

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

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the Matter of a General Investigation)
Regarding the Acceleration of Replacement)
of Natural Gas Pipelines Constructed of) Docket No. 15-GIMG-343-GIG
Obsolete Materials Considered to be a Safety)
Risk.)

ORDER OPENING GENERAL INVESTIGATION

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and records, and being duly advised in the premises, the Commission makes the following findings:

I. Background

1. Commission Staff (Staff) has submitted a Report and Recommendation (R&R) recommending the Commission open a general investigation docket to receive comments on proposed parameters of an accelerated natural gas pipeline replacement program.¹ Staff's R&R, dated February 2, 2015, is attached hereto and made a part hereof by reference. In its R&R, Staff cites Docket No. 14-ATMG-320-RTS, where the Commission recently denied a proposal for an accelerated natural gas pipeline replacement program.² However, Staff notes the Commission's willingness to consider future proposals on this issue. Specifically, this Commission stated,

“The Commission would . . . entertain the possibility of roundtable discussions with industry to discuss proposing to the legislature either an adjustment to the GSRS Act or an additional system integrity RA as well as any specific projects,

¹ Staff Report & Recommendation, December 18, 2014, p. 1. (Staff R&R, p. 1.)

² Docket No. 14-ATMG-320-RTS, Order Approving Partial Stipulated Settlement Agreement; Order on Contested Issues, September 4, 2014, ¶ 55. (14-320 Order, ¶ 55.)

goals, and concerns that it would address. Additionally, the Commission finds its decision on the RA in this case does not prevent its consideration of other infrastructure improvement mechanisms which Atmos or other utilities may propose in the future.”³

2. Following the Commission’s decision, Staff held a series of meetings with the affected utilities – Atmos Energy (Atmos), Kansas Gas Service, a Division of ONE Gas, Inc. (KGS), and Black Hills Energy (Black Hills). The Commission also held two Work Sessions to discuss this issue. Staff now reports it can establish a framework for a viable replacement process that can be uniformly applied to natural gas public utilities in Kansas.⁴ Staff recommends the Commission request comments from affected parties and fully develop the record regarding the efficacy of a pipe replacement program to enhance public safety and the parameters that should be included to assure equitable recovery of the investment costs.⁵

3. Specifically, Staff recommends the Commission request comments from the affected parties on the following questions:

1. Should replacing obsolete infrastructure, funded through some form of non-traditional ratemaking mechanism, be considered to be in the public interest?
2. Does the Commission have the jurisdictional authority to establish alternative rate making methodologies for pipe replacement that go beyond the parameters established under the Gas Safety and Reliability Policy Act?⁶
3. What are the expected benefits to customers, utilities, and the public generally from an accelerated pipe replacement program?
4. Are there any detriments to customers, utilities, and the public generally from implementing an accelerated pipe replacement program?
5. What parameters should be tracked to demonstrate pipe replacement reduces threats to public safety?
6. Provide comments on each of the eleven parameters proposed by Staff for implementing an obsolete pipe replacement process (see Attachment 1).

³ 14-320 Order, ¶ 56.

⁴ Staff R&R, p. 1.

⁵ Staff R&R, p. 1.

⁶ K.S.A 66-2201, et seq.

7. Attachment 1 also contains Staff's rationale for each of the proposed parameters. Staff recommends the Commission request comments on the rationale used by Staff in describing the eleven parameters in Attachment 1. Respondents should be encouraged to offer alternative concepts/ideas that meet the overall goal of each of Staff's parameters in Attachment 1.⁷

II. Findings and Conclusions

4. The Commission agrees with Staff's recommendation to request comments on the issues listed above. However, the Commission requests the parties initially address the jurisdictional question set forth in Staff's Question 2 before addressing the other questions. Following a decision on that question, the Commission may request further comments.

5. To ensure an organized procedure, the Prehearing Officer should promptly convene a scheduling conference with any affected parties, including Staff, Atmos, KGS, Black Hills, and the Citizens' Utility Ratepayer Board. Following the conference, the Prehearing Officer will issue a procedural schedule. Parties should submit their comments in accordance with such schedule.

III. Order Designating Prehearing Officer

6. The Commission may designate a prehearing officer to conduct prehearing conferences to address any matters appropriately considered in a prehearing conference, including all items listed in K.S.A. 77-517(b) of the Kansas Administrative Procedure Act (KAPA). Accordingly, the Commission designates Jay Van Blaricum, Assistant General Counsel, 1500 SW Arrowhead Road, Topeka, KS 66604, telephone number (785) 271-3186, j.vanblaricum@kcc.ks.gov to serve as Prehearing Officer in this proceeding.⁸ The Commission may designate other staff members to serve in this capacity.

⁷ Staff R&R, pp. 1-2, 5.

⁸ K.S.A. 77-514; K.S.A. 77-516; K.S.A. 77-551.

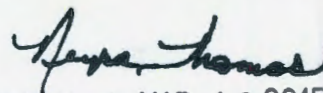
IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

- A. A proceeding is opened to investigate programs for accelerated replacement of natural gas pipelines constructed of obsolete materials considered to be a safety risk.
- B. The Prehearing Officer should promptly convene a scheduling conference to determine a schedule for receipt of the parties' comments.
- C. Jay Van Blaricum is designated as Prehearing Officer in this proceeding.
- D. Parties have 15 days, plus three days if service is by mail, from the date of service of this Order in which to petition the Commission for reconsideration.⁹
- E. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further order, or orders, as it may deem necessary and proper.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: MAR 12 2015



ORDER MAILED MAR 13 2015

Neysa Thomas
Acting Secretary

AF

⁹ K.S.A. 66-118b; K.S.A. 77-529(a)(1).

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Pat Apple

FROM: Leo Haynos, Chief of Energy Operations and Pipeline Safety
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Director of Utilities

DATE: February 2, 2015

SUBJECT: Recommendation to Initiate a General Investigation Regarding the
Acceleration of Replacement of Natural Gas Pipelines Constructed of
Obsolete Materials Considered to be a Safety Risk

EXECUTIVE SUMMARY:

In the Commission's Order in Docket 14-ATMG-320-RTS, the Commission stated that it would entertain the possibility of roundtable discussions with industry to develop solutions that address the proactive replacement of aging natural gas infrastructure. Staff held a series of meetings with the three investor owned natural gas public utilities that collectively serve 90% of the natural gas customers in Kansas. The goal of the roundtable discussions was the development of proposals to address the aging infrastructure issue. After holding two work sessions with the Commission and incorporating their feedback into the proposals, Staff believes we are able to establish the framework for a viable replacement process that can be uniformly applied to natural gas public utilities in Kansas. Staff recommends opening a General Investigation to receive comments from the affected parties and fully develop the record regarding the efficacy of a pipe replacement program to enhance public safety and the parameters that should be included in a pipe replacement program plan to assure equitable recovery of the investment costs. Such parameters will address the methods used to propose replacement projects for review by the Commission as well as cost recovery mechanisms associated with the projects. In particular, Staff recommends the Commission request comments from the affected parties on the following:

1. Should replacing obsolete infrastructure, funded through some form of non-traditional ratemaking mechanism, be considered to be in the public interest?
2. Does the Commission have the jurisdictional authority to establish alternative rate making methodologies for pipe replacement that go beyond the parameters established under the Gas Safety and Reliability Policy Act?¹
3. What are the expected benefits to customers, utilities, and the public generally from an accelerated pipe replacement program?

¹ K.S.A 66-2201 et seq.

4. Are there any detriments to customers, utilities, and the public generally from implementing an accelerated pipe replacement program?
5. What parameters should be tracked to demonstrate pipe replacement reduces threats to public safety?
6. Provide comments on Staff's proposed parameters for implementing an obsolete pipe replacement process (see Attachment 1).
7. Attachment 1 also contains Staff's rationale for each of the proposed parameters. Staff recommends the Commission request comments on the rationale used by Staff in describing the parameters in Attachment 1. Respondents should be encouraged to offer alternative concepts/ideas that meet the overall goal of each of Staff's parameters in Attachment 1.

BACKGROUND:

The State of Kansas has 21,800 miles of natural gas distribution piping that is subject to Kansas Pipeline Safety Regulations. Of that amount of pipe, 23% or 5,300 miles² are constructed of material that is obsolete or presents a known safety risk. All of the steel obsolete piping was installed before pipeline safety regulations were promulgated in 1970, making the piping in question at least 45 years old. In some cases, the piping can be as much as 100 years old. The majority of the obsolete piping is constructed of steel, and the main safety threat regarding failure of the piping is external corrosion of the pipe wall. The corrosion process is time dependent and becomes a more serious threat as time advances. For a portion of the obsolete piping, corrosion has been slowed by applying cathodic protection (CP). But CP cannot undo the corrosion damage that occurred in the years before it was applied, nor can CP prevent future corrosion. Regular leak surveys and ongoing pipe replacement projects indicate the pipeline systems in Kansas are not in imminent danger of failing. However, as time and corrosion continue, the probability of leaks and subsequent safety risks will increase.

Although Kansas regulations require operators to have unprotected bare steel pipe replacement plans, these plans are based on reacting to the frequency of leakage that occurs on the pipeline. In other words, a series of safety threats (leaks) must be observed before replacing a section of pipe is required. The regulations do not establish the quantity of piping that must be replaced. The amount of pipe to be replaced is left to the operator's discretion.

Since 2008, Kansas natural gas public utilities have been taking advantage of the Gas Safety Reliability Surcharge (GSRs) for recovery of capital investment costs incurred for complying with Pipeline Safety Regulations or for recovery of capital costs that are required by public works projects. Not all pipe replacement programs would be eligible for GSRs rate treatment because they would not be necessarily required by pipeline safety regulations. The GSRs surcharge is recovered from customers in the form of a monthly charge. The GSRs law restricts the amount of recovery from GSRs to a

² This estimate includes 4,900 miles of bare steel, 90 miles of cast iron, and 300 miles of obsolete plastic piping that is prone to cracking.

maximum of \$0.40 per month per residential customer. It also restricts the time period that the surcharge can be collected to a period of five years. After five years, the utility must have a rate case and place the projects being recovered through GSRS into rate base which effectively zeroes out the surcharge.

ANALYSIS:

Necessity for Acceleration of Infrastructure Replacement in Kansas:

As noted earlier, current surveillance and replacement programs required by Kansas Pipeline Safety Regulations indicate the natural gas pipeline system in Kansas is not in imminent danger of catastrophic failure. However, as pipe ages, failure will become more frequent, and more frequent failures increase the probability of at least one of the failures being catastrophic in nature. Delaying pipe replacement until a threat to public safety is obvious is not good public policy. A corollary to this fact would be that only performing minimal pipe replacement (to meet regulatory requirements for example) could result in the magnitude of the replacement program being so monumental that replacement in a timely manner is not possible. Attachment 2 provides an example of such a scenario that is ongoing in the state of Pennsylvania at this time.

Kansas' three natural gas public utilities have ongoing replacement programs primarily associated with GSRS. However, the rate of replacement may not be sufficient to stem the threat of leakage from old pipes. Attachments 3 through 5 provide trends related to replacing bare steel service lines, which is an example of a pipe replacement program that is common to all three utilities. The trends indicate that Kansas Gas Service and Black Hills are able to obtain a modest reduction in leak inventory through their replacement programs. Atmos Energy, on the other hand, is seeing an increase in its leak inventory even though 400 service lines are being replaced per year. The increasing leakage trend could be an indication the effects of corrosion are outpacing the replacement plan.

While current replacement programs are making progress, Staff believes accelerating the rate of replacement for all utilities would be in the public interest because it would provide the public with the benefit of achieving these safety goals sooner than a program that simply replaces pipe based on the current leakage rate. It seems equitable to Staff that any alternative rate making treatment which provides a benefit to the utility also should benefit the customer as well by achieving a safer gas delivery system sooner than is being provided by the present replacement programs. However, we recognize that an increased rate of replacement cannot be allowed to displace other safety priorities that may occur. Therefore, any replacement program approved by the Commission should be designed to increase the work being done rather than replace other necessary projects.

Staff recognizes that an accelerated pipe replacement program will be a burden on ratepayers regardless of the method of cost recovery. In order to assure the ratepayer of the necessity and the results of a replacement program, Staff recommends the Commission pre-approve any pipe replacement program. As part of that approval, each program should have an agreed upon set of reporting parameters that can demonstrate replacement acceleration, safety threat reduction, and operating cost reductions in order

to demonstrate to the ratepayers the success of their investments. Such reporting would also allow Staff to monitor the progress and costs of a replacement program.

Alternative Ratemaking Mechanism to Recover Infrastructure Replacement Costs:

The regulatory compact requires utility ratepayers to pay for investments needed to construct, maintain, and operate the utility system. Traditional ratemaking practice in Kansas requires utility operators to file a rate case with the Commission in order to recover operating costs and have an opportunity to earn a return on utility investment. During the period between rate cases, the utility carries the cost of these investments which can negatively affect its earnings. To minimize this effect known as regulatory lag, the utility may be inclined to minimize its investment in replacing infrastructure and only perform the minimum required pipe replacements. This potential disincentive to accelerate infrastructure replacement investments may arguably be contrary to the public interest for at least two reasons:

- If a utility is putting off accelerating the replacement of aging infrastructure, there are important safety benefits to customers and the public generally that are not being realized.
- If a utility's only option to remedy the negative effects of regulatory lag is to file more frequent rate cases, there may be higher costs to ratepayers associated with the utility and Commission costs for filing, processing, and adjudicating the rate case.

There are options available to the Commission to reduce the disincentive of regulatory lag associated with the acceleration of the replacement of infrastructure. Alternative ratemaking mechanisms can be designed to diminish the effects of regulatory lag in one of the two following ways:

- By allowing the utility to recover costs from ratepayers more quickly than traditional rate case timing would support.
- By allowing the utility to defer the carrying costs of additional investments to a regulatory asset account (thereby not impacting earnings) which can be recovered in a future rate case.

Both of these options (discussed in more detail in Attachment 1) allow the utility to accelerate investment in the replacement of aging infrastructure while minimizing the negative financial effects associated with regulatory lag and without the time and expense associated with filing more frequent rate cases.

It should be noted that Staff is not advocating for a total elimination of regulatory lag with these alternative ratemaking mechanisms. Regulatory lag does provide an important incentive to utility companies to control costs, and Staff contends that this incentive shouldn't be totally eliminated, especially if the replacement programs involve aggressive plans for capital deployment.

CONCLUSION AND RECOMMENDATION:

In conclusion, Staff believes the accelerated replacement of obsolete natural gas piping in order to reduce the risk to public safety is in the public interest. Staff recommends the Commission issue an Order opening a General Investigation for the purpose of investigating the following questions:

1. Should replacing obsolete infrastructure, funded through some form of non-traditional ratemaking mechanism, be considered to be in the public interest?
2. Does the Commission have the jurisdictional authority to establish alternative rate making methodologies for pipe replacement that go beyond the parameters established under the Gas Safety and Reliability Policy Act?³
3. What are the expected benefits to customers, utilities, and the public generally from an accelerated pipe replacement program?
4. Are there any detriments to customers, utilities, and the public generally from implementing an accelerated pipe replacement program?
5. What parameters should be tracked to demonstrate pipe replacement reduces threats to public safety?
6. Provide comments on each of the eleven parameters proposed by Staff for implementing an obsolete pipe replacement process (see Attachment 1).
7. Attachment 1 also contains Staff's rationale for each of the proposed parameters. Staff recommends the Commission request comments on the rationale used by Staff in describing the eleven parameters in Attachment 1. Respondents should be encouraged to offer alternative concepts/ideas that meet the overall goal of each of Staff's parameters in Attachment 1.

³ K.S.A 66-2201 et seq.

ATTACHMENT 1

Program Parameters/Qualification for Aging Infrastructure Investments Plans

1. Should initial filings be limited to five year programs on a pilot basis which will be reevaluated every five years? *Staff Comments: An initial five-year program will allow the Commission to evaluate the effectiveness and cost of the program and decide if it is in the public interest to continue. Because this proposal includes an alternative ratemaking mechanism, it is important to limit the length of time the mechanism is effective without a full rate review.*
2. Should filings be limited to a utility-specific program to replace obsolete infrastructure on an expedited basis compared to current pace? *Staff Comments: Accelerated replacement will achieve safety goals sooner and provide the ratepayer with a benefit for the increased cost burden. In addition, it would be inappropriate to afford extraordinary ratemaking treatment to capital expenditures that the utility would have otherwise made on its own accord under traditional ratemaking practices.*
3. For the initial filing, should the proposed programs include a long term plan to eliminate all types of undesirable pipe in the utility's system over a pre-determined time frame (not necessarily five years)? *Staff Comments: Initial filing should provide a roadmap for replacement of all undesirable piping that is in a utility's inventory in order to provide the Commission and the ratepayers with an understanding of magnitude of a program to remove obsolete gas piping from the system.*
4. Should the programs be required to include a prioritization scheme for pipe replacement that reduces threats to pipeline safety? *Staff Comments: An accelerated replacement program should be focused on removing the highest risk piping in the utility's inventory first. The program should also include the rationale as to how the prioritization scheme was derived.*
5. Should the proposed programs be required to result in an increase in overall capital expenditures for the replacement of aging natural gas infrastructure in Kansas? *Staff Comments: The replacement program with an alternative ratemaking mechanism is not intended to provide an alternate method for funding the status quo. It is intended to allow alternative ratemaking treatment for real safety concerns in a proactive manner that is over and above the current way of maintaining the piping system.*
6. Should initial filings be required to include projected yearly replacement levels and capital expenditures (both in aggregate and on a per-unit basis)? *Staff Comments: Regulatory lag provides a utility an important incentive to control costs. Because an alternative ratemaking mechanism diminishes that incentive, Staff recommends the program provide transparency in*

its costs and replacement schedules that can be evaluated by Staff and other interveners and by the Commission.

7. Should the utility be required to file annual compliance filings detailing progress made in the last year, deviation from initial projections, and revisions to remaining plan projections, if applicable? *Staff Comments: Staff recognizes that replacement plans may change because of the dynamics of operating a gas system. This provision is meant to provide the utility the opportunity to explain why goals were or were not met and request revisions to approved operating plan if necessary.*

8. Should a filing requesting an alternate ratemaking mechanism include an agreement from the utility to not file a rate case more often than once every three years? And, if a utility files a rate case more frequently than once every three years, should the utility be required to agree to the following terms: If a rate case is filed after only one year, the utility must agree to forego recovery of rate case expense in rates. If the utility files after two years, the utility must agree to only recover 50% of that expense in rates. *Staff Comments: Because the proposed alternative ratemaking mechanism accompanied by the present surcharge found in GSRS is anticipated to recover a significant proportion of capital costs for a natural gas utility and removes most of the effects of regulatory lag from those costs, Staff recommends a utility taking advantage of this type of program commit to filing a rate case no more frequently than once every three years. If the utility desires to file more frequently than once every three years, Staff recommends the utility agree that shareholders will pay for portions of the expense of the rate case as set out in the above proposal. This ensures that one of the stated benefits of the program (avoided rate case costs) will be realized. Additionally, while the utility will be mostly insulated from regulatory lag for significant capital expenditures under this proposal, this provision ensures that the utility continues to be subject to the beneficial cost containment effects of regulatory lag for the remainder of its operating costs.*

9. Should a utility applying for alternative ratemaking treatment be required to commit to tracking directly identifiable reductions in operating and maintenance expenses? Furthermore, should any reductions in operations and maintenance expenses be used to offset the increased revenue requirements associated with the replacement program? *Staff Comments: In order to lessen the burden on ratepayers associated with accelerating the pace of utility capital investment, Staff proposes the utility be required to track savings in operations and maintenance expense that can be directly attributable to a pipe replacement program. Furthermore, the identified savings should be used to offset the costs of the ongoing replacement program.*

Cost Recovery Options

10. Please provide comments on the viability of Staff's proposal that utilities applying for alternative ratemaking treatment be limited to one of two non-traditional ratemaking methodologies:

A. Deferred Cost recovery option. This method allows the utility to be insulated from the earnings effects of regulatory lag for the qualified capital expenditures between rate cases, without changing customer bills outside of a full rate proceeding. The utility would be allowed to defer depreciation expenses and carrying charges (calculated at the last Commission approved After-Tax Weighted Average Cost of Capital) associated with the qualified capital expenditures into a regulatory asset until the next rate case. The regulatory asset would then be amortized over a time determined reasonable by the Commission in the next rate case, or unitized as part of the Plant in Service and depreciated over the life of the applicable asset during the next rate case. Any tax ramifications associated with recovery of any deferred amounts will be handled in accordance with all applicable IRS Tax Normalization rules as appropriate in that rate case.

B. Yearly Surcharge Option. This option would basically be designed similar to the Environmental Cost Recovery Rider, the GSRs, and other surcharges that are designed to allow recovery of actual, historically incurred costs. The utility would file an annual filing, which after a short review period would allow it to begin recovering a return of (through depreciation expense) and a return on (through pre-tax weighted average cost of capital) invested capital on qualified Plant In Service investments. This surcharge should have a yearly true-up requirement as well.

Customer Benefits of this proposal:

- Inherent benefits of a safer system
- Time between rate cases (rate stability)
- Avoided rate case expenses
- Tracked and reduced O&M expenses saved from not maintaining obsolete infrastructure
- Programmatic replacement usually results in lower per unit costs than piece meal

Company Benefits of this proposal:

- Accelerated rate of replacement of aging and riskier infrastructure
- Less likelihood of higher and unplanned maintenance costs associated with pipe failure
- Substantial reduction in regulatory lag compared to traditional ratemaking paradigm

11. Please provide a synopsis of other alternative ratemaking methodologies that you wish the Commission to consider.

ATTACHMENT 2

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Philadelphia natural gas pipe system 'at risk' for tragedy, PUC chief says



By Mike Wereschagin
Monday, Jan. 12, 2015, 11:24 p.m.
Updated 24 hours ago



Almost half of Philadelphia's natural gas distribution system is considered "at risk" for a tragedy, and the 80 years estimated to replace the worst pipelines is too long, the chairman of the state Public Utility Commission said Monday.

The risk the Philadelphia Gas Works system poses to public safety prompted PUC Chairman Robert Powelson to order an "in-depth" review of PGW's integrity and the utility's replacement timeline. The largest municipal-owned system in the nation includes about 1,500 miles of cast iron gas pipes, some of which date to the 1800s, making it one of the oldest and leakiest gas distribution systems in the country, according to federal data.

Philadelphia residents are "threatened by at-risk pipelines and an alarmingly slow replacement schedule," Powelson said Monday in a statement announcing the review. "We will take an in-depth look at PGW and determine what may be done to accelerate this process and avoid tragic accidents, while at the same time being mindful of how much of a burden ratepayers can bear" to fund replacement work.

The state allows gas utilities to increase customers' bills by up to 5 percent to pay for accelerated infrastructure replacement.

Iron and bare, unprotected steel are the pipeline materials most prone to corrosion. They account for most leaks in gas distribution networks across the country, according to the Pipeline and Hazardous Materials Safety Administration.

Columbia Gas of Pennsylvania and Peoples Natural Gas Co., the largest Western Pennsylvania gas utilities, plan to remove the last of their iron and bare steel pipe by 2029 and 2031, respectively, according to filings with the state.

PGW expects to remove the last of the at-risk pipeline in 2100 — the longest timeline of any Pennsylvania gas utility. The state utility commission estimates it costs about \$1.4 million to replace a mile of pipeline in Philadelphia.

Pennsylvania likely will deal with this expensive problem for the rest of this century, a Tribune-Review investigative series, "The Invisible Threat," has reported.

Columbia Gas this week will begin a \$1.1 million project to replace lines in Pittsburgh's South Side that have been in use since the late 1800s. The project involves replacing more than a mile of wrought iron and bare steel pipeline.

"It's served us well for a long time, but at this point, it's costing more to maintain it than to replace it," said spokeswoman Brynnly Schwartz said.

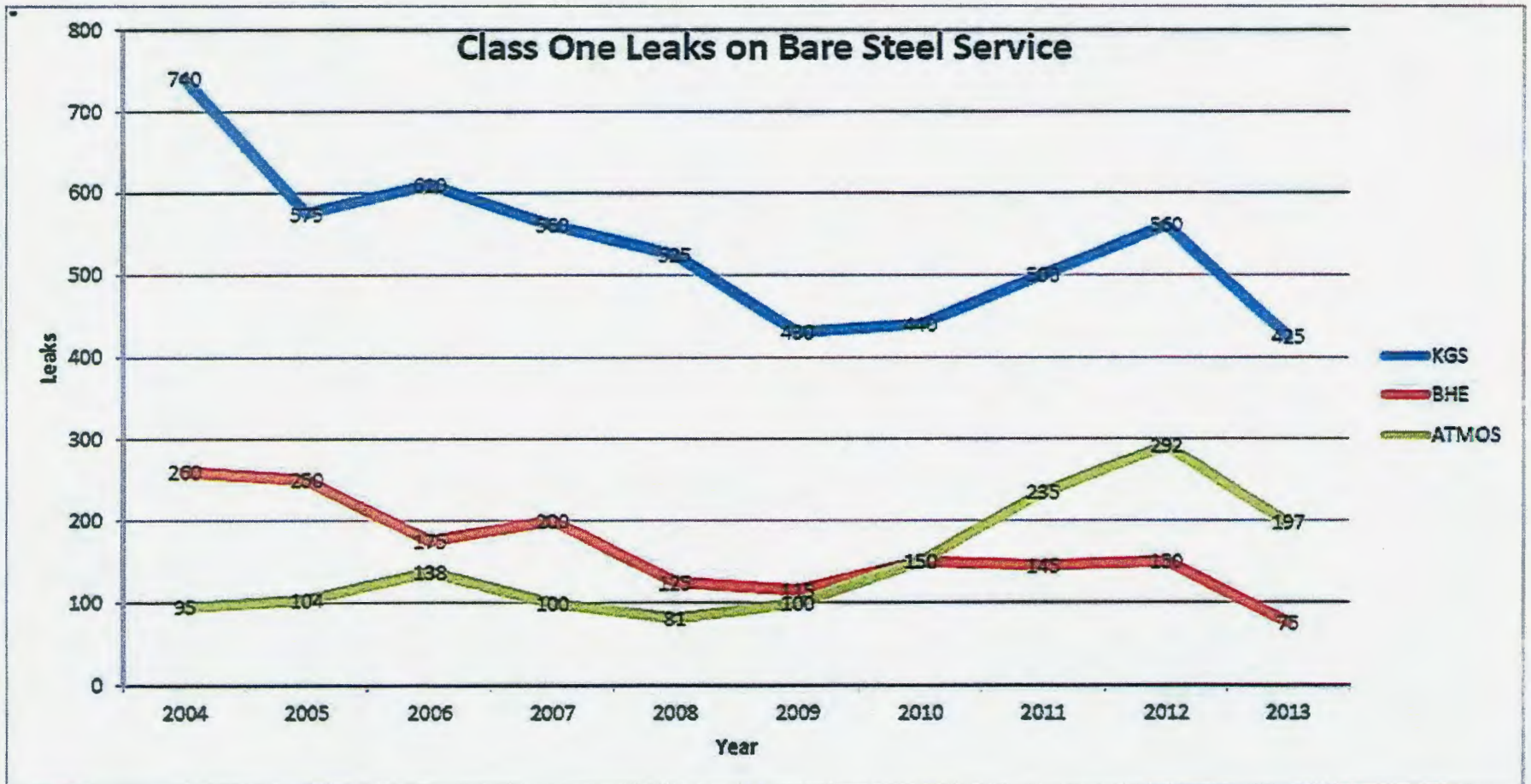
Columbia's project is part of \$144 million the company expects to spend this year replacing underground infrastructure. Since 2007, it's spent \$685 million to replace 620 miles of pipeline, the company said.

The South Side project will include service and traffic disruptions along Sarah, Jane and East Carson streets, Wrights Way, and 22nd, 24th, 25th and 26th streets. Work will take place on weekdays between 7 a.m. and 5 p.m. until early summer.

"We are working closely with the city of Pittsburgh to ensure inconvenience is minimized. We appreciate the community's patience as this important work is completed," said Nicole Giunta, the company's construction leader.

Accidents involving distribution pipeline — the lines that carry gas from utilities to homes and businesses — killed more than 120 people and caused more than \$775 million in damage since 2004, the Trib investigative series found.

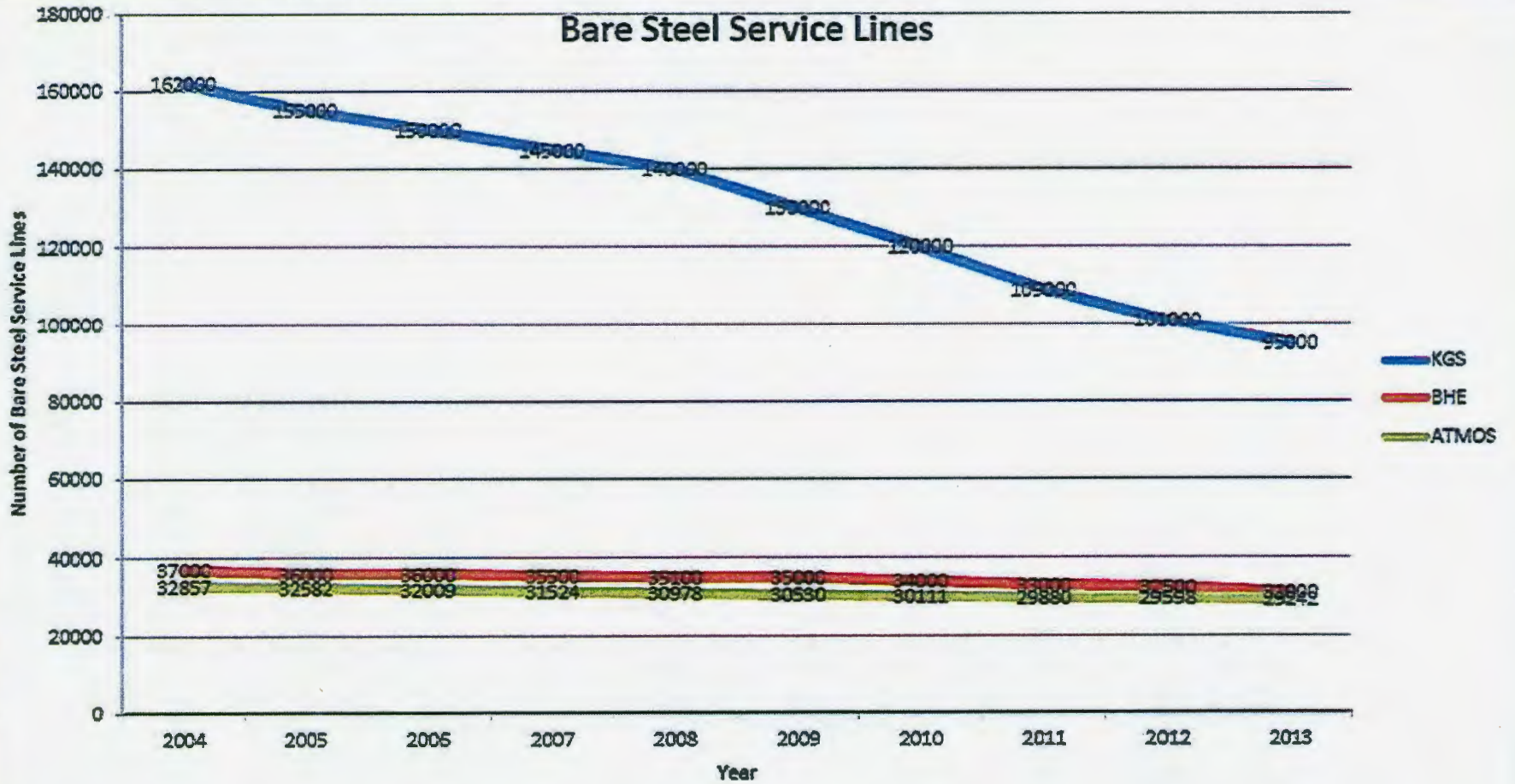
Class 1 Leak Count In Kansas



12/2/2014

Kansas Corporation Commission

Inventory of Bare Steel Service Lines in Kansas



12/2/2014

Kansas Corporation Commission

Comments on Graph Analysis

- KGS
 - Class 1 leak count declining at rate of 25 leaks per year.
 - Bare Steel Service Line inventory declining at rate of 10,000 per year.

- BHE
 - Class 1 leak count declining at rate of 15 leaks per year.
 - Bare Steel Service Line inventory declining at rate of 660 per year.

- Atmos
 - Class 1 leak count *increasing* at rate of 11-25 leaks per year.
 - Bare Steel Service Line inventory declining at rate of 402 per year.

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

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
<p>JAMES G. FLAHERTY, ATTORNEY ANDERSON & BYRD, L.L.P. 216 S HICKORY PO BOX 17 OTTAWA, KS 66067</p>		
<p>ATTN: GAS SERVICE CONTACT ATMOS ENERGY CORPORATION 5420 LBJ FWY STE 1600 (75240) P O BOX 650205 DALLAS, TX 75265-0205</p>		
<p>MARGARET A. (MEG) MCGILL, REGULATORY MANAGER BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC D/B/A BLACK HILLS ENERGY 1102 EAST 1ST ST PAPILLION, NE 68046</p>		
<p>NIKI CHRISTOPHER, ATTORNEY CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***</p>		
<p>DAVID SPRINGE, CONSUMER COUNSEL CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***</p>		
<p>ANDREW FRENCH, LITIGATION COUNSEL KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD RD TOPEKA, KS 66604-4027 ***Hand Delivered***</p>		
<p>JAY VAN BLARICUM, ASSISTANT GENERAL COUNSEL KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD RD TOPEKA, KS 66604-4027 ***Hand Delivered***</p>		
<p>DAVID N. DITTEMORE, MANAGER OF RATES & ANALYSIS KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC. 7421 W 129TH ST OVERLAND PARK, KS 66213-2634</p>		

ORDER MAILED **MAR 13 2015**

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.

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

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
WALKER HENDRIX, DIR, REG LAW KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC. 7421 W 129TH ST OVERLAND PARK, KS 66213-2634		

ORDER MAILED MAR 13 2015

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.