

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 5, 2016

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2016 APR -5 P 2: 28

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. URS-2015-00475

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.<sup>1</sup> The Commission is authorized to enforce the Safety Standards for natural gas

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<sup>1</sup> *Commonwealth of Virginia, At the relation of the 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).

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facilities under § 56-257.2 B of the Code of Virginia ("Code"), 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.
- (2) The Company violated the Commission's Safety Standards by the following conduct:
  - (a) 49 C.F.R. § 192.273 (b) - Failure of the Company on three occasions to make a joint in accordance with written procedures that have been proven to produce strong gas tight joints.
  - (b) 49 C.F.R. § 192.273 (c) - Failure of the Company on two occasions to inspect a joint to ensure it was made in accordance with written procedures.
  - (c) 49 C.F.R. § 192.305 - Failure of the Company to inspect a main to ensure that it was constructed in accordance with the Company's Operation and Maintenance Manual, Standard Number GS 1302.010.
  - (d) 49 C.F.R. § 192.325 (b) - Failure of the Company to install a main with enough clearance from any other underground structure to allow proper maintenance and to protect against damage that might result from proximity to other structures.
  - (e) 49 C.F.R. § 192.361 (b) - Failure of the Company to install a service line in well-compacted soil and material used for backfilling to be free of materials that could damage the pipe.
  - (f) 49 C.F.R. § 192.605 - Failure of the Company to follow its Operation and Maintenance Manual, Standard Number GS 1302.010 by not ensuring all required tools for making butt fusions were in proper working order before use.

- (g) 49 C.F.R. § 192.605 - Failure of the Company on two occasions to follow its Operation and Maintenance Manual, Standard Number GS 1680.040 (5) (e) by not maintaining a distance of at least 12 inches between an active squeeze off point and an electrofusion coupling.
- (h) 49 C.F.R. § 192.605 - Failure of the Company to follow its Operation and Maintenance Manual, Standard Number GS 3000.010 (4), by exceeding the stacking height maximum of 12 inch coated steel pipe sections.
- (i) 49 C.F.R. § 192.605 - Failure of the Company to follow its Operation and Maintenance Manual, Standard Number GS 1714.020 by not torquing the bolts on a repair clamp to ensure a gas tight seal.
- (j) 49 C.F.R. § 192.605 - Failure of the Company to have a procedure for the calibration of infrared thermometers used during the fusion of plastic pipe.
- (k) 49 C.F.R. § 192.605 - Failure of the Company to have adequate written procedures to ensure pyrometers are in proper working order while performing butt fusions.

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 Three Thousand Five Hundred Dollars (\$403,500), of which Two Hundred Thirty-three Thousand Five Hundred Dollars (\$233,500) shall be paid contemporaneously with the entry of this Order. The remaining One Hundred Seventy Thousand Dollars (\$170,000) shall be due as outlined in Undertaking Paragraph (5) 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) herein and tenders the requisite certifications as required by Undertaking Paragraphs (3) and (4) herein. The initial payment and any 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, P.O. Box 1197,  
Richmond, Virginia 23218-1197.

- (2) The Company shall undertake the following remedial actions:
- (a) On or before May 1, 2016, the Company shall cease the use of socket fusion as a method of joining plastic pipe. On or before July 1, 2016, the Company shall cease the use of infrared pyrometers for verifying the proper temperature of heating irons for plastic pipe fusion and begin using "touch" pyrometers that will be calibrated utilizing manufacturer's procedures.
  - (b) On or before May 1, 2016, the Company shall revise its Operation and Maintenance procedures to require positive verification of all atmospheric corrosion inspections performed on metering and regulation stations, regardless of the presence of corrosion on the station equipment being inspected.
  - (c) On or before July 1, 2016, the Company shall develop and implement a detailed plan ("Plan") to identify the root causes of qualified persons not following procedures in the field. This Plan would be triggered when it is determined that a CGV employee or its contractor did not follow a procedure correctly. The Plan, at a minimum, shall include the following:
    - (i) Immediate suspension of the employee's OQ qualification.
    - (ii) Root cause investigation as to why the employee did not follow procedures, with documented findings as to the cause.
    - (iii) Follow-up actions taken based on the root cause.
    - (iv) Documentation of all root causes and actions to help continuous improvement in this area.
  - (d) On or before October 1, 2016, the Company shall conduct a gap analysis of CGV's existing policies, procedures, and practices against American Petroleum Institute's Recommended Practice 1173 (2015). The results of the gap analysis shall be submitted to the Division.
  - (e) On or before January 31, 2017, the Company shall complete an assessment of CGV's pipeline safety culture by means of observations, survey, interviews and other methods. The results of the safety culture assessment shall be submitted to the Division.
  - (f) Based on the results of (d) and (e) above, the Company shall begin no later than February 1, 2017, the Implementation of a Pipeline Safety Management System ("PSMS") to continuously improve its overall safety performance. The implementation of the PSMS for CGV shall be completed no later than December 31, 2017.

(3) On or before July 15, 2016, the Company shall tender to the Clerk of the Commission, with a copy to the Division, an affidavit executed by the Vice President – Pipeline Safety and Compliance of CGV, certifying that the Company completed the remedial actions set forth in Undertaking Paragraph (2) (a), (b), and (c).

(4) On or before April 15, 2017, the Company shall tender to the Clerk of the Commission, with a copy to the Division, an affidavit executed by the Vice President – Pipeline Safety and Compliance of CGV, certifying that the Company completed the remedial actions set forth in Undertaking Paragraph (2) (d), (e), and (f).

(5) Upon timely receipt of said affidavit, the Commission may suspend and subsequently vacate up to One Hundred Seventy Thousand Dollars (\$170,000) of the amount set forth in Undertaking Paragraph (1) above. Should the Company fail to tender the affidavits required by Undertaking Paragraphs (3) and (4) above or fail to take the actions required by Undertaking Paragraph (2) above, a payment of One Hundred Seventy Thousand Dollars (\$170,000) 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 Paragraph (2). If upon investigation the Division determines that the reason for said failure justifies a payment lower than One Hundred Seventy Thousand Dollars (\$170,000), 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.

(6) 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; however, 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.

(7) 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-2015-00475.

(2) Pursuant to the authority granted to the Commission by § 12.1-15 of the Code, 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, Columbia Gas of Virginia, Inc., shall pay the amount of Four Hundred Three Thousand Five Hundred Dollars (\$403,500), which may be suspended and subsequently vacated, in whole or in part, as provided in Undertaking Paragraph (1) of this Order.

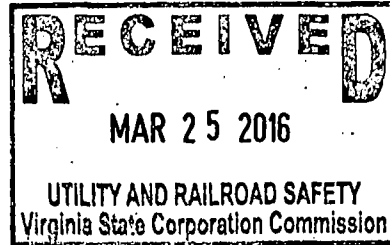
(4) The sum of Two Hundred Thirty-three Thousand Five Hundred Dollars (\$233,500) tendered contemporaneously with the entry of this Order is accepted. The remaining One Hundred Seventy Thousand Dollars (\$170,000) shall be due as outlined herein and may be suspended and subsequently vacated, in whole or in part, provided the Company timely

undertakes the actions required in Undertaking Paragraph (2) of this Order and files the timely certification of the remedial actions required by Undertaking Paragraphs (3) and (4) of this Order.

(5) 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.



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COMMONWEALTH OF VIRGINIA, *ex rel.*

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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: 03/19/2016

Columbia Gas of Virginia, Inc.

By: [Signature]

Title: VP - P&C