

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF ATMOS ENERGY CORPORATION</b>	)	<b>Docket No.</b>
<b>FOR REVIEW AND ADJUSTMENT OF ITS</b>	)	<b>26-ATMG-____-RTS</b>
<b>NATURAL GAS RATES</b>	)	

**DIRECT TESTIMONY OF JACKSON D. HILL**

**JULY 25, 2025**

**SUBMITTED ON BEHALF OF  
ATMOS ENERGY CORPORATION**

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1                   **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2   **Q.     PLEASE STATE YOUR NAME AND ADDRESS.**

3   A.     My name is Jackson D. Hill. My business address is 1555 Blake Street, Suite 400,  
4           Denver, Colorado 80202.

5   **Q.     PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL**  
6           **BACKGROUND.**

7   A.     I earned a Bachelor of Science degree in Mechanical Engineering from Texas  
8           Christian University in 2014. I am a Professional Engineer registered in the state of  
9           Minnesota. I began my career in the gas utility business with Xcel Energy in St.  
10          Paul, MN. My first position was a Gas Engineer. I have held various engineering  
11          positions throughout my career. I began working for Atmos Energy in 2022 as a  
12          Compliance Engineer in the Colorado/Kansas Division. I then spent two years as a  
13          Compliance Manager in the Colorado/Kansas Division. In 2025, I was promoted to  
14          my current position as Vice President of Technical Services for the  
15          Colorado/Kansas Division.

16   **Q.     WHAT ARE YOUR DUTIES IN YOUR CURRENT ROLE?**

17   A.     I am responsible for and have oversight of Engineering, Compliance, Safety, and  
18          Information Technology for the Colorado/Kansas Division. My current  
19          responsibilities for the Company include oversight of engineering, geographic  
20          information systems, measurement, compliance, safety, related information  
21          technology, and procurement. My department is responsible for Project  
22          Management for system integrity projects, system improvement projects, and  
23          planned system growth projects. I am responsible for overseeing the compliance  
24          operations of Atmos Energy's Kansas and Colorado natural gas distribution

1 business. It is my responsibility to assure that Atmos Energy's pipelines, regulating  
2 and measuring stations, and other facilities in Kansas and Colorado are safely  
3 installed and maintained to enable the Company to continue to provide safe and  
4 reliable service to our customers throughout our authorized service territory.

5 **Q. HAVE YOU EVER SUBMITTED TESTIMONY BEFORE THE KANSAS**  
6 **CORPORATION COMMISSION ("COMMISSION")?**

7 A. No.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
9 **PROCEEDING?**

10 A. The purpose of my testimony in this proceeding is to provide an overview of Atmos  
11 Energy's system in Kansas and the capital investment that must be made in the  
12 Kansas system to enhance safe and reliable operations and comply with  
13 increasingly stringent state and federal regulatory requirements. My testimony  
14 explains Atmos Energy's approach to proactively address system risks to enhance  
15 the long-term safety, reliability, and resiliency of our distribution service for our  
16 Kansas customers. As part of this discussion, I describe the pipeline safety  
17 regulatory requirements applicable to the Company's distribution system and how  
18 those requirements inform the Company's approach to risk management.

19 **II. OVERVIEW OF ATMOS ENERGY'S NATURAL GAS SYSTEM IN KANSAS**

20 **Q. PLEASE DESCRIBE THE CURRENT COMPOSITION OF ATMOS**  
21 **ENERGY'S SYSTEM IN KANSAS.**

22 A. The DOT uses the following categories to classify main and service line materials:  
23 steel, ductile iron, copper/wrought iron, plastic PVC, plastic polyethylene ("PE"),

1 plastic ABS<sup>1</sup>, plastic other and other. Steel pipe has been used in the natural gas  
2 industry since the 1800s and the use of plastic pipes began in the 1960s. As  
3 improved materials are developed, older materials are discontinued or phased out  
4 by the industry. As a result, the Company has many miles of pipe in our distribution  
5 system in Kansas that are made of materials that are no longer used by Atmos  
6 Energy or the industry in new natural gas pipeline construction.

7 Steel pipe is categorized as bare steel or coated steel. In addition, each of  
8 those categories can be further broken down as cathodically protected or  
9 unprotected. The gas industry installed bare steel pipe until the mid-1950s. As  
10 technology advanced, the gas industry began to use cathodically protected steel  
11 pipe, and since 1970, cathodically protected coated steel pipe is the only steel  
12 material approved for the new installations by the DOT.<sup>2</sup> All of the bare steel pipe  
13 in Atmos Energy's Kansas system was installed before Atmos Energy acquired  
14 those systems from Greeley Gas Company ("Greeley Gas") in 1993 and United  
15 Cities Gas Company ("United Cities") in 1997. Bare steel pipe is the oldest pipe in  
16 Atmos Energy's Kansas system. Based on available records at this time, there are  
17 approximately 1,256 total miles of bare steel mains in Atmos Energy's Kansas  
18 system, or approximately 30% of Atmos Energy's system. Of these, 732 miles are  
19 located in class 3 areas<sup>3</sup>, which is significant in how projects are identified for

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<sup>1</sup> Acrylonitrile butadiene styrene.

<sup>2</sup> 49 C.F.R. § 192.461

<sup>3</sup> "A Class 3 location is:

(i) Any class location unit that has 46 or more buildings intended for human occupancy; or  
(ii) An area where the pipeline lies within 100 yards (91 meters) of either a building or a small, well-defined outside area (such as a playground, recreation area, outdoor theater, or other place of public assembly) that is occupied by 20 or more persons on at least 5 days a week for 10 weeks in any 12-month period. (The days and weeks need not be consecutive.)" 49 C.F.R. § 192.5.

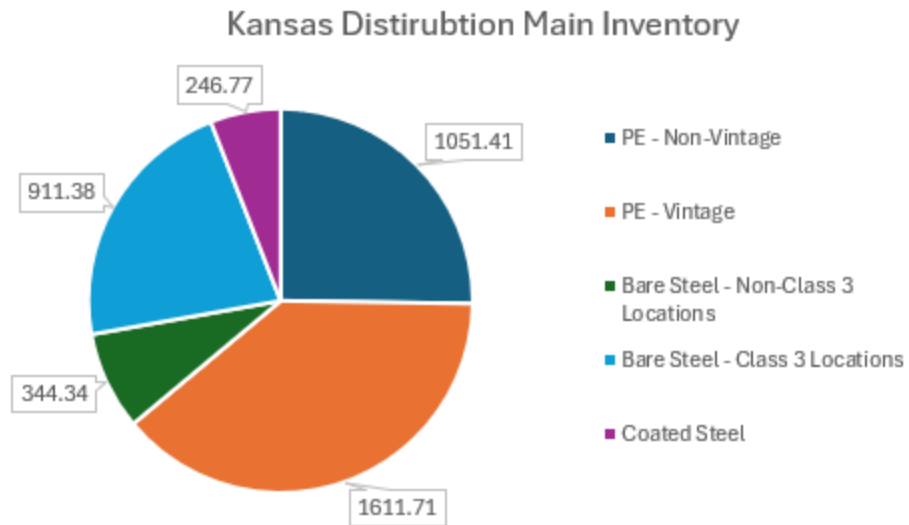
1 inclusion in the Company's System Integrity Plan ("SIP"). In addition, there are  
2 approximately 19,194 bare steel service lines.

3 Similar to steel pipe, plastic pipe has undergone significant technological  
4 advancements over the past several decades. In Atmos Energy's Kansas system,  
5 the early generation plastic categories include PVC, Aldyl-A, Century, and Marlex  
6 pipe (collectively referred to as "vintage PE").

7 PVC pipe is an early generation of plastic pipe installed by the gas industry  
8 in the 1960s and 1970s that is no longer approved for use in the construction of  
9 natural gas mains and services. Aldyl-A is an early generation PE pipe installed by  
10 the natural gas industry from the 1960s through the early 1980s. Technological  
11 advancements led the natural gas industry to discontinue the use of Aldyl-A pipe in  
12 the 1980s and adopt the current generation of PE pipe. Like the bare steel pipe, all  
13 of the PVC and Aldyl-A pipe in Atmos Energy's Kansas system today was installed  
14 prior to Atmos Energy's acquisition of the assets that make up that system.  
15 Currently there are 2,663 miles of plastic mains in the Atmos Energy's Kansas  
16 system. Of these, 1,612 miles are currently classified as Vintage PE installed prior  
17 to 1983, which is approximately 39% of Atmos Energy's system.

18 Atmos Energy's Kansas distribution pipeline inventories by material are  
19 shown on Table JDH-1 below.

1                   **Table JDH-1 – Atmos Energy Kansas Pipeline Inventory by Material**



2

3       **Q.     CAN YOU PROVIDE ADDITIONAL DETAIL ABOUT THE RISK**

4       **ASSOCIATED WITH THESE TYPES OF MATERIALS?**

5       A.     Yes.   Material type is a major factor considered in Atmos Energy’s risk

6             prioritization tool and the ultimate risk ranking of projects, as well projects that the

7             Company undertakes when a condition is found during the normal course of

8             business that was previously unknown. Below I describe various material types

9             and why they pose a risk in our Kansas system. Atmos Energy considers this

10            information in a broader context of critical factors used to evaluate risk.

11      **Q.     CAN YOU PROVIDE AN EXAMPLE OF HOW O&M ACTIVITIES AND**

12      **CAPITAL INVESTMENT ARE USED TO ENHANCE SYSTEM SAFETY?**

13      A.     Yes. Atmos Energy continually seeks to improve its risk assessment and risk

14             mitigation process as part of its integrity management programs. This effort

15             necessarily requires that Atmos Energy’s procedures comply with all laws and

16             regulations. Atmos Energy’s leak detection activities and related system

1 investment provide a good example of how our activities enhance system safety.  
2 Atmos Energy has a leak survey program to identify and address leaks on the  
3 system in multiple ways. This leak survey program continues to evolve with  
4 additional advanced methane detection technologies to complement traditional leak  
5 survey methods as well as tailoring the timeframes to incorporate more frequent  
6 leak surveys when appropriate based on a variety of factors. In addition, Atmos  
7 Energy has an established Public Awareness Plan<sup>4</sup> to engage the public in helping  
8 to recognize and report potential leaks, which works in conjunction with the  
9 odorization of the gas delivered to our customers.<sup>5</sup> Atmos Energy also has  
10 procedures in place to timely and effectively respond to all leak reports.<sup>6</sup> All of the  
11 resulting O&M expenses from these programs are necessary for the safety of our  
12 system.

13 Working in conjunction with these activities to identify leaks are the  
14 activities to eliminate those leaks. Leaks are graded according to the categories  
15 identified in the Company's O&M Manual (Grade 1, Grade 2, and Grade 3). Any  
16 hazardous conditions are eliminated immediately, and non-hazardous leaks are  
17 monitored and repaired according to our procedures. Undertaking these necessary  
18 activities involves both O&M and capital expenses for the safety of the system.

19 Finally, Atmos Energy's risk-based pipe replacement program works in  
20 conjunction with these activities to prioritize replacement of highest relative risk

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<sup>4</sup> For federal requirements incorporated in state rules, *see* 49 C.F.R. § 192.616, "Public awareness."

<sup>5</sup> For state requirements related to this activity, *see* 16 TAC § 8.215, "Odorization of Gas."

<sup>6</sup> For state requirements related to this activity, *see* 16 TAC § 8.205, "Written Procedure for Handling Gas Leak Complaints."



1 pipe. The leak detection and leak repair activities I just discussed are key factors  
2 in how the Company prioritizes facility replacement.

3 **A. BARE STEEL PIPELINE REPLACEMENT**

4 **Q. WHAT ARE THE MAIN CAUSES OF LEAKS ON BARE STEEL PIPE?**

5 A. The most frequent cause of leaks on bare steel pipe is corrosion. Excluding  
6 excavation damage, approximately 66% of all below ground bare steel leaks  
7 repaired on Atmos Energy's Kansas system over the past four years were caused  
8 by corrosion.

9 **Q. CAN CORROSION ON BARE STEEL PIPE BE EXPECTED TO**  
10 **CONTINUE IN THE FUTURE?**

11 A. Yes. Once the corrosion process starts on bare steel pipe, it will continue until the  
12 pipe fails or is replaced.

13 **Q. DOES CATHODIC PROTECTION ELIMINATE THE DETERIORATION**  
14 **OF BARE STEEL PIPE?**

15 A. No. Cathodic protection is a technique used to control the corrosion rate of a metal  
16 surface. Properly applied cathodic protection reduces the rate of corrosion, but it  
17 does not eliminate corrosion from occurring.

18 **Q. WHY IS THAT A CONCERN?**

19 A. The majority of Atmos Energy's bare steel pipe has been in the ground since before  
20 the 1960s. As this bare steel pipe continues to age, it deteriorates and develops  
21 leaks. Allowing bare steel pipe to remain in the ground increases the risk to public  
22 safety and the reliability of our system.

1   **Q.    WHAT TYPES OF MATERIALS IS ATMOS ENERGY USING TO**  
2       **REPLACE THE BARE STEEL PIPE?**

3   A.    Depending on the system maximum allowable operating pressure, Atmos Energy  
4       is replacing bare steel pipe with either PE or coated steel pipe.

5       **B.    VINTAGE PE PIPE REPLACEMENT**

6   **Q.    PLEASE PROVIDE ADDITIONAL DETAIL ABOUT ATMOS ENERGY'S**  
7       **VINTAGE PE PIPE.**

8   A.    Atmos Energy's Kansas gas distribution system contains approximately 1,612  
9       miles of vintage PE pipe installed prior to 1983. While these pipes are not generally  
10      as old as the bare steel pipe in Atmos Energy's Kansas distribution system, they are  
11      nonetheless made of materials that are considered obsolete and no longer used for  
12      new construction in the natural gas industry.

13   **Q.    WHAT ARE THE MAIN CAUSES OF LEAKS ON VINTAGE PE PIPE?**

14   A.    As these materials age, the structure of the pipe weakens, becomes brittle and  
15      eventually cracks, which is impacted not only by the material characteristics but  
16      also by the procedures, equipment, and joining practices used in the industry at the  
17      time. Also, the glue used in the couplings that hold the joints of PVC together  
18      stiffens as it ages, which can result in the pipe separating from the coupling. In  
19      addition, there are operational risks associated with performing repairs on vintage  
20      plastic due to the susceptibility of cracking during squeezing operations to control  
21      gas flow in an emergency or tie-in situation.

1    **Q.    IS REPLACEMENT OF THIS PIPE THE ONLY POSSIBLE REMEDY?**

2    A.    Yes, replacement is the only remedy for these pipes. As stated above, vintage PE  
3           pipe consists of materials that are no longer used for new installations. There is no  
4           remedial action that will reverse the brittleness or cracking of this early generation  
5           plastic pipe.

6           **C.    THE BENEFITS OF ACCELERATED PIPELINE REPLACEMENT**

7    **Q.    WHY IS THE ACCELERATED REPLACEMENT OF THESE PIPELINES**  
8           **APPROPRIATE?**

9    A.    It is both reasonable and prudent for the Company to pursue the accelerated  
10          replacement of pipe comprised of materials with known and documented risks.  
11          Modernization of the Kansas distribution system enhances the ability of Atmos  
12          Energy to continue to provide safe and reliable service to Kansas' current and future  
13          customers and to mitigate the risk of incidents that can result in death, injury, or  
14          significant property damage.

15   **Q.    IS THIS CONSISTENT WITH THE COMMISSION'S FINDINGS IN**  
16          **DOCKET 15-GIMG-343-GIG?**

17   A.    Yes. In its Order in Docket No. 15-GIMG-343-GIG (the "343 Docket"), the  
18          Commission concluded that accelerated pipeline replacement is in the public  
19          interest. Specifically, the Commission focused on "the accelerated, programmatic  
20          replacement of bare steel mains, bare steel service/yard lines, and cast iron mains"  
21          and found that such replacement "is in the public interest and necessary." There is  
22          extensive evidence presented by the parties in that docket to support this

1 conclusion, as well as the conclusion for the need to accelerate replacement of all  
2 industry-identified obsolete infrastructure.

3 **Q. PLEASE DESCRIBE THE PROGRESS THAT ATMOS ENERGY HAS**  
4 **MADE IN THESE EFFORTS SINCE THE 343 DOCKET.**

5 A. From 2018 through 2024, Atmos Energy replaced approximately 151.6 miles of  
6 higher relative risk pipe of the material types described above in my testimony.  
7 That total includes approximately 103 miles of bare steel pipe replaced in Class 3  
8 locations, which was the main focus of the Commission in the 343 Docket. Over  
9 that same time period, Atmos Energy replaced approximately 8,806 bare steel  
10 service lines.

11 **III. PIPELINE SAFETY REGULATORY FRAMEWORK**

12 **Q. IN YOUR POSITION, ARE YOU FAMILIAR WITH FEDERAL AND**  
13 **STATE REGULATIONS REGARDING PIPELINE SAFETY AND**  
14 **INTEGRITY?**

15 A. Yes.

16 **Q. IS ATMOS ENERGY SUBJECT TO THE RULES OF THE PIPELINE AND**  
17 **HAZARDOUS MATERIALS SAFETY ADMINISTRATION (“PHMSA”)**  
18 **AND REGULATIONS REGARDING GAS DISTRIBUTION PIPELINE**  
19 **SAFETY?**

20 A. Yes. Atmos Energy is subject to the PHMSA rules and regulations as those are  
21 promulgated by the U.S. Department of Transportation (“DOT”) and adopted by  
22 the Commission for Kansas natural gas local distribution companies, as well as the  
23 state-specific pipeline safety rules promulgated by the Commission.

1   **Q.   DO PIPELINE SAFETY REGULATIONS SPECIFY THE FULL EXTENT**  
2       **OF ACTIONS A PRUDENT OPERATOR IS EXPECTED TO UTILIZE**  
3       **WHEN OPERATING THEIR SYSTEM?**

4   A.   No. A challenge of developing uniform ways to address safety of natural gas  
5       pipelines is that much of the critical infrastructure is underground, making threats  
6       not easily observable or known. As a result, it is impossible for regulations in this  
7       area to be completely prescriptive. The pipeline safety regulations, or code  
8       (including the federal code and complementary codes adopted by the states), must  
9       therefore provide the minimum that should be done to construct, operate, and  
10      maintain a natural gas system, which serves as a framework for operators to use  
11      their discretion to implement those standards in a manner that maximizes safety on  
12      its system given the constraints inherent in the process. Because of this, though an  
13      operator may not be able to point to a specific regulatory requirement to complete  
14      a project, it is still an operator's job to identify projects that will potentially address  
15      the highest relative risks and work with state regulators to strike a balance regarding  
16      the appropriate pace of undertaking those investments.

17   **Q.   PLEASE PROVIDE AN EXAMPLE OF HOW PHMSA REGULATIONS**  
18      **DIRECT OPERATORS TO USE THEIR DISCRETION IN MAKING**  
19      **SAFETY DECISIONS.**

20   A.   An illustrative example is 49 C.F.R. Part 192 subpart P, "Gas Distribution Pipeline  
21       Integrity Management." Each operator is required to develop and implement its  
22       own unique Distribution Integrity Management Plan ("DIMP") to mitigate risks on  
23       its system. While this subpart sets up a framework of general requirements, it

1 leaves the operator with the duty of designing its own plan that is specific to its  
2 system to calculate and address risk. For example, Part 192.1007(c) requires the  
3 operator to evaluate and rank risk: “An operator must evaluate the risks associated  
4 with its distribution pipeline. In this evaluation, the operator must determine the  
5 relative importance of each threat and estimate and rank the risks posed to its  
6 pipeline. This evaluation must consider each applicable current and potential threat,  
7 the likelihood of failure associated with each threat, and the potential consequences  
8 of such a failure.” In this way, the regulation leaves the operator to determine the  
9 factors and methodology that should be used to identify and address risk and the  
10 pace at which such identified risks should be addressed.

11 **Q. PLEASE FURTHER DESCRIBE THE DIM PROGRAM.**

12 A. The Distribution Integrity Management Program (DIMP) specifies how the utility  
13 will identify, assess, prioritize, and evaluate risks to the integrity of distribution  
14 lines and the manner in which those risks will be mitigated or eliminated.

15 Per the Department of Transportation (“DOT”) Part 192 Subpart P regulations,  
16 every distribution operator is required to have a DIMP plan in place. The seven key  
17 elements of a DIMP plan are:

- 18 1. Knowledge of distribution system
- 19 2. Identify threats
- 20 3. Evaluate relative risk
- 21 4. Identify and implement measures to reduce risk
- 22 5. Measure performance, monitor results, and evaluate effectiveness
- 23 6. Periodic evaluation and improvement

1           7. Report results

2           Through the DIM process, assets on the Kansas system have been identified as  
3           relatively high risk and sequenced for replacement, including bare steel, low  
4           pressure, and vintage PE assets.

5   **Q.   WHEN THE PHMSA PIPELINE SAFETY RULEMAKING PROCESS WAS**  
6           **INITIATED, DID IT PROVIDE ANY INSIGHT INTO THE STATES'**  
7           **ROLES IN DISTRIBUTION PIPELINE SAFETY MEASURES?**

8   A.   Yes. PHMSA emphasized the importance of oversight performed directly by the  
9           States. PHMSA stated specifically:

10               States must implement the minimum standards established by  
11               PHMSA but have a variety of ways in which they can oversee  
12               distribution pipeline safety. They can simply mirror the Federal  
13               pipeline safety program; they can impose additional requirements,  
14               beyond the Federal minimum; they can engage in special oversight  
15               programs with individual operators or groups of operators; or  
16               finally, they can provide incentives for safety improvements, often  
17               through their rate-setting authority. (emphasis added)

18               It is appropriate that the principal actions for regulating distribution  
19               pipeline safety rest with the States. States need to balance safety  
20               and affordability. They need to ensure that the particular needs of  
21               their citizenry are fulfilled....<sup>7</sup>

22   **Q.   HAVE THE FEDERAL AND STATE PIPELINE SAFETY CHANGES**  
23           **DISCUSSED PREVIOUSLY IMPACTED THE WAY THAT NATURAL GAS**  
24           **COMPANIES MONITOR AND MANAGE THE SAFETY OF THEIR**  
25           **DISTRIBUTION SYSTEMS?**

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<sup>7</sup> Notice of Proposed Rulemaking, 73 Fed. Reg. 36015 at 36017.

1 A. Yes. The federal changes and the Call to Action<sup>8</sup> have resulted in an increasingly  
2 proactive approach to pipeline safety.

3 **Q. HAVE THERE BEEN CHANGES TO PIPELINE SAFETY LAWS AND**  
4 **REGULATIONS SINCE ATMOS ENERGY'S LAST RATE CASE THAT**  
5 **SUPPORT ATMOS ENERGY'S COMMITMENT TO AND PLANS FOR**  
6 **PIPELINE REPLACEMENT?**

7 A. Yes. On April 1, 2016, PHMSA submitted a Notice of Proposed Rulemaking  
8 ("NPRM") that has become known as the PHMSA "Mega Rule" addressing 16  
9 major topic areas divided into three rulemaking actions focused on the safety of gas  
10 transmission pipelines.<sup>9</sup> On October 19, 2019, the first of these three separate  
11 rulemakings ("Mega Rule Part 1") was finalized with an effective date of  
12 July 1, 2020.<sup>10</sup> Mega Rule Part 1 requires operators of gas transmission pipelines  
13 constructed before 1970 to determine the material strength of lines with certain  
14 properties installed in specific operating areas by reconfirming the MAOP.<sup>11</sup> In  
15 addition, the rule updates reporting and records retention standards for gas  
16 transmission pipelines. The rule also increased the mileage of pipe subject to  
17 integrity assessments under the Pipeline Integrity Management Plan.<sup>12</sup>

18 In addition, on December 27, 2020, Congress signed into effect the  
19 Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2020

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<sup>8</sup> PHMSA Call to Action Letter to National Association of Regulatory Utility Commissioners, Dec. 19, 2011, <https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/docs/PHMSA%20111011-002%20NARUC.pdf>.

<sup>9</sup> *Id.*, PHMSA Call to Action Letter to National Association of Regulatory Utility Commissioners, Dec. 19, 2011, <https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/docs/PHMSA%20111011-002%20NARUC.pdf>.

<sup>10</sup> Pipeline and Hazardous Materials Safety Administration, 84 Fed. Reg. 52180 (Oct. 1, 2019).

<sup>11</sup> *See* 49 C.F.R. §§ 192.624, 192.632.

<sup>12</sup> *See, e.g., Id.* at § 192.710.



1 (“PIPES Act of 2020”),<sup>13</sup> which outlines provisions intended to continue to enhance  
2 safety, increase transparency, and refine the existing rulemaking process. One  
3 provision was a directive for natural gas operators to, within one year, evaluate their  
4 existing plans and take into consideration measures which would contribute to  
5 public safety and protect the environment. In advisory bulletin ADB-2021-01,  
6 dated June 4, 2021, PHMSA outlined its intention to begin performing inspections  
7 in 2022 on the adequacy of operators updated plans to meet the intent of Section  
8 114 of the PIPES Act of 2020, including the requirement that “[o]perators must  
9 also revise their plans to address the replacement or remediation of pipeline  
10 facilities that are known to leak based on their material, design, or past  
11 operating and maintenance history.”<sup>14</sup>

12 Mega Rule Part 2 was issued in August 2022,<sup>15</sup> and includes provisions to  
13 enhance the repair criteria for pipeline anomalies.<sup>16</sup> It also expands the repair  
14 criteria to include areas outside of High Consequence Areas (“HCAs”),<sup>17</sup> which  
15 will also likely increase the quantity of pipe replaced each year.<sup>18</sup> Mega Rule Part  
16 2 became effective on May 24, 2023.

17 In addition, there have been two major Notices of Proposed Rulemakings  
18 (“NPRM”) issued by PHMSA. On May 18, 2023, PHMSA published an NPRM in

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<sup>13</sup> PIPES Act of 2020, Public Law No. 116-260 (Dec. 27, 2020).

<sup>14</sup> Pipeline and Hazardous Materials Safety Administration, ADB-2021-01, *available at* <https://public-inspection.federalregister.gov/2021-12155.pdf>.

<sup>15</sup> Pipeline and Hazardous Materials Safety Administration, 87 Fed. Reg. 52224-52279 (Aug. 24, 2022).

<sup>16</sup> *See, e.g.*, 49 C.F.R. §§ 192.714, 192.935.

<sup>17</sup> “Pipeline safety regulations use the concept of ‘High Consequence Areas’ (HCAs) to identify specific locales and areas where a release could have the most significant adverse consequences. Once identified, operators are required to devote additional focus, efforts, and analysis in HCAs to ensure the integrity of pipelines.” Fact Sheet: High Consequence Areas, Pipeline & Hazardous Materials Safety Administration, *available at* <https://primis.phmsa.dot.gov/comm/factsheets/fshca.htm>.

<sup>18</sup> *See, e.g.*, 49 C.F.R. § 192.714.

1 the Federal Register titled “Pipeline Safety: Gas Pipeline Leak Detection and  
2 Repair.”<sup>19</sup> Among the proposed amendments for Part 192- regulated gas pipelines  
3 are strengthened leakage survey and patrolling requirements; performance  
4 standards for advanced leak detection programs; leak grading and repair criteria  
5 with mandatory repair timelines; requirements for mitigation of emissions from  
6 blowdowns; pressure relief device design, configuration, and maintenance  
7 requirements; and clarified requirements for investigating failures. On January 17,  
8 2025, PHMSA published a final version of this rule, which remains pending for  
9 adoption.<sup>20</sup>

10 Finally, PHMSA proposes expanded reporting requirements for operators of  
11 all gas pipeline facilities within DOT’s jurisdiction, including underground natural  
12 gas storage facilities and liquefied natural gas facilities. On September 7, 2023,  
13 PHMSA published another NPRM entitled “Pipeline Safety: Distribution Pipelines  
14 and Other Pipeline Safety Initiatives,” which contains a multitude of proposed rules  
15 to try to mitigate the risks on higher relative risk assets.<sup>21</sup>

#### 16 **IV. ATMOS ENERGY’S KANSAS SYSTEM AND REPLACEMENT PROGRAMS**

17 **Q. COULD YOU PLEASE DESCRIBE THE IMPORTANCE OF SAFETY TO**  
18 **ATMOS ENERGY IN THE OPERATION OF ITS KANSAS**  
19 **DISTRIBUTION SYSTEM?**

20 **A.** The safety of Atmos Energy’s customers, community and employees is Atmos  
21 Energy’s highest priority in every jurisdiction in which it operates. Pipeline safety

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<sup>19</sup> <https://www.phmsa.dot.gov/regulations/federal-register-documents/2023-09918>

<sup>20</sup> <https://www.phmsa.dot.gov/news/usdot-advances-rule-modernize-gas-pipeline-methane-emissions-detection-requirements-0>

<sup>21</sup> <https://www.phmsa.dot.gov/regulations/federal-register-documents/2023-18585>

1 is an integral element of that mission. From the Company's perspective, there is no  
2 higher priority in our operations than safety. The SIP mechanism approved by the  
3 Commission in Docket 19-ATMG-525-RTS and recently extended for another  
4 seven years was designed to serve that priority and enhance our ability to provide  
5 safe and reliable natural gas service to the public.

6 **Q. PLEASE DESCRIBE THE PROGRAMMATIC SPENDING THAT ATMOS**  
7 **ENERGY HAS UNDERTAKEN TO INVEST IN THE INTEGRITY OF ITS**  
8 **SYSTEM.**

9 A. The Kansas Legislature created the Gas Safety and Reliability Policy Act of 2006  
10 (the "Act") to underscore the importance of investment in the natural gas  
11 distribution infrastructure. Through the GSRS, since 2008 the Act enabled us to  
12 undertake a limited amount of system integrity investments to address risk on our  
13 system and continue compliance with federal and state safety standards, subject to  
14 a rate cap of \$0.40 annually on the average monthly residential bill. In 2018, the  
15 Legislature amended the Act to expand the definition of qualifying investments and  
16 to increase the cap to \$0.80. The GSRS also defines and limits the types of projects  
17 that can be recovered through this program.

18 In its Order in the 2019 rate case, the Commission stated that it "recognizes  
19 the urgent need to replace obsolete pipes" and provided the parameters under which  
20 Atmos Energy should collaborate with CURB and the Staff to finalize a SIP tariff  
21 that met the conditions of the Order. Ultimately, Staff, CURB, and Atmos Energy  
22 agreed to a SIP mechanism that featured a five-year pilot program with an expected  
23 investment of \$35 million over the five years. On July 1, 2020, Atmos Energy filed

1 its five-year general plan of projects intended to be completed under the SIP, as well  
2 as detail on the projects to be included in the first year of the program. Since that  
3 initial filing, Atmos Energy has completed planned SIP projects for years one  
4 through four and is currently replacing year five planned SIP projects to wrap up  
5 the five-year pilot program. The Commission approved to extend the SIP  
6 mechanism in May 2025 for an additional seven years with an expected investment  
7 of \$75 million over that period. This safety-related investment is in addition to the  
8 mileage replaced through the GSRS program, as well as non-programmatic capital  
9 investment that we are seeking recovery through base rates.

10 **Q. ULTIMATELY, WHAT ARE THE BENEFITS TO CUSTOMERS OF THIS**  
11 **SYSTEM INTEGRITY INVESTMENT?**

12 A. System integrity investment results in accelerated modernization of infrastructure,  
13 which improves system safety and reliability. Importantly, the new infrastructure  
14 will have the accurate, verifiable, and complete records required by federal  
15 regulation to perform more thorough risk assessments of the Kansas distribution  
16 system in the future. Certain technical records for parts of the Kansas distribution  
17 systems are unusable or unavailable today because they were of poor quality or  
18 nonexistent during the time that the systems were operated by the predecessor  
19 companies and installed at a time that pre-dated industry record keeping  
20 requirements. Part 192 regulations require that data be gathered during new pipe  
21 installations and when existing facilities are exposed during routine maintenance to  
22 enhance our knowledge and analyses of our systems. Therefore, an ancillary benefit  
23 of system integrity investment is establishing accurate pipe and component data

1 during pipe replacement activities and then storing that information in the GIS and  
2 asset management databases to enable better risk assessments in the future.

3 Atmos Energy's system integrity investment also reduces the inconvenience  
4 to the public by taking a proactive approach to project identification and execution  
5 rather than a reactive approach. Historically, many projects are identified and  
6 executed to eliminate an immediate hazardous threat to public safety and customer  
7 reliability. Since our concern is typically a single immediate threat, we often  
8 narrowly define the project scope to quickly eliminate only that threat. This narrow  
9 approach necessitated by the immediate hazardous threat approach can lead to  
10 missed opportunities for efficiency by expanding the scope of a retirement or  
11 replacement project to include adjacent facilities that do not yet pose an immediate  
12 threat but nevertheless pose risks to the system. Atmos Energy's approach to system  
13 integrity investment continues to facilitate Atmos Energy's replacement of bare  
14 steel and vintage PE in an area prior to the detection of an immediate hazardous  
15 threat so each project can be more efficient in both size and scope.

16 **Q. DOES ATMOS ENERGY EXPECT FOR SYSTEM INTEGRITY**  
17 **INVESTMENT TO CONTINUE THAT IS ABOVE AND BEYOND WHAT IS**  
18 **RECOVERED THROUGH GSRS AND SIP?**

19 A. Yes. Atmos Energy expects to continue to make the necessary investments in  
20 Kansas to support the long-term safety and reliability of our Kansas system for the  
21 benefit of Kansas customers, and the expectation is that the need for system  
22 integrity investment will continue to exceed the limitations of GSRS and SIP. Just

1       like in this case, that capital will need to be recovered through general rate cases  
2       and abbreviated rate cases in the future.

3

V. CONCLUSION

4     **Q.     DOES THAT CONCLUDE YOUR TESTIMONY?**

5 A. Yes.

VERIFICATION

STATE OF KANSAS                    )  
  )  
COUNTY OF JOHNSON            )

Jackson (Jack) Hill, being duly sworn upon his oath, deposes and states that he is Vice President Technical Services for Atmos Energy Corporation's Colorado-Kansas Division; that he has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information and belief.

  
Jackson (Jack) Hill

Subscribed and sworn before me this 23<sup>rd</sup> day of July, 2025.

  
Notary Public

My appointment expires: 12/2027

