

September 30, 2016

Mr. Robert C. Skaggs, Jr.
Chairman and CEO
Columbia Pipeline Group, Inc.
5151 San Felipe Street, Suite 2500
Houston, Texas 77056

Re: CPF No. 3-2015-1007

Dear Mr. Skaggs:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violations, assesses a civil penalty of \$168,300, and specifies actions that need to be taken by Columbia Gas Transmission, LLC, a subsidiary of Columbia Pipeline Group, Inc. to comply with the Federal pipeline safety regulations. The penalty payment terms are set forth in the Final Order. When the civil penalty has been paid and the terms of the compliance order completed, as determined by the Director, Central Region, this enforcement action will be closed. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry
Acting Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Allan C. Beshore, Director, Central Region, OPS
Mr. Perry Michael Hoffman, Manager – System Integrity, Columbia Gas Transmission, LLC, 1700 MacCorkle Avenue, SE, Charleston, West Virginia 25314
Assistant General Counsel Diane Neal, Columbia Pipeline Group, Inc., 5151 San Felipe Street, Suite 2400, Houston, Texas 77056

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

¹ Pipeline Safety Violation Report (05/27/2015) (Violation Report), (on file with PHMSA), at 1. *See also* Columbia Pipeline Group, Inc., Our Companies – Columbia Gas Transmission, website: <https://www.cpg.com/about-us/our-companies>, (last accessed on February 28, 2016).

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 192.465(d), which states:

§ 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. However, if tests at those intervals are impractical for separately protected short sections of mains or transmission lines, not in excess of 100 feet (30 meters), or separately protected service lines, these pipelines may be surveyed on a sampling basis. At least 10 percent of these protected structures, distributed over the entire system must be surveyed each calendar year, with a different 10 percent checked each subsequent year, so that the entire system is tested in each 10-year period. . . .

(d) Each operator shall take prompt remedial action to correct any deficiencies indicated by the monitoring.

The Notice alleged that Respondent violated 49 C.F.R. § 192.465(d) by failing to promptly correct deficient cathodic protection (CP) readings. Specifically, the Notice alleged that CGT's cathodic protection records for its Cambridge and Meigs operating areas in Ohio identified two sets of deficient CP readings on Line V148 – one set taken on June 26, 2012, and one on March 26, 2013. The Notice alleged that CGT failed to take proper action to correct the deficient readings until the end of the 2013 calendar year.

Respondent contested this allegation of violation, asserting that it did take appropriate action to correct CP readings on Line V148. The company stated that in September 2012, it installed additional CP on the line and that by March 26, 2013, the readings had improved.² It further stated that “[f]ollowing the readings collected in March of 2013, Columbia again installed additional cathodic protection to bring the pipeline back into compliance with CP criteria.”³ To support its argument, CGT produced an affidavit from a former employee, stating that additional CP had been installed at these locations in September 2012, and that by March 2013 the readings had improved.⁴

I am unconvinced that the actions taken by CGT after June 26, 2012, “promptly” corrected the deficient CP readings, as required under § 192.465(d). First, the CP readings taken in June 2012 and then again in March 2013 remained deficient and below the criteria set in Part 192, Appendix D. The company never presented any proof that additional readings were taken between June 2012 and the end of calendar year 2013, or that they ever fell below the -0.85V

² Response, at 2 – 3.

³ *Id.*, at 3.

⁴ *Id.*, at Attachment A. “The affidavit stated that “the readings on Asset 874156 changed from -0.74V to -0.81V and the readings at Asset 874147 changed from -0.800 to -0.830V...”

criterion for steel pipe (as set forth in Appendix D). Furthermore, CGT never presented any evidence that the readings met any *other* applicable minimum CP criteria. In fact, the deficiencies continued to exist from June 2012 to the end of 2013, which exceeded the 15-month inspection interval during which operators are expected to correct any known deficiencies.

Second, the affidavit of CGT's former employee did not purport to show that the CP deficiencies had ever been fully corrected, but indicated, rather, that mitigative actions taken after the June 2012 readings had *improved, but not corrected*, the deficiencies. Third, the company was unable to produce any actual records showing what specific corrective actions were taken after June 26, 2012, when such actions were taken, or whether the low readings were ever fully corrected within 15 months from the time the deficiencies were first identified.

Finally, I would note that this issue is not new to CGT. The company's enforcement history includes at least one prior finding of violation for failing to correct CP deficiencies within the 15-month inspection interval and failing to produce proper documentation for the remedial actions it did take.⁵ This finding is also consistent with other PHMSA final orders, where proper documentation was needed to show the adequacy of an operator's corrective actions.⁶

Accordingly, based upon a review of all of the evidence, I find that Respondent violated § 192.465(d) by failing to promptly correct two sets of deficient CP readings on Line V148.

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 192.479(a), which states:

§ 192.479 Atmospheric corrosion control: General.

(a) Each operator must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

⁵ Previous Final Orders show that Respondent was aware, or should have been aware, that it must provide sufficient evidence to demonstrate compliance with § 192.465(d). See, *In re Columbia Gas Transmission, LLC*, CPF 1-2007-1004 (December 17, 2009), 2009 WL 5538652 1, 4 ("The Notice alleged that Respondent failed to take prompt remedial action to correct deficiencies in the cathodic protection on its pipeline that had been identified through periodic testing...Respondent neither took prompt action to correct this issue nor presented any explanation for its failure to do so."); Cf., *In re Columbia Gas Transmission, LLC*, CPF: 1-2013-1002 (May 1, 2013) (Withdrawal Letter) (Where PHMSA withdrew an allegation that CGT had violated § 192.465(d) upon finding that the company had indeed "provided additional information and documentation to show it complied with the regulation.").

⁶ See, *In re Enterprise Products Operating, LLC*, CPF 4-2007-5015 (December 2, 2009), 2009 WL 5538652 1, 4 ("While Respondent claimed in its Response that it had performed inspections consistent with all of these requirements, the operator failed to submit evidence that demonstrated full compliance."). Further, this standard has also been applied to Final Orders involving § 192.465(d). See, *In re Amerigas Propane, LP*, CPF. 3-2006-0004 (April 15, 2009), 2009 WL 1211365 1, 3 ("The Notice alleged that Respondent violated 49 C.F.R. § 192.465(d)...the records provided by Respondent...confirm the low readings."); *In re Natural Gas Pipeline Company of America*, CPF 4-2003-1005 (October 21, 2004), 2004 WL 6241370 1, 2 ("Documentation submitted by Respondent at the hearing showed completion of remedial action at only one location, Mile Post 710+99, where the reading on 8/15/00 was 1.298. Accordingly, I find that Respondent violated 49 C.F.R. § 192.465(d) by not taking prompt remedial action actions to correct the condition.").

The Notice alleged that Respondent violated 49 C.F.R. § 192.479(a) by failing to clean and coat portions of its H107 and H87 pipelines that were exposed to the atmosphere. Specifically, the Notice alleged that during the OH-PUC inspection, state inspectors found multiple exposures on Lines H107 and H87 that had been scheduled for remediation but had not actually been fixed by the scheduled dates. After making subsequent field visits, the inspectors confirmed that remediation had still not occurred and that multiple exposed soil-to-air interfaces on the lines had not been cleaned and coated.

Respondent did not contest this allegation of violation. Accordingly, based on a review of all of the evidence, I find that Respondent violated § 192.479(a) by failing to clean and coat portions of its H107 and H87 pipelines that were exposed to the atmosphere.

Item 5: The Notice alleged that Respondent violated 49 C.F.R. § 192.707(c), which states:

§ 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.

The Notice alleged that Respondent violated 49 C.F.R. § 192.707(c) by failing to place and maintain line markers at two locations where its pipelines were aboveground and accessible to the public. Specifically, the Notice alleged that during the inspection of Line V138, OH-PUC inspectors observed two aboveground exposures in areas accessible to the public but where no line markers could be seen nearby.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated § 192.707(c) by failing to place and maintain line markers at two locations where Line V148 was aboveground and accessible to the public.

Item 6: The Notice alleged that Respondent violated 49 C.F.R. § 192.905(b)(1), which states:

§ 192.905 How does an operator identify a high consequence area?

(a) *General.* To determine which segments of an operator's transmission pipeline system are covered by this subpart, an operator must identify the high consequence areas. . .

(b)(1) *Identified sites.* An operator must identify an identified site, for purposes of this subpart, from information the operator has obtained from routine operation and maintenance activities and from public officials with safety or emergency response or planning responsibilities who indicate to the operator that they know of locations that meet the identified site criteria. These public officials could include officials on a local emergency planning commission or relevant Native American tribal officials.

The Notice alleged that Respondent violated 49 C.F.R. § 192.905(b)(1) by failing to properly

identify and include two High Consequence Areas (HCAs) on its HCA list.⁷ Specifically, the Notice alleged that during the OH-PUC's field inspection of Line B108, state inspectors observed that Respondent had not identified and included on its HCA list two areas along Line B108, between Marten Park in Lancaster, Ohio, and the State Route 188 regulator station. Both locations fall within the definition of an HCA and therefore should have been identified and included on CGT's HCA list.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find Respondent violated § 192.905(b)(1) by failing to properly identify and include on its HCA list two areas along Line B108.

The above findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed \$200,000 per violation for each day of the violation, up to a maximum of \$2,000,000 for any related series of violations.⁸ In determining the amount of a civil penalty under 49 U.S.C. § 60122 and 49 C.F.R. § 190.225, I must consider the following criteria: the nature, circumstances, and gravity of the violation, including adverse impact on the environment; the degree of Respondent's culpability; the history of Respondent's prior offenses; any effect that the penalty may have on its ability to continue doing business; and the good faith of Respondent in attempting to comply with the pipeline safety regulations. In addition, I may consider the economic benefit gained from the violation without any reduction because of subsequent damages, and such other matters as justice may require. The Notice proposed a total civil penalty of \$168,300 for the violations cited above.

Item 2: The Notice proposed a civil penalty of \$33,300 for Respondent's violation of 49 C.F.R. § 192.465(d), for failing to promptly correct deficient CP readings on Line V148. As discussed above, I found that Respondent violated § 192.465(d) by failing to take adequate corrective actions between June 2012 until the end of calendar year 2013. Since the company had been previously cited for a similar violation in CPF No. 1-2013-1002, CGT was well aware that PHMSA had interpreted and applied § 192.465(d) so as to require operators to "take prompt remedial action" to correct deficient CP readings within 15 months of detecting such readings. In this case, the company failed to take appropriate action to achieve compliance, even though CGT personnel admitted to OH-PUC inspectors during the 2014 inspection that they were aware of this requirement but failed to correct deficient cathodic protection readings within 15 months.⁹

⁷ See 49 C.F.R. § 192.903 for the definition of the term "High Consequence Area" for gas pipelines.

⁸ The Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, Pub. L. No. 112-90, § 2(a)(1), 125 Stat. 1904, January 3, 2012, increased the civil penalty liability for violating a pipeline safety standard to \$200,000 per violation for each day of the violation, up to a maximum of \$2,000,000 for any related series of violations.

⁹ Violation Report, at 10.

Accordingly, having considered the assessment criteria and based upon the foregoing, I assess Respondent a civil penalty of \$33,300 for violating § 192.465(d).

Item 3: The Notice proposed a civil penalty of \$83,600 for Respondent's violation of § 192.479(a), for failing to clean and coat portions of Lines H107 and H87 that were exposed to the atmosphere. CGT did not contest this alleged violation or the proposed penalty. I would also note that the penalty for this violation is enhanced because it constitutes a repeat violation of Item 2 in CPF No. 3-2010-1005. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$83,600 for its violation of § 192.479(a).

Item 6: The Notice proposed a civil penalty of \$51,400 for Respondent's violation of 49 C.F.R. § 192.905(b)(1), for failing to properly identify and include on its HCA list two areas along Line B108. Respondent did not contest this violation or the proposed penalty, but explained why it now currently identifies one of these locations as an HCA.

While Respondent has now taken steps to comply with § 192.905(b)(1), it previously failed to do so or provide a valid reason as to why it failed to include the two sites prior to 2013. According to the Violation Report, both of these HCAs should have been included on CGT's HCA list as early as 2004, and one of the sites was a baseball complex where roughly 50 baseball games a year were played and should therefore have been treated as an HCA. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$51,400 for violating § 192.905(b)(1).

In summary, having reviewed the record and considered the assessment criteria for each of the Items cited above, I assess Respondent a total civil penalty of **\$168,300**.

Payment of the civil penalty must be made within 20 days of service. Federal regulations (49 C.F.R. § 89.21(b)(3)) require such payment to be made by wire transfer through the Federal Reserve Communications System (Fedwire), to the account of the U.S. Treasury. Detailed instructions are contained in the enclosure. Questions concerning wire transfers should be directed to: Financial Operations Division (AMK-325), Federal Aviation Administration, Mike Monroney Aeronautical Center, P.O. Box 269039, Oklahoma City, Oklahoma 73125. The Financial Operations Division telephone number is (405) 954-8845.

Failure to pay the \$168,300 civil penalty will result in an accrual of interest at the current annual rate in accordance with 31 U.S.C. § 3717, 31 C.F.R. § 901.9, and 49 C.F.R. § 89.23. Pursuant to those same authorities, a late penalty charge of six percent (6%) per annum will be charged if payment is not made within 110 days of service. Furthermore, failure to pay the civil penalty may result in referral of the matter to the Attorney General for appropriate action in a district court of the United States.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Items 3 and 5 in the Notice. Under 49

U.S.C. § 60118(a), each person who engages in the transportation of gas or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. In regard to Item Number 3 of the Notice, pertaining to cleaning and coating the soil-to-air interface areas of the exposures on Lines V138, H107, and H87, CGT must provide and implement a plan to address the two exposures on Line V138 identified in Item Number 3 of the Notice, as well as any other exposures on this line. Regarding Lines H107 and H87, CGT must submit a schedule showing when ProTool 15740 (Replacement Scope for H107) and ProTool 17252 (Replacement Scope for H87) will be implemented and completed.
2. In regard to Item Number 5 of the Notice pertaining to line markers on the exposures, CGT must identify all exposures in the Meigs and Cambridge operating areas and install appropriate line markers at these locations, as well as the two sites identified in Item Number 5 of the Notice.
3. In regard to Item Number 1 of this Compliance Order, CGT must provide a copy of the plan for remedial action on the exposures for Line V138 within 30 days of the receipt of this Order and complete all work described in the plans within one year from the receipt of this Order. In regard to H107 and H87, the replacement schedule must be submitted within 30 days of the receipt of this Order. Completion of the replacements must be done no later than one year from the receipt of this Order. In regard to Item Number 2 of this Compliance Order, CGT must complete the identification and installation of the line markers within 180 days from the receipt of this Order.
4. It is requested (not mandated) that CGT maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Allan C. Beshore, Director, Central Region OPS, PHMSA. 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 replacements, additions, and other changes to pipeline infrastructure.

WARNING ITEMS

With respect to Items 1 and 4, the Notice alleged probable violations of Part 192 but did not propose a civil penalty or compliance order for these items. Therefore, these are considered to be warning items. The warnings were for:

49 C.F.R. § 191.17(a) **(Item 1)** — Respondent's alleged failure to submit an accurate annual report for two of its Ohio pipeline systems. Specifically, the Notice alleged that the OH-PUC inspection revealed that Respondent had failed to file a proper 2013 annual report for its R433 and A120 pipelines in Ohio; and

49 C.F.R. § 192.619(a)(1) (**Item 4**) — Respondent's alleged failure to have the maximum allowable operating pressure (MAOP) at its Nicodemus, Ohio regulator station established according to the design pressure of the weakest element in the segment. Specifically, the Notice alleged that the MAOP of the pipeline that fed the station was 800 psig, but this exceeded the MAOP of the weakest element at that station.

CGT presented information in its Response showing that it had taken certain actions to address the cited items. If OPS finds a violation of these provisions in a subsequent inspection, Respondent may be subject to future enforcement action.

Under 49 C.F.R. § 190.243, Respondent has a right to submit a Petition for Reconsideration of this Final Order. The petition must be sent to: Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address. PHMSA will accept petitions received no later than 20 days after receipt of service of this Final Order by the Respondent, provided they contain a brief statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.243. The filing of a petition automatically stays the payment of any civil penalty assessed. Unless the Associate Administrator, upon request, grants a stay, all other terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

Alan K. Mayberry
Acting Associate Administrator
for Pipeline Safety

Date Issued