

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

City of Granville
Gas Pipeline Safety
Violation

Case No. GS-11-687

AFFIDAVIT OF SERVICE BY CERTIFIED & REGULAR MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Cara DeSaye deposes and says that:

she is over the age of 18 years and not a party to this action and, on the 12th day of April, 2012, she deposited in the United States Mail, at Bismarck, North Dakota, one envelope with certified postage, return receipt requested, fully prepaid, securely sealed and containing a photocopy of:

Order on Probable Violations

The envelope was addressed as follows:

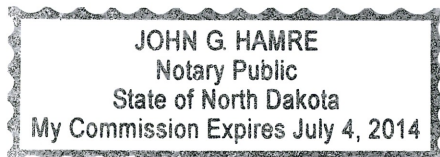
City of Granville
103 3rd St. SW
Granville ND 58741

Cert. No. 7009 2820 0002 9237 5572

The address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this 12th day of April, 2012.

SEAL



Cara DeSaye

John G. Hamre

Notary Public

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

City of Granville
Gas Pipeline Safety
Violation

Case No. GS-11-687

ORDER ON PROBABLE VIOLATIONS

April 11, 2012

Preliminary Statement

The City of Granville (Granville) owns and operates a liquefied petroleum gas (LPG) distribution facility in Granville, North Dakota.

Under North Dakota Century Code section 49-02-01, the Public Service Commission (Commission) has jurisdiction over Granville as a public utility operating in North Dakota.

On June 21, 2011, the staff of the Commission's Gas Pipeline Safety Program conducted an audit of Granville's liquefied petroleum gas distribution facility operation and maintenance records (Audit).

On November 14, 2011, Commission staff issued a Notice of Probable Violations and Proposed Compliance Orders (Notice) to Granville alleging eight probable violations of the Public Service Commission's gas pipeline safety regulations (North Dakota Administrative Code Chapter 69-09-03).

On December 8, 2011, Granville filed with the Commission written explanations and other materials in response to the Notice.

On December 30, 2011, Granville filed additional materials in response to the Notice.

Granville did not request a hearing.

Probable Violation Number 1

Commission staff alleges that Granville did not conduct a cathodic protection survey in 2010 as required under 49 CFR 192.465(a). Each pipeline that is under cathodic protection must be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of §192.463. However, if tests at those intervals are impractical for separately protected short sections of mains, not in excess of 100 feet, or separately

protected service lines, these pipelines may be surveyed on a sampling basis. 49 CFR 192.605(a) requires that each operator prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. Granville's Operation and Maintenance Plan, page 23, Section Six, Preventing Corrosion, requires that Granville take readings with a pipe-to-soil voltmeter and copper/copper sulfate half-cell electrode randomly throughout the system each year for 1/2 of the service lines and, after two years, all of the service risers will have been tested.

Commission staff states that discussions with Granville staff and a review of 2010 records indicate that Granville did not conduct a cathodic protection survey in 2010. Commission staff proposes that Granville provide to the Commission a record to show that a cathodic protection survey on the entire system has been conducted in 2011. Commission staff proposes a civil penalty of \$1,000 for such a violation.

In its December 8, 2011 response, Granville acknowledged that it did not conduct a cathodic protection survey in 2010 on separately protected service lines. In its December 30, 2011 response, Granville included records showing that a cathodic protection survey of the entire system was completed in 2011.

The Commission finds that Granville violated 49 CFR Part 192.465(a).

Probable Violation Number 2

Commission staff alleges that Granville did not maintain liaison with appropriate fire, police, and other public officials as required under 49 CFR 192.615(c). 49 CFR 192.615(c) requires that each operator establish and maintain liaison with appropriate fire, police, and other public officials to learn the responsibility and resources of each government organization that may respond to a gas pipeline emergency, acquaint the officials with the operator's ability in responding to a gas pipeline emergency, identify the types of gas pipeline emergencies of which the operator notifies the officials, and, plan how the operator and officials can engage in mutual assistance to minimize hazards to life or property. Granville's Emergency Response Plan, page 16, Section VII requires that emergency training be conducted at least once a year.

Commission staff states that discussions with Granville staff and a review of 2010 records indicate that Granville did not maintained liaison with appropriate fire, police, and other public officials in 2010. Commission staff proposes that Granville provide to the Commission a record to show that they maintained liaison with appropriate fire, police, and other public officials in 2011. Commission staff proposes a civil penalty of \$1,000 for such a violation.

Granville acknowledged that no liaison with appropriate fire, police, and other public officials had been conducted in 2010. In its December 8, 2011 response Granville

provided a record of attendance and the content of the emergency training with appropriate fire, police, and other public officials.

The Commission finds that Granville violated 49 CFR Part 192.615(c).

Probable Violation Number 3

Commission staff alleges that Granville did not conduct periodic sampling of combustible gases to determine the percentage of gas in air at which the odor becomes readily detectable in 2010, as required under 49 CFR Part 192.625(f). 49 CFR Part 192.625(f) requires that, to assure the proper concentration of odorant, each operator must conduct periodic sampling of combustible gases using an instrument capable of determining the percentage of gas in air at which the odor becomes readily detectable. Section 2.5 of Granville's Operation and Maintenance Plan requires that sniff tests be performed by the operator, by using a propane gas odorator machine, three times per year (April, August, and December) and that each test be performed at the extremities of the system to confirm that the gas contains odorant.

Commission staff states that discussions with Granville staff and a review of 2010 records indicate there was not a periodic sampling of combustible gases. Commission staff proposes that Granville provide written proof that show periodic sampling of combustible gases using an instrument capable of determining the percentage of gas in air at which the odor becomes readily detectable for calendar year 2011. Commission staff proposes a civil penalty of \$1,000 for such a violation.

Granville acknowledged that they did not conduct periodic sampling of combustible gases to determine the percentage of gas in air at which the odor becomes readily detectable in 2010. In its December 8, 2011 response Granville provided records showing that periodic sampling of combustible gases to determine the percentage of gas in air at which the odor becomes readily detectable was conducted in 2011.

The Commission finds that Granville violated 49 CFR Part 192.625(f).

Probable Violation Number 4

Commission staff alleges that Granville failed to conduct quarterly patrols of the distribution mains as required under 49 CFR Part 192.721(b)(1)(2). 49 CFR Part 192.721(b)(1)(2) requires that mains in places or on structures where anticipated physical movement or external loading could cause failure or leakage must be patrolled in business districts, at intervals not exceeding 4 1/2 months, but at least four times each calendar year; and outside business districts, at intervals not exceeding 7 1/2 months, but at least twice each calendar year. Under page 16, Section Three, Patrolling, of Granville's Operation and Maintenance Plan requires that Granville will make quarterly patrols of the distribution mains.

Commission staff states that discussions with Granville staff and a review of Granville's records indicate that no quarterly patrols of the distribution mains had been conducted in 2010. Commission staff proposes that the City of Granville provide records that show quarterly patrols of the distribution mains have been conducted for calendar year 2011. Commission staff proposes a civil penalty of \$1,000.

Granville acknowledged that they did not conduct quarterly patrols of the distribution mains in 2010. In its December 8, 2011 response Granville provided records showing that quarterly patrols of the distribution mains have been conducted for calendar year 2011.

The Commission finds that Granville violated 49 CFR Part 192.721(b)(1)(2).

Probable Violation Number 5

Commission staff alleges that Granville failed to conduct an annual above and below ground leak survey in the business district as well as twenty percent of the distribution mains and services in the residential area as required under 49 CFR Part 192.723(b)(1)(2). 49 CFR Part 192.723(b)(1)(2) states that the type and scope of the leakage control program must be determined by the nature of the operations and the local conditions, but it must meet the following minimum requirements: (1) A leakage survey with leak detector equipment must be conducted in business districts, including tests of the atmosphere in gas, electric, telephone, sewer, and water system manholes, at cracks in pavement and sidewalks, and at other locations providing an opportunity for finding gas leaks, at intervals not exceeding 15 months, but at least once each calendar year. (2) A leakage survey with leak detector equipment must be conducted outside business districts as frequently as necessary, but at least once every 5 calendar years at intervals not exceeding 63 months. Page 19, Section Five of Granville's Operation and Maintenance Plan entitled Detecting Leaks requires an annual above and below ground leak survey be conducted in the business district and twenty percent of the distribution mains and services in the residential area every year so that each section will be surveyed once every five years.

Commission staff states that discussions with Granville staff and a review of Granville's records indicate no above and below ground leak surveys had been conducted in 2010. Commission staff proposes that Granville conduct an above and below ground leak survey in the business district, conduct an above and below ground leak survey of the ten percent of the distribution mains and services in the residential area that should have been surveyed in 2010, conduct an above and below ground leak survey of the ten percent of the distribution mains and services in the residential area that must be surveyed in 2011, and provide records of the surveys to the Commission. Commission staff proposes a civil penalty of \$2,000.

Granville acknowledged that they did not conduct the above and below ground leak surveys in 2010. In its December 8, 2011 response Granville provided records showing

that an above and below ground leak survey of 100 percent of the business district and the distribution mains and services in the residential area was completed in 2011.

The commission finds that Granville violated 49 CFR Part 192.723(b)(1)(2).

Probable Violation Number 6

Commission staff alleges that Granville failed to conduct a pressure regulating station inspection and test at intervals not exceeding 15 months, but at least once each calendar year, as required under 49 CFR Part 192.739(a). 49 CFR Part 192.739(a) requires that each pressure limiting station, relief device (except rupture discs), and pressure regulating station and its equipment be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is in good mechanical condition, adequate from the standpoint of capacity and reliability of operation for the service in which it is employed, set to control or relieve at the correct pressure, and properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation. Granville's Operation and Maintenance Plan, page 9, section 4.3, Pressure Regulators, requires that once every year, not to exceed every 15 months, regulators will be inspected to determine that the regulators are in good mechanical condition, are set to function at the correct pressure, diaphragms are not leaking, and have no signs of internal corrosion.

Commission staff states that discussions with Granville staff and a review of Granville's records indicate no pressure regulating station inspection or test had been conducted in 2010. Commission staff proposes that Granville shall inspect and test the pressure regulating station and provide the inspection/test records to the Commission. Commission staff proposes a civil penalty of \$1,000.

Granville acknowledged that they did not conduct an inspection and test of the pressure regulating station in 2010. In its December 8, 2011 response Granville provided records showing that a pressure regulating station inspection and test had been conducted in 2011.

The Commission finds that Granville violated 49 CFR Part 192.739(a).

Probable Violation Number 7

Commission staff alleges that Granville failed to conduct a pressure relief device inspection and test at intervals not exceeding 15 months, but at least once each calendar year, as required under 49 CFR Part 192.743(a). 49 CFR Part 192.743(a) requires that pressure relief devices at pressure limiting stations and pressure regulating stations have sufficient capacity to protect the facilities to which they are connected. This capacity must be determined at intervals not exceeding 15 months, but at least once each calendar year, by testing the devices in place or by review and calculations. Granville's Operation and Maintenance Plan, page 10, section 4.4, requires that once every year, not to exceed 15

months, the relief device will be inspected to determine that it operates at the set pressure, that the device closes again after testing, and that the diaphragm of the relief device is not leaking.

Commission staff states that discussions with Granville staff and a review of Granville's records indicate no pressure regulating station inspection and test had been conducted in 2010. Commission staff proposes that Granville shall inspect and test the pressure regulating station and provide records to the Commission. Commission staff proposes a civil penalty of \$1,000.

Granville acknowledged that they did not conduct an inspection and test of the pressure regulating station in 2010. In its December 8, 2011 response Granville provided records showing that a pressure regulating station inspection and test had been conducted in 2011.

The Commission finds that Granville violated 49 CFR Part 192.743(a).

Probable Violation Number 8

Commission staff alleges that Granville failed to check and service at intervals not exceeding 15 months, but at least once each calendar year, as required under 49 CFR Part 192.747(a), valves that are necessary for the safe operation of a distribution system. 49 CFR Part 192.747(a) requires that each valve, the use of which may be necessary for the safe operation of a distribution system, must be checked and serviced at intervals not exceeding 15 months, but at least once each calendar year. Granville's Operation and Maintenance Plan, page I2, section 4.6, Key Valves, requires that once every year, not to exceed 15 months, the key valve will be inspected for good operating condition, checked for external corrosion, checked for leaks, and serviced.

Commission staff states that discussions with Granville staff and a review of Granville's records indicate that the valves necessary for the safe operation of the distribution system were not checked or serviced in 2010. Commission staff proposes that Granville shall check and service the valves necessary for the safe operation of the distribution system and provide the valve check/service records to the Commission. Commission staff proposes a civil penalty of \$1,000.

Granville acknowledged that they did not check and service the valves necessary for the safe operation of the distribution system in 2010. In its December 8, 2011 response Granville provided records showing that necessary valves were checked and serviced for safe operation of the distribution system in 2011.

The Commission finds that Granville violated 49 CFR Part 192.747(a).

Under North Dakota Century Code section 49-02-01.2, the Commission has authority to establish and enforce minimum safety standards for the design, construction,

and operation of gas distribution facilities and intrastate pipeline facilities used for the distribution and intrastate transportation of gas.

Granville is required by law to operate its LPG gas distribution facilities in compliance with North Dakota's minimum gas pipeline safety standards adopted under North Dakota Administrative Code section 69-09-03-02, specifically the Title 49, Code of Federal Regulations, Parts 190, 191, 192, and 199.

Under Century Code section 49-07-05.1, any person who violates any rule or order issued by the Commission pursuant to section 49-02-01.2 is subject to a civil penalty to be imposed by the Commission of not to exceed \$10,000 per violation per day, not to exceed \$500,000 for any related series of violations. The civil penalty may be compromised by the Commission.

Commission staff proposes a civil penalty of \$1,000 each for violation numbers 1, 2, 3, 4, 6, 7, and 8, and \$2,000 for violation number 5, for a total civil penalty of \$9,000. In determining the amount of a civil penalty, the Commission must consider the appropriateness of such penalty to the size of the business of the person charged, the nature, circumstances, and gravity of the violation, the degree of culpability, any history of prior violations, the effect on ability to continue to do business, the ability to pay the penalty, the good faith of the person charged in attempting to achieve compliance, after notification of a violation, and such other matters as justice may require.

In its December 8, 2011 response to the Commission, Granville stated: "Granville is a small community, and fines would cause a hardship which would limit Granville's funding to update the city systems." The Commission agrees that the civil penalties totaling \$9,000 could cause financial hardship, and affect the ability of the City of Granville to continue doing business.

Granville indicated that training for Granville's current system maintenance employee has progressed and over time the maintenance employee has taken the initiative to survey previous and present distribution system maintenance items, and has kept up with scheduled maintenance, training and safety issues.

Order

The Commission orders:

1. The City of Granville committed violation numbers 1, 2, 3, 4, 5, 6, 7, and 8 in the operation of its LPG distribution system in Granville, North Dakota as stated in this Order.
2. The City of Granville is assessed a civil penalty of \$500 each for violation numbers 1, 2, 3, 4, 6, 7, 8, and \$1,000 for violation number 5, for a total civil penalty of \$4,500.

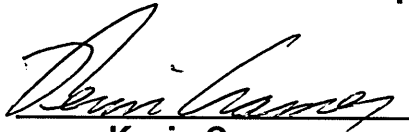
3. Granville shall remit to the Commission \$1,000 civil penalty within 30 days of this Order. Of the \$4,500 civil penalty, \$3,500 will be suspended until April 15, 2013, subject to the following conditions:

(a) Granville shall remit to the Commission copies of records of attendance and costs incurred by Granville for qualification of individuals designated to perform covered tasks listed in Granville's written operator qualification program; and

(b) Granville shall obtain verification from the Commission that such expenses are for the qualification of designated individuals who perform the covered tasks listed in Granville's written operator qualification program.

4. Expenses verified by the Commission as meeting the condition specified in ordering paragraph 3 (a) above will be deducted from the suspended penalty and Granville shall remit to the Commission the remaining portion of the assessed civil penalty no later than April 15, 2013.

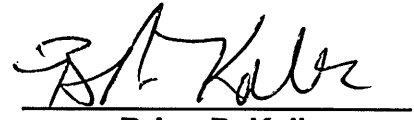
PUBLIC SERVICE COMMISSION



**Kevin Cramer
Commissioner**



**Tony Clark
Chairman**



**Brian P. Kalk
Commissioner**