

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

In the Matter of the Application of Atmos)
Energy Corporation for Waiver of the) Docket No. 24-ATMG-531-MIS
Requirements of K.A.R. 82-11-4(31) for Farm)
Tap Customers.)

NOTICE OF FILING STAFF REPORT AND RECOMMENDATION

COMES NOW the Staff of the State Corporation Commission of the State of Kansas and for its Notice of Filing Staff Report and Recommendation states as follows:

Staff hereby files the attached Report and Recommendation dated October 18, 2024, providing Staff's analysis and recommendation regarding the conditional approval of Atmos Energy Corporation's (Atmos) Application for Waiver of the odorant sampling requirements of K.A.R. 82-11-4(31) for jurisdictional domestic individual service lines ("ISLs" or "Farm Taps"). The conditional waiver would allow Atmos to inspect odorant levels less frequently while maintaining pipeline safety.

WHEREFORE, Staff presents its Report and Recommendation for the record and further determination by way of approval in a Commission Order.

Respectfully Submitted,

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**REPORT AND RECOMMENDATIONS
UTILITIES DIVISION**

TO: Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

FROM: Paul Owings, Chief Engineer
Jeff McClanahan, Director Utilities Division

DATE: October 18, 2024

SUBJECT: Docket No. 24-ATMG-531-MIS – Staff’s Recommendation to Modify Odorant Sampling Requirements for Individual Service Lines In the Matter of the Application for Waiver of the Requirements of K.A.R. 82-11-4(31) for Farm Tap Customers

EXECUTIVE SUMMARY:

Atmos Energy Corporation (Atmos Energy) submitted an Application for Waiver (Application) initiating Docket No. 24-ATMG-531-MIS on January 29, 2024. The Application requested a waiver of the odorant sampling requirements under K.A.R. 82-11-4(31) for jurisdictional domestic Individual Service Lines (ISLs), also known as farm taps, operated and maintained by Atmos Energy in Kansas. Kansas Corporation Commission Staff (Staff) recommends the Kansas Corporation Commission (Commission) conditionally waive the requirements of K.A.R. 82-11-4(31) for odorant sampling requirements on jurisdictional domestic ISLs for Atmos Energy.

This report presents an analysis and recommendation for a waiver of the monthly odor sampling requirements for ISLs. After review of the waiver request, a conditional waiver for K.A.R. 82-11-4(31) as described herein is recommended for the following reasons. The proposed conditional waiver is consistent with federal pipeline safety regulations.¹ The Commission has previously provided a similar waiver from Kansas pipeline safety regulations for odorant sampling requirements for ISLs.² The unique nature of ISLs allow gas operators to inspect them less frequently while maintaining pipeline safety. Furthermore, adherence to existing regulations cannot be completed efficiently.

¹ 49 CFR Part 192.625(f)

² Docket No. 00-PNGT-086-MIS

BACKGROUND:

Minimum federal safety standards for transportation of natural and other gas by pipeline are prescribed in 49 C.F.R. Part 192. The State of Kansas adopted 49 C.F.R. Part 192 by reference in K.A.R. 82-11-4 with modifications. Atmos Energy's application for a waiver relates to the odorization of natural gas which is found in K.A.R. 82-11-4(31).

Under current state regulations, natural gas utilities are required to perform odor sampling on distribution lines including ISLs on a monthly basis to ensure the presence of a sufficient odorant in the gas for leak detection purposes.³ This requirement is intended to mitigate the risk of undetected gas leaks, which could pose significant safety hazards.

The federal regulations, governed by the Pipeline and Hazardous Materials Safety Administration (PHMSA) under the U.S. Department of Transportation, require "periodic" odor sampling to ensure gas detectability.⁴ However, the term "periodic" is not explicitly defined, allowing for interpretation based on operational context, risk assessments, and best practices. In 1989, the State of Kansas provided specificity to the federal rule within state regulations by requiring monthly sampling of each system for odor. However, the Kansas change did not consider the burden monthly sampling would place on operators with ISLs.

Atmos Energy has submitted an application for a waiver of odorant sampling requirements under K.A.R. 82-11-4(31) limited to ISLs. Atmos Energy is requesting permission to sample odorant for ISLs annually in lieu of monthly.

Black Hills Energy's predecessor, Peoples Natural Gas Company (Peoples), was granted a similar waiver from odorant sampling requirements allowing triennial sampling in lieu of monthly sampling.⁵ The waiver was granted due to the following reasons:

- ISLs are unique, only serving one customer who generally uses a small volume of gas.
- Peoples provided historical data to Staff that demonstrated the ability to consistently and reliably assure the presence of odor in gas.
- Pipeline safety allows for less frequent odorant sampling as implied in the lack of specificity in federal regulation.
- Granting the requested waiver will not compromise pipeline safety and may provide for more efficient use of the applicant's resources.

ANALYSIS:

The Commission may waive portions of state pipeline safety regulations, excluding portions referenced directly from federal regulation, if the Commission determines the waiver is consistent

³ K.A.R. 82-11-4(31)

⁴ C.F.R. 192.625(f)

⁵ Docket No. 00-PNTG-086-MIS

with pipeline safety.⁶ The proposed waiver complies with federal pipeline safety requirements, and therefore the Commission has authority to approve the waiver if it is determined to be consistent with pipeline safety. The evidence presented below substantiates the claim that the requested waiver is consistent with pipeline safety and is necessary.

The State's prescriptive monthly odorant sampling requirements offer several advantages over the federal requirements. The monthly schedule creates a clear and straightforward compliance framework for utilities, minimizing ambiguity and ensuring uniform safety practice across the state. Regular monitoring ensures that any deviations in odorant levels are promptly identified and corrected, thereby promoting pipeline safety. Furthermore, regular sampling can be efficiently performed for multi-meter service areas such as a municipality.

Applying the State's monthly odorant sampling requirements to ISLs is inefficient for several reasons. ISLs are spread over a large geographic area and are remote which requires a significant amount of travel to perform the sampling. Each ISL serves one customer, and therefore the number of samples per customer is proportionately higher for ISLs in comparison to multi-meter systems. Odorant sampling locations are limited on ISLs due to the configuration of the ISLs. To acquire a suitable sample, operators must obtain property owner permission to sample odorant at or near the dwelling wall. For these reasons, monthly sampling of ISLs is inefficient in comparison to multi-meter systems.

In addition to the inefficient nature, ISLs have lower relative risk when compared with multi-meter systems. This is primarily due to the reliability of odorization equipment, the ability to store excess odorant, a lower probability of gas leaks in a given service area, and decreased consequence associated with low odorant. Each of these topics is further discussed below.

Gas transmission mains supply ISLs with unodorized gas. Each ISL has odorization equipment. ISLs typically utilize a single unit wick-type odorizer. The unit is often installed above ground immediately prior to the gas meter. The unit consists of a section of steel pipe called a container that holds the odorant liquid, a reducer fitting, a nipple to connect to a downward facing tee in the gas line, and a wick. Odorant is drawn up the wick from the container and into the gas flow. Refer to the figure below showing a wick-type odorizer.

⁶ K.A.R. 82-11-9



Figure 1: Wick-type odorizer near a gas meter.

Wick-type odorizers do not have wear components or electrical components which are more susceptible to failure. Potential failure mechanisms associated with wick-type odorizer include fouling of the wick, an empty container, and inadequate or lack of wick penetration into the gas stream. Wick-type odorizers generally have a low probability of failure and can be properly maintained with annual inspections.

Wick-type odorizers are available with sufficient capacity to last greater than one year for ISLs. A typical residence utilizes 70 thousand cubic feet (MCF) of natural gas a year. Odorant is often applied at 0.4 pounds per million cubic feet (LBS/MMCF). The required quantity of odorant for a typical residence is approximately 0.028 pounds per year. Mercaptan is a commonly used natural gas odorant. The specific gravity of Mercaptan is 0.826. Based on the assumed usage and dosage presented above, the volume of odorant used annually is approximately 0.54 fluid ounces. A 1.25” diameter wick-type odorizer holds 0.83 fluid ounces per inch of container height. In a five year period approximately 3.25 inches of odorant would be used at the calculated rate above. These calculations are provided to demonstrate that sufficient capacity can be provided for ISL odorizers. These calculations should not be relied on by gas operators. Gas operator must properly size their odorizers for each individual scenario.

Due to the reasoning described above, Staff recommends the Commission grant a waiver relating to odorant sampling for ISLs. Annual sampling creates a clear and straightforward compliance framework for utilities to follow but allows additional flexibility for efficient operation. The proposed framework establishes a minimum sampling requirement, but ultimately operators are required to maintain adequate levels of odorant in distribution lines at all times and should choose an appropriate interval to sample odorant to ensure continuous odorization with a minimum backstop of one year.

Compliance monitoring of this waiver will be achieved during existing Standard Records Inspections. Staff inspectors currently review odorant sampling records. Staff inspectors will continue reviewing records during scheduled inspections. If gas operators have inadequate odorant

within distribution lines or do not sample at minimum intervals, they will be subject to enforcement by the Commission.

RECOMMENDATIONS:

Staff recommends the Commission conditionally waive the requirements of K.A.R. 82-11-4(31) for odorant sampling requirements on jurisdictional domestic ISLs for Atmos Energy. Staff recommends the Commission require the following as a condition of the waiver:

Applicability and Definitions:

1. The waiver is only applicable to the duration between odorometer samplings and is only applicable to ISLs.
2. ISLs shall be defined as gas distribution lines connected to a transmission line, gathering line, or other production pipe that serves one residential customer or one irrigation system per odorizer.

Sampling Frequency and Requirements:

3. Odorant concentration sampling shall be conducted at a minimum annually, not to exceed 15-months between samples.
4. All ISLs shall have sampling taps in a suitable location to complete odorant concentration sampling requirements.
5. Odorizers shall be filled at a minimum biennially, not to exceed 30-months between filling the odorizer. The operator shall be responsible for sizing the odorizer based on the filling cycle.

Monitoring, Record Keeping, and Procedures

6. Operators shall record all odorant samples taken regardless of the interval between samples.
7. Operators shall record the level of the odorizer when filling the odorizer.
8. Operators shall document any failures and corrective actions taken to prevent similar failures on any ISLs.

Modifications and Notifications

9. If pipeline safety regulations are modified contradicting requirements herein, the stricter of the requirements shall apply.
10. The Operator shall notify KCC Staff if any of the requirements dictated herein are not met.

CERTIFICATE OF SERVICE

24-ATMG-531-MIS

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff Report and Recommendation was served via electronic service this 31st day of October, 2024, to the following:

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