

In the Matter of the Application of Kansas Gas Service, a)	
Division of ONE Gas, Inc., for Approval of a Privatization)	
Contract Establishing the Terms, Conditions, Rates, and)	Docket No.
Charges for Ownership and Operation of the Natural Gas)	19-KGSG-194-CON
Distribution System Serving Fort Riley, Kansas, and for)	
Approval of the Proposed Accounting Treatment for the)	
System.)	

STAFF TESTIMONY IN SUPPORT OF SETTLEMENT

PREPARED BY

LEO M. HAYNOS

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

May 3, 2019

**Leo M. Haynos Testimony in Support of Settlement
Docket No. 19-KGSG-194-CON**

Q. Would you please state your name and business address?

A. My name is Leo M. Haynos. My business address is 1500 Southwest Arrowhead Road, Topeka Kansas, 66604.

Q. Are you the same Leo M. Haynos who filed direct testimony in this docket on March 29, 2019?

A. Yes, I am.

Q. What is the purpose of your testimony?

A. My testimony supports the Joint Motion to Approve the Settlement Agreement filed in this docket. As part of the Settlement Agreement, I also recommend the Commission waive its regulations regarding the establishment of a Maximum Allowable Operating Pressure (MAOP) for portion of the existing Fort Riley System. The regulation in question is 49 CFR Part 192.619 as adopted by K.A.R. 82-11-4.

Q. Please describe 49 CFR Part 192.619.

A. 49 CFR Part 192 prescribes federal minimum safety requirements for the transportation of natural gas. These regulations are promulgated by the Pipeline and Hazardous Materials Administration (PHMSA), which is an agency within the U.S. Department of Transportation. K.A.R. 82-11-4 adopts the federal safety code into state regulations as it applies to intrastate natural gas transportation. Section 192.619 is a maintenance requirement that prohibits an operator from operating a pipeline above its Maximum Allowable Operating Pressure (MAOP). This section of the code also prescribes how the MAOP is to be established.

1 **Q. What is the most common means of establishing an MAOP?**

2 **A.** Assuming proper selection of piping material, the most common means of establishing
3 MAOP is to pressure test the pipe to 150% of the proposed MAOP. For example, if the
4 operator wishes to establish an MAOP of 60 psi, the pipe is pressure tested to 90psi.
5 Records of the pressure test are required to be maintained for the life of the system.¹

6 **Q. Does the Fort Riley gas distribution system have pressure test records of the piping**
7 **system?**

8 **A.** It is my understanding that the existence of pressure testing records is unknown.
9 Certainly, there will be portions of the older piping in the system where pressure test
10 records do not exist.

11 **Q. Was Fort Riley required to maintain pressure test records of its piping?**

12 **A.** Not that I am aware of. Because the system has been exempt from pipeline safety
13 regulations, there is no federal or state requirement to maintain records.

14 **Q. Is there a means of establishing the system MAOP by performing a pressure test at**
15 **this time?**

16 **A.** Given the fact that the age, condition, and even the buried location of much of the piping
17 system is unknown to KGS, I would consider pressure testing existing piping to 150% of
18 its current operating pressure to be an unacceptable safety risk. In this case, the risk
19 would be the chance of the pressure test causing a hazardous leak on the system that
20 could not be detected. Such a leak could occur at the time of the test or perhaps months
21 later. Because the precise location of the piping is unknown, the effectiveness of a leak

¹ 49 CFR Part 192.517 as amended by K.A.R. 82-11-4(u).

1 survey finding leaks will be diminished. Potentially causing additional leaks that are
2 difficult to find would not be a prudent safety practice.

3 **Q. Can the system use the existing pressure as the MAOP and simply reduce the**
4 **operating pressure by 33%? In other words, for the example above, let 60 psi**
5 **become the MAOP and operate the system at 40 psi.**

6 **A.** I would consider this option to be problematic as well. While this approach would
7 establish an acceptable MAOP, the lower operating pressure may make gas deliverability
8 a problem for the Fort Riley customers. If gas deliverability drops to unacceptably low
9 levels, other types of safety hazards may develop with gas appliances. At the very least,
10 the customer's quality of service may be diminished.

11 **Q. Does the waiver compensate for the level of safety that would have been realized by**
12 **establishing a MAOP through pressure test?**

13 **A.** Yes. In lieu of establishing a MAOP through pressure testing, the waiver establishes an
14 alternative compliance plan (ACP) that requires actions that exceed minimum pipeline
15 safety code requirements.

16 **Q. What conditions are contained in the ACP that provide equivalent or superior**
17 **safety of the system when compared to a pressure test of all of the piping?**

18 **A.** Among other things, the ACP requires:

- 19 • Semi-annual leak surveys of the existing system for five years;
- 20 • the establishment of a pipe replacement plan starting with the facilities at highest
21 risk of failure; and
- 22 • a commitment to operate the untested piping at the lowest pressure necessary to
23 provide safe and reliable service.

1 **Q. Will the three ACP requirements noted above enhance the safety of the system over**
2 **performing a pressure test on all piping as required by 49 CFR 192.619?**

3 **A.** Yes. All of the ACP requirements will enhance public safety, whereas compliance with
4 the 192.619 requirements for this age of piping actually may be detrimental to safety.

5 **Q. If the Commission approves the proposed waiver, are there additional steps that**
6 **must be taken to get final approval from PHMSA?**

7 **A.** Yes. Because 192.619 is a federal regulation adopted by Kansas regulations, a waiver of
8 the requirements must also be obtained from PHMSA.

9 **Q. Have you reviewed the five factor test used by the Commission to evaluate a**
10 **settlement agreement?**

11 **A.** Yes. It is my understanding the Commission must make an independent finding that
12 settlement is supported by substantial competent evidence in the record. To perform this
13 evaluation, the Commission uses the following five factors:

14 (1) Has each party had an opportunity to be heard on its reasons for opposing the
15 settlement?

16 (2) Is the Agreement supported by substantial competent evidence in the record as
17 a whole?

18 (3) Does the Agreement conform to applicable law?

19 (4) Will the Agreement result in just and reasonable rates?

20 (5) Are the results of the Agreement in the public interest, including the interests of
21 customers represented by any party not consenting to the Agreement?

Parties had an Opportunity to be Heard on Reasons for Opposing the Settlement

Q. Has each party had an opportunity to be heard on its reasons for opposing the settlement?

A. Yes. The Commission issued an Order adopting a procedural schedule on March 26, 2019. The schedule set deadlines for filing direct, cross-answering and rebuttal testimony before holding settlement discussions, which provided ample opportunity for all parties to analyze the Application and provide recommendations to the Commission.

Q. Is the Agreement a unanimous settlement between the intervening parties?

A. Yes. Staff, KGS, and CURB are signatories to the Agreement.

The Agreement is Supported by Substantial Competent Evidence in the Record

Q. Is the Agreement supported by substantial competent evidence in the record as a whole?

A. Yes. KGS filed an extensive Application explaining the terms of the contract being evaluated. Using the Application, Staff conducted discovery, which guided its Direct Testimony and settlement negotiations. KGS also filed Rebuttal Testimony in response to Staff testimony. Based on the parties' direct filed positions, settlement negotiations provided clarity to some issues and compromise to some positions that resulted in the Agreement.

The Agreement Conforms with Applicable Law and will Result in Just and Reasonable Rates

Q. Does the Agreement conform to applicable law?

A. With respect to pipeline safety regulations, KGS's assumption of operations of an aging gas piping system that has been exempt from safety regulations presents a unique

1 regulatory compliance situation. However, the approach to operating the system as
2 described in the Contract and in KGS's testimony indicate the Fort Riley system will be
3 operated in accordance with applicable regulations as much as possible. The waiver
4 request contained as Attachment A to the Agreement ensures the system operation is
5 compliant with pipeline safety regulations. K.A.R. 82-11-9(b)² allows the Commission
6 to waive its safety regulations provided the Commission determines the waiver does not
7 compromise pipeline safety.

8 **Q. Will the Agreement result in just and reasonable rates?**

9 **A.** This settlement factor will be addressed in Staff witness Justin Grady's testimony filed in
10 support of settlement.

11 **The Results of the Agreement are in the Public Interest, Including the Interests of**
12 **Customers Represented by any Party not Consenting to the Agreement**

13 **Q. Are any of the intervening parties opposed to the Agreement?**

14 **A.** No parties are opposed to the Agreement.

15 **Q. Do you believe the Agreement is in the public interest?**

16 **A.** Yes. Because KGS has the expertise to investigate and improve the safety of the Fort
17 Riley system, allowing KGS to provide natural gas service will enhance the safety of the
18 system. Because operating natural gas distribution systems is KGS's primary focus, I

² K.A.R. 82-11-9(b) Upon application by any person engaged in the transportation of gas or the operation of pipeline facilities, compliance with any regulation of this article that is incorporated by reference from 49 CFR 191-192 may be waived, in whole or in part, by the commission if the commission determines that the waiver is consistent with pipeline safety. The provision of notice of the proposed waiver and an opportunity for hearing on the application for waiver may be required by the commission. In addition, the waiver shall be granted only under these circumstances:

(1) By order of the commission;
(2) after notice and opportunity for hearing, if ordered by the commission; and
(3) upon approval of the US department of transportation under 49 USC 1671 et seq.
(4) The waiver shall be subject to any terms, conditions, and limitations deemed appropriate by the commission.

1 would expect the ultimate consumers also will receive more reliable service than they are
2 currently receiving from a system that appears to be somewhat antiquated. As I noted
3 earlier in my testimony, KGS's operations are subject to pipeline safety regulations,
4 which will provide a known level of safety performance to the system that is not required
5 under current operations.

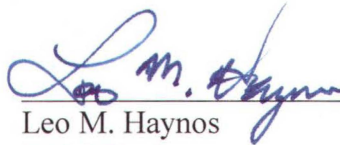
6 **Q. Does this conclude your testimony?**

7 **A. Yes.**

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

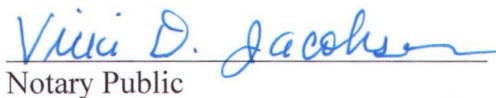
VERIFICATION

Leo M. Haynos, being duly sworn upon his oath deposes and states that he is the Pipeline Safety Chief Engineer for the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Testimony in Support of Settlement Agreement*, and attests that the statements contained therein are true and correct to the best of his knowledge, information and belief.



Leo M. Haynos
Chief Engineer
State Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 3rd day of May, 2019.


Notary Public

My Appointment Expires:

June 30, 2022

CERTIFICATE OF SERVICE

19-KGSG-194-CON

I, the undersigned, certify that a true and correct copy of the above and foregoing Staff Leo Haynos Testimony in Support of Settlement Agreement was served via electronic service this 3rd day of May, 2019, to the following:

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CERTIFICATE OF SERVICE

19-KGSG-194-CON

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