



VIA FEDERAL EXPRESS AND E-MAIL

December 4, 2014

Mr. Wayne T. Lemoi
Director, Southern Region
Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration
233 Peachtree Street, Suite 600
Atlanta, GA 30303

RE: Response of Carolina Gas Transmission to CPF No. 2-2014-1006

Dear Mr. Lemoi:

Carolina Gas Transmission (CGT) respectfully submits this Response to the Office of Pipeline Safety's (OPS) Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order (Notice) issued in the above-referenced case on October 22, 2014. CGT appreciates the two-week extension of time that OPS provided to submit the Response.¹ CGT submits this Response pursuant to 49 C.F.R. § 190.208(a)(3) and (b)(3) (2014).

I. Introduction

The Notice in this case arose from a July 30-31, 2014 PHMSA inspection of CGT's Public Awareness Plan (PAP) and Operator Qualification Plan at CGT's offices in Cayce, South Carolina. CGT is an interstate natural gas transportation company that delivers natural gas to wholesale and direct industrial customers throughout South Carolina. CGT is a subsidiary of SCANA Corporation. CGT's interstate pipeline system consists of 1,467 miles of gas transmission pipeline in South Carolina and Georgia. OPS has been auditing CGT's pipeline

¹ CGT received the Notice on October 24, 2014, which established an original filing deadline of November 23, 2014. In order to allow time for internal coordination and review, CGT sought a 14-day extension of time to file its Response. The Southern Region Director granted CGT's request by e-mail dated November 7, 2014, which established a filing deadline for this Response of December 7, 2014.

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safety compliance programs for several years, and CGT appreciates the feedback that OPS inspectors have provided. CGT shares OPS's goal of safe and compliant pipeline operations. CGT recognizes that it can always improve its compliance programs and the company has made numerous improvements to its procedures and practices over the years in response to OPS audits and internal company reviews.

II. Summary of CGT's Response

CGT takes OPS's allegations seriously. After receipt of the Notice, CGT researched its compliance records and met internally to discuss the allegations. As a result of this review, CGT believes that there have been misunderstandings that contributed to OPS's choice to issue the Notice. CGT believes this Response will resolve these misunderstandings and demonstrate to OPS that the company did not violate the cited regulations. More importantly, CGT believes its Response will demonstrate that CGT takes seriously its PAP and the safe operation of its gas transmission pipeline system.

CGT understands from OPS's Violation Report that the agency is concerned about the manner in which CGT performs and documents its annual audits. During the 2011 inspection, CGT officials indicated that future annual audits would likely be conducted by SCANA's internal audit services department. Admittedly, for a variety of business reasons, CGT elected not to use the audit services department. However, CGT did complete the annual audits in accordance with the regulation. Specifically, CGT performed, completed, and documented internal audits of the PAP program in coordination with its RP 1162 Committee, and also underwent an additional audit by a third-party in 2013. Going forward CGT intends to conduct audits of the plan using internal resources or a third party. CGT apologizes for the miscommunication, though the company does not believe that it undermined safety or resulted in noncompliance.

Regarding Item 1 in the Notice, CGT is providing records with this Response that demonstrate the company completed annual audits of its PAP in 2012 and 2013. While these

records were available at the July 2014 inspection, they were among numerous other documents available and CGT did not focus on them during the inspection. Regarding the annual audit for 2011, CGT has identified provisions of American Petroleum Institute's Recommended Practice 1162 (API RP 1162) and PHMSA guidance that allow for reliance on regulator audits to satisfy the annual audit requirements in API RP 1162.

Regarding Item 2 in the Notice, CGT is providing records with this Response that demonstrate that it completed an effectiveness evaluation of its PAP. CGT was the subject of an early OPS PAP inspection in 2011. During this inspection, OPS inspectors identified improvements that could be made to CGT's PAP program, including a recommendation that CGT document its four year effectiveness evaluation in a written report. At the time of the 2011 inspection, CGT had completed an effectiveness evaluation which it had documented using a set of PowerPoint slides listing the results of an assessment of its PAP program. In response to OPS's feedback during the 2011 inspection, CGT prepared a Public Awareness Survey Analysis Report after the 2011 inspection. During the 2014 inspection, the OPS inspectors reviewed this document, and, based on discussion with the inspectors, CGT understood this report was adequate.

As more fully described below, CGT respectfully requests that PHMSA withdraw the allegations of violation in Items 1 and 2 of the notice along with the proposed civil penalties and proposed compliance order terms.

III. Discussion

In the following sections, CGT provides its detailed response to each allegation of violation in the Notice.

A. Item 1 – Public Awareness Annual Audits

The Notice alleges that CGT violated 49 C.F.R. § 192.616(a) by not conducting annual audits of its written PAP to determine whether it had been developed and implemented in accordance with API RP 1162. Specifically, the Notice states that “[a]t the time of the

inspection, CGT could not verify, and did not provide any evidence to the PHMSA inspectors, to show that it had conducted any annual audits or reviews of its PAP from April 20, 2011 . . . to July 31, 2014.”²

CGT believes this allegation is based upon a misunderstanding. CGT completed annual audits of its PAP in 2012 and 2013, and relied upon an OPS inspection for 2011. CGT respectfully requests that PHMSA withdraw this allegation of violation and the associated proposed civil penalty.

1. 2011 Audit Year

OPS’s Violation Report indicates operators may not rely upon a PHMSA inspection as an annual audit.³ This statement does not appear consistent with the regulations, RP 1162, or PHMSA’s publicly available PAP guidance. The regulation requires operators to prepare and implement PAPs in accordance with RP 1162.⁴ Section 8.3 of API RP 1162 provides that “[t]he operator should complete an annual audit or review of whether the program has been developed and implemented according to the guidelines in this RP.” When conducting this annual audit, operators are directed to use one of three methodologies: (1) internal self-assessment; (2) third-party audits; or (3) regulatory inspections.⁵ PHMSA’s public guidance documents are consistent with RP 1162 and allow the use of regulatory inspections to comply with the annual audit requirements.⁶

² Notice at 2.

³ Pipeline Safety Violation Report at 9, Carolina Gas Transmission, CPF No. 2-2014-1006 (Oct. 22, 2014) (Violation Report).

⁴ 49 C.F.R. § 192.616(a). The 2003 version of RP 1162 is incorporated by reference into Part 192. 49 C.F.R. § 192.7.

⁵ API RP 1162 § 8.3.

⁶ PHMSA, *Public Awareness Program Frequently Asked Questions (FAQs)* at 7 (Sept. 6, 2011) (response to question 24) available at: <https://primis.phmsa.dot.gov/comm/PublicAwareness/Public%20Awareness%20Effectiveness%20FAQs%2020110927.pdf>.

For the 2011 audit year, CGT relied upon the documented OPS inspection that occurred on April 18-20, 2011, for compliance with the annual audit requirement. The OPS inspectors provided a detailed and helpful review of CGT's PAP and documented their review on the "PHMSA (PAP) Effectiveness Inspection Form 21."⁷

CGT believes this is simply a misunderstanding and that reference to Section 8.3 of API RP 1162 and PHMSA's public guidance will clarify that operators may rely upon inspections by regulators to satisfy the annual audit requirement.

2. 2012 and 2013 Audit Years

For the 2012 and 2013 audit years, CGT completed internal self-assessments of its PAP development and implementation. While documentation of these audits was available during the 2014 OPS inspection, CGT did not bring the documents to the attention of the OPS inspectors. CGT believes that had the OPS inspectors had the benefit of these documents, a violation would not have been alleged here. CGT apologizes for this miscommunication.

These annual audits were coordinated and conducted by the Corporate Safety Advisor for SCANA Corporation. The Safety Advisor documented these annual audits on "Policy/Procedure Review Forms" dated March 15, 2012, and March 15, 2013. These signed and completed forms are attached to this Response as **Exhibits A and B**. In performing the annual audits, the Safety Advisor used PHMSA's Form 21 as a guide to evaluating feedback from employees involved in the PAP program and to review the PAP program activities and documents. The Safety Advisor also presented the results and recommendations of the annual PAP audits during SCANA RP 1162 Committee meetings. The minutes from these Committee meetings reflect that the annual audits were discussed.⁸

⁷ Violation Report, Exhibit A-1, PHMSA (PAP) Effectiveness Inspection Form 21 (Rev.1) for OPS's April 18-20, 2011 inspection.

⁸ The minutes from SCANA's RP 1162 Committee meetings are attached to OPS's Violation Report as part of Violation Report, Exhibit A.

In the Violation Report, PHMSA states the alleged violation started on June 20, 2010, the date the first effectiveness evaluation was required by the regulation, and continued for 1,502 days.¹¹ The Violation Report also states that, when asked for its program effectiveness evaluations, “CGT representatives could not produce anything other than minutes from the SCANA Public Awareness Committee, some survey results and a file with some returned mailings.”¹² Finally, the Violation Report states that “[t]here was nothing to demonstrate CGT had made any attempt to evaluate the data it had collected to establish the effectiveness of its PAP program.”¹³

CGT believes that a misunderstanding occurred here. SCANA conducted program effectiveness surveys in 2007, 2008, and 2010. SCANA completed the 2010 survey by June 2010, and prepared a presentation that described the methodology, summarized the results, and provided an evaluation of the survey results for each SCANA subsidiary, including CGT. A copy of the June 2010 Survey is attached to this Response as **Exhibit D**. At the time, SCANA believed this presentation was sufficient to demonstrate the company had completed a PAP effectiveness review.

During the OPS inspection in 2011, OPS inspectors acknowledged that CGT “conducted three surveys and collected a significant amount of data that resulted in program improvements.”¹⁴ OPS inspectors also conveyed their expectation that CGT document its findings concerning program effectiveness in a written report, which CGT had not prepared as of the 2011 inspection.¹⁵ This was the first inspection of CGT’s PAP and the company appreciated the feedback from OPS on how to document a PAP effectiveness evaluation in the future.

¹¹ Violation Report at 14.

¹² *Id.* at 16.

¹³ *Id.*

¹⁴ *Id.*, Exhibit A-1 at 16.

¹⁵ *Id.*

On the basis of OPS's feedback during the 2011 inspection, CGT prepared a Public Awareness Survey Analysis Report that evaluated the results of its 2011 PAP survey. In this report, CGT assessed what PAP measures were effective, and provided recommendations on how to improve the program. CGT's 2011 Survey Results, dated June 17, 2011, are attached to this Response as **Exhibit E**. CGT's Public Awareness Survey Analysis Report, dated August 10, 2011, is attached to this Response as **Exhibit F**. CGT believes its 2011 Public Awareness Survey Analysis Report demonstrates the company complied with the four-year effectiveness review requirement in RP 1162.

By the time of the 2014 OPS inspection, CGT had conducted further program effectiveness surveys in 2012 and 2013, and prepared summaries of the results, and was in the process of reviewing and evaluating the 2014 survey data. Because CGT prepared a written report of its effectiveness evaluation in 2011, the next written effectiveness evaluation is not due until 2015.

During the 2014 inspection, CGT provided OPS with summaries of the 2011, 2012, and 2013 survey results, and also provided the 2011 Public Awareness Survey Analysis Report. The inspectors reviewed these materials, and indicated to employees present that the 2011 Public Awareness Survey Analysis Report was the type of written analysis of the survey data and resulting changes that OPS was looking for.

In short, CGT prepared a written report of its findings from the 2011 PAP effectiveness evaluation in 2011, in response to OPS feedback from the 2011 inspection. As such, CGT does not agree with the allegation in the Notice and Violation Report that CGT has never prepared such a report and has been out of compliance for over 1,500 days.

On the basis of the foregoing, CGT respectfully requests that PHMSA withdraw the allegation of violation, proposed \$15,800 civil penalty, and proposed compliance order for Item 2. As no violation occurred, no civil penalty or compliance order is appropriate. Should PHMSA nonetheless make a finding of violation for Item 2, CGT believes, in light of its good

faith efforts and the evidence contained in this filing, that elimination or reduction of the proposed penalty is warranted under the assessment criteria set out in 49 C.F.R. § 190.225. CGT made a good faith effort to comply with the effectiveness evaluation requirement in 2010, cooperated fully during OPS's 2011 PAP effectiveness inspection, and prepared a written report documenting its PAP effectiveness evaluation in 2011. Lastly, CGT has already revised its PAP, effective September 30, 2014, and included the methodology by which CGT will evaluate the effectiveness of its PAP every four years. CGT submitted its revised PAP to PHMSA along with its October 1, 2014 response to OPS's Notice of Amendment in Case No. CPF 2-2014-1004M.

Item 3 – Qualification Program

CGT does not contest this warning item, and appreciates that OPS brought the issue to our attention. Prior to the 2014 inspection, CGT implemented a software program that ensures all employees are tested and graded on a similar basis for each covered task. CGT demonstrated this software for the OPS inspectors during the 2014 inspection. CGT believes the implementation of this measure will prevent inconsistent qualification results in the future.

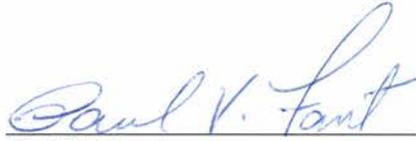
IV. Conclusion

Based on the foregoing, CGT respectfully requests that PHMSA withdraw the allegations of violation, and proposed civil penalties and compliance order in this matter. CGT places great value on the opportunities for learning and improvement the company receives from OPS's oversight.

CGT appreciates PHMSA's consideration of our Response. Please contact Ms. Laura Comstock, Manager Operations Support, at (803) 217-2199, if you have any questions about our Response or the attached materials.

Carolina Gas Transmission
Response to PHMSA CPF No. 2-2014-1006
December 4, 2014

Respectfully submitted,

A handwritten signature in blue ink that reads "Paul V. Fant". The signature is written in a cursive style and is positioned above a horizontal line.

Paul V. Fant
President and Chief Operating Officer
Carolina Gas Transmission
220 Operations Way
Cayce, SC 29033

Attachments:

- Exhibit A – Policy/Procedure Review Form (March 15, 2012)
- Exhibit B – Policy/Procedure Review Form (March 15, 2013)
- Exhibit C – AEGIS, Draft Underwriting Risk Assessment Report (March 18, 2013)
- Exhibit D – RP1162 Survey Results SCE&G, PSNC Energy and CGT (July 8, 2010)
- Exhibit E – RP1162 Survey Results SCE&G, PSNC Energy and CGT (June 17, 2011)
- Exhibit F – Public Awareness Survey Analysis Report (August 10, 2011)