

**NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 20, 2009

Mr. Victor Gaglio
Senior Vice President, Operations
NiSource Gas Transmission and Storage
1700 MacCorkle Ave. SE
Charleston, WV 25301

CPF 3-2009-1018

Dear Mr. Gaglio:

On July 17-21, 2006 and August 1-3, 2006, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Ohio Public Utilities Commission, New York Department of Public Service, and the West Virginia Public Service Commission pursuant to Chapter 601 of 49 United States Code inspected the NiSource Gas Transmission and Storage (NiSource) integrity management plan and procedures in Charleston, West Virginia. The integrity management (IM) plan and procedures are applicable to the Columbia Gas Transmission, Columbia Gulf Transmission, Crossroads Pipeline and Granite State Gas Transmission operations.

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

§192.911 What are the elements of an integrity management program?

An operator's initial integrity management program begins with a framework (see §192.907) and evolves into a more detailed and comprehensive integrity management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program. The initial program framework and subsequent program must, at minimum, contain the following elements. (When indicated, refer to ASME/ANSI B31.8S (ibr, see §192.7) for more detailed information on the listed element.)

- 1. §192.911(a) An identification of all high consequence areas, in accordance with §192.905.**

§192.905(b)(1) Identified sites. An operator must identify an identified site, for purposes of this subpart, from information the operator has obtained from routine operation and maintenance activities and from public officials with safety or emergency response or planning responsibilities who indicate to the operator that they know of locations that meet the identified site criteria. These public officials could include officials on a local emergency planning commission or relevant Native American tribal officials.

(2) If a public official with safety or emergency response or planning responsibilities informs an operator that it does not have the information to identify an identified site, the operator must use one of the following sources, as appropriate, to identify these sites.

(i) Visible marking (e.g., a sign); or

(ii) The site is licensed or registered by a Federal, State, or local government agency; or

(iii) The site is on a list (including a list on an internet web site) or map maintained by or available from a Federal, State, or local government agency and available to the general public.

Item 1A. §192.907(a) General. No later than December 17, 2004, an operator of a covered pipeline segment must develop and follow a written integrity management program that contains all the elements described in §192.911 and that addresses the risks on each covered transmission pipeline segment. The initial integrity management program must consist, at a minimum, of a framework that describes the process for implementing each program element, how relevant decisions will be made and by whom, a time line for completing the work to implement the program element, and how information gained from experience will be continuously incorporated into the program. The framework will evolve into a more detailed and comprehensive program. An operator must make continual improvements to the program.

NiSource did not identify all the high consequence area (HCA) locations along its pipeline system as required. HCA identification was not completed for the 12-inch UM10 (Ashland, KY) pipeline by the 12/17/2004 deadline. Identified sites are located

in close proximity to the pipeline, yet an evaluation using the potential impact radius (PIR) to identify HCAs was not completed for these locations. Between the two weeks of the inspection, NiSource measured the distances between the pipeline and the identified sites and defined 3 new HCAs (about 0.3 miles total of new covered segments, risk-ranked in the bottom 50%) on this pipeline.

2. **§192.911(b) A baseline assessment plan meeting the requirements of §192.919 and §192.921.**

Item 2A. §192.921(a) *Assessment methods.* An operator must assess the integrity of the line pipe in each covered segment by applying one or more of the following methods depending on the threats to which the covered segment is susceptible. An operator must select the method or methods best suited to address the threats identified to the covered segment (*See* §192.917).

NiSource did not utilize appropriate assessment methods to address the threats identified. Several covered segments (e.g., WBS6-15:545620, VBS2-50:207265) were identified that meet the B31.8S criteria for stress corrosion cracking (SCC). The baseline assessment plan does not include assessment methods that address SCC for any of these segments. An assessment on at least one segment that meets the SCC criteria (Columbia Gulf ML 200-27:36220) was reportedly completed, but the in-line inspection methods employed did not address SCC. The rule requires that integrity assessment methods assess all threats identified for a covered segment.

3. **§192.911(e) Provisions meeting the requirements of §192.933 for remediating conditions found during an integrity assessment.**

§192.933(a) What actions must be taken to address integrity issues? *General requirements.* An operator must take prompt action to address all anomalous conditions that the operator discovers through the integrity assessment. In addressing all conditions, an operator must evaluate all anomalous conditions and remediate those that could reduce a pipeline's integrity. An operator must be able to demonstrate that the remediation of the condition will ensure that the condition is unlikely to pose a threat to the integrity of the pipeline until the next reassessment of the covered segment. If an operator is unable to respond within the time limits for certain conditions specified in this section, the operator must temporarily reduce the operating pressure of the pipeline or take other action that ensures the safety of the covered segment. If the pressure is reduced, an operator must determine the temporary reduction in operating pressure using ASME/ANSI B31G (ibr, *see* §192.7) or AGA Pipeline Research Committee Project PR-3-805 (“RSTRENG”; ibr, *see* §192.7)...

§192.933(b) *Discovery of condition.* Discovery of a condition occurs when an operator has adequate information about a condition to determine that the

condition presents a potential threat to the integrity of the pipeline. A condition that presents a potential threat includes, but is not limited to, those conditions that require remediation or monitoring listed under paragraphs (d)(1) through (d)(3) of this section. An operator must promptly, but no later than 180 days after conducting an integrity assessment, obtain sufficient information about a condition to make that determination, unless the operator demonstrates that the 180-day period is impracticable.

- **Item 3A: §192.933(a)**

The operating pressure was not lowered promptly as required by the rule in at least two instances:

Two immediate repair conditions, both reportedly dents with metal loss, were discovered on the VB Loop in HCAs 50:384482 and 50:390977 on November 19, 2004. The operating pressure in the pipeline was not reduced upon discovery. Emails indicate that repairs were scheduled to commence on November 29 and that if it took longer than December 6, 2004 to complete the repairs, then the operating pressure would have to be reduced. The necessary repairs were completed as scheduled so the operating pressure was never reduced. The rule requires that a pressure reduction be taken to ensure public safety if immediate repair conditions can not be repaired immediately.

Documentation for VM-107 dig 7 indicates that the preliminary report was received on October 8, 2004; at which time the safe reduced operating pressure was established utilizing RSTRENG. The operating pressure, however, was not actually reduced until October 14, 2004.

- **Item 3B: §192.933(b)**

Discovery of a condition did not occur when adequate information about the condition was available to determine that it was a potential threat to the integrity of the pipeline. Immediate repair conditions from a June 29, 2004 internal inspection of the VB LOOP line were not “discovered” until November 19, 2004, even though the final vendor report, which was received on August 8, contained sufficient information to identify the conditions. The rule requires repair conditions to be discovered when adequate information is available to determine whether the conditions present a threat to pipeline integrity.

4. §192.911(j) Record keeping provisions meeting the requirements of §192.947.

Item 4A. § 192.947 What records must an operator keep?

An operator must maintain, for the useful life of the pipeline, records that demonstrate compliance with the requirements of this subpart. At minimum, an operator must maintain the following records for review during an inspection.

§192.947(d) Documents to support any decision, analysis and process developed and used to implement and evaluate each element of the baseline assessment plan and integrity management program. Documents include those developed and used in support of any identification, calculation, amendment, modification, justification, deviation and determination made, and any action taken to implement and evaluate any of the program elements;

Records specified in 192.947 were not adequately maintained for the useful life of the pipeline as required. The dig/repair reports for two immediate repair conditions that were reported to have been addressed in November 2004 could not be located.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violations and has recommended that you be preliminarily assessed a civil penalty of \$120,000 as follows:

<u>Item number</u>	<u>PENALTY</u>
1A	\$ 37,900
2A	\$ 23,200
3A	\$ 23,200
3B	\$ 23,200
4A	\$ 12,500

Proposed Compliance Order

With respect to item 2A pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to NiSource. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. 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). If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order.

In your correspondence on this matter, please refer to **CPF 3-2009-1018** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Ivan A. Huntoon
Director, Central Region
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to NiSource a Compliance Order incorporating the following remedial requirements to ensure the compliance of NiSource with the pipeline safety regulations:

1. In regard to Item Number 2A of the Notice, NiSource must provide this office documentation that substantiates that the Baseline Assessment Plan includes appropriate assessment methods to address stress corrosion cracking (SCC) and a schedule for completion of the integrity assessments for all pipeline segments that meet the B31.8S criteria for SCC.
2. Submit the results of the Proposed Compliance Order items above to the Region Director, Central Region, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, 901 Locust Street, Suite 462, Kansas City, MO 64106. This is to be accomplished within 30 days following receipt of the Final Order.
3. NiSource shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Ivan A. Huntoon, Director, Central Region, Pipeline and Hazardous Materials Safety Administration. Costs shall be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.