

## WARNING LETTER

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 12, 2012

Mr. James E. Mehring  
Vice President OH/KY Gas Operations  
Duke Energy Kentucky  
139 East Fourth Street, Room EX403  
Cincinnati, OH 45202

**CPF 2-2012-6014W**

Dear Mr. Mehring:

On April 16-20, 2012, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Southern Region, Office of Pipeline Safety, pursuant to Chapter 601 of 49 United States Code, inspected the Duke Energy Kentucky (Duke) *Hazardous Liquid Pipeline Integrity Management Program (IMP)* in Kenton County, Kentucky.

As a result of the inspection, it appears that Duke has committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The item inspected and the probable violation is:

**1. §195.452 Pipeline integrity management in high consequence areas.**

**... (l) What records must be kept?**

**An operator must maintain for review during an inspection:**

**...(ii) Documents to support the decisions and analyses, including any modifications, justifications, variances, deviations and determinations made, and actions taken, to implement and evaluate each element of the integrity management program listed in paragraph (f) of this section.**

Duke did not properly document the decisions, analyses, and actions it took to implement and evaluate each element of its IMP. Specifically, Duke failed to adequately document the analyses and decisions in the evaluations of: 1) Duke's determination that the May 27, 2011, leak discovered on the pipeline would not impact the re-assessment interval; and, 2) its risk analysis to evaluate preventive and mitigative measures.

On May 27, 2011, while patrolling the propane pipeline in Kenton County, Kentucky, a leak was discovered. Duke excavated and exposed the pipeline and discovered localized external corrosion just outside of the casing at the Interstate 75 road crossing. Duke remediated the leak by installing approximately 400 feet of new 8-inch pipe through the casing.

Duke's IMP procedure *GD75.01-007 Continuing Evaluation and Assessment, Section 7.3 Assessment Intervals* requires "... *new information that could be pertinent to the integrity of the pipelines will be evaluated within 90 days to determine if an unscheduled integrity re-assessment or re-evaluation is needed.*" Notwithstanding that requirement, Duke failed to document its evaluation of the leak's impact on the re-assessment interval. Moreover, Duke did not properly document the decisions, analyses, and actions it took to implement and evaluate each element of its integrity management program. Specifically, Duke failed to adequately document the use of its risk analysis to evaluate preventive and mitigative measures to protect high consequence areas (HCAs).

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. 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 identified in this letter. Failure to do so will result in Duke Energy Kentucky 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 2-2012-6014W**. 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,

Wayne T. Lemoi  
Director, Office of Pipeline Safety  
PHMSA Southern Region