

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of a General Investigation of Atmos	)	
Energy to Show Cause Why this Commission	)	
Should Not Impose Penalties or Sanctions for	)	Docket No. 14-ATMG-508-SHO
Violation of the Natural Gas Pipeline Safety	)	
Statutes, Rules, and Regulations	)	

**ORDER**

The above captioned matter comes on for consideration and determination by the State Corporation Commission of the State of Kansas ("Commission"). The matter is a general investigation of Atmos Energy ("Atmos") to show cause why this Commission should not impose penalties or sanctions for violation of the natural gas pipeline safety statutes, rules and regulations. This Order addresses only those issues with respect to Atmos.

I. **BACKGROUND**

1. On May 2, 2014, the Staff filed a report and recommendation with the Commission recommending the Commission issue an order requiring Atmos to show cause why the Commission should not impose civil penalties on Atmos for its failure to replace above-ground pipelines located in urban areas and to have one valve installed upstream at some distance from its regulator stations to allow gas flow to be shut off in an emergency situation. Staff pointed out that Atmos had included above ground pipeline replacements and installation of valves at regulator station projects in its recent Gas Safety and Reliability Surcharge ("GSRS") filing and that a Commission Order required the replacement of most of the above-ground pipelines by 1997. The regulator station valves were required by regulation to be installed when the stations were constructed years ago.

2. On May 15, 2014, Staff and Atmos met to discuss Staff's recommendation in this matter. While Atmos indicated at the meeting it did not agree with the position being taken by Staff and had a different interpretation of the regulations, Atmos and Staff did agree on a compromise that

would adequately resolve both parties' concerns. Under the terms of the Settlement Agreement ("Settlement") that has been filed by Staff and Atmos in this docket for our consideration, Atmos agrees to successfully implement the proposed plans agreed to by Staff and Atmos with respect to (1) replacing remaining above ground pipelines located in urban areas, (2) installing valves at a safe distance from regulator stations to shut off gas flow in an emergency, (3) installing valves specifically designed to isolate a downtown business district built using a common wall construction technique with priority given to small towns with limited fire fighting abilities, (4) taking over and purchasing the Coffeyville Garden Apartments' master meter system, and the Kansas City, Kansas (Smith Real Estate Property) master meter system, and (5) replacing bare steel main in downtown Coffeyville, Kansas. Staff has agreed to recommend the Commission waive the proposed penalty. Atmos also agrees it will not seek recovery of the costs to implement the proposed plans relating to replacing above-ground pipelines and installing valves at regulator stations in any GSRS filing, or in any Regulatory Asset ("RA") mechanism or any similar type mechanism, but shall be limited to recovery of said cost through a general rate case. Atmos agrees that with respect to its takeover or acquisition of the master meter systems located in its service territory, it will be limited to recovering only its actual costs instead of its embedded cost per customer that it has been allowed in recent municipal acquisition cases.

3. This Order allows Atmos to remedy alleged deficiencies and to take steps to avoid similar future deficiencies without the imposition of further sanctions or penalties. This Order also provides notice that Atmos' failure to complete the proposed plans in the time period agreed to by Atmos and Staff can result in penalties, fines and sanctions.

## II. FINDINGS AND CONCLUSIONS

4. The Commission finds and concludes that Atmos is a public natural gas utility

subject to the jurisdiction of the Commission, pursuant to K.S.A. 66-104. The Commission also finds that it has jurisdiction over this matter pursuant K.S.A. 66-1,150(a) and may compromise any civil penalty as provided in K.S.A. 66-1,152.

5. The Commission finds that the Parties have reached an agreement resolving the issues in this matter, and Atmos has voluntarily cooperated and consented to the entry of this order without having admitted any fact or violation of law.

6. Atmos has agreed to the Settlement for settlement purposes only and does not stipulate or agree that its above ground pipeline replacement program or its installation of valves at regulation stations program violated any provision of K.A.R. 82-11-4 or 49 CFR ' 192, or other law, rule or regulation of the Commission.

7. The Commission, upon review of the materials generated by the investigation and in reviewing the terms of the Settlement before it, finds that a reasonable basis exists to order remedial actions in response to the alleged instances of noncompliance. Atmos has cooperated with the investigation and has agreed to implement the plans identified in the Settlement and that said plans, once completed, will be in compliance with Staff's interpretation of K.A.R. 82-11-4 and 49 CFR ' 192.181(b)<sup>1</sup> and the pipeline safety regulations relating to above ground pipelines in urban areas.

8. Staff and Atmos jointly recommend, by means of this Settlement, that the Commission accept the commitment of Atmos to address the items of alleged noncompliance.

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<sup>1</sup>49 CFR ' 192.181(b) states "Each regulator station controlling the flow or pressure of gas in a distribution system must have a valve installed on the inlet piping at a distance from the regulator stations sufficient to permit the operator of the valve during an emergency that might preclude access to the station."

9. Pursuant to K.S.A. 66-1,152, Staff and Atmos have agreed the timely implementation of the plans identified in Exhibit 1 (district regulator station valve installation plan), Exhibit 2 (urban area above ground pipeline replacement plan) and Exhibit 3 (installing valves designed to isolate downtown business district plan) attached to the Settlement and taking over or purchasing the two master meter systems and replacing the bare steel main in downtown Coffeyville, Kansas will be conducted in exchange for the Commission not imposing a civil penalty recommended by Staff in this case.

10. As part of Atmos' agreement to timely implement the district regulator station valve installation plan and the urban area above ground pipeline replacement plan attached to this Settlement, Atmos has agreed not to seek recovery of the costs to implement those two plans through its GSRS tariff, or through an RA mechanism or similar mechanism but instead, recover said costs only in a general rate case application. Atmos has further agreed that with respect to its takeover or acquisition of the two master meter systems located in its service territory, it will be limited to recovering only its actual costs instead of its embedded cost per customer that it has been allowed in recent municipal acquisition cases.

11. Staff shall report to the Commission any acts or omissions constituting noncompliance which could result in the imposition of administrative penalties, fines or sanctions as may be deemed to be appropriate.

IT IS THEREFORE BY THE COMMISSION ORDERED THAT:

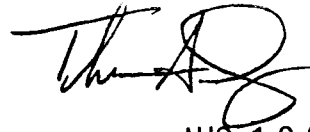
This Order shall serve as acknowledgment and agreement by Atmos to implement the plans attached to the Settlement as Exhibits 1, 2 and 3, and said plans shall be considered remedial terms and corrective measures to be taken by the utility in this matter. No penalty shall be issued against Atmos provided that it timely implements the plans attached to the Settlement. Atmos shall also take

over or acquire the two master meter systems identified in this Order and replace the bare steel main located in downtown Coffeyville, Kansas. This Order shall also serve as constructive notice that any failure to comply with the plans and the measures proscribed herein or violations or noncompliance will not be received favorably by this Commission.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Com.; Apple, Com.

Dated: AUG 12 2014.



ORDER MAILED AUG 13 2014

Thomas A. Day

Acting Executive Director

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
JAMES G. FLAHERTY, ATTORNEY ANDERSON & BYRD, L.L.P. 216 S HICKORY PO BOX 17 OTTAWA, KS 66067		
KAREN P. WILKES, VICE PRESIDENT, REGULATORY AND PUBLIC AFFAIRS ATMOS ENERGY CORPORATION 1555 BLAKE ST STE 400 DENVER, CO 80202		
SAMUEL FEATHER, LITIGATION COUNSEL KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD RD TOPEKA, KS 66604-4027 ***Hand Delivered***		
ROBERT A. FOX, CHIEF LITIGATION COUNSEL KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD RD TOPEKA, KS 66604-4027 ***Hand Delivered***		

ORDER MAILED AUG 13 2014

The Docket Room hereby certified that on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.