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**UNITED PARCEL SERVICE
OVERNIGHT DELIVERY**

July 2, 2004

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**PUBLIC SERVICE
COMMISSION**

Beth O'Donald
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

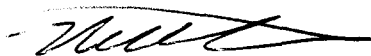
Case 2004-00275

RE: Application of Atmos Energy Corporation for a
Limited Deviation

Dear Ms. O'Donald:

I enclose herewith an original, plus eleven (11) copies, of an Application of Atmos Energy Corporation for a Limited Deviation From the Requirements of 807 KAR 5:022 § 4, (23) (b) (1) – (4) and 807 KAR 4:022, § 14 (22) (a). Please return one file stamped copy to me. Thanks.

Very truly yours,



Mark R. Hutchinson

MRH:bkk

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JUL 06 2004

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

Application of Atmos Energy Corporation)
For a Limited Deviation From the Requirements of)
807 KAR 5:022, § 4, (23) (b) (1) – (4) and)
807 KAR 5:022, § 14 (22) (a))

Case No.
2004-00275

APPLICATION FOR DEVIATION

Comes Atmos Energy Corporation ("Atmos Energy"), and respectfully requests the Commission to grant it a limited deviation from the requirements of 807 KAR 5:022, § 4, (23) (b) (1) – (4) and 807 KAR 5:022, § 14 (22) (A). In support of this application, Atmos Energy states as follows:

The requested deviation is very limited in scope and application. It relates only to a small number of farm taps which serve multiple customers through a single regulator.

As a result of a routine inspection by Commission staff last year, it was determined that farm taps serving multiple customers constituted a "distribution system". Accordingly, the regulations governing a utility's "distribution system" (including regulator stations) were applicable to such farm taps. Since Atmos Energy had never considered farm taps part of its "distribution system", various deficiencies related to these farm taps were noted by the Commission staff. Atmos Energy had approximately 416 farm taps serving multiple customers. Of that number,

approximately one-half (1/2) served only two customers. Atmos Energy therefore had approximately 200 locations where a farm tap served more than two customers. On or about December 16, 2003, Atmos Energy filed a compliance plan with the Commission under which it agreed to remedy the noted deficiencies relating to farm taps serving multiple customers. Since that plan was filed, Atmos Energy has switched a number of the multi-customer farm taps to its regular distribution system and has redesigned other taps so that only one customer is served by a regulator. There are approximately 100 farm taps remaining on Atmos Energy's system where more than two customers are being served by a single regulator.

Atmos Energy agrees that regulations governing a utility's "distribution system" apply to multi-customer farm taps. There are two regulations, however, whose application is unwarranted in this situation and for which relief is sought.

The first, 807 KAR 5:022, §4, (23) (b) (1-4), provides as follows:

"(b) Exterior shutoff valves shall be installed on all lines entering and leaving regulator stations for use in an emergency to stop gas flow. Such valves shall be installed at an accessible location where they can be operated in an emergency.

1. Exterior shutoff valves shall be located at a minimum of forty (40) feet from the regulator station if inlet pressure to the station is 100 psig or less. Valves shall be located at a minimum of 100 feet from the regulator station if inlet pressure is more than 100 psig.
2. A check valve may be used in lieu of an exterior shutoff valve on downstream piping if located a minimum of forty (40) feet from the regulator station.
3. The exterior shutoff valve may be a sectionalizing valve.
4. All exterior shutoff valves shall be inspected and partially operated at least once each calendar year at intervals not to exceed fifteen (15) months."

A deviation from the above regulation is requested to allow excess flow valves to be installed on the inlet side of the regulator station in lieu of an "exterior shutoff valve" which must be located at a specified minimum distance from a regulator station. Atmos Energy does not physically have room to locate shutoff valves at such distances for most of these farm taps. A deviation is therefore

needed. Granting this deviation will not interfere with the manifest safety reason for the regulation, which is to assure that the flow of gas can be stopped in the event of a line rupture by use of a manual shutoff valve. The same effect is achieved by use of the proposed excess flow valve. In the event of a rupture, the excess flow valve would automatically shut off the gas flow to the regulator station. In fact, this would presumably occur quicker than locating and manually turning off a shutoff valve.

Atmos Energy also requests a deviation from the downstream valve requirement. Each of the farm taps in question have a single supply source, with no possibility of gas being supplied from another source. Since there can be no other source of gas flow, it is appropriate to treat the inlet valve of the customer, as the outlet station valve.

The second regulation Atmos Energy requests a deviation from is 807 KAR 5:022, §14 (22) (a) which provides as follows:

- “(22) Pressure limiting and regulating stations: telemetering or recording gauges.
- (a) Each utility shall keep in continual use one (1) or more accurate recording pressure gauges on its distribution systems. These gauges shall be located at such points and in such manner sufficient to reflect a continuous record of gas pressure and character of service being furnished throughout the entire system.”

Application of this regulation to a utility's normal distribution system is both necessary and appropriate. Its application to the few farm taps in question, however, is unnecessary and impractical. Each of the regulator stations involved have adequate over pressure protection (pressure relief devices). Any low pressure incident would simply result in a service outage (as to which Atmos Energy would be notified by the customers affected). Maintaining separate recording pressure gauges for each such farm tap serves no meaningful purpose and accordingly, the cost of maintaining such recording devices would be unwarranted.

WHEREFORE, Atmos Energy respectfully submits that good cause has been shown for a deviation from 807 KAR 5:022, § 4, (23) (b) (1) – (4) and 807 KAR 5:022, § 14 (22) (a) for farm taps serving multiple customers with a single regulator.

Respectfully submitted this 2nd day of July, 2004.



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Dallas, Texas 75265

ATTORNEYS FOR ATMOS ENERGY
CORPORATION