



U.S. Department
of Transportation
**Pipeline and Hazardous
Materials Safety
Administration**

1200 New Jersey Avenue SE
Washington DC 20590

2011 Natural Gas State Program Evaluation

for

KENTUCKY PUBLIC SERVICE COMMISSION

Document Legend

PART:

- O -- Representative Date and Title Information
- A -- Progress Report and Program Documentation Review
- B -- Program Inspection Procedures
- C -- Program Performance
- D -- Compliance Activities
- E -- Incident Investigations
- F -- Damage Prevention
- G -- Field Inspections
- H -- Interstate Agent State (If Applicable)
- I -- 60106 Agreement State (If Applicable)



2011 Natural Gas State Program Evaluation -- CY 2011
Natural Gas

State Agency: Kentucky

Agency Status:

Date of Visit: 09/10/2012 - 09/14/2012

Agency Representative: Jason Brangers, Manager, Gas Branch

PHMSA Representative: Don Martin

Commission Chairman to whom follow up letter is to be sent:

Name/Title: David Armstrong, Chairman

Agency: Kentucky Public Service Commission

Address: 211 Sower Boulevard

City/State/Zip: Frankfort, Kentucky 40602-0615

Rating:

60105(a): Yes **60106(a):** No **Interstate Agent:** No

INSTRUCTIONS:

Complete this evaluation in accordance with the Procedures for Evaluating State Pipeline Safety Program. The evaluation should generally reflect state program performance during CY 2011 (not the status of performance at the time of the evaluation). All items for which criteria have not been established should be answered based on the PHMSA representative's judgment. A deficiency in any one part of a multiple part question should be scored as needs improvement. Determine the answer to the question then select the appropriate point value. If a state receives less than the maximum points, include a brief explanation in the space provided for general comments/regional observations. If a question is not applicable to a state, select NA. Please ensure all responses are COMPLETE and ACCURATE, and OBJECTIVELY reflect state program performance. Increasing emphasis is being placed on performance. This evaluation together with selected factors reported in the state's annual progress report attachments provide the basis for determining the state's pipeline safety grant allocation.

Field Inspection (PART G):

The field inspection form used will allow different areas of emphasis to be considered for each question. Question 13 is provided for scoring field observation areas. In completing PART G, the PHMSA representative should include a written summary which thoroughly documents the inspection.

Scoring Summary

PARTS

A	Progress Report and Program Documentation Review
B	Program Inspection Procedures
C	Program Performance
D	Compliance Activities
E	Incident Investigations
F	Damage Prevention
G	Field Inspections
H	Interstate Agent State (If Applicable)
I	60106 Agreement State (If Applicable)

Possible Points Points Scored

10	10
15	15
43	42
14	14
9	9
8	8
11	11
0	0
0	0

TOTALS

110 109

State Rating

99.1

PART A - Progress Report and Program Documentation Review

Points(MAX) Score

- | | | | |
|----------|---|---|---|
| 1 | Accuracy of Jurisdictional Authority and Operator/Inspection Units Data - Progress Report Attachment 1 (A1a)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|---|---|---|

Evaluator Notes:

The information contained in Attachment 1 and 2 was verified from the KPSC's operator records. The jurisdiction information was entered correctly. For operator types where there are no operators in the state, the KPSC should clarify in the Notes section if it has jurisdiction even though there are no operators in the state.

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|----------|--|---|---|
| 2 | Review of Inspection Days for accuracy - Progress Report Attachment 2 (A1b)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

The inspection person days on Attachment 2 were supported by the KPSC's 2011 inspection records.

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|----------|--|---|---|
| 3 | Accuracy verification of Operators and Operators Inspection Units in State - Progress Report Attachment 3 (A1c)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|--|---|---|

Evaluator Notes:

No issues were found with the accuracy of the operators and inspection units listed on Attachment 3.

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|----------|--|---|---|
| 4 | Were all federally reportable incident reports listed and information correct? - Progress Report Attachment 4 (A1d)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|--|---|---|

Evaluator Notes:

Yes. There were four incidents meeting federal reporting requirements reported during 2011. Attachment 4 contained all four incidents.

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|----------|--|---|---|
| 5 | Accuracy verification of Compliance Activities - Progress Report Attachment 5 (A1e)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

No accuracy issues were found with Attachment 5.

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|----------|---|---|---|
| 6 | Were pipeline program files well-organized and accessible? - Progress Report Attachment 6 (A1f, A4)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|----------|---|---|---|

Evaluator Notes:

The files were well organized and easily accessed.

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|----------|--|---|---|
| 7 | Was employee listing and completed training accurate and complete? - Progress Report Attachment 7 (A1g)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|--|---|---|

Evaluator Notes:

No issues were found with the employee listing. Training information was downloaded into Attachment 7 by PHMSA.

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|----------|---|---|---|
| 8 | Verification of Part 192,193,198,199 Rules and Amendments - Progress Report Attachment 8 (A1h)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|---|---|---|

Evaluator Notes:

No issues were found with jurisdictional information on Attachment 8. The KPSC has automatic adoption authority.

- 9 List of Planned Performance - Did state describe accomplishments on Progress Report in detail - Progress Report Attachment 10 (H1-3) 1 1
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

The KPSC did provide detail in its description of accomplishments on Attachment 10 of the Progress Report. The KPSC should include a description of its performance related to accomplishing its Inspection Plan.

10 General Comments:

Info OnlyInfo Only

Info Only = No Points

Evaluator Notes:

The KPSC has generally complied with the requirements of Part A of this evaluation.

Total points scored for this section: 10
Total possible points for this section: 10



PART B - Program Inspection Procedures

Points(MAX) Score

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|----------|--|---|---|
| 1 | Standard Inspections (B1a)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|----------|--|---|---|

Evaluator Notes:

Described as Regulatory Reviews in its inspection process procedures the KPSC covers standard inspections. Inspections are scheduled based upon a risk assessment; however, each inspection will be inspected at a minimum once every three years.

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|----------|---|---|---|
| 2 | IMP Inspections (including DIMP) (B1b)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|---|---|---|

Evaluator Notes:

The KPSC's procedures describe IMP and DIMP inspections as inspections to be scheduled by the KPSC.

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|----------|---|---|---|
| 3 | OQ Inspections (B1c)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|---|---|---|

Evaluator Notes:

The KPSC's procedures describe OQ inspections as inspections to be scheduled by the KPSC.

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|----------|--|---|---|
| 4 | Damage Prevention Inspections (B1d)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|--|---|---|

Evaluator Notes:

192.614 requirements are covered in Standard Inspections.

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| 5 | On-Site Operator Training (B1e)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|--|---|---|

Evaluator Notes:

The KPSC provides individual operator training as requested by an operator. The KPSC works with the Kentucky Gas Association to provide training to operators. It also partners with Kentucky 811 to provide damage prevention training.

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| 6 | Construction Inspections (B1f)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

The procedures address the scheduling of Construction Inspections.

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| 7 | Incident/Accident Investigations (B1g)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|----------|--|---|---|

Evaluator Notes:

The scheduling of Incident Investigations is covered in the KPSC's procedures.

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|----------|---|---|---|
| 8 | Does inspection plan address inspection priorities of each operator, and if necessary each unit, based on the following elements? (B2a-d, G1,2,4)
Yes = 6 No = 0 Needs Improvement = 1-5 | 6 | 6 |
|----------|---|---|---|

- | | | | | |
|----|---|--------------------------------------|--------------------------|---|
| a. | Length of time since last inspection | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| b. | Operating history of operator/unit and/or location (includes leakage, incident and compliance activities) | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| c. | Type of activity being undertaken by operators (i.e. construction) | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| d. | Locations of operators inspection units being inspected - (HCA's, Geographic areas, Population Density, etc) | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| e. | Process to identify high-risk inspection units that includes all threats - (Excavation Damage, Corrosion, Natural Forces, Outside Forces, Material and Welds, Equipment, Operators and any Other Factors) | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |

f. Are inspection units broken down appropriately?

Yes ☒ No ☐ Needs Improvement ☐

Evaluator Notes:

Yes, in Section I, Subparagraph A. of its Inspection Process Procedures the KPSC describes the elements above. Inspection units appear to be broken down appropriately.

9 General Comments:

Info Only Info Only

Info Only = No Points

Evaluator Notes:

The KPSC has generally complied with the requirements of Part B of this evaluation.

Total points scored for this section: 15

Total possible points for this section: 15



PART C - Program Performance

Points(MAX) Score

- 1 Was ratio of Total Inspection person-days to total person days acceptable? (Director of State Programs may modify with just cause) Chapter 4.3 (A12) 5 5
Yes = 5 No = 0

A. Total Inspection Person Days (Attachment 2):
472.00

B. Total Inspection Person Days Charged to the Program (220 X Inspection Person Years) (Attachment 7):
220 X 3.50 = 770.00

Ratio: A / B
472.00 / 770.00 = 0.61

If Ratio >= 0.38 Then Points = 5, If Ratio < 0.38 Then Points = 0
Points = 5

Evaluator Notes:

The KPSC's ratio for 2011 inspection person days to person years was 0.61 which exceeded the minimum required.

- 2 Has each inspector and program manager fulfilled the T Q Training Requirements? (See Guidelines for requirements) Chapter 4.4 (A8-A11, G19) 5 5
Yes = 5 No = 0 Needs Improvement = 1-4

- | | | | | |
|----|--|--------------------------------------|-------------------------------------|---|
| a. | Completion of Required OQ Training before conducting inspection as lead? | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| b. | Completion of Required DIMP*/IMP Training before conducting inspection as lead? *Effective Evaluation CY2013 | Yes <input type="radio"/> | No <input checked="" type="radio"/> | Needs Improvement <input type="radio"/> |
| c. | Root Cause Training by at least one inspector/program manager | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| d. | Note any outside training completed | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |

Evaluator Notes:

The KPSC inspectors have completed all natural gas core training courses and OQ training. At least one inspector has completed root cause analysis training. No inspectors have completed all IMP training classes. An inspector did lead an IMP inspection prior to completing all of the training classes but the five year completion deadline has not expired.

- 3 Did state records and discussions with state pipeline safety program manager indicate adequate knowledge of PHMSA program and regulations? Chapter 4.1,8.1 (A5) 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Jason Brangers has been the Program Manager for eight years. Jason is very knowledgeable of PHMSA's pipeline safety program and pipeline safety regulations.

- 4 Did state respond to Chairman's letter on previous evaluation within 60 days and correct or address any noted deficiencies? (If necessary) Chapter 8.1 (A6-7) 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

The KPSC Chairman responded to the evaluation letter in 57 days. An acceptable response to the deficiencies was included.

- 5 Did State hold PHMSA TQ Seminar in Past 3 Years? Chapter 8.5 (A3) 2 2
Yes = 2 No = 0

Evaluator Notes:

The last seminar was in May, 2010. No issues found.

- 6 Did state inspect all types of operators and inspection units in accordance with time intervals established in written procedures? Chapter 5.1 (B3) 5 5
Yes = 5 No = 0 Needs Improvement = 1-4

Evaluator Notes:

Based upon the number of operators and units inspected in 2011 the KPSC is on pace to inspect each operator and units on a three year cycle.

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|----------|---|---|---|
| 7 | Did inspection form(s) cover all applicable code requirements addressed on Federal Inspection form(s)? Did State complete all applicable portions of inspection forms? Chapter 5.1 (B4-5)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|----------|---|---|---|
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Evaluator Notes:

Except for Master Meter operators the KPSC utilizes federal inspection forms. The Standard Inspection form for Master Meters was developed from the federal distribution standard inspection form by eliminating portions that do not apply to Master Meter pipeline facilities. It addresses the code requirements in relation to Master Meter facilities.

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| 8 | Did the state review operator procedures for determining if exposed cast iron pipe was examined for evidence of graphitization and if necessary remedial action was taken? (NTSB) Chapter 5.1 (B7)
Yes = 1 No = 0 | 1 | 1 |
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Evaluator Notes:

Yes. The KPSC utilizes the federal distribution standard inspection which includes this requirement.

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| 9 | Did the state review operator procedures for surveillance of cast iron pipelines, including appropriate action resulting from tracking circumferential cracking failures, study of leakage history, or other unusual operating maintenance condition? (Note: See GPTC Appendix G-18 for guidance) (NTSB) Chapter 5.1 (B8)
Yes = 1 No = 0 | 1 | 1 |
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Evaluator Notes:

Yes. The KPSC utilizes the federal distribution standard inspection which includes this requirement.

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| 10 | Did the state review operator emergency response procedures for leaks caused by excavation damage near buildings and determine whether the procedures adequately address the possibility of multiple leaks and underground migration of gas into nearby buildings Refer to 4/12/01 letter from PHMSA in response to NTSB recommendation P-00-20 and P-00-21? (NTSB) Chapter 5.1 (B9)
Yes = 1 No = 0 | 1 | 1 |
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Evaluator Notes:

Yes. The KPSC utilizes the federal distribution standard inspection which includes this requirement.

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| 11 | Did the state review operator records of previous accidents and failures including reported third party damage and leak response to ensure appropriate operator response as required by 192.617? Chapter 5.1 (B10,E5)
Yes = 1 No = 0 | 1 | 1 |
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Evaluator Notes:

The KPSC utilizes the federal standard inspection form. This form covers this requirement.

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| 12 | Has the state reviewed Operator Annual reports, along with Incident/Accident reports, for accuracy and analyzed data for trends and operator issues? Data Initiative (G6-9,G16)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
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Evaluator Notes:

The KPSC reviews operators' annual reports each year as they are submitted. The KPSC communicates any discrepancies to the operators.

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| 13 | Did state input all applicable OQ, IMP inspection results into federal database in a timely manner? This includes replies to Operator notifications into IMDB database. Chapter 5.1 (G10-12)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 1 |
|-----------|--|---|---|
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Evaluator Notes:

IMP inspection results for Baiden gas Company, Chesapeake Appalachia LLC, Eastern Corporation of America, EQT Corporation, Gibbs Die Casting, K Petroleum, Kentucky Utilities Company, Matriks Energy, Minerals Management Group, NGAS, North Coast Energy Western, Riley - Scott Gas Company, Riverside Generating Co. LLC and Somerset Gas Co.

were not found in the Gas Transmission IMP database.
OQ inspections appear to be uploaded into the OQ database.

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| 14 | Has state confirmed intrastate transmission operators have submitted information into NPMS database along with changes made after original submission? (G14)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

The KPSC's GIS department routinely uses the NPMS and reviews data submitted by operators within Kentucky. The GIS department confirmed that transmission operators submitted information into NPMS,

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| 15 | Is the state verifying operators are conducting drug and alcohol tests as required by regulations? This should include verifying positive tests are responded to in accordance with program. 49 CFR 199 (I1-3)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
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Evaluator Notes:

The KPSC has completed the review of all operators' drug and alcohol testing programs in past years. There were no drug and alcohol program inspections during 2011; however, certain portions of Part 199 are reviewed during standard inspections.

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| 16 | Is state verifying operators OQ programs are up to date? This should include verification of any plan updates and that persons performing covered tasks (including contractors) are properly qualified and requalified at intervals determined in the operators plan. 49 CFR 192 Part N (I4-7)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|-----------|--|---|---|
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Evaluator Notes:

KPSC performed seventy (70) OQ related inspections (typically as part of comprehensive inspections). These consisted of plan reviews and/or Protocol 9 inspections.

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| 17 | Is state verifying operator's gas transmission integrity management programs (IMP) are up to date? This should include a previous review of IMP plan, along with monitoring progress on operator tests and remedial actions. In addition, the review should take in to account program review and updates of operators plan(s). 49 CFR 192 Subpart O (I8-12)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
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Evaluator Notes:

KPSC focused on and completed all IMP inspections last year. KPSC made it a priority to inspect/review IMP plans as well as any tests and corrective actions performed by the operator.

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|-----------|---|-----------|-----------|
| 18 | Is state verifying operator's gas distribution integrity management Programs (DIMP)? This should include a review of DIMP plans, along with monitoring progress. In addition, the review should take in to account program review and updates of operators plan(s). 49 CFR 192 Subpart P
Info Only = No Points | Info Only | Info Only |
|-----------|---|-----------|-----------|
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Evaluator Notes:

KPSC performed two (2) DIMP inspections in 2011 and has made it a priority for 2012 and 2013 to review/verify DIMP plans of the operators it inspects during those years.

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| 19 | Is state verifying operators Public Awareness programs are up to date and being followed. State should also verify operators have evaluated Public Awareness programs for effectiveness as described in RP1162. 49 CFR 192.616 (I13-16)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
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Evaluator Notes:

KPSC has performed Public Awareness Program inspections throughout the year and began conducting effectiveness evaluations in 2012 (to date 9 such evaluations have been conducted).

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| 20 | Does the state have a mechanism for communicating with stakeholders - other than state pipeline safety seminar? (This should include making enforcement cases available to public). (G20-21)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|-----------|---|---|---|
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Evaluator Notes:

The KPSC participates in Kentucky Gas Association meetings and conferences, Common Ground Alliance committee meetings and Kentucky 811 Board Meetings. Press releases are sent to stakeholders. As part of its ongoing effort of transparency, the KPSC updated its website to include more Pipeline Safety information and made it easier to access this information.

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| 21 | Did state execute appropriate follow-up actions to Safety Related Condition (SRC) Reports? Chapter 6.3 (B6)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|-----------|--|---|----|

Evaluator Notes:

There were no safety related condition reports active in Kentucky during 2011.

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| 22 | Did the State ask Operators to identify any plastic pipe and components that has shown a record of defects/leaks and what those operators are doing to mitigate the safety concerns? (G13)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Operators have been requested to monitor plastic pipe and component failures. The KPSC reviews this information when verifying that operators have complied with 192.617.

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| 23 | Did the state participate in/respond to surveys or information requests from NAPS or PHMSA? (H4)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

No issues found or known.

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|-----------|--|-----------|-----------|
| 24 | General Comments:
Info Only = No Points | Info Only | Info Only |
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Evaluator Notes:

Question C.13 - IMP inspection results for Baiden gas Company, Chesapeake Appalachia LLC, Eastern Corporation of America, EQT Corporation, Gibbs Die Casting, K Petroleum, Kentucky Utilities Company, Matriks Energy, Minerals Management Group, NGAS, North Coast Energy Western, Riley - Scott Gas Company, Riverside Generating Co. LLC and Somerset Gas Co. were not found in the Gas Transmission IMP database. One point was deducted.

Total points scored for this section: 42
Total possible points for this section: 43



PART D - Compliance Activities

Points(MAX) Score

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|----------|---|---|---|
| 1 | Does the state have written procedures to identify steps to be taken from the discovery to resolution of a probable violation? Chapter 5.1 (B12-14, B16, B1h)
Yes = 4 No = 0 Needs Improvement = 1-3 | 4 | 4 |
| a. | Procedures to notify an operator (company officer) when a noncompliance is identified | Yes <input checked="" type="radio"/> No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| b. | Procedures to routinely review progress of compliance actions to prevent delays or breakdowns | Yes <input checked="" type="radio"/> No <input type="radio"/> | Needs Improvement <input type="radio"/> |

Evaluator Notes:

The KPSC's procedures provide the operators with 30 days to respond to alleged probable violations. A form for the operator to complete (if a deficiency is found) is included with the letter to the operator detailing the results of each inspection. The operator must complete the three questions on the form for the KPSC to consider closing the file on the inspection. The operator has the opportunity to argue their case if they feel like a probable violation did not occur.

The procedures state that follow up inspections are scheduled after written notification of non compliance has been sent to an operator. Each inspection report describes the status of deficiencies found in previous inspections. Deficiency information is entered into the inspection database which can be used to report the status of probable violations.

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|----------|--|--|---|
| 2 | Did the state follow compliance procedures (from discovery to resolution) and adequately document all probable violations, including what resolution or further course of action is needed to gain compliance? Chapter 5.1 (B11,B18,B19)
Yes = 4 No = 0 Needs Improvement = 1-3 | 4 | 4 |
| a. | Were compliance actions sent to company officer or manager/board member if municipal/government system? | Yes <input type="radio"/> No <input type="radio"/> | Needs Improvement <input type="radio"/> |

Evaluator Notes:

Upon a review of randomly selected inspection files from 2011, the KPSC documented probable violations found, corrective actions taken and closure of the inspection file.

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|----------|--|---|---|
| 3 | Did the state issue compliance actions for all probable violations discovered? (B15)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|----------|--|---|---|

Evaluator Notes:

Upon a review of randomly selected inspection reports, all inspections that discovered probable violations were followed up with written notifications of non compliance.

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|----------|--|---|---|
| 4 | Did compliance actions give reasonable due process to all parties? Including "show cause" hearing if necessary. (B17, B20)
Yes = 2 No = 0 | 2 | 2 |
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Evaluator Notes:

Operators are given an opportunity to provide information that argues a probable violation did not occur. If not satisfied with pipeline safety's decision an operator can petition the Commissioners for a "show cause" hearing.

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|----------|---|---|---|
| 5 | Is the program manager familiar with state process for imposing civil penalties? Were civil penalties considered for repeat violations (with severity consideration) or violations resulting in incidents/accidents? (describe any actions taken) (B27)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|----------|---|---|---|

Evaluator Notes:

Jason Brangers provided the process for assessing civil penalties.

Show Cause / Fines. If the operator fails to respond to the inspection report, responds inadequately, or continues to be cited for similar deficiencies in two consecutive reports, the inspector may recommend that a show cause proceeding be initiated. The basis for the show cause is the most recent annual safety inspection which details the deficiencies for which the operator has been cited. Depending upon the situation, inspection reports previous to the most recent one may also be used.

If a show cause hearing is required, the operator must appear and demonstrate what actions have been or will be initiated to correct the deficiencies cited and present a case as to why a fine should not be imposed regarding the past failure to take corrective actions. Exhibit P is the Schedule of Fines used to determine the amount of fine that may be recommended against an operator.

This Schedule has been developed pursuant to KRS 278.990 and KRS 278.992.

In determining the amount of the penalty, the following guidelines are considered:

1. The appropriateness of the penalty to the size of the business of the person charged.
2. The gravity of the violation.
3. The good faith of the person charged in attempting to achieve compliance after notification of the violation(s).

During the course of the show cause hearing, the operator may present evidence as to why a fine should not be imposed.

Subsequent to the show cause hearing, an operator may also request a conference to discuss the proposed fine, including the negotiation of a compromise amount or the suspension of the fine pending corrective action to be taken towards compliance.

6 Can the State demonstrate it is using their enforcement fining authority for pipeline safety violations? (new question)

Info Only = No Points

Evaluator Notes:

Yes, KPSC, in 2010, issued a civil penalty in the amount of \$170,000 against a utility that had several outstanding deficiencies. \$10,000 of this was collected, the remaining \$160,000 was suspended for two years (and would be vacated at the end of two years) provided that the utility corrected all outstanding violations and conducted future operations consistent with all state, federal, and commission laws, regulations, and orders.

7 General Comments:

Info Only = No Points

Info Only

Evaluator Notes:

The KPSC has generally complied with the requirements of Part D of this evaluation.

Total points scored for this section: 14
Total possible points for this section: 14



PART E - Incident Investigations

Points(MAX) Score

- 1 Does state have adequate mechanism to receive and respond to operator reports of incidents, including after-hours reports? And did state keep adequate records of Incident/Accident notifications received? Chapter 6 (A2,D1-3) 2 2

Yes = 2 No = 0 Needs Improvement = 1

- a. Acknowledgement of MOU between NTSB and PHMSA (Appendix D) Yes ☒ No ☐ Needs Improvement ☐
- b. Acknowledgement of Federal/State Cooperation in case of incident/accident (Appendix E) Yes ☒ No ☐ Needs Improvement ☐

Evaluator Notes:

Yes. The KPSC has established capabilities to be contacted during and after work hours to receive incident notifications from operators. The KPSC is fully aware of the MOU between NTSB and PHMSA and understands the cooperation between the KPSC and PHMSA.

- 2 If onsite investigation was not made, did state obtain sufficient information from the operator and/or by other means to determine the facts to support the decision to not go on-site? Chapter 6 (D4) 1 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

The KPSC investigated one of the four incidents during 2011 on site. The remaining three were investigate by telephone and exchanging documents through email.

- 3 Were all incidents investigated, thoroughly documented, and with conclusions and recommendations? (D5) 3 3

Yes = 3 No = 0 Needs Improvement = 1-2

- a. Observations and document review Yes ☒ No ☐ Needs Improvement ☐
- b. Contributing Factors Yes ☒ No ☐ Needs Improvement ☐
- c. Recommendations to prevent recurrences when appropriate Yes ☒ No ☐ Needs Improvement ☐

Evaluator Notes:

There were four incidents reported that met federal reporting requirements in 2011. All four were investigated by the KPSC. Two incidents were determined to be caused by a fire to the building which the gas service line and meter were serving. Two incidents were determined to be caused by the release of gas. One of the incidents has resulted in a show cause order by the Commission.

- 4 Did the state initiate compliance action for violations found during any incident/accident investigation? (D6) 1 1

Yes = 1 No = 0

Evaluator Notes:

One of the four incidents investigated resulted in a show cause order being issued to the operator. The hearing is scheduled for November, 2012 but a settlement may occur prior to November.

- 5 Did the state assist region office by taking appropriate follow-up actions related to the operator incident reports to ensure accuracy and final report has been received by PHMSA? (validate report data from operators concerning incidents/accidents and investigate discrepancies) Chapter 6 (D7) 1 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

There is no known occasion where the KPSC did not follow-up on operator incident reports.

- 6 Does state share lessons learned from incidents/accidents? (sharing information, such as: at NAPS Region meetings, state seminars, etc) (G15) 1 1

Yes = 1 No = 0

Evaluator Notes:

Yes. Jason Brangers shared Kentucky's incidents with his peers during the NAPS Southern Region Meeting.

7 General Comments:
Info Only = No Points

Info OnlyInfo Only

Evaluator Notes:

The KPSC has generally complied with the requirements of Part E of this evaluation.

Total points scored for this section: 9
Total possible points for this section: 9



PART F - Damage Prevention

Points(MAX) Score

- | | | | |
|---|---|---|---|
| 1 | Has the state reviewed directional drilling/boring procedures of each pipeline operator or its contractor to determine if they include actions to protect their facilities from the dangers posed by drilling and other trench less technologies? NTSB (E1)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|---|---|---|---|

Evaluator Notes:

The KPSC covers the issue of directional drilling procedures during standard inspections and construction inspections where directional drilling is being utilized.

- | | | | |
|---|--|---|---|
| 2 | Did the state inspector check to assure the pipeline operator is following its written procedures pertaining to notification of excavation, marking, positive response and the availability and use of the one call system? (E2)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|---|--|---|---|

Evaluator Notes:

The KPSC covers these requirements on the portion of the inspection form covering Part 192.614. During the inspection, the KPSC reviews operators' damage prevention programs and verifies from operator records that the damage prevention requirements are being followed.

- | | | | |
|---|---|---|---|
| 3 | Did the state encourage and promote practices for reducing damages to all underground facilities to its regulated companies? (i.e. such as promoting/adopting the CGA Best Practices encouraging adoption of the 9 Elements, etc.) (E3)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|---|---|---|---|

Evaluator Notes:

Jason Brangers represents NAPS on the CGA Best Practices Committee. The KPSC has an item on the federal standard inspection form to promote best practices to operators.

- | | | | |
|---|--|---|---|
| 4 | Has the agency or another organization within the state collected data and evaluated trends on the number of pipeline damages per 1,000 locate requests? (This can include DIRT and other data shared and reviewed by the pipeline safety program) (E4,G5)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|---|--|---|---|

Evaluator Notes:

The KPSC is now collecting the pipeline damage data submitted on operators' annual reports. The information is being reviewed but a trend can't be determined until a longer time period of data is available.

- | | | | |
|---|--|-----------|-----------|
| 5 | General Comments:
Info Only = No Points | Info Only | Info Only |
|---|--|-----------|-----------|

Evaluator Notes:

The KPSC has generally complied with the requirements of Part F of this evaluation.

Total points scored for this section: 8
Total possible points for this section: 8

PART G - Field Inspections

Points(MAX) Score

- 1 Operator, Inspector, Location, Date and PHMSA Representative Info Only Info Only
Info Only = No Points

Name of Operator Inspected:

Housing Authority of Springfield, Kentucky and Delta Gas (Millsborough Unit)

Name of State Inspector(s) Observed:

Joel Grugin and Melissa Holbrook

Location of Inspection:

Springfield, KY and Winchester, KY

Date of Inspection:

09/12/2012 and 9/13/2012

Name of PHMSA Representative:

Don Martin

Evaluator Notes:

Housing Authority of Springfield was a standard inspection of Master Meter operator. The last inspection was conducted in 2009. Mr. Grugin utilized the KPSC's inspection form for a Master Meter operator which was developed from the federal distribution standard inspection form. The Delta Gas inspection was a standard inspection held in Winchester, KY. The field portion was conducted previously in Millsborough, KY. The inspector was Melissa Holbrook.

- 2 Was the operator or operator's representative notified and/or given the opportunity to be present during inspection? (F2) 1 1
Yes = 1 No = 0

Evaluator Notes:

Yes. The KPSC provided advanced notice to the operators and representatives of the operators were present.

- 3 Did the inspector use an appropriate inspection form/checklist and was the form/checklist used as a guide for the inspection? (New regulations shall be incorporated) (F3) 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Mr. Grugin used the Standard Inspection Form for a Master Meter operator which was developed from the federal distribution operator standard inspection form. Appropriate requirements were covered for a small operator. Ms. Holbrook used the federal distribution standard inspection form.

- 4 Did the inspector thoroughly document results of the inspection? (F4) 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes. The KPSC inspectors documented the results on the forms by placing checkmarks in the appropriate columns on the form. If probable violations were found written statements stating the reason for the probable violations were included on the form.

- 5 Did the inspector check to see if the operator had necessary equipment during inspection to conduct tasks viewed? (Maps, pyrometer, soap spray, CGI, etc.) (F5) 1 NA
Yes = 1 No = 0

Evaluator Notes:

The inspections covered office records and did not involve test readings in the field.

- 6 Did the inspector adequately review the following during the field portion of the state evaluation? (check all that apply on list) (F7) 2 2
Yes = 2 No = 0 Needs Improvement = 1

a. Procedures

☒

b. Records

☒

c. Field Activities

☐

d. Other (please comment)

☐

Evaluator Notes:

The KPSC reviewed the operator's procedures, operation and maintenance records. No test readings were observed in the field.

- | | | | |
|---|--|---|---|
| 7 | Did the inspector have adequate knowledge of the pipeline safety program and regulations? (Evaluator will document reasons if unacceptable) (F8)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|---|--|---|---|

Evaluator Notes:

Yes. The KPSC inspectors have several years experience in gas pipeline operations experience and has completed all core classes at PHMSA's Training and Qualification training facility.

- | | | | |
|---|--|---|---|
| 8 | Did the inspector conduct an exit interview? (If inspection is not totally complete the interview should be based on areas covered during time of field evaluation) (F9)
Yes = 1 No = 0 | 1 | 1 |
|---|--|---|---|

Evaluator Notes:

Yes. The KPSC inspectors provided the operator's representatives with a briefing of their findings for each day of the inspection.

- | | | | |
|---|---|---|---|
| 9 | During the exit interview, did the inspector identify probable violations found during the inspections? (if applicable) (F10)
Yes = 1 No = 0 | 1 | 1 |
|---|---|---|---|

Evaluator Notes:

Yes. The KPSC inspector described the four probable violations that were found during the inspection. The KPSC inspector also provided an explanation of the written notification that would be sent and the follow up process until the corrections actions are verified. The inspection of Delta Gas did not result in the discovery of any probable violations.

- | | | | |
|----|--|-----------|-----------|
| 10 | General Comments: What did the inspector observe in the field? (Narrative description of field observations and how inspector performed) Best Practices to Share with Other States - (Field - could be from operator visited or state inspector practices) Other.
Info Only = No Points | Info Only | Info Only |
|----|--|-----------|-----------|

- | | | |
|----|-------------------------------|--------------------------|
| a. | Abandonment | <input type="checkbox"/> |
| b. | Abnormal Operations | <input type="checkbox"/> |
| c. | Break-Out Tanks | <input type="checkbox"/> |
| d. | Compressor or Pump Stations | <input type="checkbox"/> |
| e. | Change in Class Location | <input type="checkbox"/> |
| f. | Casings | <input type="checkbox"/> |
| g. | Cathodic Protection | <input type="checkbox"/> |
| h. | Cast-iron Replacement | <input type="checkbox"/> |
| i. | Damage Prevention | <input type="checkbox"/> |
| j. | Deactivation | <input type="checkbox"/> |
| k. | Emergency Procedures | <input type="checkbox"/> |
| l. | Inspection of Right-of-Way | <input type="checkbox"/> |
| m. | Line Markers | <input type="checkbox"/> |
| n. | Liaison with Public Officials | <input type="checkbox"/> |
| o. | Leak Surveys | <input type="checkbox"/> |
| p. | MOP | <input type="checkbox"/> |
| q. | MAOP | <input type="checkbox"/> |
| r. | Moving Pipe | <input type="checkbox"/> |
| s. | New Construction | <input type="checkbox"/> |
| t. | Navigable Waterway Crossings | <input type="checkbox"/> |
| u. | Odorization | <input type="checkbox"/> |
| v. | Overpressure Safety Devices | <input type="checkbox"/> |
| w. | Plastic Pipe Installation | <input type="checkbox"/> |
| x. | Public Education | <input type="checkbox"/> |
| y. | Purging | <input type="checkbox"/> |

- | | | |
|----|-----------------------------------|--------------------------|
| z. | Prevention of Accidental Ignition | <input type="checkbox"/> |
| A. | Repairs | <input type="checkbox"/> |
| B. | Signs | <input type="checkbox"/> |
| C. | Tapping | <input type="checkbox"/> |
| D. | Valve Maintenance | <input type="checkbox"/> |
| E. | Vault Maintenance | <input type="checkbox"/> |
| F. | Welding | <input type="checkbox"/> |
| G. | OQ - Operator Qualification | <input type="checkbox"/> |
| H. | Compliance Follow-up | <input type="checkbox"/> |
| I. | Atmospheric Corrosion | <input type="checkbox"/> |
| J. | Other | <input type="checkbox"/> |

Evaluator Notes:

The KPSC conducted an office records and procedures inspection only. Other than visually inspecting the two master meter settings, no observations in the field were made at this time.

Total points scored for this section: 11
Total possible points for this section: 11



PART H - Interstate Agent State (If Applicable)**Points(MAX) Score**

- | | | | |
|----------|---|---|----|
| 1 | Did the state use the current federal inspection form(s)? (C1)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|---|---|----|

Evaluator Notes:

The KPSC is not an interstate agent.

- | | | | |
|----------|--|---|----|
| 2 | Are results documented demonstrating inspection units were reviewed in accordance with "PHMSA directed inspection plan"? (C2)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

The KPSC is not an interstate agent.

- | | | | |
|----------|---|---|----|
| 3 | Did the state submit documentation of the inspections within 60 days as stated in its latest Interstate Agent Agreement form? (C3)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|---|---|----|

Evaluator Notes:

The KPSC is not an interstate agent.

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|----------|--|---|----|
| 4 | Were probable violations identified by state referred to PHMSA for compliance? (NOTE: PHMSA representative has discretion to delete question or adjust points, as appropriate, based on number of probable violations; any change requires written explanation.) (C4)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

The KPSC is not an interstate agent.

- | | | | |
|----------|--|---|----|
| 5 | Did the state immediately report to PHMSA conditions which may pose an imminent safety hazard to the public or to the environment? (C5)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

The KPSC is not an interstate agent.

- | | | | |
|----------|---|---|----|
| 6 | Did the state give written notice to PHMSA within 60 days of all probable violations found? (C6)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|---|---|----|

Evaluator Notes:

The KPSC is not an interstate agent.

- | | | | |
|----------|--|---|----|
| 7 | Did the state initially submit documentation to support compliance action by PHMSA on probable violations? (C7)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

The KPSC is not an interstate agent.

- | | | | |
|----------|--|-----------|-----------|
| 8 | General Comments:
Info Only = No Points | Info Only | Info Only |
|----------|--|-----------|-----------|

Evaluator Notes:

The KPSC is not an interstate agent.

Total points scored for this section: 0
Total possible points for this section: 0

PART I - 60106 Agreement State (If Applicable)**Points(MAX) Score**

- | | | | |
|----------|--|---|----|
| 1 | Did the state use the current federal inspection form(s)? (B21)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

The KPSC does not have a Section 60106 agreement.

- | | | | |
|----------|--|---|----|
| 2 | Are results documented demonstrating inspection units were reviewed in accordance with state inspection plan? (B22)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

The KPSC does not have a Section 60106 agreement.

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|----------|---|---|----|
| 3 | Were any probable violations identified by state referred to PHMSA for compliance? (NOTE: PHMSA representative has discretion to delete question or adjust points, as appropriate, based on number of probable violations; any change requires written explanation.) (B23)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|---|---|----|

Evaluator Notes:

The KPSC does not have a Section 60106 agreement.

- | | | | |
|----------|---|---|----|
| 4 | Did the state immediately report to PHMSA conditions which may pose an imminent safety hazard to the public or to the environment? (B24)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|---|---|----|

Evaluator Notes:

The KPSC does not have a Section 60106 agreement.

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|----------|--|---|----|
| 5 | Did the state give written notice to PHMSA within 60 days of all probable violations found? (B25)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

The KPSC does not have a Section 60106 agreement.

- | | | | |
|----------|--|---|----|
| 6 | Did the state initially submit adequate documentation to support compliance action by PHMSA on probable violations? (B26)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

The KPSC does not have a Section 60106 agreement.

- | | | | |
|----------|--|-----------|-----------|
| 7 | General Comments:
Info Only = No Points | Info Only | Info Only |
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Evaluator Notes:

The KPSC does not have a Section 60106 agreement.

Total points scored for this section: 0
Total possible points for this section: 0