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);

(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 (i) 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,

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

Enclosure: Response Options for Pipeline Operators in Compliance Proceedings