



July 30, 2018

Mr. James A. Urisko  
Director, Office of Pipeline Safety Southern Region  
Pipeline & Hazardous Materials Safety Administration  
233 Peachtree Street NE  
Suite 600  
Atlanta, Georgia 30303

Re: Response to CPF 2-2018-1004

Dear Mr. Urisko:

KO Transmission Company (KOT) submits this Response to the Notice of Probable Violation, Civil Penalty and Proposed Compliance Order dated June 29, 2018. Your letter addressed sixteen items, in which Items 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 15 and 16 were listed as Warning Items. KOT has thoroughly reviewed these items and is in the process of taking appropriate action to address these issues.

This letter outlines KOT's response to Items 1, 2, 6 and 14. With respect to proposed civil penalties for Item 6 in the amount of \$42,400 and Item 14 in the amount of \$52,500 listed below, KOT does not contest the allegations and will provide payment in a separate correspondence. We address those two items first.

In regard to the Proposed Civil Penalty assessed for Items 6 and 14, KOT submits the following response:

**Item #6**

**§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 . . .**

*KO failed to comply with the regulation because it did not test at least once each calendar year, but at intervals not exceeding 15 months, to determine whether its cathodic protection (CP) meets the requirements of §192.463 at several test stations.*

*. . . The exceedances ranged from 70 days to 120 days.*

*The explanation given by KO's corrosion technician for exceeding the frequency was that the test stations were "no locate" stations, meaning that the stations could not be located and as such, the time period (once each calendar year, but with intervals not exceeding 15 months) re-starts at the "no locate" date. Being unable to locate a test station does not excuse the operator from its obligation to comply with pipeline safety regulations. Likewise, KO personnel were not following KO's written procedures, which do not authorize this practice.*

...

**KOT's Response:**

KOT agrees that a "no locate" does not re-start the compliance interval as specified in §192.465 (must be tested at least once each calendar year, but with intervals not exceeding 15 months) for testing cathodic protection systems. All corrosion/system integrity technicians that perform this function are now aware

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that “no locates” are not acceptable. Any required cathodic protection test point that is initially un-locatable will be addressed by either making the existing test point locatable and obtaining a read, or a new test station will be installed.

**Item #14**

**§192.921 How is the baseline assessment to be conducted?**

- **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)

*KO failed to comply with the regulation because it did not conduct a baseline assessment or assess the integrity of the line pipe in each covered segment by applying one or more of the methods listed in §192.921:*

- *KO's records indicate that line segment HCA30 segment, which was identified as a HCA, includes a cased road crossing that has never been the subject of an integrity assessment. KO personnel were unable to provide any documentation or justification for why this segment had not been baseline-assessed.*
- *KO records indicate that a segment of its Line AM04B was identified as being within a HCA in 2004. This HCA segment, identified as HCA20 in KO records, includes a cased road crossing at Grandview Rd. PHMSA's review of KO's cased pipe assessment scheduled, dated September 15, 2017, indicates the Grandview Rd. cased crossing had not yet been the subject of a base-line assessment. KO personnel were unable to provide any documentation or justification for why the cased pipe segment at Grandview Rd. had not been baseline-assessed.*

**KOT's Response:**

- Records show that in 2014, Line AM04 was split into two separate lines, Line AM04A and Line AM04B to accommodate two different MAOPs. As a result, HCA30 was moved to Line AM04B and became HCA20, which explains the two separate references to the same line segment with the Grandview Rd. cased road crossing.
- KOT did not perform a baseline assessment for the casing indicated as part of line segment HCA30 at Grandview Road before the December 17, 2012 deadline. However, the Grandview Road casing was abandoned on July 23, 2015.
- To mitigate any re-occurrence of a missed baseline assessment, TIMP team added resources to allow for improved TIMP program oversight and is committed to continuous improvement and quality assurance.

In regards to the probable violations which may result in a proposed compliance order for Items 1 and 2, KOT submits the following response:

**Item #1**

**§192.805 Qualification program.**

**Each operator shall have and follow a written qualification program. The program shall include provisions to:**

- (a) . . .
- (c) **Allow individuals that are not qualified pursuant to this subpart to perform a covered task if directed and observed by an individual that is qualified;**
- (d) . . .
- (g) **Identify those covered tasks and the intervals at which evaluation of the individual's qualifications is needed;**
- (h) **After December 16, 2004, provide training, as appropriate to ensure that individuals performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities; and**

**(i) After December 16, 2004, notify the Administrator or a state agency participating under . . . if the operator significantly modifies the program after the administrator or state agency has verified that it complies with this section. . .**

*KO failed to comply with the regulation because its written qualification program did not adequately include the provisions of §§192.805(c), 192.805(g), and 192.805(i), as follows:*

- §192.805(c): *KO's Operator Qualification (OQ) Plan . . . Copied the language of the regulation regarding allowance of non-qualified individuals to perform a covered task if directed and observed by an individual that is qualified. The plan, however, failed to provide details directly applying the regulation to its system. For example, KO's OQ Plan was silent on whether KO had developed a span of control ratio used to manage direct observation and supervision which would include provisions for verbal communications, for applicable covered tasks.*
- §192.805(g): *KO's OQ Plan requires a 5 year covered task re-qualification cycle "on the majority of covered tasks," and lists criteria to be applied to each covered task to determine if a more frequent qualification interval is appropriate. KO personnel were unable to provide documentation showing how and if the criteria had been applied to establish the re-qualification intervals. It is noted that KO personnel conveyed that KO normally re-evaluates individuals on a 3 year interval.*
- §192.805(h): *KO's OQ Plan did not address the requirement to, after December 16, 2004, provide training, as appropriate, to ensure that individuals performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities.*
- §192.805(i): *KO's OQ Plan did not require KO to notify the Administrator or a state agency if KO significantly modifies the program after the Administrator or state agency has verified that the program complies with §192.805.*

**KOT's Response:**

Attached are the revised sections that address the below items:

- In compliance with §192.805(c), KOT's Operator Qualification Plan, Section 5 has been modified to include details on span of control.
- In compliance with §192.805(g), KOT's Operator Qualification Plan, Section 9 will be modified to include details on how requalification intervals will be established using the criteria of task difficulty, task importance and frequency of task performed. This modification is anticipated to be completed by September 28, 2018. Once the evaluation interval frequency has been established, a modified re-qualification cycle will be developed and implemented.
- In compliance with §192.805(h), KOT's Operator Qualification Plan, Section 9 has been modified to include details to meet the requirement that individuals performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities.
- In compliance with §192.805(i), KOT's Operator Qualification Plan, Section 8 has been modified to include this requirement to notify the Administrator of significant modifications to the Plan.  
(see attached Response 1)

**Item #2**

**§192.809 General.**

(a) . . .

**(d) After October 28, 2002, work performance history may not be used as a sole evaluation method.**

**(e) After December 16, 2004, observation of on-the-job performance may not be used as the sole method of evaluation.**

*KO failed to comply with the requirements of §192.809 as follows:*

- §192.809(d): *KO's written OQ Plan did not dis-allow the use, as sole evaluation methods, of work performance history reviews after October 28, 2002.*
- §192.809(e): *KO's written OQ Plan did not dis-allow the use, as a sole evaluation method, of observation of on-the-job performance after December 16, 2004.*

**KOT's Response:**

Attached are the revised sections that address the below items:

- Operator Qualification Plan, Section 4 has been modified to dis-allow the use, as a sole evaluation method, or work performance history reviews pursuant to §192.809(d) .
  - Operator Qualification Plan, Section 4 has been modified to dis-allow the use, as a sole evaluation method, of observation of on-the-job performance pursuant to §192.809(e).
- (see attached Response 2)

If you have any questions regarding this information, please contact Ms. Susan Gilb at [sue.gilb@duke-energy.com](mailto:sue.gilb@duke-energy.com) or (513) 287-2752.

Sincerely,



Victor Gaglio  
Senior Vice President & Chief Operations Officer Natural Gas  
Duke Energy

Attachments

- cc: M. Henderson  
M. Huey  
A. Lineback  
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M. Petchul  
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