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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Investigation of)
Columbia Gas of Ohio, Inc. Relative to) Case No. 06-1205-GA-GPS
its Compliance with Natural Gas)
Pipeline Safety Standards and Related)
Matters.)

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code (O.A.C.) provides that any two or more parties to a proceeding may enter into a written or oral stipulation concerning the issues presented in a proceeding. Pursuant to Rule 4901-1-10(C), the Staff of the Public Utilities Commission of Ohio ("Staff") is considered a party for purposes of entering into a stipulation under Rule 4901-1-30, O.A.C.

The purpose of this document is to set forth the understanding of the parties to this case, those parties being Columbia Gas of Ohio, Inc. ("Columbia" or "the Company") and the Staff, and recommend that the Public Utilities Commission ("Commission") approve and adopt this Stipulation and Recommendation ("Stipulation") to resolve all issues in the above captioned docket.

Specifically, the parties stipulate and recommend as follows:

1. The Commission initiated the above-referenced proceeding on October 11, 2006 in order to investigate Columbia's compliance with certain pipeline safety requirements under Chapter 4901-1-16, O.A.C. These requirements include the United States Department of Transportation's pipeline safety requirements contained in 49 C.F.R. Part 192.

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2. Between January 6, 2006 and March 3, 2006, the Staff conducted an inspection of the Company's gas pipeline system in its Toledo, Ohio Operating Area.

Odorization Monitoring Program

3. Columbia confirms that it has implemented a new process for monitoring odorant levels in its Toledo Operating Area, and will extend that process to the remainder of the Company's service territory by December 31, 2007.
4. As part of this process, Columbia's measurement and regulation personnel ("M&R") will assume responsibility for monitoring odorant levels, except in areas where contractual provisions or geography limits the ability of M&R personnel to perform odorant monitoring. In those areas, field personnel will continue to perform that function, using a paper form that will be forwarded to the Operations Center designee for retention.
5. Columbia's Operations Center management will work with area engineers to identify specific addresses throughout the Company's distribution systems that will provide representative indications of odorant levels. This list will be sent to the Chief, Gas Pipeline Safety, for review by July 1, 2007.
6. M&R leaders will cause repetitive tasks ("RT's") to be created in the Company's work management system ("WMS"). These RT's will mandate monthly readings at specific addresses.
7. Each M&R Technician will be trained and qualified to perform odorant monitoring under the Company's Operator Qualification ("OQ") program.

8. Each M&R Technician will have monitoring equipment assigned to him or her. The M&R Technician will create an RT for that equipment to assure that required inspections and calibrations are performed. A list of this equipment will be provided to the Chief, Gas Pipeline Safety, by July 1, 2007.
9. The M&R Technician will document monthly readings on the Odorant Log and will e-mail the results to the responsible M&R Leader and the Operations Center designee prior to the end of each month. *Note:* Readings may be documented in job order comments at a later date.
10. If an abnormal operating condition exists, the M&R Technician will notify management immediately.
11. The M&R Leader will review each reading prior to the end of the following month to verify compliance with U.S.D.O.T. requirements and then file the form electronically. In addition, the M&R Leader will be responsible for verifying that the monitoring equipment has been maintained and calibrated in accordance with manufacturers' specifications.

Atmospheric Corrosion

12. Columbia confirms that it is implementing a corrosion program for all Regulator and M&R Stations. This program has been implemented in the Toledo Operating Area, and is being implemented throughout the remainder of the Company's operating territory. A list of stations needing remediation will be provided to the Chief, Gas Pipeline Safety, by

December 31, 2007. All remedial work will be completed by December 31, 2009.

13. M&R Technicians will receive refresher training to identify and mitigate atmospheric corrosion annually for two years and thereafter in accordance with Columbia's Operator Qualification Plan, and more frequently where circumstances indicate that such training is necessary.
14. M&R Technicians will compile a station condition report for Regulator and M&R Stations during each inspection. The station condition information will be entered into a database.
15. During the first quarter of each year, a report will be prepared listing each station that has atmospheric corrosion (as identified in the database). This report will be provided to each M&R and Corrosion Technician.
16. During each of the first three years of this program (2007 through 2009), the M&R and Corrosion Technicians will work together to mitigate a minimum of 33% of all stations which have been identified, as of January 1, 2007, with atmospheric corrosion.
17. After each station is coated, a follow-up station condition report will be prepared to update the database.
18. The Manager of System Operations, all M&R Leaders, Corrosion Leaders, M&R Technicians, and Corrosion Technicians will receive performance expectations (as part of their annual performance reviews) mandating remediation of all atmospheric corrosion within three years (by the end of 2009).

19. After December 31, 2009, any station identified with significant surface oxidation during the annual inspection will have a job order created. That job order will be worked as soon as possible, weather permitting, and will be completed within twelve (12) months.

Leakage Detection and Repair

20. Columbia has reviewed compliance and process-related issues concerning leakage detection and repair in its Toledo Operating Area, and is taking steps to improve its practices in this area.
21. Toledo-area crews that perform leakage repairs were given a procedural review in June 2006 to reinforce expectations. Those crews were also observed by subject-matter experts to assure that they have accurate understandings of Columbia's leakage clearance expectations.
22. Management is monitoring the frequency of leakage found on cleared leaks, and crews are being held accountable for their performance.
23. Toledo-area inspectors attended a procedural review class from June 22 through June 28, 2006. Leakage Inspection Support Specialists conducted Distribution Plant Inspection ("DPI") training with Toledo Area Leakage Inspectors and Plant Repair Crews, with emphasis on completion of job orders by applicable commit dates.
24. Leakage Inspection Support Specialists used HFI's to perform quality-control checks on 10% of all leaks cleared from 2005 through March 30, 2006. Of the 242 leaks selected for re-inspection, only 11 leaks (or

4.54%) were positive. The quality control check began on May 8, 2006 and was completed on May 26, 2006.

25. Columbia agrees to re-inspect all repairs of all leaks (except for Grade 3) in its Toledo Operating Area for a period of three (3) years following Commission approval of the Stipulation. All positive follow-up indications will be submitted on a quarterly basis to the Chief, Gas Pipeline Safety. (Report to be submitted by Jan 15th, April 15th, July 15th, and October 15th to report the previous quarter re-inspects). After such re-inspections have been performed for a period of one (1) year, Columbia may request that the Chief, Gas Pipeline Safety, waive any further re-inspections, if the re-inspections performed during the first year show that repairs are being made in a satisfactory manner.

Civil Forfeiture

26. While the Company does not admit any wrongdoing with respect to the matters reviewed in the Staff's inspection of its Toledo Area Operations, it agrees for purposes of settlement that a civil forfeiture in the amount of two hundred fifty thousand dollars (\$250,000) shall be assessed against the Company. An additional two hundred fifty thousand dollars (\$250,000) shall be held in abeyance; provided, however, that should any of the following events occur, and provided, further, that Staff notifies the Company in writing within sixty (60) days after such an event, ten thousand dollars (\$10,000) of the civil forfeiture shall immediately become due and payable for each such event:

- (a) The Company fails to perform any required monthly odorant monitoring in its Toledo Operating Area during the three-year period following Commission approval of the Stipulation;
- (b) The Company fails to report any under-odorized gas discovered in its Toledo Operating Area during the three-year period following Commission approval of the Stipulation;
- (c) The Company fails to maintain records of odorant monitoring in its Toledo Operating Area as required by applicable state and federal regulations and company procedures during the three-year period following Commission approval of the Stipulation;
- (d) The Company fails to complete implementation of the atmospheric corrosion program described herein on or before December 31, 2009;
- (e) The Company fails to perform leakage inspections in its Toledo Operating Area as required by applicable state and federal regulations during the five-year period following Commission approval of the Stipulation;
- (f) The Company fails to complete leak repairs in its Toledo Operating Area as required by applicable state and federal regulations and company procedures during the three-year period following Commission approval of the Stipulation;

- (g) The Company fails to re-inspect any leak repair (except for Grade 3 leaks) performed in its Toledo Operating Area during the three-year period following Commission approval of the Stipulation. Re-inspects which show positive indications shall be reported to the Chief, Gas Pipeline Safety, quarterly. (Report to be submitted by Jan 15th, April 15th, July 15th, and October 15th to report the previous quarter re-inspects).
27. Columbia agrees to incur incremental expenses of not less than two hundred thousand dollars (\$200,000) in order to implement the new processes, described above, concerning the detection and remediation of atmospheric corrosion.
28. Columbia agrees not to seek to recover from its ratepayers any civil forfeiture paid in this proceeding.

Additional Items

29. Biannual audits of the Toledo Operating Area will be performed for the next 2 calendar years.
30. The parties agree that this Stipulation establishes no precedent to be relied upon in any manner in any other proceeding except any proceeding which may be necessary to enforce the provisions of this Stipulation or as provided in this Stipulation. By entering into this Stipulation and performing its obligations, the Company does not admit the accuracy of any factual allegation or any proposition, interpretation or conclusion of law, except as expressly set forth in this Stipulation.

31. This Stipulation constitutes a compromise resolution by the parties of all issues raised by the parties in this case. The parties agree that if the Commission rejects all or any part of this Stipulation, or otherwise materially modifies its terms, either party shall have the right, within thirty (30) days after the date of the Commission Order, either to file an application for rehearing or to terminate and withdraw from the Stipulation by filing a notice with the Commission. If an application for rehearing is filed, and the Commission does not, on rehearing, accept the Stipulation without material modification, either party may terminate and withdraw from the Stipulation by filing a notice with the Commission within ten (10) business days after (1) the date of the Commission's order or Entry on Rehearing, or (2) the date on which the application for rehearing is denied by operation of law. Upon notice of termination or withdrawal of any party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, a hearing shall go forward and the parties shall be afforded the opportunity to present evidence through witnesses, to cross-examine all witnesses, to present rebuttal testimony, and to file briefs on all issues. The proceeding shall be decided based upon the record and briefs as if this Stipulation had never been executed.
32. It is understood that this Stipulation is not binding upon the Commission. However, the agreement is entitled to careful consideration by the Commission.

33. The parties agree that the foregoing Stipulation is in the best interests of all parties and urge the Commission to adopt the same.

The undersigned hereby stipulate and agree and each represents that it is authorized to enter into this Stipulation this 9th day of February, 2007.

On behalf of the
Staff of the Public Utilities
Commission of Ohio



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On behalf of
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