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DOCKETING DIVISION
Public Utilities Commission of Ohio**A Report by the Staff of the
Public Utilities Commission of Ohio**

In the Matter of the Investigation of
the Northeast Ohio Natural Gas Company
Relative to its Compliance with
the Natural Gas Pipeline Safety Standards
and Related Matters.

Case Number 14-1639-GA-GPS

September 23, 2014

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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

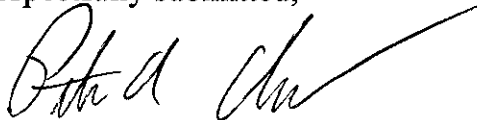
In the Matter of the Investigation of the :
Northeast Ohio Natural Gas Company : Case No. 14-1639-GA-GPS
Relative to its Compliance with the :
Natural Gas Pipeline Safety Standards :
and Related Matters :

To the Honorable Commission:

Staff has conducted an investigation in the above matter and hereby submits its findings and recommendations in this Gas Pipeline Safety Staff Report.

The findings and recommendations reached in this Staff Report are presented for the Commission's consideration and do not purport to reflect the views of the Commission, nor should any party consider the Commission as bound in any manner by the findings and recommendations set forth herein.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Peter A. Chace", with a long, sweeping horizontal stroke extending to the right.

Peter A. Chace, Chief
Gas Pipeline Safety Section
Service Monitoring and Enforcement Department

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I. Background

The Northeast Ohio Natural Gas Company (NEONG) is a natural gas company subject to the jurisdiction of the Public Utilities Commission of Ohio (Commission) under Title 49 of the Ohio Revised Code (R.C.) and rules adopted by the Commission in the Ohio Administrative Code (O.A.C.).¹ The company operates approximately 9.5 miles of transmission and 791 miles of distribution piping, servicing 17,491 customers. This case was initiated after Gas Pipeline Safety Staff (Staff) conducted a pipeline safety inspection of the facilities and records at NEONG's operating center in Pleasantville, Ohio from June 2, 2014 to June 6, 2014. As a result of this investigation, Staff issued NEONG a Notice of Probable Non-Compliance (Notice) on July 16, 2014 citing violations of 49 C.F.R 192 Subpart O "Gas Transmission Pipeline Integrity Management".

II. Staff Investigation

The Gas Transmission Pipeline Integrity Management rule requires operators to identify segments of pipeline near populated areas called High Consequence Areas (HCA)². Operators are also required to review available pipeline data to determine how vulnerable covered segments (pipeline segments within a HCA) are to the defined threats to pipeline integrity such as internal or external corrosion, excavation damage, etc.³ Companies were required to identify covered segments within an HCA and develop a written Integrity Management (IM) program to address those vulnerabilities by December 17, 2004.⁴

The IM program is intended to collect missing data, and evaluate pipeline integrity by performing field assessments of the segments located in areas of highest risk for each defined threat. Operators were required to complete an initial baseline assessment of all covered segments by December 17, 2012⁵. Assessment methods include pressure testing,

¹ Chapter 4901:1-16 Ohio Administrative Code, (Gas Pipeline Safety) and Title 49 of the Code of Federal Regulations (C.F.R.) Part 191 and 192 (the Pipeline Safety Regulations) as enabled through R.C. 4905.91 and Ohio Admin. Code 4901:1-16-03.

² 49 C.F.R. §192.905.

³ 49 C.F.R. §192.917.

⁴ 49 C.F.R. §192.907.

⁵ 49 C.F.R. 192.921.

internal inspection tools, direct assessment of the pipeline, or other technologies that provide an equivalent understanding of the condition of the pipeline.⁶ The operator must take prompt action to address any threats to the safe operation of the pipeline that are discovered during the assessment.⁷

From June 2, 2014 to June 6, 2014, Staff performed a compliance inspection at NEONG's operating center in Pleasantville, Ohio. The purpose of the inspection was to assess compliance of NEONG with the requirements of the Gas Transmission Pipeline Integrity Management rule, and to review their progress towards completing their initial baseline assessment.

Through its investigation, Staff determined that NEONG operated one segment of pipeline identified as being located within a HCA and subject to the IM requirements of Subpart O. This pipeline segment is approximately one mile in length and supplies gas to the Richland Peaking Station in Defiance County. NEONG has consistently identified this pipeline segment as being within an identified HCA in annual reports to the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA). Staff additionally determined that NEONG was in possession of a template for a written IM program produced by a third party vendor, but no work had been done to develop or carry out the plan. Staff issued a Notice of Probable Noncompliance to NEONG on July 16, 2014 citing the following specific violations:

- A. 49 C.F.R. 192.907, "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."

NEONG has not followed its written IM program other than identifying HCAs. NEONG has not developed a baseline assessment plan, has not identified potential threats to each of their covered pipeline segments, and has not addressed the risks on their covered pipeline segments.

- B. 49 C.F.R. 192.915, "What knowledge and training must personnel have to carry out an integrity management program?"

The IM program must provide that each supervisor whose responsibilities relate to the IM program possesses and maintains a thorough knowledge of the IM program and of

⁶ 49 C.F.R. 192.921.

⁷ 49 C.F.R. §192.933.

the elements for which the supervisor is responsible.⁸ The IM program must also provide for the minimum qualifications of all personnel tasked with conducting, reviewing or making decisions during implementation the program⁹ or who implements preventive and mitigative measures to carry out the program.¹⁰

NEONG does not have trained supervisory personnel and/or staff qualified to carry out an IM program.

- C. 49 C.F.R. 192.921(d), “An operator must prioritize all the covered segments for assessment in accordance with 192.917(c) and paragraph (b) of this section. An operator must assess at least 50% of the covered segments beginning with the highest risk segments, by December 17, 2007. An operator must complete the baseline assessment of all covered segments by December 17, 2012.”

NEONG does not have records to demonstrate that it has conducted a baseline assessment.

III. NEONG Response

NEONG responded to the Notice issued by Staff on August 8, 2014. The company did not dispute the Staff findings, and offered no evidence or additional information to mitigate the violations alleged in Staff’s Notice of Probable Noncompliance. However, the company is currently in negotiations with an outside contractor to manage their IM program, and that a proposal for an outside organization to manage the NEONG IM program is “under review by the pipeline owner.”

IV. Discussion of Violations

NEONG was clearly aware of the requirements of the Gas Transmission Pipeline Integrity Management rule as early as 2007 and completed at least enough work to identify a pipeline segment within a HCA in their pipeline system. In 2007, Staff first conducted a compliance inspection of an IM program generated by Utility Technologies

⁸ 49 C.F.R. 192.915(a).

⁹ 49 C.F.R. 192.915(b).

¹⁰ 49 C.F.R. 192.915(c).

International Corp. (UTI) and provided on behalf of NEONG.¹¹ NEONG also identified a pipeline segment within a HCA on or before 2010; the first year PHMSA required transmission operators to submit their total mileage of pipelines within an identified HCA on the operator's annual reports.¹²

Since the IM compliance inspection in 2007, Staff has completed annual audits of the NEONG pipeline system.¹³ These audits focused on compliance with construction, operation, and maintenance requirements of the Pipeline Safety Regulations and did not assess compliance with Subpart O. From June 2, 2014 – to June 6, 2014, Staff performed an inspection of the NEONG IM program specifically to review progress made in carrying out the NEONG IM program and the required baseline assessment. During this audit NEONG produced the IM program generated by UTI and reviewed by Staff in 2007, however NEONG was unable to produce any evidence that the plan had been followed or modified to reflect the NEONG system.

In order to comply with the IM requirements, NEONG should have implemented its written IM program, and should have completed a baseline assessment of all covered pipeline segments by December 17, 2012. NEONG was unable to provide any documentation or other evidence that any of this work had been done or was even planned.

V. Conclusions and Recommendations

The inspections performed by Staff shows that NEONG was unable to demonstrate that any action had been taken to comply with the IM requirements of the Pipeline Safety Regulations other than identifying piping located in HCAs and purchasing a written IM program template from a third-party vendor. Staff believes that based upon the inspection history at NEONG as well as NEONG's Annual Report acknowledging the existence of covered pipeline segments proves that NEONG was aware or should have been aware of the IM requirements, but still did not comply.

After consideration of the information summarized in this report, Staff offers the following recommendations:

¹¹ The report dated October 8, 2007 was to be used by NEONG as well as several other transmission pipeline operators in Ohio in order to comply with the provisions of subpart O.

¹² This was the first year PHMSA required transmission operators to submit their total mileage of pipelines within an identified HCA on the operators' annual reports.

¹³ The audits occurred on 4/4/08, 3/6/09, 12/23/10, 12/5/11, 8/28/12, 12/23/13.

1. NEONG must modify its written IM program not later than December 31, 2014. This plan must conform to the requirements as defined in 49 C.F.R. 192.911, including the following elements:
 - a. Criteria for the qualification of supervisory personnel and/or staff that meet the requirements of 49 C.F.R. 192.915;
 - b. An identification of potential threats to pipeline integrity, which must include data integration, a risk assessment, and actions to address particular threats, that meets the requirements of 49 C.F.R. 192.917;
 - c. A schedule to assess covered segments based on the results of the risk assessment conducted in accordance with V.1.c; and
 - d. A plan to conduct a baseline assessment that meets the requirements of 49 C.F.R. 192.919.
2. After completion of a written IM program, NEONG must assess their system to determine if they operate any additional covered pipeline segments located within a HCA. Any newly-identified areas must be incorporated into the NEONG baseline assessment plan no later than July 1, 2015.
3. NEONG must complete a baseline assessment of their known covered pipeline segment and any additional covered pipeline segment that may be identified in accordance with V.2 no later than December 31, 2015. This assessment must conform to the requirements for a baseline assessment as defined in 49 C.F.R. 192.921. Assessment methods must be chosen that are appropriate to address the threats to the covered pipeline segments identified in the baseline assessment plan.
4. Finally, given the severity of the violations and time spent in non-compliance, Staff recommends that a forfeiture of \$10,000.00 be assessed¹⁴ against NEONG for failure to comply with the IM requirements of Subpart O of the Pipeline Safety Regulations.¹⁵

¹⁴ Pursuant to authority granted the Commission under division (B)(1)(b) of R.C. 4905.95.

¹⁵ See Ohio Admin. Code 4901:1-16-03, enacting and enforcing 49 C.F.R 192 Subpart O.

5. Staff further recommends that an additional \$90,000.00 be assessed against NEONG, to be held in abeyance pending successful completion of an IM program by the dates identified in recommendation #1 through #3 by the dates listed. If these steps are completed by their respective deadlines, as determined by the Commission, the additional forfeiture will be waived.