U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

233 Peachtree Street Ste. 600
Atlanta, GA 30303

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 10, 2016

Debbie Workman, Director
LEDIC Realty Company, LLC
105 Tallapoosa St. Suite 300
Montgomery, AL 36104

**CPF 2-2016-0001
CPF 2-2016-0002**

Dear Ms. Workman:

On December 15-16, 2015, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Southern Region, Office of Pipeline Safety inspected the Eureka Gardens and Washington Heights master meter written procedures, records, and pipeline systems in Jacksonville, Florida, pursuant to Chapter 601 of 49 United States Code.

As a result of the inspection, it appears that LEDIC Realty Company, LLC (LEDIC) has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. **§192.355 Customer meters and regulators: Protection from damage.**

(a) …

(b) Service regulator vents and relief vents. Service regulator vents and relief vents must terminate outdoors, and the outdoor terminal must—

(1) Be rain and insect resistant;

(2) Be located at a place where gas from the vent can escape freely into the atmosphere and away from any opening into the building; and

(3) …

LEDIC failed to install service regulator relief vents to be resistant to rain and insects and failed to install the vents in locations where gas from the vents could escape freely into the atmosphere and away from any opening into the building.

At the time of the inspection, the PHMSA inspector observed and photographed a service regulator relief vent at Eureka Gardens building 14 positioned such that it would allow water to enter and stay in the regulator, did not have screens in place to prevent insects from entering the regulator, and was installed under a window and near an opening into the building.

2. **§192.357 Customer meters and regulators: Installation.**

(a) Each meter and each regulator must be installed so as to minimize anticipated stresses upon the connecting piping and the meter.

LEDIC failed to ensure that each customer regulator was installed so as to minimize anticipated stresses upon the connecting piping.

At the time of the inspection, the PHMSA inspector observed and photographed service regulator at Eureka Gardens building 26 that was not installed to minimize anticipated stresses. The service regulator vent line extended several feet away from the regulator and was not supported. It appeared that an external force had displaced the vent line from its horizontally installed position until the vent line contacted the ground, twisted the attached regulator and transferred the stress to the connecting pipe.

3. **§192.463 External corrosion control: Cathodic protection.**

(a) Each cathodic protection system required by this subpart must provide a level of cathodic protection that complies with one or more of the applicable criteria contained in appendix D of this part. If none of these criteria is applicable, the cathodic protection system must provide a level of cathodic protection at least equal to that provided by compliance with one or more of these criteria.

LEDIC did not ensure that its installed cathodic protection systems provided a level of cathodic protection that complied with one or more of the applicable criteria contained in Appendix D of Part 192.

At the time of the inspection, the rectifier on the system was not operational and cathodic protection pipe-to-soil (p/s) readings were low[a], which indicated inadequate levels of cathodic protection. Low p/s readings were found on:

- Mains at the Eureka Gardens I master meter, which ranged from -0.518V to -0.514V
- Service line risers at Eureka Gardens I buildings 2 and 14, which ranged from -0.518V to -0.490V

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[a] The criteria for cathodic protection are contained in 49 CFR Part 192, Appendix D. The criterion being referenced in this letter is negative (cathodic) voltage of at least 850mV with reference to a saturated copper-copper sulfate half-cell. Accordingly, a "low" p/s reading is one that is less negative than -850mV.

- Main at the Eureka Gardens II master meter, which read -0.511 V
- Service line risers at Eureka Gardens II buildings 28 and 32, which ranged from -0.524V to -0.507V
- Mains at the Washington Heights master meter, which ranged from -0.480V to -0.435V
- Service line risers at Washington Heights buildings H, I, and T, which ranged from -0.430V to -0.360V

Additionally, LEDIC did not have any records to show when the cathodic protection system stopped providing an adequate level of cathodic protection.

4. **§192.491 Corrosion control records.**

(a) ...

(c) Each operator shall maintain a record of each test, survey, or inspection required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that a corrosive condition does not exist. These records must be retained for at least 5 years, except that records related to §§192.465 (a) and (e) and 192.475(b) must be retained for as long as the pipeline remains in service.

LEDIC did not maintain records of each test, survey, or inspection required by Subpart I in sufficient detail to demonstrate the adequacy of corrosion control measures or that a corrosive condition did not exist. Specifically, LEDIC did not provide records to demonstrate that it:

- Examined exposed pipe, in accordance with §192.459, for evidence of coating deterioration or external corrosion when it exposed and replaced sections of its buried pipelines in November 2015.
- Tested each pipeline that is under cathodic protection, in accordance with §192.465(a), at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection met the requirements of §192.463.
- Inspected each cathodic protection rectifier or other impressed current power source, in accordance with §192.465(b), six times each calendar year with intervals not exceeding 2½ months, to insure that it was operating.
- Inspected the internal surface, in accordance with §192.475(b), for evidence of internal corrosion when it replaced sections of its buried pipelines in November 2015.
- Inspected each pipeline or portion of pipeline that is exposed to the atmosphere, in accordance with §192.481(a), for evidence of atmospheric corrosion.

At the time of the inspection, the PHMSA inspector requested LEDIC's corrosion control records for its Eureka Gardens and Washington Heights master meter systems. The LEDIC representative informed the inspector that LEDIC did not have corrosion control records.

5. **§192.603 General provisions.**

(a) …

(b) Each operator shall keep records necessary to administer the procedures established under §192.605.

LEDIC did not keep records necessary to administer the procedures established under §192.605 that pertain to master meter pipeline systems. Specifically, LEDIC did not keep the records demonstrating that it:

- Reviewed and updated, in accordance with §192.605(a), its manual at intervals not exceeding 15 months, but at least once each calendar year.
- Provided, in accordance with §192.614(c)(3), a means of receiving and recording notification of planned excavation activities.
- Established and maintained, in accordance with §192.615(c), liaison with appropriate fire, police, and other public officials.
- Provided, in accordance with §192.616(j), its customers public awareness messages twice annually.
- Operated, in accordance with §192.621(a), its high pressure distribution system at a pressure that did not exceed the maximum allowable operating pressure established under §192.621.
- Assured, in accordance with §192.625(f), the proper concentration of odorant by:
  - Receiving written verification from their gas source that the gas had the proper concentration of odorant; and
  - Conducting periodic "sniff" tests at the extremities of the system to confirm that the gas contained odorant.
- Patrolled, in accordance with §192.721(b)(2), its mains at intervals not exceeding $7\frac{1}{2}$ months, but at least twice each calendar year.
- Leak surveyed, in accordance with §192.723(b)(2), its systems, with leak detector equipment, as frequently as necessary, but at least once every 5 calendar years at intervals not exceeding 63 months.

At the time of the inspection, the PHMSA inspector requested LEDIC's maintenance and operations records for its Eureka Gardens and Washington Heights master meter systems. The LEDIC representative informed the inspector that LEDIC did not have maintenance and operations records.

6. **§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.

LEDIC failed to prepare and follow, for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. The manual required by paragraph (a) should have included procedures pertaining to master meter systems in accordance with:

- §192.605(b)(1) for operating, maintaining, and repairing the pipeline in accordance with part 192 subpart L and subpart M.
- §192.605(b)(2) for controlling corrosion in accordance with the operations and maintenance requirements of part 192 subpart I.
- §192.605(b)(3) for making construction records, maps, and operating history available to appropriate operating personnel.
- §192.605(b)(4) for gathering of data needed for reporting incidents under Part 191 of this chapter in a timely and effective manner.
- §192.605(b)(8) for 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.
- §192.605(b)(9) for taking adequate precautions in excavated trenches to protect personnel from the hazards of unsafe accumulations of vapor or gas, and making available when needed at the excavation, emergency rescue equipment, including a breathing apparatus and, a rescue harness and line.
- §192.605(b)(11) for responding promptly to a report of a gas odor inside or near a building, unless the operator's emergency procedures under § 192.615(a)(3) specifically apply to these reports.
- §192.605(e) for:
  - Continuing surveillance, in accordance with §192.613(a)
  - Emergency response, in accordance §192.615
  - Investigation of failures, in accordance with §192.617

At the time of the inspection, the PHMSA inspector requested LEDIC's written procedures manual for operations, maintenance, and emergencies for its Eureka Gardens and Washington Heights master meter systems. The LEDIC representative informed the inspector that LEDIC did not have a manual of written procedures.

7. §192.614 Damage prevention program.

(a) ...

(b) An operator may comply with any of the requirements of paragraph (c) of this section through participation in a public service program, such as a one-call system, but such participation does not relieve the operator of responsibility for compliance with this section. However, an operator must perform the duties of paragraph (c)(3) of this section through participation in a one-call system, if that one-call system is a qualified one-call system. In areas that are covered by more than one qualified one-call system, an operator need only join one of the

qualified one-call systems if there is a central telephone number for excavators to call for excavation activities, or if the one-call systems in those areas communicate with one another. An operator's pipeline system must be covered by a qualified one-call system where there is one in place. For the purpose of this section, a one-call system is considered a "qualified one-call system" if it meets the requirements of section (b)(1) or (b)(2) of this section.

LEDIC did not provide a means of receiving and recording notification of planned excavation activities in accordance with §192.614(c)(3) through participation in a qualified one-call system. Section 192.614(b) requires an operator's pipeline system to be covered by a qualified one-call system where there is one in place. Florida's Sunshine 811 is a qualified one-call system.

At the time of the inspection, the PHMSA inspector requested documentation to demonstrate that LEDIC had registered its Eureka Gardens and Washington Heights master meter systems with Sunshine 811. The LEDIC representative stated that she was not aware of the damage prevention requirements.

8. **§192.616 Public awareness.**

(a) …

(j) Unless the operator transports gas as a primary activity, the operator of a master meter or petroleum gas system is not required to develop a public awareness program as prescribed in paragraphs (a) through (g) of this section. Instead the operator must develop and implement a written procedure to provide its customers public awareness messages twice annually. If the master meter or petroleum gas system is located on property the operator does not control, the operator must provide similar messages twice annually to persons controlling the property. The public awareness message must include:

(1) A description of the purpose and reliability of the pipeline;

(2) An overview of the hazards of the pipeline and prevention measures used;

(3) Information about damage prevention;

(4) How to recognize and respond to a leak; and

(5) How to get additional information.

LEDIC did not develop and implement a written procedure to provide its customers public awareness messages twice annually.

At the time of the inspection, the PHMSA inspector requested LEDIC's written procedure for providing its Eureka Gardens and Washington Heights master meter customers public awareness messages. The LEDIC representative informed the inspector that LEDIC did not have written procedures for providing its customers public awareness messages.

9. **§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) ...

LEDIC failed to place and maintain line markers as close as practical over each buried main at each crossing of a public road.

At the time of the inspection, the PHMSA inspector observed that there were no pipeline markers on Hollycrest Drive where the main crossed from Eureka Gardens I to Eureka Gardens II. Once the line was located, the PHMSA inspector photographed the area where the buried main crossed the public road.

10. **§192.707 Line markers for mains and transmission lines.**
(a) ...
(c) Pipelines aboveground. Line markers must be placed and maintained along each section of a main and transmission line that is located aboveground in an area accessible to the public.

LEDIC failed to place and maintain line markers at locations where the main came above ground in areas accessible to the public.

At the time of the inspection, the PHMSA inspector observed that the location where the main came above ground at the Eureka Gardens I master meter, Eureka Gardens II master meter, and the Washington Heights master meter were not marked with pipeline markers.

11. **§192.805 Qualification program.**
Each operator shall have and follow a written qualification program. The program shall include provisions to:
(a) Identify covered tasks;
(b) Ensure through evaluation that individuals performing covered tasks are qualified;
(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) Evaluate an individual if the operator has reason to believe that the individual's performance of a covered task contributed to an incident as defined in Part 191;
(e) Evaluate an individual if the operator has reason to believe that the individual is no longer qualified to perform a covered task;
(f) Communicate changes that affect covered tasks to individuals performing those covered tasks; and
(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 49 U.S.C. Chapter 601 if the operator significantly modifies the program after the Administrator or state agency has verified that it complies with this section.

LEDIC did not have and follow a written qualification program.

At the time of the inspection, the PHMSA inspector requested LEDIC's written qualification program for its Eureka Gardens and Washington Heights master meter systems. The LEDIC representative informed the inspector that LEDIC did not have a written qualification program.

12. §192.807 Recordkeeping.

Each operator shall maintain records that demonstrate compliance with this subpart.

(a) ...

(b) Records supporting an individual's current qualification shall be maintained while the individual is performing the covered task. Records of prior qualification and records of individuals no longer performing covered tasks shall be retained for a period of five years.

LEDIC did not maintain records supporting an individual's current qualification *"while the individual is performing the covered task"* nor did LEDIC maintain prior qualification records.

At the time of the inspection, the PHMSA inspector requested the qualification records for the contractors who performed pipeline system repairs on October 20, 2015 and November 12, 2015. The LEDIC representative informed the inspector that LEDIC did not have records supporting the contractor's qualifications.

13. §192.1015 What must a master meter or small liquefied petroleum gas (LPG) operator do to implement this subpart?

(a) General. No later than August 2, 2011 the operator of a master meter system or a small LPG operator must develop and implement an IM program that includes a written IM plan as specified in paragraph (b) of this section. The IM program for these pipelines should reflect the relative simplicity of these types of pipelines.

LEDIC did not develop and implement a Distribution Integrity Management Plan (DIMP) by August 2, 2011. The DIMP required by paragraph (a) should have included procedures, in accordance with:

- §192.1015(b)(1), to demonstrate knowledge of its pipeline, which, to the extent known, should include the approximate location and material of the pipeline.
- §192.1015(b)(1), to identify additional information needed and provide a plan for gaining knowledge over time through normal activities conducted on the pipeline (for example, design, construction, operations or maintenance activities).
- §192.1015(b)(2), to consider, at minimum, the following categories of threats (existing and potential): Corrosion, natural forces, excavation damage, other

outside force damage, material or weld failure, equipment failure, and incorrect operation.

- §192.1015(b)(3), to evaluate the risks to the pipeline and estimate the relative importance of each identified threat.
- §192.1015(b)(4), determine and implement measures designed to reduce the risks from failure of the pipeline.
- §192.1015(b)(5), monitor, as a performance measure, the number of leaks eliminated or repaired on its pipeline and their causes.
- §192.1015(b)(6), to determine the appropriate period for conducting IM program evaluations based on the complexity of the pipeline and changes in factors affecting the risk of failure.
- §192.1015(b)(6), to re-evaluate the entire program at least every five years and consider the results of the performance monitoring in these evaluations.

At the time of the inspection, the PHMSA inspector requested LEDIC's DIMP for its Eureka Gardens and Washington Heights master meter systems. The LEDIC representative informed the inspector that LEDIC did not have Distribution Integrity Management Plans for these systems.

Proposed Compliance Order

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed $200,000 per violation per day the violation persists up to a maximum of $2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed $100,000 per violation per day, with a maximum penalty not to exceed $1,000,000 for a related series of violations.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to items 1, 3, 6, 7, 8, 9, 11, and 13, pursuant to 49 United States Code §60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to LEDIC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to items 2, 4, 5, 10, and 12, we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct these items. Be advised that failure to do so may result in LEDIC being subject to additional enforcement action.

Response to this Notice

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.

Please note that **CPF 2-2016-0001** refers to probable violations on the Eureka Gardens pipeline system, Items 1– 13, while **CPF 2-2016-0002** refers to probable violations at the Washington Heights pipeline system, Items 3 – 8 and 10 – 13.

In your correspondence on this matter, please refer to **CPF 2-2016-0001, CPF 2-2016-0002**, or both as applicable and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

James A. Urisko
Director, Office of Pipeline Safety
PHMSA Southern Region

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to LEDIC Realty Company, LLC (LEDIC) a Compliance Order incorporating the following remedial requirements to ensure LEDIC's compliance with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to installation of service regulator vents in accordance with §192.355(b), LEDIC must:
   a. Identify and bring into compliance all locations where service regulator vents are not rain and insect resistant, and
   b. Identify and bring into compliance all locations where service regulator vents do not allow gas from the vent to escape freely into the atmosphere and away from any opening into the building.

2. In regard to Item Number 3 of the Notice pertaining to the level of cathodic protection provided by its cathodic protection systems, LEDIC must bring its cathodic protection systems into compliance by ensuring that the systems provide a level of cathodic protection that complies with one or more of the applicable criteria contained in Part 192, Appendix D.

3. In regard to Item Number 6 of the Notice pertaining to LEDIC not preparing and following a manual of written procedures for conducting operations and maintenance activities and for emergency response, LEDIC must prepare and follow a manual of written procedures for conducting operations and maintenance activities and for emergency response.

4. In regard to Item Number 7 of the Notice pertaining to LEDIC not ensuring its pipeline systems were covered by a qualified one-call system, LEDIC must bring its systems into compliance by registering and activating its pipeline systems with Sunshine 811, the state of Florida's qualified one-call system.

5. In regard to Item Number 8 of the Notice pertaining to LEDIC not developing and implementing a written procedure to provide customers public awareness messages twice annually, LEDIC must develop and implement a written procedure for delivering public awareness messages twice annually containing all of the required elements in §192.616(j).

6. In regard to Item Number 9 of the Notice pertaining to placing and maintaining line markers as close as practical over each buried main at each crossing of a public road, LEDIC must identify and bring into compliance all locations which do not have line markers.

7. In regard to Item Number 11 of the Notice pertaining to LEDIC not having

and following a written qualification program, LEDIC must prepare and follow a written qualification program for ensuring that its employees and contractors who perform covered tasks are qualified in accordance with the Part 192, Subpart N requirements.

8. In regard to Item Number 13 of the Notice pertaining to LEDIC not developing and implementing a written Integrity Management plan, LEDIC must develop and implement a written Integrity Management plan.

9. Complete the above items and prepare records to document the results within 90 days after the receipt of the Final Order;

10. Within 120 days following receipt of the Final Order, LEDIC must provide the Director, Office of Pipeline Safety, PHMSA Southern Region, written documentation of steps taken to satisfy the Compliance Order and certification that the Compliance Order Items have been completed.

11. It is requested (not mandated) that LEDIC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director, Office of Pipeline Safety, PHMSA Southern Region.

    Furthermore, it is requested that these costs be reported in two categories: (1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and (2) total cost associated with replacements, additions and other changes to pipeline infrastructure.