

WARNING LETTER

OVERNIGHT EXPRESS DELIVERY

March 23, 2023

Mr. Kevin Dobbs
President
Atmos Energy Corporation
810 Crescent Centre Drive
Franklin, Tennessee 37067

CPF 1-2023-025-WL

Dear Mr. Dobbs:

From August 15 through August 18, 2022, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Atmos Energy Corporation's (Atmos Energy) St. Charles Underground Natural Gas Storage (UNGS) and Kirkwood Springs UNGS fields in Hopkins County, Kentucky.

As a result of the inspection, it is alleged that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violations are:

1. **§ 192.12 Underground natural gas storage facilities.**
 - (a) ...
 - (b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*
 - (1) ...
 - (2) **Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1171 (incorporated by reference, see §192.7), sections 8, 9, 10, and 11, and paragraph (c) of this section, by January 18, 2018, and must meet all provisions of paragraph (d) of this section by March 13, 2021.**

Atmos Energy failed to meet the provisions of API RP 1171, Section 11 as required. Specifically, Atmos Energy failed to train operating personnel of changes made to the operating procedures prior to operation of storage wells in accordance with API RP 1171, Section 11.12.2.

API RP 1171, Section 11.12.2 states, in part, “Whenever changes are made to the operating procedures specified in 11.3, operating personnel shall be notified and trained as necessary in the changes and training documented before operating storage wells and reservoirs.”

During the inspection, Atmos Energy was not able to provide records showing that operating personnel were trained on the changes to the operating procedures prior to its implementation. Records reviewed showed that isolation tests utilizing Atmos Energy’s *Storage Well Valve Isolation Testing Procedure (Kentucky)*, dated September 20, 2021, and labeled draft, were conducted at the St. Charles UNGS facility on September 22, 2021 and September 28, 2021, and at the Kirkwood Springs UNGS facility on March 15, 2022. However, Atmos Energy could not provide any records demonstrating that its operating personnel were trained on this draft procedure prior to it being implemented.

Therefore, Atmos Energy failed to comply with § 192.12(b)(2) by not meeting the provisions of API RP Section 11.

2. § 192.12 Underground natural gas storage facilities.

(a) ...

(b) Depleted hydrocarbon and aquifer reservoir UNGSFs.

(1) ...

(2) Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1171 (incorporated by reference, see §192.7), sections 8, 9, 10, and 11, and paragraph (c) of this section, by January 18, 2018, and must meet all provisions of paragraph (d) of this section by March 13, 2021.

Atmos Energy failed to meet the provisions of API RP 1171, Section 9, as required. Specifically, Atmos Energy failed to maintain, repair, or replace leaking isolation valves in accordance with their maintenance program, as specified under API RP 1171, Section 9.3.2.

API RP 1171, Section 9.3.2 states, in part:

The operator shall test the operation of the master valve and wellhead pipeline isolation valve at least annually for proper function and ability to isolate the well. The valves shall be maintained, repaired, or replaced in accordance with the operator’s valve maintenance program for isolation valves.

Atmos Energy’s procedure, *Gas Storage Well Operating Procedure*, Section 7.8.9, states if leaks or hard to operate valves are encountered, appropriate corrective action as determined by the Storage Supervisor or designated Company employee shall be implemented.

During the inspection, PHMSA reviewed Atmos Energy's St. Charles UNGS facility wellhead valve isolation testing results conducted on September 22, 2021, and September 28, 2021. Per the documents reviewed, multiple wells had leaks from their isolation valve(s). Atmos Energy could not provide records of appropriate corrective action, such as work orders, for the maintenance, repair, or replacement of the leaking isolation valves.

Therefore, Atmos Energy failed to comply with § 192.12(b)(2) by not meeting the provisions of API RP 1171 Section 9.

3. § 192.12 Underground natural gas storage facilities.

(a) ...

(c) *Procedural manuals.* Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. Each operator must have written procedures in place before commencing operations or beginning an activity not yet implemented.

Atmos Energy failed to follow its manual of written procedures for conducting activities under § 192.12(b)(2). Specifically, Atmos Energy failed to follow the procedure in its *Reservoir Storage Integrity Management Plan (RSIMP)* and *Atmos Energy Plug And Abandonment Procedure*, during the Plug and Abandon of St. Charles UNGS well F1 on July 26, 2019.

Atmos Energy's RSIMP, Section 6.8, states in part, "Atmos Energy will incorporate safeguards to the environment, safety, and health of workers and the public into well design and well construction, work-over, and remediation activities." Atmos Energy's Plug and Abandonment Procedure, Section 8, Part C states in part, "All fluids displaced from the well during the plugging operation shall be contained in a tank or pit."

Additionally, RSIMP, Appendix 1 states in part:

Records related to permitting, procedures, personnel and equipment shall be retained for a period that meets regulatory requirements, or where no regulatory requirements exist, a period of 6 years. These records shall include where applicable and available the following:

...

2.2 Environmental, Health and Safety

During the inspection, Atmos Energy was not able to provide adequate records demonstrating safeguards to the environment, safety and health of workers and the public were used during the well work activities pertaining to plug and abandon of St. Charles UNGS well F1. Additionally,

Atmos Energy could not provide records of tank or pit installations for fluid containment, such as daily reports, relating to the plug and abandon procedure for St. Charles UNGS well F1.

Therefore, Atmos Energy failed to comply with § 192.12(c) by not following its written procedures.

4. § 192.12 Underground natural gas storage facilities.

(a) ...

(c) *Procedural manuals.* Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. Each operator must have written procedures in place before commencing operations or beginning an activity not yet implemented.

Atmos Energy failed to follow its manual of written procedures for conducting activities under § 192.12(b)(2). Specifically, Atmos Energy failed to follow its *Reservoir Storage Integrity Management Plan* (RSIMP), Appendix 1, Section 2.3 during the Plug and Abandon of St. Charles UNGS well F1 on July 26, 2019.

Atmos Energy's RSIMP, Appendix 1 states in part:

Records related to permitting, procedures, personnel and equipment shall be retained for a period that meets regulatory requirements, or where no regulatory requirements exist, a period of 6 years. These records shall include where applicable and available the following:

...

2.3 Monitoring of Construction Activities

- Supervisor Qualifications
- Contractor Personnel Qualifications

During the inspection, Atmos Energy was not able to provide records of supervisor qualifications and contractor personnel qualifications used during the well work activities pertaining to plug and abandon of St. Charles UNGS well F1. Atmos Energy stated to the inspectors that they used vendors that they had previously worked with to perform the work on well F1.

Therefore, Atmos Energy failed to comply with § 192.12(c) by not following its written procedures.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$257,664 per violation per day the violation persists, up to a maximum of \$2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022, and before January 6,

2023, the maximum penalty may not exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,142 for a related series of violations. For violation occurring on or after May 3, 2021, and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021, and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019, and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018, and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015, and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter. Failure to do so will result in Atmos Energy Corporation being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 1-2023-025-WL**. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. § 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. § 552(b).

Sincerely,

P.P.

Robert Burrough
Director, Eastern Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration