

WARNING LETTER

OVERNIGHT EXPRESS DELIVERY

March 16, 2023

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

CPF 1-2023-026-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) Barnsley Gas Storage and East Diamond Gas Storage 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 9. Specifically, Atmos Energy failed to perform annual master valve isolation tests in accordance with Section 9.3.2.

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.

Atmos Energy's procedure, *Storage Well Valve Isolation Testing Procedure (Kentucky)*, states in part:

1.0 Purpose/Scope- API RP 1171, Section 9.3.2, Well Integrity Monitoring requires the operator to test the operation of the master valve and wellhead pipeline isolation valve at least annually for proper function and ability to isolate the well. This procedure establishes the process for storage well valve isolation testing, thresholds, notification, and reporting.

During the inspection, PHMSA reviewed Atmos Energy's East Diamond storage facility wellhead valve isolation testing results conducted on March 17, 2022, in accordance with their *Storage Well Valve Isolation Testing Procedure (Kentucky)*. These records did not specify master valve test results were acceptable for wells kypsc0 1, kypsc0 6, kypsc0 7, and ICC #1. Atmos Energy stated they did not do the master valve isolation testing for these wells due to the 1" siphon line through the master valve.

Therefore, Atmos Energy failed to meet the provisions of Section 9.3.2.

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 11. 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 (Section 11.12.2).

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 operation of the wells at the four storages. Atmos Energy's new *Storage Well Valve Isolation Testing Procedure (Kentucky)* was dated September 20, 2021, and labeled as draft. Atmos Energy did not provide any records demonstrating that its operating personnel were trained on this draft procedure. Isolation tests on wells were conducted utilizing this procedure at Barnsley UNGS on 3/16/2022 and East Diamond UNGS on 3/17/2022.

Therefore, Atmos Energy failed to meet the provisions of Section 11.12.2.

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 1-2023-026-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,

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