1200 New Jersey Avenue SE
Washington DC 20590

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

2013 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)

2013 Natural Gas State Program Evaluation -- CY 2013

Natural Gas

State Agency: Kentucky
Rating:
Agency Status:
60105(a): Yes **60106(a):** No **Interstate Agent:** No
Date of Visit: 03/24/2014 - 03/27/2014
Agency Representative: James D. Rice, Acting Program Manager, Pipeline Safety Branch, Division of Engineering
Bill Aitken, Utility Regulatory & Safety Investigator IV
Joel Grugin, Utility Regulatory & Safety Investigator III

PHMSA Representative: Glynn Blanton, USDOT/State Programs
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

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 2013 (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 then 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		Possible Points	Points Scored
A	Progress Report and Program Documentation Review	10	10
B	Program Inspection Procedures	15	15
C	Program Performance	46	43
D	Compliance Activities	15	15
E	Incident Investigations	9	9
F	Damage Prevention	8	8
G	Field Inspections	12	12
H	Interstate Agent State (If Applicable)	0	0
I	60106 Agreement State (If Applicable)	0	0
TOTALS		**115**	**112**
State Rating			**97.4**

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:
A review of progress report Attachment 1 found information was correctly entered with the jurisdictional authority over natural gas facilities. Inspection unit data was checked and matched Attachment 3 Inspection total Units. No issues of concern.

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

Evaluator Notes:
A review of Attachment 2 found the information correct on the number of inspection activities per the type of inspections performed. Verification was check by reviewing office files. No issues.

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:
A review and comparison of Attachment 3, List of Operators, to Kentucky Public Service Commission database found the inspection unit list to be the same. No issues.

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, one incident occurred in Newport, Kentucky on Duke Energy Kentucky facilities. One injury and one fatality with over $80,000 in damages was reported and entered into PHMSA's incident data base. The cause of the incident is still under review. A second incident occurred on Atmos Energy system in Shelbyville, KY on March 6, 2013. The incident was determined to be non-jurisdictional but an incident report was submitted. No issues of concern.

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

Evaluator Notes:
A review of Attachment 5, Stats on Compliance Actions, found the number of compliance actions, violations found and corrected were reported correctly. It was noted one civil penalty in the amount of $125,000 was assessed and 2 civil penalties in the amount of $126,500 was collected in CY2013.

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:
A review of office files and data base reflects program documents are well-organized.

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:
Training transcript information was downloaded from SABA system administered by PHMSA's Training and Qualification Division. A review of each inspector/engineer training courses found information was recorded correctly. Several individuals completed the remaining required IMP courses in CY2013.Three individuals need to complete the WBT PL31C course to be fully qualified to perform IMP without a lead inspector. Information on WBT courses was provided to James Rice & Bill Aitken during the review.

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:

KPSC has automatic adoption of federal pipeline safety regulations per state statute. A review of web site and state laws verified the information is correct. No issues.

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

Evaluator Notes:

A review of Attachment 10 found the information informative and complete in answering all questions. No issues.

10	General Comments: Info Only = No Points	Info Only	Info Only

Evaluator Notes:

No areas of concerns were found and KPSC has generally met the requirements of this section of the review.

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

PART B - Program Inspection Procedures

		Points(MAX)	Score
1	Standard Inspections (B1a) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:
A review of Kentucky Public Service Commission (KPSC) Pipeline Safety Branch Procedure Manual 2013 page 1 indicated all intrastate operators will be inspected at intervals not to exceed 3 years and based on risk assessment.

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

Evaluator Notes:
A review of KPSC Pipeline Safety Branch Procedure Manual 2013, found Gas Transmission IMP inspections and Distribution IMP inspection forms have been added to the manual in Section F and T. The forms are the same as PHMSA's documents. Forms are located on Tab II, Page 2 of 11.

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

Evaluator Notes:
A review of KPSC Pipeline Safety Branch Procedure Manual 2013, found Operator Qualification inspection form PHMSA #14 & 15 have been added to the manual in Section S. These forms are the same used by PHMSA.

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

Evaluator Notes:
KPSC checks damage prevention compliance to sections 192.614 and 192.617 during their Standard Inspection review. This item is mentioned in their procedures manual. No issues.

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

Evaluator Notes:
On site operator training is performed upon a request by the operator or a determination by inspector. It was suggested this item be listed in the KPSC procedure manual for future reference.

6	Construction Inspections (B1f) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:
KPSC has a requirement all operators inform them of scheduled construction projects if the capital cost exceeds $100,000 or 100 psig pressure. KPSC procedures manual states "inspections will be scheduled based on notifications received by the KPSC". This information is listed in Section K & on Form K-1.

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

Evaluator Notes:
A review of KPSC Pipeline Safety Branch Procedure Manual 2013 found this information is listed on page 7. All incidents are investigated after receiving notification from the operator or other sources.

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 ◉ No ○	Needs Improvement ○
b.	Operating history of operator/unit and/or location (includes leakage, incident and compliance activities)	Yes ◉ No ○	Needs Improvement ○
c.	Type of activity being undertaken by operators (i.e. construction)	Yes ◉ No ○	Needs Improvement ○

d. Locations of operators inspection units being inspected - (HCA's, Geographic areas, Population Density, etc) — Yes ◉ No ○ Needs Improvement ○

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 ◉ No ○ Needs Improvement ○

f. Are inspection units broken down appropriately? — Yes ◉ No ○ Needs Improvement ○

Evaluator Notes:

Yes, this information is found in KPSC Pipeline Safety Branch Procedure Manual 2013, page 1, Development of Inspection Schedule and described below:

"The operators to be inspected are researched with the data available from previous inspections to determine the schedule of the annual safety inspection. Many items determine the priority of our inspections and may include the following: 1. The lost and unaccounted-for gas. 2. The number of leaks from recent surveys. 3. The known past history of the system (i.e. compliance history). 4. The type and condition of pipe. 5. The elapsed time since last inspection. 6. The total miles of main throughout the system. 7. The current number of customers. After the priority list of operators to be inspected has been determined, the operators are listed on a spreadsheet and a schedule is drafted indicating which inspector will conduct which inspection, as well as the approximate month for inspection. There will be times when the schedule will be changed for construction inspections or incident investigations. At that time the inspection will be rescheduled for a later date. All intrastate operators will be inspected at intervals dictated by the priority/risk-ranking, but should not exceed 3 years."

---

9 General Comments: Info Only Info Only

Info Only = No Points

Evaluator Notes:

No areas of concerns were found and KPSC has generally met the requirements of this section of the review.

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) Yes = 5 No = 0 A. Total Inspection Person Days (Attachment 2): 410.00 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 410.00 / 770.00 = 0.53 If Ratio >= 0.38 Then Points = 5, If Ratio < 0.38 Then Points = 0 Points = 5	5	5

Evaluator Notes:
A=410 B=3.5x220=770 410/770=.53246
The ratio was 0.53 which exceeded the minimum of 0.32. Therefore, 5 points awarded

---

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

a.	Completion of Required OQ Training before conducting inspection as lead?	Yes ◉	No ○	Needs Improvement ○
b.	Completion of Required DIMP*/IMP Training before conducting inspection as lead? *Effective Evaluation CY2013	Yes ◉	No ○	Needs Improvement ○
c.	Root Cause Training by at least one inspector/program manager	Yes ◉	No ○	Needs Improvement ○
d.	Note any outside training completed	Yes ◉	No ○	Needs Improvement ○

Evaluator Notes:
Yes, KPSC personnel have completed the mandatory training for Gas Integrity Management in CY2013. Steve Samples is the lead inspector for DIMP/IMP. Other KPSC personnel need to complete the PL31 WBT course to complete the requirement to be a lead inspector. This item was mentioned to James Rice.

		Points(MAX)	Score
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) Yes = 2 No = 0 Needs Improvement = 1	2	1

Evaluator Notes:
The previous program manager left October 31, 2013 for a new position with a private company. KPSC named James Rice as the acting Program Manager in addition to his current duties in the Division of Engineering. He has been in this position for two months and has limited knowledge about PHMSA's Pipeline Safety Grant Program. At this time, one point cannot be given for knowledge of the pipeline safety regulations.

		Points(MAX)	Score
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) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:
PHMSA State Program letter to KPSC Chairman Armstrong, dated November 18, 2013 required a response to Zach Barrett, Director PHMSA State Programs. The response letter was received on January 8, 2013 and within the required 60 day time schedule.

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

Evaluator Notes:
Yes, the last seminar held was at the Marriott Griffin Gate-Lexington, KY in May, 2013. The previous seminar was also held in May 2011. No issues of concern.

---

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:

Yes, a review of files and data base indicated all inspection units are reviewed within the required time schedule. No issues of concern.

---

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) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, a review of files and information in KPSC procedure manual indicate they utilize the federal inspection forms for all operators except Master Meter systems. They have a separate form they use which was developed from the federal distribution standard inspection form by eliminating portions that do not apply to Master Meter pipeline facilities. No issues of concern.

---

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) — 1 — 1

Yes = 1 No = 0

Evaluator Notes:

Yes, this is listed in the federal standard inspection document. As of December 2013, Louisville Gas & Electric has 65 miles of cast iron, Columbia Gas 18.3 miles and City of Fulton 3 miles. Total number of miles is 86.3.

---

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) — 1 — 1

Yes = 1 No = 0

Evaluator Notes:

Yes, this is reviewed and listed in the federal standard inspection document

---

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) — 1 — 1

Yes = 1 No = 0

Evaluator Notes:

Yes, this is reviewed and listed in the federal standard inspection document

---

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) — 1 — 1

Yes = 1 No = 0

Evaluator Notes:

Yes, this is reviewed and listed in the federal standard inspection document

---

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) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, KPSC staff members review each operators' annual reports and contact the operator if a discrepancy is found. No areas of concern.

---

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) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, IMP inspection results for Kentucky Utilities Company were found in PHMSA's IMP database. OQ inspection reviews are performed every three years by KPSC. A review of OQ federal database indicated all OQ inspection performed in CY 2012 by KPSC were recorded correctly. No issues.

---

14 Has state confirmed intrastate transmission operators have submitted information into NPMS database along with changes made after original submission? (G14) — 1 — 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, KPSC GIS department confirms all transmission operators' submitted information into the NPMS. A review of Duke Energy Transmission inspection report on December 13, 2013 indicated this item was checked on page 26 of 39 PHMSA Form 1 (IA) question 8.

---

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) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, a review of inspection reports found this item was checked using PHMSA's form 13. KPSC completed the initial review of all operators' drug and alcohol testing programs in past years but continue to review this item during each inspection visit.

---

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) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, this is checked during the standard inspection visits. No issues found.

---

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 0 (I8-12) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, this is checked during the standard inspection visits. No issues found.

---

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
DIMP ? First round of program inspections should be complete by December 2014 — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

KPSC has made progress in completing 68% of the DIMP inspections in CY2013. A review of files found 163 of the 217 operators under their jurisdiction have been reviewed. KPSC is on schedule to complete all inspections before December, 2014.

---

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)
PAPEI Effectiveness Inspections should be complete by December 2013 — 2 — 0

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

KPSC did not complete all PAPEI inspections before due date of December, 2013. Although this required completion date was listed and discussed with KPSC Program Manager in last year's evaluation, only 51% of all operators were inspected by KPSC staff members. Therefore, a loss of two points occurred.

---

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) — 1 — 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, this is accomplished via an emergency contact list and letter provided to the operators about updates at the KPSC. Additionally, information is provided by their website. No issues.

---

21 Did state execute appropriate follow-up actions to Safety Related Condition (SRC) Reports? Chapter 6.3 (B6) — 1 — 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Two safety related conditions reports were filed. One from Louisville Gas & Electric Company on June 10, 2013 and EQT Gathering LLC on August 15, 2013. KPSC was aware of the two reports and provided feedback to PHMSA Southern Region office. No issues.

---

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) — 1 — 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes. Information is provided to the operator during meetings and discussion about leakage and damages. KPSC has encouraged operators to discuss and share failure data with AGA's Plastic Pipe Data Committee. No issues.

---

23 Did the state participate in/respond to surveys or information requests from NAPSR or PHMSA? (H4) — 1 — 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, they have responded to NARUC and NAPSR on all requests pertaining to cast iron, leakage and damages per 1,000 ticket requests. No issues.

---

24 If the State has issued any waivers/special permits for any operator, has the state verified conditions of those waivers/special permits are being met? This should include having the operator amend procedures where appropriate. — Info Only — Info Only

Info Only = No Points

Evaluator Notes:

No waivers or special permits were issued in CY2013 by KPSC.

---

25 General Comments: — Info Only — Info Only

Info Only = No Points

Evaluator Notes:

Loss of points occurred at the following questions:

C.3 The previous program manager left October 31, 2013 for a new position with a private company. KPSC named James Rice as the acting Program Manager in addition to his current duties in the Division of Engineering. He has been in this

position for two months and has limited knowledge about PHMSA's Pipeline Safety Grant Program. At this time, one point cannot be given for knowledge of the pipeline safety regulations.

C.19 KPSC did not completed all PAPEI inspections before due date of December, 2013. Although this required completion date was listed and discussed with KPSC Program Manager in last year's evaluation, only 51% of all operators were inspected by KPSC staff members. Therefore, a loss of two points occurred.

Total points scored for this section: 43
Total possible points for this section: 46

PART D - Compliance Activities

		Points(MAX)	Score
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 ◉ No ○ Needs Improvement ○

b. Procedures to routinely review progress of compliance actions to prevent delays or breakdowns — Yes ◉ No ○ Needs Improvement ○

Evaluator Notes:

Yes, a review of KPSC Procedure Manual show all correspondence is sent to the company officer/owner when a noncompliance is found. Additionally, the procedures describe the following: KPSC provides 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. No issues.

		Points(MAX)	Score
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 ◉ No ○ Needs Improvement ○

b. Were probable violations documented? — Yes ◉ No ○ Needs Improvement ○

c. Were probable violations resolved? — Yes ◉ No ○ Needs Improvement ○

d. Was the progress of probable violations routinely reviewed? — Yes ◉ No ○ Needs Improvement ○

Evaluator Notes:

Yes, a review of data base and files found the compliance letters are sent to the company officer or manager. During the inspection visit, KPSC inspectors verify the company officer name and any changes in the address. This information is updated each year into the KPSC data base.

A review of all inspection files in 2013, indicated documentation of all probable violations was noted, corrective actions taken by the operator and closure of the inspection report was complete. Additionally, the status of all violations opened or closed is maintained on a spreadsheet

---

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

Evaluator Notes:

A review of KPSC Deficiency Tracking Report data base indicated all probable violations were followed up with written communication. No issues.

		Points(MAX)	Score
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

Evaluator Notes:

Yes, operators are given an opportunity to provide information that argues a probable violation did not occur on the Deficiency Tracking Report by answering the three questions. Additionally, an informal meeting may be conducted to resolve the probable violation before going to a show cause hearing.

		Points(MAX)	Score
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)	2	2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, the acting Program Manager is familar with the process which has not changed in the last year. This process is described in KPSC Procedure Manual Tab IV, page 5 of 11. No issues.

---

6 Can the State demonstrate it is using their enforcement fining authority for pipeline safety violations? 1 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, the civil penalties against LG&E and City of Tompkinsville Natural Gas in CY2013 for $126,500 are an indication of their enforcement fining authority. No issues.

---

7 General Comments: Info Only Info Only

Info Only = No Points

Evaluator Notes:

No areas of concerns were found and KPSC has generally met the requirements of this section of the review.

Total points scored for this section: 15
Total possible points for this section: 15

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) Yes = 2 No = 0 Needs Improvement = 1	2	2

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, KPSC uses the annual letter to all operators with instructions on how to report an incident to KPSC. A review of files found the letter was mailed on December 5, 2013 along with a log sheet reporting all reportable accidents. James Rice, Acting Program Manager, was familiar with the location of the two MOU documents and cooperation between PHMSA and state programs when an accident or incident occurs in Kentucky.

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) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:
Yes, KPSC will use the telephonic notification information from the operator to determine if they need to go or not go. Often staff members will go to the site to evaluate the incident or leak. No issues.

3	Were all incidents investigated, thoroughly documented, and with conclusions and recommendations? (D5) Yes = 3 No = 0 Needs Improvement = 1-2	3	3

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:
Yes, a review of the Duke Energy draft incident report which was still a work in progress indicated the investigation was thoroughly documented with contributing factors and other observations reviewed. The report is being reviewed by the Directors and it is anticipated the final report will be released in June, 2014. The incident occurred on January 13, 2013 at 1615 Water Works Road in Newport, KY.

4	Did the state initiate compliance action for violations found during any incident/accident investigation? (D6) Yes = 1 No = 0	1	1

Evaluator Notes:
KPSC is concerning not citing Duke Energy due to the location of the service line which was found to be non-jurisdictional. This is a customer owned line.

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) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:
Yes. A discussion with Chris Taylor, PHMSA Southern Region, indicated KPSC responded to the Columbia Gulf line Knifley, KY in 2013 and other related incidents. No issues.

6	Does state share lessons learned from incidents/accidents? (sharing information, such as: at NAPSR Region meetings, state seminars, etc) (G15) Yes = 1 No = 0	1	1

Evaluator Notes:

Information on accidents and incidents is shared at TQ Seminars and during standard inspections. No issues.

---

7 General Comments: Info Only Info Only

Info Only = No Points

Evaluator Notes:

No areas of concerns were found and KPSC has generally met the requirements of this section of the review.

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:
During KPSC standard and construction inspections, they verify the operators' procedures contain information on directional drilling. This question is listed on the Supplemental Inspection form used and attached to PHMSA Standard inspection form. No issues.

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:
Yes, this question and item is addressed in the KPSC Supplemental Inspection sheet which is used and attached to their inspection forms.

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:
Yes, this question and item is addressed in the KPSC Supplemental Inspection sheet which is used and attached to their inspection forms.

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:
Yes, this information is reviewed by KPSC members during the annual report filings by the operators.

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

Evaluator Notes:
No areas of concerns were found and KPSC has generally met the requirements of this section of the review.

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:
Atmos Energy Corporation

Name of State Inspector(s) Observed:
Joel W, Grugin, Public Utility Investigator

Location of Inspection:
Campbellsville, Kentucky

Date of Inspection:
March 25, 2014

Name of PHMSA Representative:
Glynn Blanton

Evaluator Notes:
This was a standard inspection performed in Atmos Energy's office. Due to inclement weather the field portion of the inspection could not be performed. This was an office records review.

---

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, Atmos Energy Corporation employees were notified several weeks prior to the scheduled standard inspection review.

---

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:
It was observed Mr. Grugin used PHMSA Standard Inspection form #2 to monitor the review of the items checked and reviewed. He completed each section of the review and the operator's representatives provided the answers to the questions. No areas of concern were noted or found.

---

4 Did the inspector thoroughly document results of the inspection? (F4) — 2 / 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:
Yes, Mr. Grugin performed a thorough review on maintenance records pertaining to odorization, leak survey and repair, pipeline patrolling, regulator station and relief valve testing, operator qualifications and public awareness review.

---

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 / 1

Yes = 1 No = 0

Evaluator Notes:
Yes, operator representatives had electronic records and procedures available. As requested, documentation was provided electronically to demonstrate maintenance work was performed and completed. No issues.

---

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:

Yes, procedures and records were checked. This was an office records and procedure review. No field inspection was performed.

---

7 Did the inspector have adequate knowledge of the pipeline safety program and regulations? (Evaluator will document reasons if unacceptable) (F8) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, Mr. Grugin demonstrated excellent knowledge of the pipeline safety regulations and explained in detail any areas of concern he found or noted. Additionally, Mr. Grugin has completed all core training requirements and DIMP and Public Awareness courses at TQ 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) — 1 — 1

Yes = 1 No = 0

Evaluator Notes:

Yes, Mr. Grugin performed an exit interview with Mike Close, Operations Supervisor and Ronnie Benningfield, Operations Manager immediately at the end of the inspection. He noted two areas of concern but no violations were found or cited.

---

9 During the exit interview, did the inspector identify probable violations found during the inspections? (if applicable) (F10) — 1 — 1

Yes = 1 No = 0

Evaluator Notes:

No violations were found or noted. One area of concern was the schedule date to replace a section of a service line. It was agreed, information on the replacement of the service line would be provided to KPSC in the coming month.

---

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 — Info Only

Info Only = No Points

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

z.	Prevention of Accidental Ignition	☐
A.	Repairs	☐
B.	Signs	☐
C.	Tapping	☐
D.	Valve Maintenance	☒
E.	Vault Maintenance	☐
F.	Welding	☐
G.	OQ - Operator Qualification	☒
H.	Compliance Follow-up	☐
I.	Atmospheric Corrosion	☒
J.	Other	☐

Evaluator Notes:

Mr. Grugin performed a standard inspection and reviewed Operator Qualification documentation as a supplemental item to the inspection. Listed above is the office records observed and reviewed during this inspection.

Total points scored for this section: 12
Total possible points for this section: 12

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:
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:
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:
KPSC is not an interstate agent.

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:
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:
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:
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:
KPSC is not an interstate agent.

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

Evaluator Notes:
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:
KPSC does not have a Section 60106 agreement with PHMSA.

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:
KPSC does not have a Section 60106 agreement with PHMSA.

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:
KPSC does not have a Section 60106 agreement with PHMSA.

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:
KPSC does not have a Section 60106 agreement with PHMSA.

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:
KPSC does not have a Section 60106 agreement with PHMSA.

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:
KPSC does not have a Section 60106 agreement with PHMSA.

7	General Comments: Info Only = No Points	Info Only	Info Only

Evaluator Notes:
KPSC does not have a Section 60106 agreement with PHMSA.

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