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KARI FRENCH
DIVISION DIRECTOR

RAILROAD COMMISSION OF TEXAS
OVERSIGHT AND SAFETY DIVISION
PIPELINE SAFETY DEPARTMENT

April 18, 2016

455-21
Mr. Jeffrey S. Knights, Vice President
Atmos Energy Corporation – Mid-Tex Division
5420 LBJ Freeway, Suite 1800
Dallas, TX 75240-3705

Re: 16 TAC §8.209, Distribution Facilities
Replacements

Dear Mr. Knights,

On March 15, 2011, the Pipeline Safety Division published 16 TAC §8.209, Distribution Facilities Replacements, related to the integrity of gas distribution systems. This letter is in response to your procedural changes provided.

Procedures for your gas distribution system(s) have been received and approved. A safety inspection will be conducted in the near future to evaluate the implementation of your submitted procedures for adequacy.

If you have any questions or need assistance, please do not hesitate to contact Stephanie Weidman in Austin Headquarters at 512-463-7058.

Respectfully,

A handwritten signature in black ink, appearing to read "Kari L. French", with a long horizontal line extending to the right.

Kari L. French
Oversight and Safety Director



March 9, 2016

Ms. Kari French
Director, Oversight & Safety Division
Railroad Commission of Texas
Post Office Box 12967
Austin, Texas 78711

RECEIVED
RRC OF TEXAS
MAR 09 2016
PIPELINE SAFETY DIVISION
AUSTIN, TEXAS

Dear Kari:

Please find attached for your review and approval the revised Atmos Energy Distribution Facilities Replacement Written Plan, which outlines how Atmos Energy intends to comply with the requirements of Railroad Commission of Texas 16 TAC 8.209 Distribution Facilities Replacement rule. This plan was revised from its original language to primarily add clarity around how Atmos Energy addresses risk within its facilities and does not alter the approach we have taken to date. This is the first such revision of the plan since its original filing.

We appreciate the Railroad Commission's consideration of these revisions and look forward to your response.

Sincerely,


Andy Treadway


Mike Culp

Director, Regulatory and Compliance
Mid-Tex

Manager, Compliance
West Texas

ATMOS ENERGY DISTRIBUTION FACILITIES REPLACEMENT WRITTEN PLAN

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ATMOS ENERGY DISTRIBUTION FACILITIES REPLACEMENT WRITTEN PLAN

1 INTRODUCTION

1.1 GENERAL

Atmos Energy developed this Distribution Facilities Replacement Written Plan, the entirety of which is contained in this document, to comply with the requirements of Railroad Commission of Texas Rule 16 TAC 8.209, Distribution Facilities Replacement (Rule 8.209). The Distribution Facilities Replacement Written Plan will be referred to as the "Written Plan" throughout the remainder of this document.

The objective of the Atmos Energy Written Plan is to set forth the procedures by which Atmos Energy will establish (1) a prioritized schedule for the replacement of those facilities that pose the greatest known, relative risk to the operation of our natural gas distribution systems in Texas (the "Distribution Facilities Replacement Program"), and (2) a process to identify and replace previously unidentified, at-risk facilities that are discovered as part of the Company's day-to-day operations. The Distribution Facilities Replacement Program will work in conjunction with the Atmos Energy DIM (Distribution Integrity Management) Plan pursuant to applicable Federal Code (49 CFR 192.1007) by using scheduled replacements and/or retirements to manage identified risks associated with the integrity of distribution facilities.

This Written Plan is applicable to Atmos Energy's Mid-Tex and West Texas divisions that operate natural gas distribution systems and related facilities in Texas. These operators will collectively be referred to as "Atmos Energy" throughout the remainder of this document.

1.2 REGULATORY APPLICABILITY

The requirements of Rule 8.209 apply to all distribution-related facilities owned and operated by Atmos Energy, including but not limited to:

Transmission Lines

Facilities that operate at or above 20% SMYS that are part of the overall distribution system.

Mains

High-pressure facilities located downstream from sources of gas supply that serve as a common source of supply for more than one service line.

Service Lines

Distribution lines that transport gas from a common source of supply to an individual customer, to two adjacent or adjoining residential or small commercial customers, or to multiple residential or small commercial customers served through a meter header or manifold. A service line ends at the outlet of the customer meter or at the connection to a customer's piping, whichever is further downstream, or at the connection to customer piping if there is no meter.

Related Facilities

Appurtenances through which natural gas is transported, including district regulator stations, regulators, relief valves, valves, service regulators and Company-owned meters.

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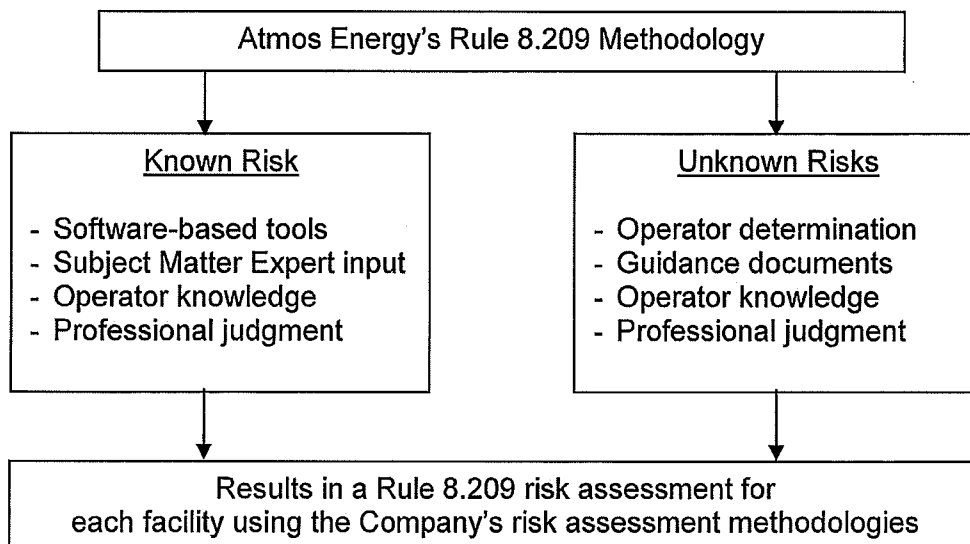
2 OVERVIEW OF ATMOS ENERGY'S APPROACH

2.1 GENERAL

Consistent with Rule 8.209, Atmos Energy's Written Plan is designed to determine whether continued operation of an existing facility creates a risk to the Company's distribution system. If a facility is determined to present an operational risk requiring replacement or retirement, Atmos Energy accounts for any resulting expenditure as a Rule 8.209 project. This is true regardless of how or when the risk is identified or the type of replacement or retirement activity that is undertaken to eliminate the risk.

Atmos Energy will use operator knowledge and professional judgment to identify, assess, and rank the risk to distribution facilities. Facilities will be grouped for analysis by similar physical and operating characteristics with consideration of construction material, location, operating pressure, vintages, operations and maintenance history, and other relevant factors. The Company's risk analysis is supported by software-based tools to determine ranking for known risks. An overall ranking of distribution facilities based on known risks is established using the numerical risk score and subject matter expert (SME) input.

The Company's approach to complying with the requirements in Rule 8.209 involves risk assessments that fall into two broad categories: (1) an annual, forward-looking risk assessment of facilities based on risks known at the time the annual risk ranking is performed (known risks), and (2) an in-the-field or real-time risk assessment that is performed for specific facilities whose risks the Company discovers during the course of routine work in the field or as a result of unforeseen circumstances (unknown risks). After the Company identifies a facility that presents a risk to its system, the Company will give consideration to replacing or retiring at-risk facilities in a manner that is designed to best serve the overall operational needs of the system. This approach is illustrated as follows:



Steel service lines do not pose the greatest risk to the Company's system. Therefore, steel service line provisions under Rule 8.209(d), (f) and (g) are not applicable. However, steel service lines are considered relative high risk facilities and as such are eligible for replacement or retirement under Rule 8.209.

ATMOS ENERGY DISTRIBUTION FACILITIES REPLACEMENT WRITTEN PLAN

2.2 KNOWN RISKS

The Company performs an annual risk analysis and ranking for facilities to determine known risks. The Company may rely on operator knowledge, professional judgment, software-based risk assessment tools, and SME analysis (or a combination of these methods) to provide input into known risks.

KNOWN RISK FACILITY GROUPS

Select facility groups are eligible without the necessity of being risk ranked on an annual basis. These facility groups may include, but are not limited to, cast iron facilities, cathodically unprotected steel facilities, early generation plastic facilities and obsolete components. Additional groups of facilities may be added from time-to-time based on demonstrated performance of a facility group, industry experience with a facility group and regulatory guidance regarding a facility group.

Once a risk is identified, the identified facility is considered for replacement or retirement per Rule 8.209. Identified facilities will be replaced or retired in a manner that best serves the overall operational needs of the system at the time of replacement or retirement.

2.3 UNKNOWN RISKS

The Company routinely discovers facilities that present previously unknown risks. When unknown risks are discovered during the course of routine work or as part of day-to-day operations, Company personnel assess the risk of the facility based on system knowledge, professional judgment and guidelines for assessing whether a project qualifies for Rule 8.209 treatment.

UNKNOWN RISK FACILITY GROUPS

Select facility groups are eligible for Rule 8.209 treatment without the necessity of being risk ranked. One such facility group is relocation/road moves qualifying under Rule 8.209(e)(5). Additional facility groups may be added from time-to-time based on Rule 8.209 requirements.

Once a risk is identified, the identified facility is considered for replacement or retirement under Rule 8.209. Identified facilities will be replaced or retired in a manner that best serves the overall operational needs of the system at the time of replacement or retirement.

3 SYSTEM KNOWLEDGE

3.1 GENERAL

Atmos Energy gathers information about the Company's distribution infrastructure from existing records of design, construction, and operations & maintenance activities as well as SME input. Atmos Energy uses the same data sources used to file the PHMSA Form 7100.1-1 Annual Report for Gas Distribution Systems and the data submitted on the Railroad Commission of Texas PS-95 Semi-Annual Leak Report. Atmos Energy files separate Form 7100.1-1 and PS-95 reports for the Mid-Tex and the West Texas Divisions.

ATMOS ENERGY DISTRIBUTION FACILITIES REPLACEMENT WRITTEN PLAN

The Company relies on data that is available at the time annual risk analysis is conducted to identify the distribution facilities that pose high relative risks to the operation of the system per the requirements of Rule 8.209(d). Types of data relied on by the Company may include, but are not limited to the data identified in Section 3.2 below.

3.2 DISTRIBUTION FACILITY DATA

To the extent available at the time the risk analysis is conducted, the following distribution facility data will be gathered, documented, and updated for use in the risk analysis.

- Pipe Location
- Corrosion
- Pipe Attributes and operations and maintenance history (including leaks)
- Environmental factors
- Other factors

Elements of data and information that should be considered in risk analysis are further discussed in Rule 8.209(e).

3.3 SUBJECT MATTER EXPERTS

Atmos Energy relies, in part, on SMEs to identify and review distribution facility risks. A SME is any person(s) knowledgeable about the design, construction, operations, maintenance activities, or the system characteristics of Atmos Energy's distribution systems.

4 COMPLIANCE

4.1 MEETING FACILITY REPLACEMENT REQUIREMENTS

In each division, Atmos Energy will identify those known facilities that pose the highest relative risk to the operation of the system and replace those facilities in accordance with Rule 8.209(h).

In addition, Atmos Energy recognizes that facilities and associated risks contained in the Work Plan reflect only 'known' conditions that exist within facilities in the distribution system at the time the annual risk assessment is performed. The risk model used to identify facilities in the Work Plan cannot quantify unknown, undiscovered or unranked risk at the time of the annual assessment. For this reason, Atmos Energy will take into account any 'unknown' conditions in a given year as they present themselves and may replace or retire facilities in order to mitigate these previously unknown risks.

4.2 DISTRIBUTION FACILITIES REPLACEMENT WORK PLAN

Atmos Energy will comply with report filing requirements in Rule 8.209(i). Each Division will file separate reports consisting of the following:

- Completion Report – Distribution facilities replaced during the prior calendar year listed by system ID and material.
- Work Plan – Distribution facilities with known risks that Atmos Energy proposes to replace for the current calendar year.

ATMOS ENERGY DISTRIBUTION FACILITIES REPLACEMENT WRITTEN PLAN

Atmos Energy annually identifies System ID information for facilities replaced or retired under Rule 8.209 during the previous calendar year. This information is provided by the Company to the Commission during its Distribution Facilities Replacement reporting as required under Rule 8.209. Such system ID information is defined as the town in which the replacement or retirement took place.