

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE COMMISSION'S
INVESTIGATION INTO OHIO RURAL
NATURAL GAS CO-OP AND RELATED
MATTERS.

CASE NO. 16-1578-GA-COI

ENTRY

Entered in the Journal on August 1, 2016

{¶ 1} Ohio Rural Natural Gas Co-op (ORNG) is a pipeline company as defined in R.C. 4905.03 and an operator as defined in R.C. 4905.90, and, pursuant to R.C. 4905.90 through 4905.96, is subject to the jurisdiction and supervision of this Commission. Accordingly, ORNG is required to comply with Ohio Adm.Code Chapter 4901:1-16, which sets forth the safety standards and requirements for intrastate gas pipeline facilities subject to the jurisdiction of the Commission. Pursuant to Ohio Adm.Code 4901:1-16-03(A), these rules adopt the United States Department of Transportation's gas pipeline safety (GPS) regulations contained in 49 C.F.R. Parts 40, 191, 192, and 199.

{¶ 2} R.C. 4905.91 provides that the Commission may investigate any service, act, practice, policy, or omission by any operator to determine its compliance with R.C. 4905.90 to 4905.96 and the pipeline safety code.

{¶ 3} On July 15, 2016, Staff filed a report regarding the results of a series of investigations into ORNG's facilities, operations, and records (Staff Report). In its report, Staff asserts there have been multiple, repeated instances of non-compliance by ORNG from February 2015 to May 2016 and that ORNG's operational system is a potential threat to human life and property.

{¶ 4} According to Staff, after receiving a complaint in February 2015 regarding natural gas pipeline installation by an unknown operator, Staff identified ORNG¹ as the

¹ Staff asserts that, at the time, ORNG was operating as Ohio Rural Natural Gas, LLC, and, subsequently, upon being contacted by Staff, registered as a cooperative with the Ohio Secretary of State, in order to avoid the Commission's jurisdiction over public utilities.

operator and cited ORNG for two violations: failing to have the proper plans, procedures, and programs required by 49 C.F.R. Part 192; and performing new construction of pipeline segments without establishing operator qualification requirements. Staff states ORNG attempted to correct the issues in July 2015, but Staff notified ORNG that its new plans, procedures, and programs were still deficient. Staff avers ORNG continued to put new pipeline into operation without taking corrective action.

{¶ 5} Staff reports that it received another complaint in November 2015. After an investigation, Staff found 12 violations, proposed a penalty of \$100,000, and required ORNG to provide a corrective action plan. According to Staff, ORNG cut into a main belonging to Orwell Natural Gas Company (Orwell) and installed a metering and regulation station and a distribution main, in order to assume service to Orwell's customers at a storage facility in Mentor, Ohio. In doing so, Staff avers ORNG made no attempt to notify or seek consent from Orwell or any of the affected customers. Staff states the metering and regulation station was not installed properly, resulting in a gas leak. Staff further states, because ORNG did not notify anyone, the local fire department contacted Orwell instead of ORNG about the leak. Once ORNG was contacted, Staff contends ORNG employees arrived late, unqualified, and unprepared. Further, in April 2016, Staff issued another citation for two more violations and a \$500,000 fine after observing employees improperly making pipe joints. Staff notes the ORNG employees were improperly trained and otherwise unqualified to perform plastic joining.

{¶ 6} Staff states it completed its annual inspection of ORNG's operation and maintenance procedures in May 2016. At that time, Staff found 21 violations, including lack of welding procedures; failure to provide cathodic protection for installed metallic pipelines or pipeline components; failure to install excess flow valves; lack of a leak management program or the equipment required to determine whether reported leaks are hazardous; failure to conduct pressure testing for newly installed piping; failure to determine a maximum allowable operating pressure for any piping in the ORNG system;

and failure to implement a required public awareness program. Staff avers many of these violations were repeated or uncorrected violations from the December 2015 and April 2016 citations. According to Staff, ORNG has established a pattern of ignoring compliance orders and only correcting the violations required to restore its business operations, while failing to implement those corrections for other parts of its system. Staff states it has reason to believe, based on ORNG's history and past interactions, that any new piping installation not directly overseen by Staff will continue to have the same problems as previously observed by Staff.

{¶ 7} Staff asserts that ORNG operates its natural gas pipeline system in a manner that potentially threatens human life and property. Staff believes its enforcement procedures have been ineffective in obtaining compliance and that ORNG is a willful and persistent violator of GPS regulations. Therefore, Staff recommends the Commission take the following actions:

- (a) Determine that ORNG's facilities are hazardous to life and property;
- (b) Require ORNG to immediately cease all construction and operation of regulated gas pipelines until all of the remaining items from the December 1, 2015 corrective action plan and all of the violations in the May 12, 2016 audit are corrected;
- (c) Require ORNG to fully cooperate with Staff in returning to and maintaining compliance with the GPS regulations on its entire system, including any newly constructed facilities; and
- (d) Assess the recommended forfeiture totaling \$600,000 against ORNG.

{¶ 8} In light of the extensive findings in the Staff Report, as well as Staff's assertion that ORNG operates its system in a manner that potentially threatens human life and property, ORNG is directed, pending further review by the Commission, to immediately work towards full compliance with the December 1, 2016 corrective action plan, as well as the May 12, 2016 audit. ORNG is further directed to fully cooperate with Staff.

{¶ 9} In order to assist the Commission in its review of the findings in the Staff Report, the attorney examiner finds that the following procedural schedule should be established:

- (a) Direct testimony on behalf of Staff and ORNG shall be filed by August 16, 2016.
- (b) An evidentiary hearing shall commence on August 23, 2016, at 10:00 a.m., at the offices of the Commission, 180 East Broad Street, 11th Floor, Hearing Room 11-A, Columbus, Ohio 43215-3793.

{¶ 10} It is, therefore,

{¶ 11} ORDERED, That ORNG cooperate with Staff and immediately work towards full compliance with the GPS regulations, as directed in paragraph 8. It is, further,

{¶ 12} ORDERED, That the procedural schedule set forth in paragraph 9 be adopted. It is, further,

{¶ 13} ORDERED, That a copy of this Entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

/s/ Nicholas Walstra

By: Nicholas Walstra
Attorney Examiner

sef/vrm

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Summary: Attorney Examiner Entry setting forth a procedural schedule; electronically filed by Vesta R Miller on behalf of Nicholas Walstra, Attorney Examiner, Public Utilities Commission of Ohio