

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of an Investigation into)
The City of New Florence, Missouri's)
Compliance with the Commission's)
Rules Regarding Natural Gas Safety)
Found at 4 CSR 240-40.030)

File No. GS-2017-0324

PROGRESS REPORT

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and in response to the Commission's June 29, 2018 *Order Directing Staff to File Progress Report* (Order), states as follows:

1. The Commission's Order directing Staff to file a progress report by December 31, 2018 was issued the same day, June 29, 2018, when Staff filed its second progress report in this matter. Staff filed its first progress report on December 29, 2017.

2. The Commission opened this investigation docket on June 28, 2017, in response to a Motion to Open Case filed by Staff on June 6, 2017, in which Staff requested the Commission open an investigation into the City of New Florence's (City) compliance with the Commission's gas safety rules.

3. As shown in the attached Progress Report memorandum, Staff has continued to work with the City regarding its compliance with Commission Rule 4 CSR 240-40.030, and the City has made progress in its compliance with the rule; however, there are still some outstanding compliance concerns that the City is working with Staff

to resolve. Therefore, Staff recommends that the Commission keep this docket open. Staff proposes to provide an additional progress report, or pursue other actions as appropriate, no later than March 29, 2019.

WHEREFORE, Staff submits the attached Progress Report pursuant to the Commission's June 29, 2018 Order, and requests the Commission issue an order directing Staff to file an additional progress report or other filing as appropriate no later than March 29, 2019.

Respectfully submitted,

/s/ Robert S. Berlin

Robert S. Berlin
Deputy Staff Counsel
Missouri Bar No. 51709

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 526-7779 (Telephone)
(573) 751-9285 (Fax)
bob.berlin@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically served to all counsel of record this 28th day of December, 2018.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File Case No. GS-2017-0324

FROM: Clinton L. Foster, Utility Engineering Specialist II
Safety Engineering Department

/s/ Kathleen A. McNelis, PE 12/28/2018
Commission Staff Division / Date

/s/ Robert S. Berlin 12/28/2018
Staff Counsel's Office / Date

SUBJECT: Staff's Progress Report in the Matter of an Investigation into the City of New Florence, Missouri's Compliance with the Commission's Rules Regarding Natural Gas Safety Found at 4 CSR 240-40.030

DATE: December 28, 2018

A. Change in City Personnel Operating the Natural Gas System: On August 7, 2018, the Mayor of the City of New Florence (City) informed Staff that the City Superintendent had been replaced. The City stated the new City Superintendent would be in contact with Safety Engineering Department Staff (Staff).

On August 17, 2018, Staff contacted the new City Superintendent by telephone to set up a meeting. It was agreed upon that Staff would visit either August 22, or 23, 2018. During the phone call the City Superintendent mentioned that the City had some turnover with its mayor. On August 20, 2018 Staff called the City Superintendent to confirm the meeting the following week. The City Superintendent informed Staff he planned to terminate his employment with the City effective sometime during the same week. On August 21, 2018, Staff was informed by the City Clerk that the City Superintendent had terminated his employment with the City. Staff was informed that the City of Hermann would be operating the natural gas system for the City of New Florence.

In the past, the City of New Florence retained the City of Hermann as a contractor to perform certain covered tasks on the City of New Florence's natural gas system, including certain tasks that the New Florence City Superintendent was not qualified to perform. Apart from this work, the City of Hermann operates natural gas systems in the cities of Hermann and Middletown, Missouri, and provides natural gas to the City of New Florence. There are no unresolved findings from the most recent Standard Records and Field Inspection, and Operator Qualification Program Inspection Staff conducted with the City of Hermann¹.

Staff contacted the Mayor of the City of New Florence on August 21, 2018. Mayor Pro Tempore Bonnie Nordwald stated that the City of New Florence intended to contact the City of Hermann to let it know of the situation in the City so that it will be prepared to respond in the event of an emergency.

¹ Staff's most recent Standard Records and Field Inspection, and Operator Qualification Program Inspection were conducted on July 28, 2017, and July 13, 2017 respectively.

On September 13, 2018, Staff contacted the City Clerk to inquire about the status of the City's natural gas system. The City Clerk informed Staff that a new City Superintendent was in the City's employ, but was not yet prepared to take over the City's natural gas system. The City stated that the City of Hermann had been retained for any emergency work necessary on the system.

On November 1, 2018, Staff met with the City's new City Superintendent. Staff discussed operator qualification requirements² for natural gas operators in the State of Missouri. Staff also informed the City Superintendent that the City was due for a Standard Records and Field Inspection³, and that someone from Staff would be in contact to set up a date for the inspection.

B. Standard Records and Field Inspection: Staff continued to work with the City regarding the inspection findings of the July 6, 2016, standard records and field inspection. The City made sufficient progress to close all of the Areas of Concern and all except one of the Areas of Probable Violations identified in Staff's inspection summary letter and follow up letters to the City.

The remaining Area of Probable Violation (APV) from the July 6, 2016 inspection pertained to the qualification of the City's former superintendent to perform specific covered tasks on the pipeline⁴. Staff no longer finds this issue relevant to this investigation since it is related to the qualifications of an individual who is no longer operating the City's natural gas system. Staff plans to address any new or continuing issues with the City's new Superintendent. Staff has scheduled a Standard Records and Field Inspection of the City of New Florence for January 2, 2019 with the new City Superintendent.

C. Additional Staff Inspections: Since the opening of this investigation, Staff has conducted the following additional inspections to investigate the City's compliance with additional requirements of 4 CSR 240-40.030:

1. Public Awareness Plan and Effectiveness Evaluation Inspection

A Public Awareness Plan (PAP) and Public Awareness Plan Effectiveness Evaluation (PAPEE)⁵ inspection was conducted on September 11, 2017, and an inspection summary was sent to the City on September 12, 2017. The City is working towards compliance with the requirements; however, not all inspection items have been satisfactorily completed.

² Operator qualification regulatory requirements are found in 4 CSR 240-40.030(12)(D).

³ One of the requirements under our pipeline safety base grant is that Missouri has and follows a Pipeline Safety Program Plan. Missouri's Pipeline Safety Program Plan states that it is the goal of Missouri Pipeline Safety to conduct a standards records and field inspection of each operator, regardless of size or risk level at an interval of no longer than 2 years, however, under certain circumstances, there may be occasions where lower risk operators are inspected less frequently. These circumstances include a shortage of qualified inspection Staff due to employee turnover, qualified Staff otherwise occupied on incident investigations or litigation or more time-critical initiatives.

⁴ Operator qualification regulatory requirements are found in 4 CSR 240-40.030(12)(D).

⁵ Regulatory requirements are in 4 CSR 240-40.030(12)(K).

Natural gas pipeline operators in Missouri are required to follow the requirements outlined in 4 CSR 240-40.030(12)(K). 4 CSR 240-40.030(12)(K)2 requires that the operator must follow the general program recommendations, including baseline and supplemental requirements of the American Petroleum Institute (API) Recommended Practice (RP) 1162.⁶ One of the requirements in the API RP 1162 is to conduct periodic PAP effectiveness evaluations at a frequency of no more than 4 years apart.

The API RP 1162 provides examples of survey forms that may be used to obtain feedback from four stakeholder groups: the affected public, local public officials, excavators, and emergency officials. The City has made progress towards completion of this task, but has not yet completed all of the required effectiveness evaluations.

Staff has provided the City with details on the remaining requirements, most recently in a letter dated May 11, 2018 and discussed during Staff's June 14, 2018 on-site follow-up with the City.

No additional progress has been made by the City. Staff intends to renew its efforts regarding compliance with the requirements of 4 CSR 240-40.030(12)(K) following the standard records and field inspection, scheduled for January 2019.

2. Distribution Integrity Management Inspection

In order to comply with the Distribution Integrity Management Program (DIMP) requirements specified in 4 CSR 240-40.030(17), a distribution pipeline operator must among other things re-evaluate threats and risks on its entire pipeline at least every five (5) years.⁷

- To re-evaluate threats, an operator must consider reasonably available information, including such data sources as incident and leak history, corrosion control records, continuing surveillance records, patrolling records, maintenance history and excavation damage. As a minimum, the operator must consider the threats of corrosion, natural forces, excavation damage, other outside force damage, material or welds, equipment failure, incorrect operation and other concerns that could threaten the integrity of its pipeline.⁸
- To evaluate and rank risks, an operator must consider each applicable and current and potential threat to its pipeline, the likelihood of failure associated with each threat and the potential consequences of failure.⁹

⁶ Unless the operator provides written justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and unnecessary for safety.

⁷ 4 CSR 240-40.030(17)(D)6.

⁸ 4 CSR 240-40.030(17)(D)2.

⁹ 4 CSR 240-40.030(17)(D)3.

A DIMP inspection was conducted on October 30, 2017. An inspection summary was sent to the City on November 7, 2017. The City provided a revised distribution integrity management program plan on June 11, 2018. The revised plan does not satisfy all of the requirements of 4 CSR 240-40.030(17)(D). Staff met with the City on June 14, 2018 to discuss the required amendments. A follow-up letter was sent detailing these requirements on June 21, 2018 and requesting a revised plan by July 30, 2018.

No additional progress has been made by the City. Staff intends to renew its efforts regarding compliance with the requirements of 4 CSR 240-40.030(17) following the standard records and field inspection, scheduled January 2019.

3. Operator Qualification Program Inspection

An Operator Qualification (OQ)¹⁰ program inspection was conducted on October 31, 2017. An inspection summary was sent to the City on November 6, 2017. Staff requested a response within 30 days, and has not yet received a response.

Staff has provided the City with details on the remaining requirements, most recently in a letter dated May 11, 2018 and discussed during Staff's June 14, 2018 on-site follow-up with the City.

No additional progress has been made by the City. Staff intends to renew its efforts regarding compliance with these requirements following the standard records and field inspection, scheduled for January 2019.

4. Operations & Maintenance (O&M) and Emergency Plan Inspection

An O&M and Emergency Plan inspection was conducted on December 18, 2018 with the new City Superintendent. An inspection summary will be sent to the City within 30 days of the inspection date.

Staff's Recommendation:

Because there have been delays in achieving compliance due to turn-over of the City's operating personnel, Staff recommends that the Commission keep the case open. Staff proposes to provide an additional progress report, or pursue other actions as appropriate, no later than March 29, 2019.

¹⁰ Regulatory requirements are in 4 CSR 240-40.030(12)(D).