



October 4, 2017

Gwen R. Pinson
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RE: Case No. 2017-00308

Dear Ms. Pinson,

Atmos Energy Corporation submits for filing the Company's responses to the Staff's data requests in the above referenced case.

Please feel free to contact me at 270.685.8024 if you have any questions and/or need any additional information.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Martin".

Mark A. Martin
Vice President - Rates & Regulatory Affairs

Enclosures

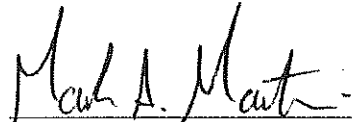
cc: Randy Hutchinson
Kent Chandler
Eric Wilen

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

ELECTRONIC APPLICATION OF)
ATMOS ENERGY CORPORATION) Case No. 2017-00308
FOR PRP RIDER RATES)

AFFIDAVIT

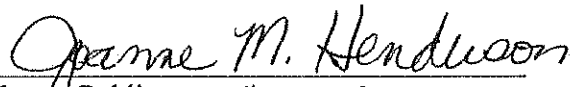
The Affiant, Mark A. Martin, being duly sworn, deposes and states that the attached responses to the Staff's data requests are true and correct to the best of his knowledge and belief.



Mark A. Martin

STATE OF KENTUCKY
COUNTY OF DAVIESS

SUBSCRIBED AND SWORN to before me by Mark A. Martin on this the 4th day of
October, 2017.



Notary Public ID # 506385
My Commission Expires: 3-22-18

Docket No. 2017-00308
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 2
Question No. 2-01
Page 1 of 2

REQUEST:

Refer to Atmos's September 26, 2017 response to Commission Staff's Informal Conference Memorandum ("IC DR"), Item 1, and the response to the Attorney General's First Request for Information ("AG DR 1"), Items 1.b. and 1.d.

- a. The response to AG-DR 1, Item 1.b.i. states that through July 31, 2017, the total cost of the Pipeline Replacement Program ("PRP") is approximately \$158.1 million. The question in AG-DR 1, Item 1.b.iii. references the original \$124 million estimate for the total 15 years of the program. State whether Atmos has considered extending the number of years for pipeline replacement pursuant to its PRP beyond 15 years, given that the projected annual increase in customer charges shown in the IC DR, and the \$438 million in total capital investment amounts shown in the AG DR 1, Item 1.b.iv. table for the years 2011 through 2022.
- b. Provide any available estimates for expected annual PRP expenditures for the years 2023 through 2025.
- c. State whether there are safety concerns inherent in extending the PAP for longer than the originally contemplated 15 years. If so, enumerate the safety concerns in detail.

RESPONSE:

- a. The Company has not considered extending the number of years for bare steel pipeline replacement beyond the fifteen years asked for and granted in Case No. 2009-00354. The Company takes great pride in being a low-cost provider, but our ultimate goal is to be the safest provider. The ultimate goal of the Company's PRP program is the accelerated replacement of aging infrastructure that has outlived its useful life and/or poses a possible safety and/or reliability concern.
- b. As stated in the Company's response to AG 1.b.ii and 1.b.iv, the Company utilizes a rolling five year plan to forecast capital spend. Below are additional estimates for years 2023 through 2025. Please note that these amounts are purely estimates at this point in time.

2023 - \$70,700,000
2024 - \$79,200,000
2025 - \$88,700,000

Docket No. 2017-00308
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 2
Question No. 2-01
Page 2 of 2

- c. As stated previously, the goal of the Company's PRP program is the accelerated replacement of aging infrastructure that has outlived its useful life and/or poses a possible safety and/or reliability concern. The Company is of the belief that delaying the replacement of such facilities would inherently create safety concerns. When the Company proposed its PRP program which was approved in Case No. 2009-00354, the bare steel pipe had been in the ground approximately 50-75 years. The longer bare steel pipe remains in service, the more susceptible the pipe is to corrosion and leaks. As of January 2011, the Company had approximately 1,440 underground leaks. As of August 2017, underground leaks are down to approximately 530. The majority of the reduction can be directly correlated to the accelerated replacement of bare steel lines. The accelerated replacement of aging infrastructure allows the Company to modernize its distribution system. The Company does not believe that the replacement of these facilities should be delayed any more than necessary.

Docket No. 2017-00308
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 2
Question No. 2-02
Page 1 of 2

REQUEST:

Refer to the response to the IC DR, Item 2.

- a. The response references the "potentially" compromised pipe. State whether Atmos has determined that the pipe was compromised, and if not, what would be involved in such a determination. Explain the answer in full detail.
- b. Provide a discussion of the possible safety impact of operating a compromised pipe.
- c. State whether the referenced Safety Related Incident Report is the Gas Transmission MAOP Exceedance Report ("MAOP Report") which references the Lake City TB station and which was received by the Commission on January 15, 2014. If so, provide a copy of the report for the record in this proceeding. If it is not the MAOP Report, provide a copy of the referenced Safety Related Incident Report.
- d. Confirm that the MAOP Report indicates that the cause of the January 7, 2014 regulator failure was assumed to be ice.
- e. Confirm that the MAOP Report indicates that no leaks were found on the 2.5-mile transmission line in two separate leak surveys conducted January 7, 2014, and January 9, 2014, and state whether the additional leak survey referenced in the last sentence of the report was conducted, and whether any leaks were found.
- f. Confirm that the MAOP Report indicated after a visual inspection that the Farm Tap valves and regulators could handle the increased pressure.
- g. Provide a detailed discussion of the actions taken since January 2014, to verify the safety and reliability of the Lake City Line, or lack thereof, and why it was included in the 2016 PRP filing for 2017 replacement projects, as opposed to earlier replacement following the January 2014 regulator failure.

RESPONSE:

- a. The Company was not in a position to determine if the pipe was compromised because such a determination would involve excavation of the entire length of the pipeline. We have continued to monitor the pipe with leak surveys on a routine basis. The planning and design of the replacement line was completed during the safety monitoring of the existing assets.

Docket No. 2017-00308
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 2
Question No. 2-02
Page 2 of 2

- b. Once the "Lake City Line" was over-pressured, the pipe was operating at a stress level beyond its known qualified level. Since the Company could not determine if the "Lake City Line" was compromised, the Company chose to replace the pipe to avoid any potential safety and reliability concerns. The Company believes that a prudent operator would not knowingly continue to operate a compromised pipe. Potential safety impacts of operating a compromised pipe could be, but not limited to, damage to the integrity of the pipe's welds, joints, seams, fittings, etc.
- c. Yes, the referenced Safety Related Incident Report is the Gas Transmission MAOP Exceedance. Please see Attachment 1 for the report filed on January 10, 2014.
- d. Confirmed.
- e. Confirmed. Additional leak surveys referenced in the report were conducted and no leaks were found.
- f. Confirmed.
- g. As discussed above, the Company continued to conduct leak surveys to monitor the safety and reliability of the Lake City line. The Company needed time to plan for the design, construction, and installation of a new line. This included but was not limited to: budgeting, purchase of new right of way, system design, material procurement, contractor bidding, etc.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_2-02_Att1 - Lake City MAOP Exceedance Report.pdf, 2 Pages.

Densman, Josh

From: Martin, Mark A
Sent: Monday, October 2, 2017 3:23 PM
To: Densman, Josh
Subject: FW: MAOP Exceedance report

From: Napier, Ernie
Sent: Monday, October 2, 2017 12:53 PM
To: Austin, Ryan <Ryan.Austin@atmosenergy.com>; Martin, Mark A <Mark.Martin@atmosenergy.com>
Subject: FW: MAOP Exceedance report

From: Tucker, George B
Sent: Friday, January 10, 2014 6:13 PM
To: InformationResourcesManager@dot.gov
Subject: MAOP Exceedance report

GAS TRANSMISSION MAOP EXCEEDANCE REPORT

Operator Name: Atmos Energy (Kentucky-Midstates division) OPID: 22476

Street Address: 3275 Highland Pointe Drive

City: Owensboro State: Kentucky Zip: 42303

Reporting Official Name: Bruce Tucker Title: Manager, Compliance

Reporting Official Phone: 270-685-8137 Cell: 270-929-5071

Determining Person's Name: Thomas M. Hunt Title: Senior MIC Technician

Determining Persons Phone: 270-441-3105 Cell: 270-556-7424

Date condition discovered: 01/07-2014 (9:00 AM)

Date conditions was determined to exist: 01/06/2014 (2:00 PM)

Location/Station: Lake City Purchase

Address: Lake City, KY. (HWY 453) Lat: 37.05364433 Long: -88.27582734

County: Livingston

REPORT

On January 7, 2014, in response to an issue at an Industrial meter site, Mr. Hunt checked the pressure recorder at our Lake City TB station and found the inlet pressure at 633 PSIG, (MAOP of transmission line is 481PSIG). He immediately notified Operations Supervisor, and traveled to Regulator Station feeding the TB station. Mr. Hunt found pressure @ 619.8 PSIG, and immediately shut in the working regulator run, putting the standby run

in service. Pressure started dropping immediately and standby run started feeding at 452.2 PSIG. Ice was found in pilots on worker and monitor regulators which is assumed to be the cause of the regulator failures and the exceedance of the MAOP. Regulators were put back in service and pilot heater re-lit on working run, and pressure was set to 465 PSIG. A leak survey was conducted on the entire transmission line (Approximately 2.5 miles) on 1/7/2014 and again on 1/9/2014, with no leaks found. The TB station is equipped with ANSI 300 valves and fittings and a visual inspection of all Farm Tap valves and regulators was completed to verify all regulators and valves could handle the increased pressure. Leak surveys will be conducted on a quarterly basis in 2014.

Respectfully,

Bruce Tucker

Manager, Compliance

3275 Highland Pointe Dr.

Owensboro, KY. 42303

270.685.8137

George.tucker@atmosenergy.com

Docket No. 2017-00308
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 2
Question No. 2-03
Page 1 of 1

REQUEST:

Refer to the response to IC DR, Item 3. Explain why the original 14,700 feet of 2" and 4" pipe which made up the Lake City Line was replaced with 14,700 feet of 6" steel pipe, plus 11,000 feet of high density polyethylene ("HOPE") pipe. Confirm that the larger-diameter pipe and the 11,000 feet of HOPE were both a necessary part of the replacement project, and explain why.

RESPONSE:

The Company stated in Case No. 2009-00354, that replacement projects would not always mirror existing facilities, but would be done to improve reliability as well. The 2" and 4" lines were near capacity and the Company determined that a 6" line was better equipped to serve the area. This replacement is not unique in that the Company makes adjustments to its distribution system to better serve its customers from a safety and reliability standpoint. Also, since the line was being replaced, it was the appropriate time to remove the farm taps and install distribution piping in the same ditch with the 6" line. The 11,000 feet of HDPE eliminated the need for above ground farm tap regulators which in turn reduced the potential risk of damage to the above ground equipment which inherently poses a safety and reliability concern.

Docket No. 2017-00308
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 2
Question No. 2-04
Page 1 of 1

REQUEST:

Refer to the response to IC DR, Item 4. Provide a detailed discussion of the factors that led Atmos to conclude that the cost of the Lake City Line replacement was not a typical cost in the ordinary course of business and that it qualified for accelerated recovery pursuant to the PRP.

RESPONSE:

As stated in the Company's response to AG DR No. 1.a.1, the Commission's Order in Case No. 2014-00274 stated that "KRS 278.509 does not mandate that natural gas pipeline replacement programs be restricted to bare steel or unprotected steel pipe, and specifically allows recovery of cost for investments in natural gas replacement programs which are not recovered in the existing rates of a regulated utility." Since the Company viewed the "Lake City Line" as a potential safety and reliability concern, the line was included and approved in Case No. 2016-00262. The Company is and was under the belief that the Commission's Order in Case No. 2014-00274 allowed the inclusion of the "Lake City Line". Please note that the "Shelbyville Line" and the "Lake City Line" are the only two pipes replaced in the Company's PRP that were not identified in Case No. 2009-00354. The Company will proactively communicate to Staff any projects that are included in future PRP filings which are projects that fall outside of the scope of projects as outlined in the Company's testimony in Case No. 2009-00354 and the reason(s) for the project(s) inclusion in the PRP program.

Docket No. 2017-00308
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 2
Question No. 2-05
Page 1 of 1

REQUEST:

State when Atmos began replacing the Lake City Line and the date the replacement was complete, or the date it is expected to be complete.

RESPONSE:

The Company began replacing the line in October 2016 and plans on completion by November 2017.