NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 18, 2011

Mr. Rick Schach
Vice President
Vectren Energy Delivery of Ohio
1 Vectren Square
Evansville, Indiana 47708

CPF 3-2011-5002M

Dear Mr. Schach:

On December 13 through December 16, 2011, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) Central Region pursuant to Chapter 601 of 49 United States Code inspected the Pipeline Integrity Management Program (IMP) in Evansville, Indiana.

On the basis of the inspection, PHMSA has identified apparent inadequacies found within Vectren’s plans or procedures, as described below:

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

   §195.452(f) What are the elements of an integrity management program? An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:

   A) §195.452(f)(3) An analysis that integrates all available information about the integrity of the entire pipeline and the consequences of a failure (see paragraph (g) of this section);
(g) **What is an information analysis?** In periodically evaluating the integrity of each pipeline segment (paragraph (j) of this section), an operator must analyze all available information about the integrity of the entire pipeline and the consequences of a failure. This information includes:

(2) Data gathered through the integrity assessment required under this section;

Vectren’s procedures do not address a systematic process for integrating information from prior assessments. Currently this is done only through the SME’s.

B) §195.452(f)(3) An analysis that integrates all available information about the integrity of the entire pipeline and the consequences of a failure (see paragraph (g) of this section);

(g) **What is an information analysis?** In periodically evaluating the integrity of each pipeline segment (paragraph (j) of this section), an operator must analyze all available information about the integrity of the entire pipeline and the consequences of a failure. This information includes:

(4) Information about how a failure would affect the high consequence area, such as location of the water intake.

Vectren’s procedures did not adequately demonstrate the decision process and the documentation did not justify the overland transport distances used for releases on the LPG pipeline. Review of the IMP’s records showed that the overland transport of the product is limited to 134 feet from the release, and the volume released for the worst case scenario is 800 barrels. Several important factors were not included in those estimates. The overland transport review should take into consideration grade, temperature and snow cover. Each will affect vaporization rates and hence the overland transport distances. Vectren considers the line in its entirety to be fully within HCAs. Re-evaluating the overland transport would not necessarily identify additional “could affect” mileage; however, re-evaluation is necessary to understand how a failure would affect HCAs for the required information analysis and emergency response.

C) §195.452(f)(6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (l) of this section);

(i) **What preventive and mitigative measures must an operator take to protect the high consequence area?**

(2) Risk analysis criteria. In identifying the need for additional preventive and mitigative measures, an operator must evaluate the likelihood of a pipeline release occurring and how a release could affect the high consequence area.
Vectren’s procedures do not address how implemented preventive and mitigative factors influence the consequences to HCAs.

D) §195.452(f)(6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section);

(i) What preventive and mitigative measures must an operator take to protect high consequence areas?

(3) Leak detection. An operator must have a means to detect leaks on its pipeline system. An operator must evaluate the capability of its leak detection means...

1) Vectren’s procedures do not address how leak detection occurs during pipeline operations. Only one remotely monitored device is on the pipeline. During operations this device is inactivated and two manual pressure charts are installed. There are no procedures for monitoring these charts. Also, Vectren must evaluate the capability of its leak detection means and determine if improvements are warranted.

2) Vectren’s procedures do not indicate clear authority for qualified employees to take action to shut down the pipeline.

3) Vectren’s procedures incorporate inaccurate response times for responding to emergencies on the LPG line. The documented response times for this line were derived for their entire distribution network. These response times for the LPG line need to be established for qualified personnel specific to this line.

E) §195.452 (f)(7) Methods to measure the program’s effectiveness (see paragraph (k) of this section);

(k) What methods to measure program effectiveness must be used? An operator’s program must include methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting the high consequence areas.

Vectren’s procedures do not address metrics for measuring the effectiveness of the preventive and mitigative factors incorporated into the IMP.

F) §195.452 (l) What records must be kept? (1) An operator must maintain for review during an inspection: A written integrity management program in accordance with paragraph (b) of this section. (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.

Vectren’s procedures do not address the Management of Change (MOC) documentation process supporting the decisions, analyses, modifications, etc. for implementation and evaluation of the IM program.
2. §195.402(c) - Maintenance and normal operations - The manual required by paragraph (a) of this section must include procedures for operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

§195.577 What must I do to alleviate interference currents?
(a) For pipelines exposed to stray currents, you must have a program to identify, test for, and minimize the detrimental effects of such currents.

Vectren’s procedures do not address how stray currents, including interference from alternating currents (AC) and direct currents (DC), are identified.

Response to this Notice
This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. Enclosed as part of this Notice is a document entitled Response Options for Pipeline Operators in Compliance Proceedings. Please refer to this document and note the response options. 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). If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 90 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to CPF 3-2011-5002M and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

[Signature]
David Barrett
Director, Central Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: Response Options for Pipeline Operators in Compliance Proceedings
Response Options for Pipeline Operators in Compliance Proceedings

The requirements of 49 C.F.R. Part 190, Subpart B (§§ 190.201–190.237) govern response to Notices issued by a Regional Director, Pipeline and Hazardous Materials Safety Administration (PHMSA).

Be advised that all material submitted by a respondent in response to an 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).

I. **Procedures for Responding to a NOTICE OF PROBABLE VIOLATION:**

Within 30 days of receipt of a Notice of Probable Violation, the respondent shall respond to the Regional Director who issued the Notice in the following way:

a. **When the Notice contains a proposed CIVIL PENALTY**: --

1. If you are not contesting any violations alleged in the Notice, pay the proposed civil penalty and advise the Regional Director of the payment. This authorizes PHMSA to issue an order making findings of violation and upon confirmation that the payment has been received PHMSA will close the case with prejudice to the respondent. Payment terms are outlined below;

2. If you are not contesting any violations alleged in the Notice but wish to submit written explanations, information, or other materials you believe warrant mitigation of the civil penalty, you may submit such materials. This authorizes PHMSA to make findings and to issue a Final Order assessing a penalty amount up to the amount proposed in the Notice. Refer to 49 C.F.R. § 190.225 for assessment considerations, which include the respondent’s ability to pay and the effect on the respondent’s ability to stay in business, upon which civil penalties are based;

3. If you are contesting one or more of the items in the Notice but are not requesting an oral hearing, submit a written response to the allegations and/or seek elimination or mitigation of the proposed civil penalty; or

4. Request a hearing as described below to contest the allegations and/or proposed assessment of a civil penalty.
b. **When the Notice contains a proposed COMPLIANCE ORDER**

1. If you are not contesting the compliance order, notify the Regional Director that you intend to take the steps in the proposed compliance order;

2. If you are not contesting the compliance order but wish to submit written explanations, information, or other materials you believe warrant modification of the proposed compliance order in whole or in part, or you seek clarification of the terms of the proposed compliance order, you may submit such materials. This authorizes PHMSA to make findings and issue a compliance order;

3. If you are contesting the proposed compliance order but are not requesting an oral hearing, submit written explanations, information, or other materials in answer to the allegations in the Notice and stating your reasons for objecting to the proposed compliance order items in whole or in part; or

4. Request a hearing as described below to contest the allegations and/or proposed compliance order items.

c. **When the Notice contains a WARNING ITEM**

   No written response is required. The respondent is warned that if it does not take appropriate action to correct these items, enforcement action will be taken if a subsequent inspection reveals a violation.

* Failure of the respondent to respond to the Notice within 30 days of receipt constitutes a waiver of the right to contest the allegations in the Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in the Notice without further notice to the respondent and to issue a Final Order.

II. **Procedures for Responding to a NOTICE OF AMENDMENT**

Within 30 days of receipt of a Notice of Amendment, the respondent shall respond to the Regional Director who issued the Notice in the following way:

a. If you are not contesting the Notice, notify the Regional Director of your plans to address the inadequacies identified in the Notice;

b. If you are not contesting the Notice but wish to submit written explanations, information, or other materials you believe warrant modification of the Notice of Amendment in whole or in part, or you seek clarification of the terms of the
Notice of Amendment, you may submit such materials. This authorizes PHMSA to make findings and issue an Order Directing Amendment;

c. If you are contesting the Notice of Amendment but are not requesting an oral hearing, submit written explanations, information, or other materials in answer to the allegations in the Notice and stating your reasons for objecting to the Notice of Amendment items in whole or in part; or

d. Request a hearing as described below to contest the allegations in the Notice.

* Failure of the respondent to respond to the Notice within 30 days of receipt constitutes a waiver of the right to contest the allegations in the Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in the Notice without further notice to the respondent and to issue a Final Order.

III. Procedure for Requesting a Hearing

A request for a hearing must be in writing and accompanied by a statement of the issues that the respondent intends to raise at the hearing. The issues may relate to the allegations, new information, or to the proposed compliance order or proposed civil penalty amount. Refer to 49 C.F.R. § 190.225 for assessment considerations upon which civil penalties are based. A respondent's failure to specify an issue may result in waiver of the right to raise that issue at the hearing. The respondent's request must also indicate whether or not respondent will be represented by counsel at the hearing. Failure to request a hearing in writing within 30 days of receipt of a Notice waives the right to a hearing. In addition, if the amount of the proposed civil penalty or the proposed corrective action is less than $10,000, the hearing will be held by telephone, unless the respondent submits a written request for an in-person hearing. Complete hearing procedures can be found at 49 C.F.R. § 190.211.

IV. Extensions of Time

An extension of time to prepare an appropriate response to a Notice may be granted, at the agency's discretion, following submittal of a written request to the Regional Director. The request must indicate the amount of time needed and the reasons for the extension. The request must be submitted within 30 days of receipt of the Notice.

V. Freedom of Information Act

Any material provided to PHMSA by the respondent, and materials prepared by PHMSA including the Notice and any order issued in this case, may be considered public information and subject to disclosure under the Freedom of Information Act (FOIA). If you believe the information you are providing is security sensitive, privileged, confidential or may cause your company competitive disadvantages, please clearly identify the material and provide justification why the documents, or portions of a document, should not be released under FOIA. If we receive a request for your material, we will notify you if PHMSA, after reviewing the materials and your provided justification, determines that withholding the materials does not meet any exemption
provided under the FOIA. You may appeal the agency’s decision to release material under the FOIA at that time. Your appeal will stay the release of those materials until a final decision is made.

VI. **Small Business Regulatory Enforcement Fairness Act Information**
The Small Business and Agricultural Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about federal agency enforcement actions. The Ombudsman will annually evaluate the enforcement activities and rate each agency’s responsiveness to small business. If you wish to comment on the enforcement actions of the Pipeline and Hazardous Materials Safety Administration, call 1-888-REG-FAIR (1-888-734-3247) or go to http://www.sba.gov/ombudsman/dsp_faq.html.

VII. **Payment Instructions**

**Civil Penalty Payments of Less Than $10,000**

Payment of a civil penalty of less than $10,000 proposed or assessed, under Subpart B of Part 190 of the Pipeline Safety Regulations can be made by certified check, money order or wire transfer. Payment by certified check or money order (containing the CPF Number for this case) should be made payable to the "Department of Transportation" and should be sent to:

- Federal Aviation Administration
- Mike Monroney Aeronautical Center
- Financial Operations Division (AMZ-341) P.O. Box 269039
- Oklahoma City, OK 73125-4915

Wire transfer payments of less than $10,000 may be made through the Federal Reserve Communications System (Fedwire) to the account of the U.S. Treasury. Detailed instructions are provided below. Questions concerning wire transfer should be directed to the Financial Operations Division at (405) 954-8893, or at the above address.

**Civil Penalty Payments of $10,000 or more**

Payment of a civil penalty of $10,000 or more proposed or assessed under Subpart B of Part 190 of the Pipeline Safety Regulations must be made wire transfer (49 C.F.R. § 89.21 (b)(3)), through the Federal Reserve Communications System (Fedwire) to the account of the U.S. Treasury. Detailed instructions are provided below. Questions concerning wire transfers should be directed to the Financial Operations Division at (405) 954-8893, or at the above address.
INSTRUCTIONS FOR ELECTRONIC FUND TRANSFERS

<table>
<thead>
<tr>
<th>(1) RECEIVER ABA NO. 021030004</th>
<th>(2) TYPE/SUB-TYPE (Provided by sending bank)</th>
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<tbody>
<tr>
<td>(3) SENDING BANK ABA NO. (Provided by sending bank)</td>
<td>(4) SENDING BANK REF NO. (Provided by sending bank)</td>
</tr>
<tr>
<td>(5) AMOUNT</td>
<td>(6) SENDING BANK NAME (Provided by sending bank)</td>
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<tr>
<td>(7) RECEIVER NAME TREAS NYC</td>
<td>(8) PRODUCT CODE (Normally CTR, or as provided by sending bank)</td>
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<tr>
<td>(9) BENEFICIAL (BNF) = AGENCY LOCATION CODE BNF = /ALC-69-14-0001</td>
<td>(10) REASONS FOR PAYMENT Example: PHMSA - CPF # / Ticket Number/Pipeline Assessment number</td>
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INSTRUCTIONS: You, as sender of the wire transfer, must provide the sending bank with the information for blocks (1), (5), (7), (9), and (10). The information provided in Blocks (1), (7), and (9) are constant and remain the same for all wire transfers to the Pipeline and Hazardous Materials Safety Administration, Department of Transportation.

**Block #1** - RECEIVER ABA NO. - "021030004". Ensure the sending bank enters this 9-digit identification number; it represents the routing symbol for the U.S. Treasury at the Federal Reserve Bank in New York.

**Block #5** - AMOUNT - You as the sender provide the amount of the transfer. Please be sure the transfer amount is punctuated with commas and a decimal point. **EXAMPLE: $10,000.00**

**Block #7** - RECEIVER NAME - "TREAS NYC". Ensure the sending bank enters this abbreviation. It must be used for all wire transfers to the Treasury Department.

**Block #9** - BENEFICIAL - AGENCY LOCATION CODE - "BNF=/ALC-69-14-0001". Ensure the sending bank enters this information. This is the Agency Location Code for the Pipeline and Hazardous Materials Safety Administration, Department of Transportation.

**Block #10** - REASON FOR PAYMENT - "AC-payment for PHMSA Case # / To ensure your wire transfer is credited properly, enter the case number/ticket number or Pipeline Assessment number, and country."

**NOTE:** A wire transfer must comply with the format and instructions or the Department cannot accept the wire transfer. You as the sender can assist this process by notifying the Financial Operations Division (405) 954-8893 at the time you send the wire transfer.

February 2009