FLORIDA PUBLIC UTILITIES
energy for life

March 12, 2014

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

RE: CPF 2-2014-001

Dear Mr. Lemoi,

I appreciate the opportunity to provide Florida Public Utilities Company (FPUC) response to the Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order mailed on February 18, 2014. We do not wish to contest the findings in the Notice. The following information relative to our internal efforts to address the violations is provided for your consideration and potential mitigation of the civil penalties.

The inspection of certain FPUC piped propane systems by a representative of the Pipeline and Hazardous Materials Safety Administration on August 26-30, 2013, initiated an internal review process of our regulatory compliance processes. We have identified several underlying issues with our organizational structure, record keeping methods and assignment of responsibility for compliance activities. I take our compliance and safety functions very seriously. Following PHMSA's inspection, we began to immediately address the identified issues as well as the broader compliance tracking concerns. I have made the restructuring of our processes a top priority at FPUC. The following steps are either complete or in progress:

- We terminated the employment of our South Florida Division Propane Manager and an administrative assistant.
- Two of our natural gas managers with propane compliance responsibilities are retiring in April 2014.
- I have formed an internal task force to review all of our compliance related and safety systems, processes and procedures. This group has met several times to date, and is currently implementing numerous process changes.
- We have tightened our internal controls related to compliance work conducted by our natural gas unit on behalf of the propane company.

- We are forming an internal Operational Compliance Group that will provide technical assistance and oversight review of compliance requirements to each of Division operations.
- We are engaging industry consultants to review our compliance processes and record keeping and identify improvements to our current processes.
- We are in the process of identifying and purchasing a Compliance Tracking software system to help standardize our processes, provide scheduling assistance and warehouse required compliance data.

Our intention is to see significant short-term improvement; in fact I believe we have already achieved significant improvement, but much remains to be done. Over the next year we will continue to move forward. I have authorized the resources to implement the changes outlined above and ensure that our future actions are consistent with a culture of regulatory compliance.

The following responses detail our actions following PHMSA's recent inspections.

1. **§ 192.11 Petroleum gas systems.**
   ... (b) Each pipeline system subject to this part that transports only petroleum gas or petroleum gas/air mixtures must meet the requirements of this part and of ANSI/NFPA 58 and 59.

   - FPUC employees moved the service riser at 1024 Sebastian Rd in Barefoot Bay on 9/16/13 to ensure the point of discharge of the regulator is more than 3 feet from the crawl space.
   - FPU employees moved the point of discharge of the regulator at 1310 NW 55th Av. in Lauderhill West by piping the vent more than 5 feet away from the air conditioner. The piped system has sense been retired and this is a single tank service now with two stage regulation at the tank and away from any ignition source.
   - FPUC is conducting inspections during meter reading activities to ensure all locations meet NFPA standards and will take corrective action if any issues are identified.

2. **§ 192.465 External corrosion control: Monitoring.**
   (a) Each pipeline that is under cathodic protection must be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of§ 192.463. However, if tests at those intervals are impractical for separately protected short sections of mains or transmission lines, not in excess of 100 feet (30 meters), or separately protected service lines, these pipelines may be surveyed on a sampling basis. At least 10 percent of these protected structures, distributed over the entire system must be surveyed each calendar year, with a different 10 percent checked each subsequent year, so that the entire system is tested in each 10-year period.

   - FPUC has revised its operational structure to ensure we have adequate regulatory oversight for scheduling of surveys and completion of regulatory requirements. A Compliance Manager position was created to review and oversee scheduling and reporting functions. The CP survey for the Lauderhill East system was completed by the end of 2013 after a new rectifier was installed, additional test stations were added and shorts were cleared to ensure adequate cathodic protection on the system.

3. **§ 192.465 External corrosion control: Monitoring.**
... (d) Each operator shall take prompt remedial action to correct any deficiencies indicated by the monitoring.

   - FPUC technicians did not document efforts to restore criteria to the pipeline in Lauderhill East in the years between 2009 and 2013. In November of 2013, the installation of a new rectifier to replace the existing rectifier for Lauderhill East was completed by a contractor. That contractor identified shorts in the pipeline system that were systematically cleared by FPUC technicians and all reads were documented above criteria during December 2013 and January 2014, with a read of -1.15 mV at 4950 NW 11th Place in Lauderhill East.

4. **§ 192.481 Atmospheric corrosion control: Monitoring.**
(a) Each operator must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

   If the pipeline is located: Then the frequency of inspection is:
   Onshore: At least once every 3 calendar years, but with intervals not exceeding 39 months
   Offshore: At least once each calendar year, but with intervals not exceeding 15 months

   - FPUC did not have documentation in place expressly defining Atmospheric Corrosion Survey. Through monthly meter readings and periodic system patrolling, technicians inspect for atmospheric corrosion on exposed portions of the pipeline system. System Patrolling forms utilized going forward will have a section to document Atmospheric Corrosion inspection for exposed portions of the pipeline.

5. **§ 192.605 Procedural manual for operations, maintenance, and emergencies.**
(a) General. Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.

   - Although revisions for the calendar year 2012 were begun in December 2012, final formatting and printing were not finalized until after the holidays on 1/9/13. The Safety, Compliance and Training manager in charge of the revisions erroneously assumed he was within the 15 month time frame for revisions. FPUC has instituted a revision schedule for all of its manuals and plans to ensure timely revisions going forward.

6. **§ 192.605 Procedural manual for operations, maintenance, and emergencies...**
... (b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.

... (8) Periodically reviewing the work done by operator personnel to determine the effectiveness, and adequacy of the procedures used in normal operation and maintenance and modifying the procedures when deficiencies are found.

- FPUC did not have documentation demonstrating that it periodically reviewed the work done by its personnel or that it modified its procedures when it found deficiencies. FPUC periodically holds meetings with supervisors and front line employees for input on procedures and policies for revision. Going forward, FPUC will document these meetings with dates, names and topics discussed.

7. **§ 192.625 Odorization of gas.**
... (f) To assure the proper concentration of odorant in accordance with this section, each operator must conduct periodic sampling of combustible gases using an instrument capable of determining the percentage of gas in air at which the odor becomes readily detectable. Operators of master meter systems may comply with this requirement by
(1) Receiving written verification from their gas source that the gas has the proper concentration of odorant; and
(2) Conducting periodic "sniff' tests at the extremities of the system to confirm that the gas contains odorant.

- Technicians for FPUC were conducting odorant checks without the use of instruments capable of determining the percentage of gas in air. Instruments calibrated for propane were purchased for the technicians who have training with the same instrument calibrated for natural gas. Odorant reads are being conducted monthly in the regulated systems.
- The low odorant read observed by the inspector at 327 Kiwi St. in Barefoot Bay was corrected on 9/2/13. The pipe system in the area was purged to create flow. An additional customer was turned on and a gas light was installed on customer's property to create increased flow on the system with an additional test point for access to read monthly.

8. **§ 192.707 Line markers for mains and transmission lines.**
(a) Buried pipelines. Except as provided in paragraph (b) of this section, a line marker must be placed and maintained as close as practical over each buried main and transmission line:
(1) At each crossing of a public road and railroad; and
(2) Wherever necessary to identify the location of the transmission line or main to reduce the possibility of damage or interference.

- Additional and replacement line markers were installed in Lauderhill East by 9/16/13.
- Additional and replacement line markers were installed in Barefoot Bay by 11/6/13.
- Lauderhill West piped system and tanks were retired and individual propane tanks were installed at the 4 customer's homes. It is no longer a distribution system.
- FPU is conducting surveys of all its regulated systems in Florida to ensure compliance with 192.707 (d) in regards to placement of pipeline markers.

9. **§ 192.723 Distribution systems: Leakage surveys.**

... (b) The type and scope of the leakage control program must be determined by the nature of the operations and the local conditions, but it must meet the following minimum requirements:
(1) A leakage survey with leak detector equipment must be conducted in business districts, including tests of the atmosphere in gas, electric, telephone, sewer, and water system manholes, at cracks in pavement and sidewalks, and at other locations providing an opportunity for finding gas leaks, at intervals not exceeding 15 months, but at least once each calendar year.

- After a records and field review, it was determined that one commercial account remains in Lauderhill East. Leak survey of that account was conducted on 11/6/13.
- Leak survey on Promenade at Inverarry was completed by 9/16/2013 with no leaks found. That system has was retired on 11/26/13. Single tanks have been installed for the active accounts and the tank removed and main retired. It is no longer a piped system.

10. **§ 192.723 Distribution systems: Leakage surveys.**
... (b) The type and scope of the leakage control program must be determined by the nature of the operations and the local conditions, but it must meet the following minimum requirements:
... (2) A leakage survey with leak detector equipment must be conducted outside business districts as frequently as necessary, but at least once every 5 calendar years at intervals not exceeding 63 months. However, for cathodically unprotected distribution lines subject to §192.465(e) on which electrical surveys for corrosion are impractical, a leakage survey must be conducted at least once every 3 calendar years at intervals not exceeding 39 months.

- The system at Barefoot Bay was purchased by FPUC in February 2012. During the implementation of that system into the FPUC recording schedule, that section was missed. FPUC did not conduct a leakage survey on the "green" zone in Barefoot Bay as scheduled in 2012. FPUC hired a contractor, Heath Consultants, who conducted the leak survey on the "green" zone and it was completed on December 7th, 2013.
- The zone scheduled for leak survey in 2013 was completed by 12/7/2013.

11. **§ 192.739 Pressure limiting and regulating stations: Inspection and testing**
(a) Each pressure limiting station, relief device (except rupture discs), and pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is-
(1) In good mechanical condition;
(2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;
(3) Except as provided in paragraph (b) of this section, set to control or relieve at the Correct pressure consistent with the pressure limits of §192.201(a); and
(4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.

- FPUC did not classify two cut regulation in sod boxes as Pressure Limiting and Regulating stations. Records were created for all such systems with model specific regulator

information and capacities by 9/16/2013. Inspections of these facilities have been put in the schedule for the Systems Ops group to conduct annually, not to exceed 15 months.
- The regulators at Casa Del Sol have been reworked to protect them from dirt, liquids or other conditions that might prevent proper operations and the system is in negotiations for sale and conversion to natural gas.

12. **§ 192.741 Pressure limiting and regulating stations: Telemetering or recording gauges. (a) Each distribution system supplied by more than one district pressure regulating station must be equipped with telemetering or recording pressure gauges to indicate the gas pressure in the district.**

- Telemetry was installed on the Casa Del Sol system on 2/18/14. It is still in negotiations to sell and be converted to natural gas.
- One tank and regulator set at Caroma was removed. The remaining tank and regulator set was replaced, making this a single feed system not requiring telemetry by 10/22/13.
- Lauderhill West system was abandoned by 1/20/14.
- FPUC is conducting surveys of all its regulated systems in Florida that are fed from more than one source to verify that telemetry is in place. Locations identified with need for telemetry will have it installed promptly.

13. **§ 192.743 Pressure limiting and regulating stations: Capacity of relief devices. (a) Pressure relief devices at pressure limiting stations and pressure regulating stations must have sufficient capacity to protect the facilities to which they are connected. Except as provided in §192.739(b), the capacity must be consistent with the pressure limits of §192.201(a). This capacity must be determined at intervals not exceeding 15 months, but at least once each calendar year, by testing the devices in place or by review and calculations.**

- Forms were created for inspection of pressure limiting and regulating stations for the systems that did not have them. Capacities of regulators and reliefs were documented on the forms to ensure testing or review of capacities annually, not to exceed 39 months.
- The pressure limiting and regulating station at Lauderhill East was inspected on 1/5/12, 2/8/13 and 2/26/14.
- FPUC will survey all of its regulated systems to determine that each pressure limiting and regulating station has a capacity calculation. Locations identified in need will have the forms with calculations prepared.

14. **§ 192.747 Valve maintenance: Distribution systems. (a) Each valve, the use of which may be necessary for the safe operation of a distribution system must be checked and serviced at intervals not exceeding 15 months, but at least once each calendar year.**

- A critical valve was designated at the new tank on the Caroma system and a Critical Valve record was made on 10/15/13.
- Critical valves were designated at the tanks at Casa Del Sol and records were made on 2/18/14. This system is in negotiations to sell and be converted to natural gas.

- The piped system at Promenade at Inverarry was retired by 11/26/13. The tank was removed and the main purged and abandoned. Single tanks have been installed at the active accounts.

As noted above, each of the identified violations has been corrected. We greatly appreciate the guidance of the inspector and his assistance in alerting us to these concerns so they could be quickly rectified. I would appreciate PHMSA's consideration of our quick corrective actions and the on-going process improvement initiatives outlined above as mitigation of the civil penalties. The safety of the public, our customers and employees is the foundation of our business. I will personally ensure that we do not have a repeat of the previous inspection result.

If you need additional information, please contact me at (352) 422-2908.

Sincerely,

Jeffry M. Householder
President
Florida Public Utilities
1015 6th St. NW
Winter Haven, FL 33881