

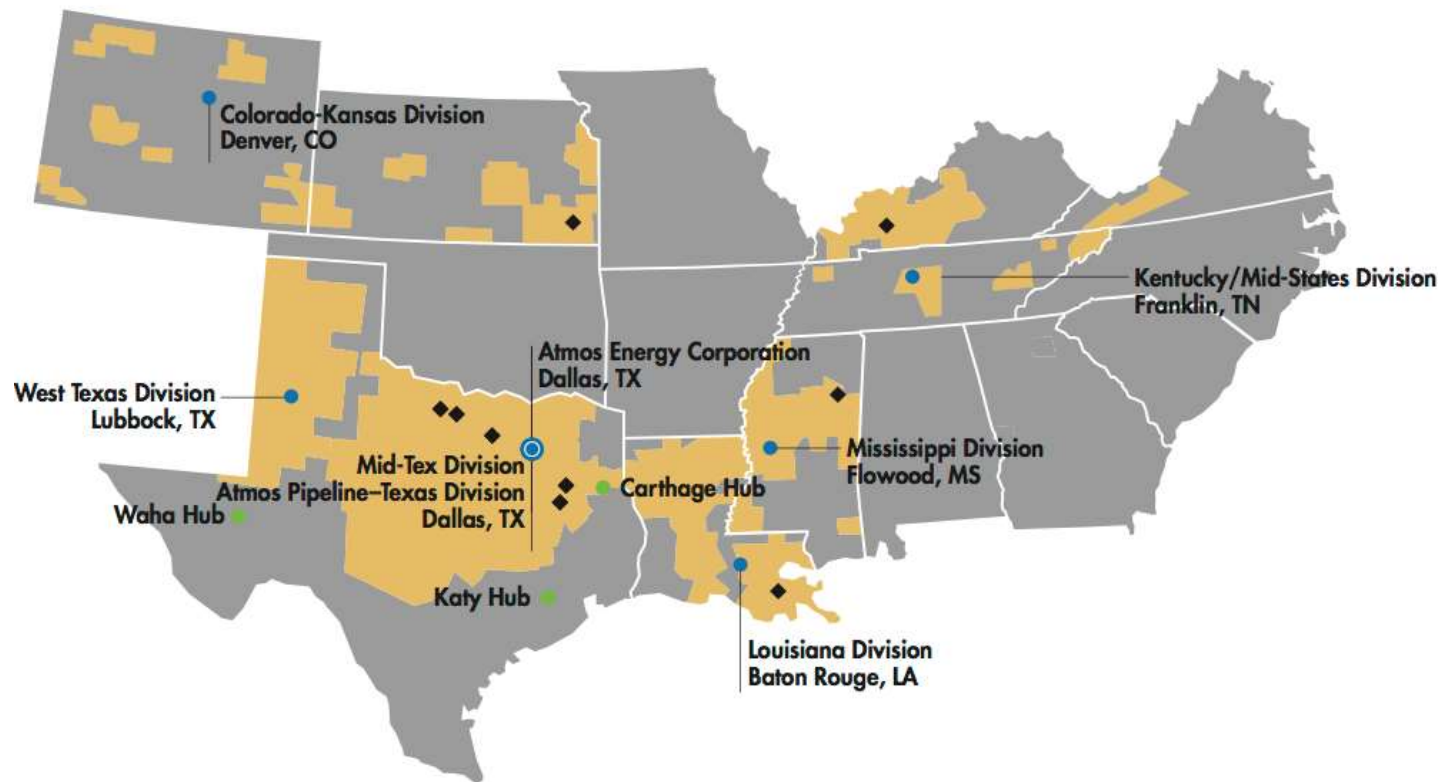
Rural Natural Gas Infrastructure Expansion Initiatives

Mississippi

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NASEO – Washington, DC
February 8, 2018*

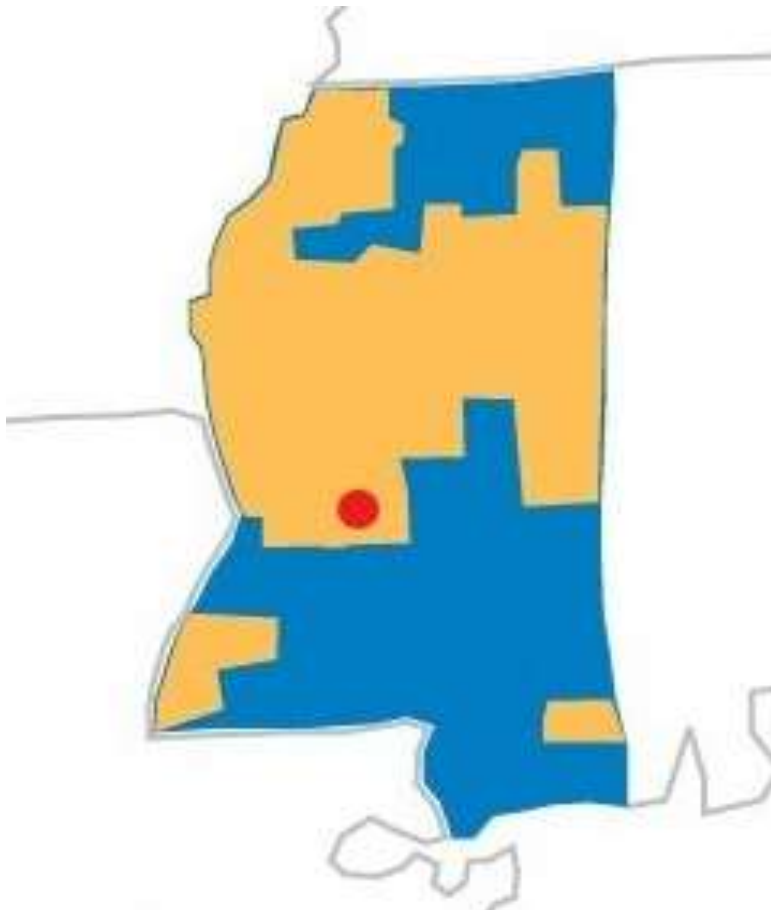


Atmos Energy Corporation



- ⊙ Atmos Energy Corporation headquarters
- Division offices
- Natural gas distribution service area
- ◆ Proprietary storage
- Major gas delivery hub

Mississippi Operations



- Largest natural gas distribution utility in Mississippi
- 260,000 customers
- 113 communities
- 340 employees

Key Initiatives

Supplemental Growth Rider (SGR)

- Industrial Development Tool

Natural Gas Infrastructure Expansion Initiative

- Economic development in rural areas
- Targets residential/small business customers

SmartChoice Energy Efficiency Incentives

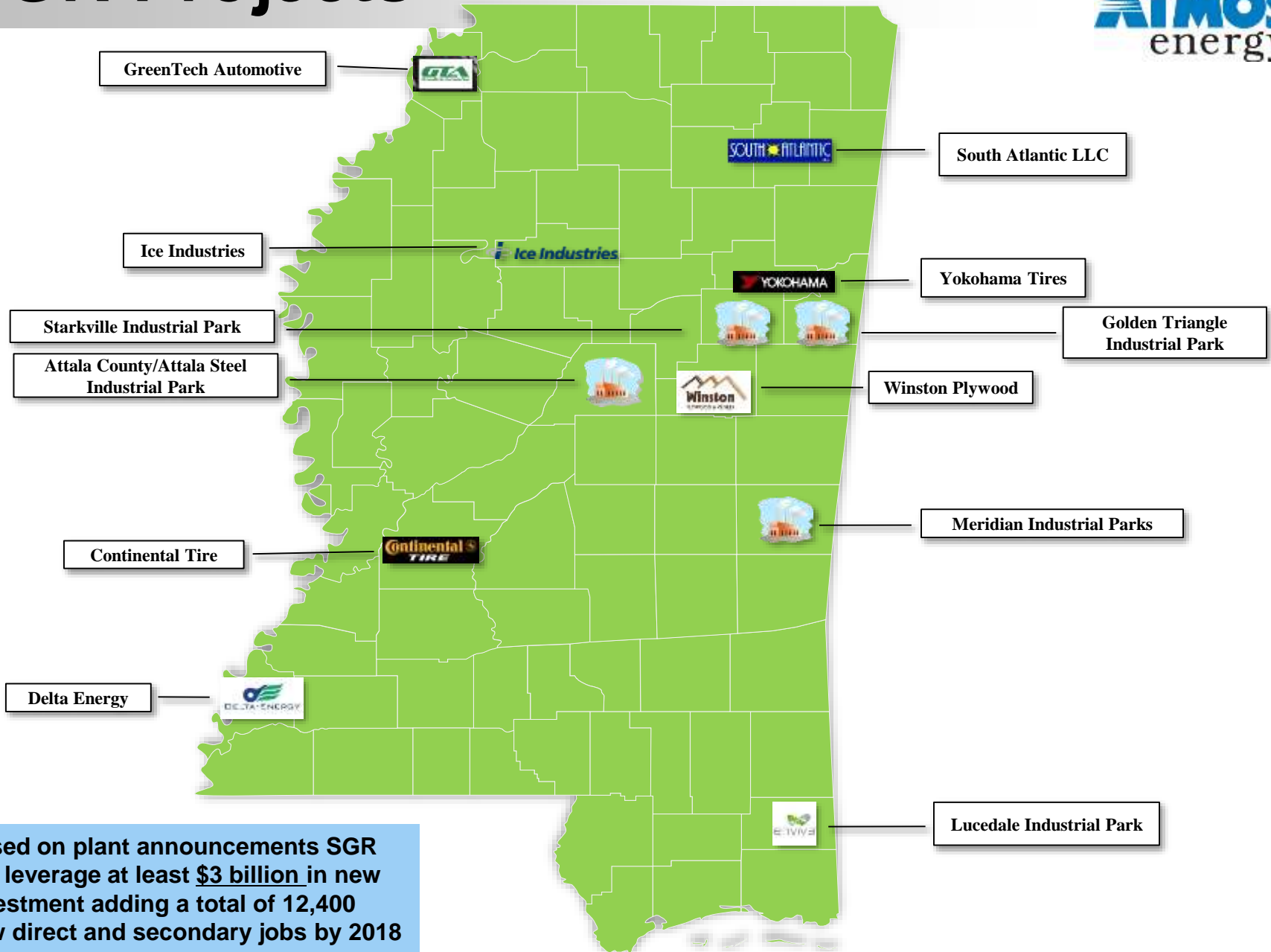
- Incentives targeted toward residential and commercial markets

Supplemental Growth Rider



- **Tariff supports job creation**
- **\$5M annual capex to land new plants, expand industrial parks**
- **5 year pilot with incentive ROE on investment**
- **PSC approval required to exceed \$5M annual spend**
- **Key tool for Mississippi's economic development**
- **Statute waives 'used and useful' for economic development projects**

SGR Projects



Based on plant announcements SGR will leverage at least **\$3 billion** in new investment adding a total of **12,400** new direct and secondary jobs by 2018

Natural Gas Infrastructure Expansion Initiative



December 2017 Settlement & Order

Authorizes \$5 million annually for rural build-out

- Five year pilot: \$25 million
- Project Selection Criteria required

Settlement: SGR/PBR* incentives exchanged for more accurate financial metrics in base rates and allowing rural gas investments in rate base

More sustainable, long term results with less risk

*Performance Based Ratemaking – incentivizes innovative strategies to reduce gas costs by rewarding superior utility performance

Five Year Pilot

Add up to \$5 million to rate base each year

- Fund up to 1000 new premises per year
- Target: 5000 premises over five years (\$25 million)

\$3 million to fund main extensions

- PBR savings funds main extensions
- \$3000 per customer (150 feet x \$20/foot)

\$2 million to fund service line/meter installations

- Margins from new customers fund service lines
- \$2000 per customer (200 feet x \$10/foot)

Project Selection Criteria



Minimum project eligibility requirements:

- 150 foot main per prospective customer
- \$4000 per prospective customer
- \$100,000 total cost per project

Plus,

- Sufficient showing of prospective customer interest
 - service requests, PSC inquiries (Zap the Gap)
 - 30% threshold
- Determination of significant expectation of energy cost savings thru conversion to natural gas

Promotions & Conversion Financing



Conversion costs \$2000 for in-home piping and new gas appliances

- \$2 million per year for local dealers/contractors
- \$10 million over five years

Evaluating options to offer favorable financing

- Target low income households



Co-promote with **SmartChoice Solutions** energy efficiency incentives and rebates

Total investment \$35,000,000 over five years

Residential EE Incentives



SmartChoice High-Efficiency Natural Gas Appliance Rebates



Eligible Equipment

Efficiency Requirement

Rebate

Water Heating Rebates

Tankless Water Heater	.80 EF or higher	\$250
Condensing Tank Water Heater	.90 TE or higher	\$100
Storage Tank Water Heater	.67 EF or higher	\$100



Space Heating

Forced-Air Furnace	95% AFUE or higher	\$600
Forced-Air Furnace	90% – 94.9% AFUE	\$500
Programmable Thermostats	Multiple schedule/setback	\$25
Smart Thermostats	Wifi enabled*	\$100



Appliance

Gas Clothes Dryer	N/A	\$100
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