy has appreciated the work done by the Legislature, the KCC, Staff, and the Citizens' Utility Ratepayer Board's (CURB) to work together within that framework and consistent with Kansas law to find innovative solutions to the challenges in our industry today, such as the Gas Safety and Reliability Policy Act of 2006 and its 2018 amendments. We look forward to pursuing additional solutions that are consistent with Kansas law that balance the goal of investing in the safety and reliability of our natural gas system with affordable rates for our customers.

The provision of natural gas services is vital to the Kansas economy, and disrupting the functioning of the regulatory framework upon which the industry relies does not promote the safe operation of Atmos Energy's system nor the best interest of the State of Kansas. Among other provisions, the requirements of Sections 2 and 3 of Senate Bill 69 imply or require that the KCC must take into consideration factors that could lead to rate orders that do not allow the utilities to recover their prudently incurred cost of service, including the cost of capital. Even if the information contained in those sections were provided to the Legislature for informational purposes only, it would increase the expense and workload of the KCC and could cause unnecessary delay in the resolution of rate proceedings, both of which could place upward pressure on rates with no corresponding benefit to customers.

Thank you for your service to our state, and for considering our viewpoint on this important ratemaking issue.

Sincerely,

A handwritten signature in blue ink that reads "Shelly Bass".

Shelly Bass