NiSource Gas Transmission & Storage®

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Chad Zamarin
Director – Integrity Management

September 24, 2009

Ivan A. Huntoon
Director, Central Region
Pipeline and Hazardous Materials Safety Administration
901 Locust Street, Suite 462
Kansas City, MO 64106-2641

RE: Response to Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order, CPF 3-2009-1018

Dear Mr. Huntoon:

This letter is provided on behalf of the NiSource Gas Transmission and Storage (NGT&S) Companies in response to Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order, CPF 3-2009-1018, herein referred to as the NOPV, which was dated August 20, 2009, and received by NGT&S on August 25, 2009.

In accordance with Section I.a.1 of the Response Options for Pipeline Operators in Compliance Proceedings provided with the NOPV, NGT&S submits this response letter to notify you of actions taken to address the items identified in the NOPV. NGT&S has decided not to formally protest the NOPV and has paid the proposed civil penalty. Funds were wired on September 15, 2009, as shown in Attachment 1. Actions taken to address the individual items noted in the NOPV are outlined below, with the language from the NOPV in bold, followed by a brief description of the NGT&S action taken to resolve the respective item.

The following communication addresses both the findings detailed within the NOPV and the requirements specified in the accompanying Compliance Order. We believe that the actions we have taken and the documentation we have provided fully address the issues raised in the NOPV and we request confirmation that the NOPV and Compliance order are closed.

Findings Contained Within the NOPV and NGT&S Response

Item 1A. **§192.907(a) General.**

No later than December 17, 2004, an operator of a covered pipeline segment must develop and follow a written integrity management program that contains all the elements described in §192.911 and that addresses the risks on each covered transmission pipeline segment. The initial integrity management program must consist, at a minimum, of a framework that describes the process for

implementing each program element, how relevant decisions will be made and by whom, a time line for completing the work to implement the program element, and how information gained from experience will be continuously incorporated into the program. The framework will evolve into a more detailed and comprehensive program. An operator must make continual improvements to the program.

NiSource did not identify all the high consequence area (HCA) locations along its pipeline system as required. HCA identification was not completed for the 12-inch UM10 (Ashland, KY) pipeline by the 12/17/2004 deadline. Identified sites are located in close proximity to the pipeline, yet an evaluation using the potential impact radius (PIR) to identify HCAs was not completed for these locations. Between the two weeks of the inspection, NiSource measured the distances between the pipeline and the identified sites and defined 3 new HCAs (about 0.3 miles total of new covered segments, risk-ranked in the bottom 50%) on this pipeline.

NGT&S Response:
During the inspection, it was identified that High Consequence Areas (HCAs) were not correctly identified on one pipeline within the Columbia Gas U-System, Line UM10. As a follow-up to the inspection, all pipelines on the U-System were re-assessed to ensure proper identification of HCAs. Where potential HCAs were identified, the locations were field verified with measurements of the actual distance of structures and sites to the pipeline. Based on this review of the U-System, no additional HCAs were identified.

While the findings raised in the NOPV have been addressed, NGT&S is in the process of implementing new HCA analysis technology that will continually evaluate changes to pipelines, structures and identified sites. Whenever a change occurs that may result in new HCAs, an automated process of discovery and a software facilitated process of verification will be initiated. In addition, a formally documented re-analysis of all pipelines subject to the Integrity Rule will be performed annually. This improved process will be reflected in an update to the NGT&S Integrity Management Plan (IMP), which will be complete in early 2010.

Item 2A. §192.921(a) ***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).**

NiSource did not utilize appropriate assessment methods to address the threats identified. Several covered segments (e.g., WBS6-15:545620, VBS2-50:207265) were identified that meet the B31.8S criteria for stress corrosion cracking (SCC). The baseline assessment plan does not include assessment methods that address SCC for any of these segments. An assessment on at least one segment that meets the SCC criteria (Columbia Gulf ML 200-27:36220) was reportedly completed, but the in-line inspection methods employed did not address SCC. The rule requires that integrity assessment methods assess all threats identified for a covered segment.

NGT&S Response:
NGT&S has implemented a requirement that any covered pipeline segment within an HCA that meets the B31.8S criteria for SCC be assessed with an integrity assessment method appropriate for the SCC threat. NGT&S has identified pressure testing, SCCDA, and certain ILI techniques as approved integrity assessment methods for SCC. The NGT&S IMP now requires that direct examination for SCC be

performed whenever a pipeline is exposed in an area that meets the B31.8S criteria for SCC (whether in an HCA or not). In addition, inspection for SCC is required whenever a pipeline within an HCA is exposed, regardless of whether it meets the B31.8S criteria for SCC. To date, there have been no cases of SCC documented during the numerous pipeline inspections performed. However, significant data has been proactively gathered on locations where SCC does not exist.

Based on a review of the NGT&S system, there are 16 covered segments that meet the B31.8S criteria for SCC. NGT&S will complete an integrity assessment for SCC on each of the 16 segments prior to December 17, 2012. A schedule for the completion of these assessments is provided in Attachment 2.

Item 3A: §192.933(a)
The operating pressure was not lowered promptly as required by the rule in at least two instances:

Two immediate repair conditions, both reportedly dents with metal loss, were discovered on the VB Loop in HCAs 50:384482 and 50:390977 on November 19, 2004. The operating pressure in the pipeline was not reduced upon discovery. Emails indicate that repairs were scheduled to commence on November 29 and that if it took longer than December 6, 2004 to complete the repairs, then the operating pressure would have to be reduced. The necessary repairs were completed as scheduled so the operating pressure was never reduced. The rule requires that a pressure reduction be taken to ensure public safety if immediate repair conditions cannot be repaired immediately.

Documentation for VM-107 dig 7 indicates that the preliminary report was received on October 8, 2004; at which time the safe reduced operating pressure was established utilizing RSTRENG. The operating pressure, however, was not actually reduced until October 14, 2004.

NGT&S Response:
To address the concerns identified by during the 2006 PHMSA inspection, NGT&S revised the language in section 6.3.5 of the NGT&S IMP to require that pressure be immediately reduced when immediate repair conditions are identified. The IMP was updated with the following language:

> **"6.3.5 Safe Pressure Determination and Reduction**
> *Upon determination of an immediate response condition as per Section 6.3.1, NGT&S Operations personnel will promptly reduce the operating pressure in the covered segment until repairs are completed. NGT&S IMP or Pipeline Services personnel will determine the safe operating pressure for the covered segment using ASME/ANSI B31G or RSTRENG. If the calculated safe operating pressure is below the operating pressure at the time of discovery, the operating pressure will be reduced to the calculated safe pressure. If the calculated safe pressure is above the operating pressure of the covered segment, the operating pressure, will be reduced to 80% of the pressure at the time of discovery."*

In addition, the System Integrity Engineer that discovers the immediate response condition verifies the appropriate pressure reduction is taken immediately, and recorded and maintained as appropriate.

Item 3B: §192.933(b)
Discovery of a condition did not occur when adequate information about the condition was available to determine that it was a potential threat to the integrity of the pipeline. Immediate repair conditions from a June 29, 2004 internal inspection of the VB LOOP line were not "discovered" until November 19, 2004, even though the final vendor report, which was received on August 8, contained sufficient information to identify the conditions. The rule requires repair conditions to be discovered

when adequate information is available to determine whether the conditions present a threat to pipeline integrity.

NGT&S Response:
As a follow-up to the inspection, NGT&S developed a Procedure titled "In-Line Inspection Process" which requires that integrity assessment data be reviewed for immediate response conditions as soon as the data is received.

Item 4A. § 192.947 What records must an operator keep?
An operator must maintain, for the useful life of the pipeline, records that demonstrate compliance with the requirements of this subpart. At minimum, an operator must maintain the following records for review during an inspection.

§192.947(d) Documents to support any decision, analysis and process developed and used to implement and evaluate each element of the baseline assessment plan and integrity management program. Documents include those developed and used in support of any identification, calculation, amendment, modification, justification, deviation and determination made, and any action taken to implement and evaluate any of the program elements;

Records specified in 192.947 were not adequately maintained for the useful life of the pipeline as required. The dig/repair reports for two immediate repair conditions that were reported to have been addressed in November 2004 could not be located.

NGT&S Response:
There is significant documentation to support that the inspection and repair of the two referenced locations was performed in November 2004. However, NGT&S recognizes that the documentation is incomplete. As a result, NGT&S has scheduled the re-inspection of these two locations. The two locations are planned for excavation and inspection during the week of October 12, 2009. NGT&S will ensure that complete documentation of the re-investigation of these sites is maintained for the life of the pipeline.

While the re-investigation of the two sites addresses the specific issue raised in the NOPV, NGT&S has initiated a broader project to improve data collection for all pipe inspection activities. ILI data, including locations identified as requiring investigation, will be managed in the Company's Geographic Information System. Field data collection software will document the results of in-the-ditch inspections and necessary repairs and will tie the inspection and repair records to the original ILI data. Required investigations and resulting inspections will be tracked to ensure compliance and integrated for review and further analysis. This improved process and technology solution will be fully implemented in 2010.

Requirements of the Compliance Order and NGT&S Response

1. **In regard to Item Number 2A of the Notice, NiSource must provide this office documentation that substantiates that the Baseline Assessment Plan includes appropriate assessment methods to address stress corrosion cracking (SCC) and a schedule for completion of the integrity assessments for all pipeline segments that meet the B31.8S criteria for SCC.**

NGT&S Response:
Based on a review of the NGT&S system, there are 16 covered segments that currently meet the B31.8S criteria for SCC. NGT&S will complete an integrity assessment for SCC on each of the 16 segments prior

to December 17, 2012, and a schedule for the completion of these assessments is provided in Attachment 2. These assessments have been added to the NGT&S Baseline Assessment Plan.

2. **Submit the results of the Proposed Compliance Order items above to the Region Director, Central Region, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, 901 Locust Street, Suite 462, Kansas City, MO 64106. This is to be accomplished within 30 days following receipt of the Final Order.**

NGT&S Response:
The schedule for the completion of the integrity assessments for all covered segments that meet the B31.8S criteria for SCC is included in Attachment 2.

3. **NiSource shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Ivan A. Huntoon, Director, Central Region, Pipeline and Hazardous Materials Safety Administration. Costs shall 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.**

NGT&S Response:
4. NGT&S will maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Ivan A. Huntoon, Director, Central Region, Pipeline and Hazardous Materials Safety Administration. Costs will 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.

If you have any questions regarding how we have addressed the issues identified in the NOPV, please feel free to contact me.

Sincerely,

Chad Zamarin

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Attachment 1

Wire transfer record showing payment of civil penalty on September 15, 2009

Previous Day Summary and Detail Report - TCODaily

PNC

Previous Business Day: September 15, 2009

09/16/2009 05:43:02 AM

1001742895 - TCO Master Funding - Lockbox cont.

Debits

Wire Transfer Out

Money Transfer DB - Wire

Amount	Reference Number	Reference Detail
$120,000.00	090915022883	FED WIRE OUT 022883 ORIGINATOR:COLUMBIA GAS TRANSMISSION CORP AC/1001742895 BENEFICIARY:TREAS NYC AC/69140001 RECVBNK:TREAS NYC/FUNDS TRANSFER DIVISION ABA:021030004 TRN:090915022883 FEDREF:02068 DATE:090915 TIME:1639

Attachment 2

Schedule for the completion of SCC assessments in HCA's that meet the B31.8S criteria for SCC

Planned Schedule for Assessing HCAs for Stress Corrosion Cracking

Line	HCA	SCC Assessment Year
TCO		
1804	1804-20:96086	2010
1804	1804-32:385080	2012
9150	9150-10:6878	2010
10240A	10240A-10:100514	2010
R500	R500-5:8753	2010
SM86	SM86-25:109990	2012
VBLOOP	VBLOOP-21:153968	2012
VBLOOP	VBLOOP-30:202522	2012
VBLOOP	VBLOOP-30:205264	2012
VBS2	VBS2-50:203446	2012
VBS2	VBS2-50:207265	2012
WBS6	WBS6-15:545620	2012
CGT		
EL300	EL300-4:632690	2010
ML200	ML200-27:36220	2011
ML200	ML200-27:50730	2011
ML300	ML300-17.3:49870	2011