

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION	)	
OF ATMOS ENERGY CORPORATION	)	Docket No.
FOR REVIEW AND ADJUSTMENT OF ITS	)	19-ATMG-525-RTS
NATURAL GAS RATES	)	

REBUTTAL TESTIMONY OF BART W. ARMSTRONG

I. INTRODUCTION

1
2 **Q. STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Barton W. Armstrong, and my business address is 25090 W. 110th
4 Terrace, Olathe, Kansas 66061.

5 **Q. DID YOU FILE DIRECT TESTIMONY IN THIS CASE?**

6 A. Yes.

7 **Q. WHAT IS THE SCOPE OF YOUR REBUTTAL TESTIMONY?**

8 A. In my rebuttal testimony I respond to the testimony of Staff witness John Gorrell
9 and CURB witness Josh Frantz regarding Atmos Energy Corporation's ("Atmos
10 Energy") natural gas system and the approach and effectiveness of our pipeline
11 replacement program.

1 **II. RESPONSE TO MR. GORRELL'S ASSERTIONS AND**
2 **RECOMMENDATIONS REGARDING ATMOS ENERGY'S PIPELINE**
3 **REPLACEMENT EFFORTS AND PROPOSED SIP**

4 **Q. DO YOU AGREE WITH THE IMPLICATION IN MR. GORRELL'S**
5 **TESTIMONY THAT ATMOS ENERGY'S PIPELINE REPLACEMENT**
6 **PROGRAM HAS NOT BEEN SUCCESSFUL THUS FAR?**

7 A. No. To the extent that Mr. Gorrell makes an assertion that our system integrity
8 investments thus far have been ineffective, I disagree. However, I do agree with Mr.
9 Gorrell that the current pace of replacement is not optimal for the state of Kansas,
10 and a more accelerated pace is needed to address aging and obsolete infrastructure.

11 **Q. DO YOU AGREE WITH MR. GORRELL'S ASSERTION THAT LEAK**
12 **INVENTORY DATA ALONE IS A VALID METRIC TO EVALUATE THE**
13 **REPLACEMENT PROGRAM?**

14 A. No, leak inventory data is an important metric to evaluate when assessing risk on a
15 natural gas distribution system but not the only metric when assessing risk. I agree
16 that a goal of a pipeline replacement program is to mitigate failures on our system,
17 including leaks. However, from the outset, one must keep in mind that the number
18 of leaks on our system is generally affected by a variety of factors independent of
19 pipeline replacement rates. For example, Atmos Energy has increased the leak
20 survey frequency of obsolete plastic pipe from a five-year frequency (as required
21 by Federal guidelines¹) to a three-year frequency². This substantial increase in the
22 number of leak surveys conducted each year will lead to the potential identification

¹ See 49 CFR 192.723.

² See also Atmos Energy's Plan for the Systematic Accelerated Replacement of Bare Steel Service/Yard Lines and Bare Steel Mains, Docket 18-ATMG-316-CPL, Apr. 24, 2018, p. 11-12.

1 of a higher number of leaks that we can then address to promote the safe operation
2 of our system. In addition, as Atmos Energy continues to use even more advanced
3 state-of-the-art equipment in its leak surveys, it is expected that a higher number of
4 leaks will be identified and addressed on a timely basis.

5 **Q. IS THERE ANYTHING SPECIFIC ABOUT MR. GORRELL’S USE OF THE**
6 **LEAK DATA PROVIDED THROUGH DISCOVERY THAT NEEDS**
7 **CLARIFICATION?**

8 A. Yes, With regard to the data cited by Mr. Gorrell, the leak counts referenced in his
9 testimony were limited to non-excavation below ground Grade 1 leaks. First, this
10 is but one subset of leak data that can be studied to understand trends in leak counts
11 that can provide insight into the effectiveness of pipeline replacement in reducing
12 leaks. Also, a closer look at the increase in leak counts in the 2018 data reveals that
13 the majority of the increase of Grade 1 leaks occurred on bare steel yard
14 lines. Although these facilities are replaced as part of the program, the priority
15 projects are mainly determined by the characteristics of the bare steel main in the
16 area. Also, these yard lines have specific Kansas regulations that require
17 monitoring, and increased inspection frequencies.

	2015	2016	2017	2018
	YARDLINE	YARDLINE	YARDLINE	YARDLINE
Grade 1 Leaks	81	86	74	150

18
19 That said, I do agree with Mr. Gorrell’s assertion that the historically
20 reactive nature of Atmos Energy’s GSRS investment is not as efficient in addressing
21 long-term system integrity as a systematic, proactive system integrity program like
22 the one proposed in this docket. I further agree with his assertions that there is

1 insufficient data to fully assess the effectiveness of Atmos Energy's pipeline
2 replacement program at this time, and that additional leaks are occurring at a rate
3 faster than can be proactively prevented with the current rate of pipeline
4 replacement.

5 **Q. DO YOU AGREE WITH MR. GORRELL'S ASSERTION THAT LEAK**
6 **DATA IS AN INDICATOR THAT ACCELERATED PIPELINE**
7 **REPLACEMENT IS APPROPRIATE?**

8 A. Yes. Leak data cannot be used as a sole determinant of the "success" of a pipeline
9 replacement program, but as stated above, it is a consideration in assessing risk and
10 indicative of the need to replace aging pipe that is more prone to leakage.

11 **Q. DO YOU AGREE WITH MR. GORRELL'S ASSERTION THAT THERE IS**
12 **A NEED FOR THE STAFF TO CLOSELY MONITOR INVESTMENT INTO**
13 **PIPELINE REPLACEMENT TO ENSURE THAT THE INVESTMENT IS**
14 **BEING IMPLEMENTED EFFICIENTLY AND EFFECTIVELY?**

15 A. Yes.

16 **Q. DOES THE SIP PROPOSAL IN THIS DOCKET ALLOW FOR "CLOSE**
17 **MONITORING" AS CONTEMPLATED BY MR. GORRELL?**

18 A. Yes. As Atmos Energy witness Gary Smith describes in his direct testimony³,
19 Atmos Energy's proposal includes filing a five-year general plan for SIP projects
20 and overall goals for progress on enhancing system integrity, along with a detailed
21 project plan for the first SIP year, on July 1, 2020, with subsequent annual project
22 plans to be filed on August 1 of each year. The Staff would then have the

³ Direct Testimony of Gary L. Smith, p. 21.

1 opportunity to review the proposed investment *before the capital expense is*
2 *incurred* (unlike traditional rate cases, in which capital expenses are reviewed *after*
3 they are incurred, and the assets are placed in service). In Atmos Energy's proposal,
4 the Staff would also have the opportunity to review on a quarterly basis that the
5 projects match up with those previously approved by the Commission. The Staff
6 would also have the opportunity for a thorough review of project invoices with each
7 annual filing that Atmos Energy makes, and any regulatory adjustments or
8 reclassifications of costs will be reflected in SIP rates.

9 **Q. HOW DO YOU RESPOND TO MR. GORRELL'S STATEMENTS**
10 **REGARDING THE ACCURACY AND COMPLETENESS OF ATMOS**
11 **ENERGY'S RECORDS?**

12 A. Mr. Gorrell is correct that Atmos Energy has continuously worked to improve the
13 accuracy and completeness of the records of its Kansas system since acquisition. A
14 multi-pronged approach is underway to improve the GIS pipeline information.
15 First, all paper records are being digitized, attributed, and then mapped.
16 Secondly, missing data is being acquired through subject matter experts, and any
17 other locations where the data may exist, and the input into the GIS system. Mr.
18 Gorrell correctly states that over the past several years, Atmos Energy's filings in
19 Kansas have reflected updated inventories of its assets based on the increasingly
20 more accurate data resulting from these efforts.

1 **Q. DO YOU AGREE WITH MR. GORRELL'S CONCLUSIONS REGARDING**
2 **THE APPROPRIATE CHARACTERISTICS OF A SIP MECHANISM TO**
3 **SUPPORT PIPELINE REPLACEMENT?**

4 A. Atmos Energy witness Gary Smith addresses in his rebuttal testimony the
5 Company's response to the ratemaking aspects of Mr. Gorrell's and Staff witness
6 Grady's recommendations regarding the SIP mechanism. As for Mr. Gorrell's
7 recommendations regarding the Staff's review of the reasonableness of Atmos
8 Energy's SIP plan, I agree that the Staff should review whether "the investment and
9 logistics of the plan demonstrate an accelerated rate of replacement" and whether
10 "the priority scheme is accurate." However, to the extent that Mr. Gorrell's
11 recommendations suggest that the effectiveness of the SIP can be evaluated solely
12 on whether the leak count is declining, I disagree with that assertion for the reasons
13 stated above.

14 **III. RESPONSE TO MR. FRANTZ'S RECOMMENDATIONS**

15 **Q. HAVE YOU REVIEWED THE RECOMMENDATIONS RELATED TO SIP**
16 **CONTAINED IN THE TESTIMONY OF CURB WITNESS JOSH FRANTZ?**

17 A. Yes.

18 **Q. DO YOU HAVE ANY COMMENTS REGARDING MR. FRANTZ'S**
19 **RECOMMENDATIONS?**

20 A. Yes. While Mr. Smith is addressing Mr. Frantz's recommendations regarding the
21 features of the SIP mechanism, I do have a couple of comments. I agree with Mr.
22 Frantz that the purpose of the proposed SIP is to address system integrity projects
23 and related investments, not other types of capital investments such as cyber-

1 security that may be recovered through GSRS. With regard to Mr. Frantz's mention
2 of specific materials that should be targeted in the SIP plan, I would like to clarify
3 that it is expected that bare steel projects in Class 3 locations are expected to be the
4 highest relative risk and thus targeted first. However, I agree with Mr. Gorrell⁴ that
5 Atmos Energy should have the flexibility to prioritize based on the highest relative
6 risk considering all relevant risk factors, rather than just by material type and
7 location alone

8 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

9 A. Yes.

⁴ See Staff Direct Testimony of John O. Gorrell, p. 15.

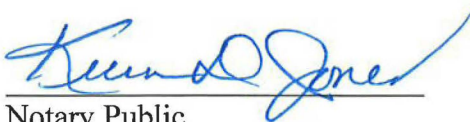
VERIFICATION

STATE OF KANSAS)
)
COUNTY OF JOHNSON)

Bart W. Armstrong, being duly sworn upon his oath, deposes and states that he is Vice President of Operations of Atmos Energy Corporation's Colorado-Kansas Division; that he has read and is familiar with the foregoing Rebuttal Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information and belief.


Bart W. Armstrong

Subscribed and sworn before me this 11th day of November, 2019.


Notary Public

My appointment expires: 1/7/2022

