



July 26, 2018

Mr. Robert Burrough, Director  
Pipeline and Hazardous Materials Safety Administration - Eastern Region  
820 Bear Tavern Road, Suite 103  
West Trenton, NJ 08628

Re: **CPF 1-2018-1013** (Notice of Probable Violation and Proposed Civil Penalty)  
Response of Eastern Shore Natural Gas Company Declining to Contest NOPV and Offering  
Explanations and Information in Mitigation of the Proposed Civil Penalty

Dear Mr. Burrough:

On July 13, 2018, on the basis of an inspection conducted from May 15, 2017 to June 22, 2017 of Eastern Shore Natural Gas Company (Eastern Shore), PHMSA issued a Notice of Probable Violation (NOPV) and Proposed Civil Penalty to Eastern Shore in regard to alleged inadequacies found within Eastern Shore's performance testing and calibration for fixed gas detection devices at the Bridgeville and Delaware City Compressor Stations. Specifically, PHMSA alleged that ESNG's records did not demonstrate performance tests that verify that the gas detection devices actuate audible and visual alarms at a gas concentration of 25% lower explosive limit (LEL) or less. The PHMSA Compliance Officer proposed a civil penalty of \$24,100 for the probable violation.

In response to the Notice of Probable Violation, Eastern Shore has elected not to contest the alleged violation contained in the Notice but to offer certain supplemental explanation, information, and other materials which we believe warrants elimination or mitigation of the Proposed Civil Penalty. We respectfully offer this further explanation for your consideration.

Eastern Shore, a subsidiary of Chesapeake Utilities Corporation headquartered in Dover, Delaware, has been transporting natural gas on the Delmarva Peninsula since 1959. Eastern Shore serves 6 Local Distribution Companies (LDCs), approximately 12 commercial/industrial customers, and 4 electric generation customers in the states of Delaware, Maryland and Pennsylvania. Eastern Shore currently owns and operates approximately 456.5 miles of pipeline and 3 compressor stations with a combined total of 17,745 horsepower. The current peak day maximum daily transportation quantity is just over 235,000 dekatherms.

Eastern Shore has maintained an excellent PHMSA compliance and safety record in the fifty-eight (58) year operating history of the pipeline. We are proud of our strong track record of being a good neighbor to the communities we serve and for being a dependable company with a passionate commitment to safety. As just one example from our proud list of accomplishments, in June of 2018 the American Gas Association recognized Eastern Shore for our safe practices. Since its inception, Eastern Shore has strived to operate and maintain its pipeline facilities in accordance with the highest applicable industry and regulatory standards.



In order to provide a more complete record of the actions that Eastern Shore has already taken to address and mitigate the alleged violation, Eastern Shore offers the following:

As previously noted, PHMSA Staff conducted an inspection of Eastern Shore's natural gas transmission system during the weeks May 15, 2017 to June 22, 2017. During the inspection, PHMSA Staff identified several procedural inadequacies and on May 14, 2018 issued a Notice of Amendment (NOA).

Among other things, the NOA alleged a violation closely related to the violation that is the subject of this NOPV; that is, that Eastern Shore's procedures for maintaining compressor stations were inadequate because Eastern Shore's procedures for performance testing of the gas detection and alarm systems failed to verify that the system functions to register a visual and audible alarm when the gas concentration reaches 25% of the LEL.

As noted in the NOA, on November 10, 2017, Eastern Shore provided a draft of a new procedure, *Fire Panel Inspection Procedure*, which addressed the fire panel system performance testing, including the fixed gas detectors, for PHMSA's review. PHMSA found that the draft incorporated detailed elements of a test, but did not adopt specific language to verify the functionality of the devices at gas concentrations exceeding 25% LEL. Eastern Shore proactively implemented these interim procedures, pending any further comment from PHMSA.

On June 12, Eastern Shore filed an uncontested response to the NOA including proposed updates to our *Fire Panel Inspection Procedure* to address the concern outlined in the NOA. As seen in the attachment, the procedure now reflects testing at gas concentrations exceeding 25% LEL. Eastern Shore has proactively implemented these procedures, pending any further comment from PHMSA.

The NOA also indicated that enforcement action will be closed once the amended procedures adequately address the concerns raised.

While Eastern Shore acknowledges that performance testing for fixed gas detection devices at compressor stations is a serious matter, it notes that it has always conducted the required annual performance testing but its procedures required updating in order to effectively document its compliance with the performance testing requirements. There was no incident, abnormal operation, or impact to the community as a result of the alleged violation. The company did not gain financially from the alleged deficiency. Eastern Shore took corrective actions immediately to implement interim procedures to address the procedural deficiency that led to the documentation issue that is the subject of the NOPV.

The Company has taken proactive steps to remedy the alleged deficiency related to its documentation of performance testing of fixed gas detection devices at compressor stations, and reaffirms its commitment to full compliance with PHMSA regulatory requirements. For these reasons, and having



regard for the assessment factors set forth in 49 CFR §190.225, Eastern Shore asks that PHMSA eliminate the Proposed Civil Penalty. If you have any questions or would like to discuss our responses further, please contact me at any time. Thank you.

Sincerely,  
Eastern Shore Natural Gas Company

A handwritten signature in black ink, appearing to read "E. Pearson", is positioned below the typed name.

Eric M. Pearson  
Senior Manager, Operations Compliance & Engineering