

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, AUGUST 25, 2015

SCC-LEADS OFFICE
DOCUMENT CONTROL CENTER

2015 AUG 25 P 3: 17

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. URS-2014-00405

COLUMBIA GAS OF VIRGINIA, INC.,
Defendant

ORDER OF SETTLEMENT

The federal pipeline safety statutes found at 49 U.S.C. § 60101 *et seq.*, formerly the Natural Gas Pipeline Safety Act, require the Secretary of Transportation ("Secretary") to establish minimum federal safety standards for the transportation of gas and pipeline facilities. The Secretary is further authorized to delegate to an appropriate state agency the authority to prescribe safety standards and enforce compliance with such standards over gas pipeline facilities used for intrastate transportation.

The State Corporation Commission ("Commission") has been designated as the appropriate state agency for the Commonwealth of Virginia to prescribe and enforce compliance with standards for gas pipeline facilities used for intrastate transportation. In Case No. PUE-1989-00052, the Commission adopted Parts 191, 192, 193, and 199 of Title 49 of the Code of Federal Regulations to serve as minimum gas pipeline safety standards ("Safety Standards") in Virginia.¹ The Commission is authorized to enforce the Safety Standards for natural gas

¹ *Commonwealth of Virginia, ex rel. State Corporation Commission, Ex Parte, In the matter of adopting gas pipeline safety standards and reporting procedures for public service corporations providing gas service under Commission jurisdiction through transmission and distribution facilities located and operated within the Commonwealth of Virginia and granting other authorizations pertaining to the Gas Pipeline Safety Program*, Case No. PUE-1989-00052, 1989 S.C.C. Ann. Rept. 312, Order Vacating Previous Order and Adopting Standard Regulations and Procedures Pertaining to Gas Pipeline Safety in Virginia (July 6, 1989).

150840191

facilities under § 56-257.2 B of the Code of Virginia, which allows the Commission to impose the fines and penalties authorized therein.

The Commission's Division of Utility and Railroad Safety ("Division") is charged with the investigation of each jurisdictional gas company's compliance with the Safety Standards; has conducted various inspections of records, construction, operation, and maintenance activities involving Columbia Gas of Virginia, Inc. ("Company" or "CGV"), the Defendant, and alleges that:

- (1) The Company is a person within the meaning of § 56-257.2 B of the Code of Virginia.
- (2) The Company violated the Commission's Safety Standards by the following conduct:
 - (a) 49 C.F.R. § 192.143 (a) - Failure of the Company to install a component of a pipeline that is able to withstand operating pressures without impairment of its serviceability.
 - (b) 49 C.F.R. § 192.199 (g) - Failure of the Company to install the control lines at a district regulator station to prevent any single incident from affecting the operation of both the overpressure protection device and the regulator.
 - (c) 49 C.F.R. § 192.225 (a) - Failure of the Company to perform a number of welds in accordance with a qualified welding procedure.
 - (d) 49 C.F.R. § 192.241 (a) - Failure of the Company to effectively inspect a number of welds to ensure that they are performed in accordance with a qualified procedure.
 - (e) 49 C.F.R. § 192.273 (b) - Failure of the Company to produce joints in accordance with written procedures that have been proven by test or experience to produce strong gas-tight joints.
 - (f) 49 C.F.R. § 192.305 - Failure of the Company on several occasions to inspect pipelines to ensure that they are constructed in accordance with Part 192 and/or Company procedures.

- (g) 49 C.F.R. § 192.361 (d) - Failure of the Company to install a service line so as to minimize anticipated piping strain.
- (h) 49 C.F.R. § 192.361 (g) - Failure of the Company to install each underground nonmetallic service line that is not encased to have a means of locating the pipe that complies with § 192.321 (e).
- (i) 49 C.F.R. § 192.455 (a) (2) - Failure of the Company to have a cathodic protection system designed to protect the pipeline, installed within 1 year after completion of construction.
- (j) 49 C.F.R. § 192.605 (a) - Failure of the Company on two instances to follow, for each pipeline, a manual of written procedures for conducting operations and maintenance activities as stated in the Company's O&M Section GS-1420.040.
- (k) 49 C.F.R. § 192.605 (a) - Failure of the Company to follow its Gas Standard GS 1100.050 by not determining the location of all sewer laterals before directional drilling operations to install gas pipelines.
- (l) 49 C.F.R. § 192.605 (a) - Failure of the Company to follow its Gas Standard GS 3010.102 by not inspecting each project/job site to ensure that all work complies with Company procedures and is done in accordance with all governmental regulations.
- (m) 49 C.F.R. § 192.605 (a) - Failure of the Company to have an adequate procedure that includes directions relative to the frequency of obtaining profile readings on pipe welds before applying a protective coating.
- (n) 49 C.F.R. § 192.605 (b) (3) - Failure of the Company on two instances to make accurate construction records, maps, and operating history available to appropriate operating personnel.
- (o) 49 C.F.R. § 192.619 (a) (1) - Failure of the Company to operate a segment of pipeline at a pressure less than the weakest element in the segment.
- (p) 49 C.F.R. § 192.707 (d) (2) - Failure of Company to have a pipeline marker with the name of the operator and the telephone number (including area code) where the operator can be reached at all times.
- (q) 49 C.F.R. § 192.739 (a) (4) - Failure of the Company to properly protect pressure regulating equipment from dirt, liquids or other conditions that might prevent proper operation.

- (r) 49 C.F.R. § 192.751 - Failure of the Company to take steps to minimize the danger of accidental ignition of gas in any area where the presence of gas constitutes a hazard of fire or explosion by monitoring for the presence of a hazardous atmosphere.
- (s) 49 C.F.R. § 192.805 (b) - Failure of the Company to ensure through evaluation that individuals performing covered tasks of Horizontal Directional Drilling are qualified.
- (t) 49 C.F.R. § 192.805 (b) - Failure of the Company to have and follow a written qualification program that ensures through evaluation that individuals performing purging of gas pipelines are qualified.
- (u) 49 C.F.R. § 192.805 (b) - Failure of the Company to have and follow a written qualification program that ensures through evaluation that individuals performing locating recognize and react to an "Abnormal Operating Condition."

The Company neither admits nor denies these allegations but admits to the Commission's jurisdiction and authority to enter this Order.

As an offer to settle all matters arising from the allegations made against it, the Company represents and undertakes that:

(1) The Company shall pay to the Commonwealth of Virginia the amount of Four Hundred Sixty-six Thousand Five Hundred Dollars (\$466,500), of which Three Hundred Ninety-six Thousand Five Hundred Dollars (\$396,500) shall be paid contemporaneously with the entry of this Order. The remaining Seventy Thousand Dollars (\$70,000) shall be due as outlined in Undertaking Paragraph (4) herein and may be suspended and subsequently vacated, in whole or in part, by the Commission, provided the Company timely takes the actions required by Undertaking Paragraph (2) (d) herein and tenders the requisite certification as required by Undertaking Paragraph (3) herein. The initial payment and subsequent payments shall be made by check, payable to the Treasurer of Virginia, and directed to the attention of the Director,

Division of Utility and Railroad Safety, State Corporation Commission, Post Office Box 1197,
Richmond, Virginia 23218-1197.

(2) The Company shall undertake the following remedial actions:

- (a) On or before August 1, 2015, the Company shall prepare and follow a construction inspection plan for all pipeline construction activities in Virginia. This plan shall include, at a minimum, the requirements that all inspectors and Company supervisors be qualified based on the Virginia Enhanced Operator Qualification program for each task they inspect; and the requirement that each inspection be documented in sufficient detail. The plan shall be submitted to the Division by July 15, 2015, and shall be acceptable to the Division.
- (b) The Company shall consider welds on joints located between GPS Points N595292.1/E5270545.1 and N5961142.3/E5270634.7 on the Hoover Woods Pipeline in Caroline County, Virginia, as potential risks in the Company's Distribution Integrity Management Plan and address this risk in accordance with Subpart P of Part 192.
- (c) The Company shall inspect all its odorizers to ensure compliance with 49 C.F.R. § 192.143 (a) by July 31, 2015.
- (d) On or before January 1, 2016, the Company shall develop and implement a mobile application to allow CGV employees and the Company's contractor employees to report to the Company any pipeline safety issues. The design of this mobile application shall be acceptable to the Division.

(3) On or before January 15, 2016, the Company shall tender to the Clerk of the Commission, with a copy to the Division, an affidavit, executed by the president of Columbia Gas of Virginia, Inc., certifying that the Company completed the remedial actions set forth in Undertaking Paragraph (2) (d).

(4) Upon timely receipt of said affidavit, the Commission may suspend and subsequently vacate up to Seventy Thousand Dollars (\$70,000) of the amount set forth in Undertaking Paragraph (1) above. Should the Company fail to tender the affidavit required by Undertaking Paragraph (3) above, or fail to take the actions required by Undertaking Paragraph (2) (d) above, a payment of Seventy Thousand Dollars (\$70,000) shall become due and payable, and the

Company shall immediately notify the Division of the reasons for the Company's failure to accomplish the actions required by Undertaking Paragraphs (2) (d) and (3) above. If, upon investigation, the Division determines that the reason for said failure justifies a payment lower than Seventy Thousand Dollars (\$70,000), it may recommend to the Commission a reduction in the amount due. The Commission shall determine the amount due and, upon such determination, the Company shall immediately tender to the Commission said amount.

(5) Although the civil penalty in this Order of Settlement is assessed to CGV, the probable violations can be attributed to both CGV and its contractors. Most, if not all contracts that are entered into by utilities have a provision that allows the utilities to pass on any civil penalties to their contractors. Since the ultimate responsibility for compliance with the Pipeline Safety Standards lies with CGV, the Company shall bear the financial responsibility for this civil penalty. Any part of the civil penalties ordered herein that are recovered from contractors shall be credited to the accounts that were charged with the cost of the work performed.

(6) Any amounts paid in accordance with Undertaking Paragraph (1) of this Order shall not be recovered in the Company's rates. Any such amounts shall be booked in Uniform System of Account No. 426.3. The Company shall verify its booking by filing a copy of the trial balance showing this entry with the Commission's Division of Utility Accounting and Finance.

NOW THE COMMISSION, finding sufficient basis herein for the entry of this Order and in reliance on the Defendant's representations and undertakings set forth above, is of the opinion and finds that the offer of compromise and settlement set forth above should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The captioned case shall be docketed and assigned Case No. URS-2014-00405.

(2) Pursuant to the authority granted to the Commission by § 12.1-15 of the Code of Virginia, the offer of compromise and settlement made by Columbia Gas of Virginia, Inc., be, and it hereby is, accepted.

(3) Pursuant to § 56-257.2 B of the Code of Virginia, Columbia Gas of Virginia, Inc., shall pay the amount of Four Hundred Sixty-six Thousand Five Hundred Dollars (\$466,500), which may be suspended and subsequently vacated, in whole or in part, as provided in Undertaking Paragraph (1) of this Order.

(4) The sum of Three Hundred Ninety-six Thousand Five Hundred Dollars (\$396,500) tendered contemporaneously with the entry of this Order is accepted. The remaining Seventy Thousand Dollars (\$70,000) shall be due as outlined herein and may be suspended and subsequently vacated, in whole or in part, provided the Company timely undertakes the actions required in Undertaking Paragraph (2) (d) of this Order and files the timely certification of the remedial actions required by Undertaking Paragraph (3) or this Order.

(5) As agreed to by the Company, CGV shall credit any part of the civil penalty ordered herein that is recovered from the contractors to the accounts that the work performed was charged.

(6) The Commission shall retain jurisdiction over this matter for all purposes, and this case shall be continued pending further order of the Commission.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Dan Cote, Vice President - Pipeline Safety and Compliance, Columbia Gas of Virginia, Inc.,
1809 Coyote Drive, Chester, Virginia 23836; and the Commission's Office of General Counsel;
Office of the Commission Comptroller; and Divisions of Utility and Railroad Safety and Utility
Accounting and Finance.

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

v.

CASE NO. URS-2014-00405

COLUMBIA GAS OF VIRGINIA, INC.,

Defendant

ADMISSION AND CONSENT

The Defendant, Columbia Gas of Virginia, Inc., admits the jurisdiction of the Commission as to the party and subject matter hereof and, without admitting or denying the allegations made herein by the Division of Utility and Railroad Safety, hereby consents to the form, substance, and entry of the foregoing Order of Settlement. The Defendant acknowledges that the Order of Settlement entered herein is a public record and is subject to review by the public.

The Defendant further states that no offer, tender, threat or promise of any kind has been made by the Commission or by any member, officer, agent or representative thereof in consideration of this Admission and Consent.

Date: 06/19/2015

Columbia Gas of Virginia, Inc.

By: 

Title: VP - P.S.+C.