

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
BEFORE THE  
DIVISION OF PUBLIC UTILITIES AND CARRIERS

In Re: Notice of Probable Violation 06-2 Issued to New England Gas Company	) ) ) ) )	Docket No. D-06-54
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SETTLEMENT AGREEMENT

The Advocacy Section of the Division of Public Utilities and Carriers (the "Advocacy Section") and National Grid, formerly operating as the New England Gas Company (the "Company"), collectively referred to herein as the "Parties," have reached an agreement in connection with the administrative gas-safety violations issued by the Division of Public Utilities and Carriers ("Division") as set forth below:

**I. RECITALS**

1. In a letter dated May 22, 2006, the Division issued a Notice of Probable Violations ("NOPV") containing numerous alleged violations against the Company based on conditions found and records reviewed in the course of the Division's inspection program to verify the Company's compliance with the Federal Pipeline Safety Regulations, 49 CFR Parts 190- 199.

2. The NOPV was designated NOPV No. 06-2 and related to the Division's inspection for the natural gas master meter operator Oxbow Farms Apartments located in Middletown, Rhode Island. A copy of the May 22, 2006 letter is attached hereto and marked "Exhibit A."

3. After the issuance of Exhibit A, the Company indicated that it would like to further discuss the specifics of the alleged violations. On July 17, 2006, pursuant to the Division's Regulations Regarding Gas Pipeline Safety Enforcement Procedures, the Division and the Company had an informal hearing.

4. After the informal hearing, the Company provided additional records to the Division that further explained and documented their position regarding each violation contained in the NOPV.

5. After the informal hearing and following the Division review of the Company's documentation, the Division issued another letter to the Company dated August 29, 2006. A copy of the August 29, 2006 letter is attached hereto and marked "Exhibit B." The August 29, 2006 letter summarized the eight violations originally issued in the NOPV, the Company's response to the violations, and the Division's findings. The August 29, 2006 letter maintained six of the original violations, withdrew two of the alleged violations, and provided the Company the opportunity to request a formal evidentiary hearing if it was further aggrieved by the Division's findings and imposition of its penalty.

6. On September 7, 2006, the Company requested a formal evidentiary hearing from the Division regarding NOPV 06-2. The Division docketed this matter as Division Docket No. D-06-54.

7. On September 29, 2006, the Advocacy Section, the Division, and the Company held a prehearing conference in this proceeding. After the prehearing conference, the Company met with the Advocacy Section and further discussed the nature and specifics of the alleged violations contained in Exhibit B.

8. On October 20, 2006, the Parties met again to discuss the nature and specifics of the remaining alleged violations contained in Exhibit B.

9. After much discussion, the Parties arrived at a mutually satisfactory settlement of the NOPV and associated penalties that were the subject of Exhibits A and B.

10. The Parties believe that this settlement, as a whole, constitutes a just and reasonable resolution of the issues in this proceeding, and jointly request its approval by the Division.

## **II. TERMS OF SETTLEMENT**

1. With respect to the alleged violations listed in Exhibit B, the Parties agree as follows:

- a. Violation 1: The Company agrees that it violated 49 CFR §192.455(a)(2) by being unable to verify the exact installation date of the galvanic cathodic protection system.
- b. Violation 2: This alleged violation has been withdrawn.
- c. Violation 3: The Company agrees that it violated 49 CFR §192.465(a) in the years 1971-1977, 1980, 1988-1989, and 1994 by declaring these records as missing. The Division has withdrawn the alleged violation regarding 49 CFR §192.465(b).
- d. Violation 4: This alleged violation has been withdrawn.
- e. Violation 5: This alleged violation has been withdrawn.

- f. Violation 6: The Company agrees that it violated 49 CFR §192.491(a) by not being able to provide any records or maps that show the location of the galvanic anodes installed at the Oxbow Farms Apartments. The Parties agree that this violation is related to Violation 1 above. The Division has withdrawn the alleged violations regarding 49 CFR §192.491(b) and (c).
- g. Violation 7: The Company agrees that it violated 49 CFR §192.723(b) by failing to provide documentation that a leakage survey was performed in the years 1976, 1981, 1986, 1991, 1994, 1997, and 2000. The Company and Advocacy Section have reached a mutually acceptable procedure going forward, described in paragraphs 3 and 4 below, with regard to record retention for leakage surveys.
- h. Violation 8: This alleged violation has been withdrawn.
2. Thus, the Company agrees to the combined Violations 1 and 6, Violation 3(a), and Violation 7.
3. With regard to Violation 7, the Company agrees to include the following language in the Company's Operating Procedures Manual:
- For all types of leakage surveys performed as a requirement of §192.723, National Grid shall maintain records for a period no less than that for the most currently completed and immediately prior leak surveys.*
4. The Advocacy Section agrees that with regard to 49 CFR §192.723, until December 31, 2008, the Division shall limit enforcement actions to that of a "warning" when the Company is unable to produce a record of an "immediately prior leak survey."
5. The Company agrees to pay the General Treasurer, State of Rhode Island the following penalties with respect to the agreed-to violations contained in Part II,

Paragraph 2 of this Settlement Agreement: \$10,000 for the combined Violations 1 and 6, \$10,000 for Violation 3(a), and \$10,000 for Violation 7, for a total penalty of \$30,000.

6. The Company further agrees that its shareholders shall assume the entire burden of the penalties imposed upon the Company by this Settlement Agreement. Accordingly, the Company agrees that it shall not make any filing(s) in any forum(s) that seek(s) to recover in rates all or any portion of the penalties assessed upon the Company by this Settlement Agreement. Nor shall the Company, by any other means, seek to recover all or any portion of the penalties assessed upon the Company by this Settlement Agreement.
7. The Company waives its right to file a Request for Formal Hearing.
8. The Advocacy Section and the Company further propose that this Settlement Agreement, upon adoption by the Division, shall constitute a Final Order of the Division. The Company waives any and all right of appeal or judicial review that might otherwise attach to a Final Order of the Division.

### **III. EFFECT OF SETTLEMENT**

1. This Settlement Agreement is the result of a negotiated settlement. The discussions which have produced this Settlement Agreement have been conducted with the explicit understanding that all offers of settlement and discussion relating thereto are and shall be privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection with these or other proceedings.

2. The agreement by any party to the terms of this Settlement Agreement shall not be construed as an agreement as to any matter of fact or law beyond the terms thereof. By entering into this Settlement Agreement, matters or issues other than those explicitly identified in this agreement have not been settled upon or conceded by any party to this Settlement Agreement, and nothing in this agreement shall preclude any party from taking any position in any future proceeding regarding such unsettled matters.

3. Payment of \$30,000 is due upon the filing of this Settlement Agreement with the Division, and should be made by check or money order payable to the "General Treasurer, State of Rhode Island," and delivered to the attention of: Charles Brown, Division of Public Utilities and Carriers, 89 Jefferson Blvd., Warwick, Rhode Island 02888.


IN WITNESS WHEREOF, the Parties agree that this Settlement Agreement is reasonable, in the public interest, and in accordance with law and regulatory policy, and have caused this agreement to be executed by their respective representatives, each being authorized to do so.

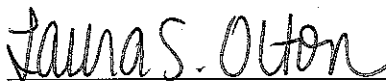
**ADVOCACY SECTION OF THE  
DIVISION OF PUBLIC UTILITIES  
AND CARRIERS**

**THE NARRAGANSETT ELECTRIC  
COMPANY, d/b/a NATIONAL GRID**

By its attorney,

By its attorney,

  
\_\_\_\_\_  
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150 South Main Street  
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280 Melrose Street  
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Dated: November 29 2006



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

**DIVISION OF PUBLIC UTILITIES AND CARRIERS**89 Jefferson Blvd.  
Warwick, R.I. 02888  
(401) 941-4500

FAX (401) 941-4885

The New England Gas Company  
100 Weybosset Street  
Providence, R.I. 02903

May 22, 2006

Attn: Mike Sullivan  
Vice President of Operations**Notice of Probable Violations 06-2**

The Division, through an agreement with the U.S. Department of Transportation, Office of Pipeline Safety, is charged with the enforcement of the Code of Federal Regulations (CFR) Chapter 49 Parts §190-§199 inclusive. These regulations pertain to the safe operation and maintenance of underground natural gas pipelines within Rhode Island. As part of the above-mentioned regulations, the Division has the authority to observe and review construction and maintenance procedures and records of all utilities operating natural gas lines. Also included in the enforcement of CFR 49, is the Division's responsibility to issue a Notice of Probable Violation ("NOPV") when an investigation finds a "probable" violation to the above – referenced regulations.

As a result of your May 11<sup>th</sup>, 2006 inspection for the natural gas master meter operator Oxbow Farms Apartments located in Middletown, Rhode Island, it appears you have committed multiple probable violations of Federal Codes 49 CFR:

- Part §192.455(a)(1)(2) External corrosion control: Buried pipelines installed after July 31, 1971
- Part §192.463(a) External corrosion control: Cathodic protection
- Parts §192.465(a) & (b) External corrosion control: Monitoring
- Part §192.469 External corrosion control: Test stations
- Parts §192.481 (a) & (b) & (c) Atmospheric corrosion control: Monitoring
- Parts §192.491 (a) & (b) & (c) Corrosion control records
- Parts §192.723 (a) & (b)(2) Distribution systems: Leakage surveys
- Parts §192.747 (a) & (b) Valve maintenance: Distribution systems

## **Background:**

During the replacement of a leaking gas regulator at the Oxbow Farms Apartments New England Gas (NEG) was given a copy of a letter dated April 30<sup>th</sup>, 1979, from Henry Capotosto, the Division Manager of the Newport Division of the former Providence Gas Company. The letter, provided by Oxbow Farms management, stated NEG was responsible for all ownership and maintenance of the natural gas pipelines downstream of the gas meter at the facility. Since there are approximately forty (40) master meter operators in the state currently maintaining their own gas pipelines downstream of the gas meter the Oxbow Farms facility is an exception to the common practice of pipeline safety responsibility. On March 23<sup>rd</sup> the Division was contacted by NEG that they were responsible for pipeline safety at the Oxbow Farms facility.

On May 11<sup>th</sup> the Division instituted an inspection for pipeline safety compliance pertaining to the Oxbow Farms facility. Since the gas pipeline system was installed in 1971 the Division requested all compliance records dating back to that time period. Based on the minimum records obtained the Division recorded the following probable pipeline safety violation details.

**Federal Code 49 CFR Part §192.455(a)(1)(2)** External corrosion control: Buried pipelines installed after July 31, 1971 requires each buried pipeline installed after July 31, 1971, to be protected against external corrosion, including the following: (1) It must have an external protective coating meeting the requirements of §192.461. (2) It must have a cathodic protection system designed to protect the pipeline in accordance with this subpart, installed and placed in operation within 1 year after completion of construction.

### **Division Findings:**

One (1) violation of **§192.455(a)(1)** *Per exhibit "A" the company was unable to verify if the pipe coating used at the time of installation met the requirements of §192.461.*

One (1) violation of **§192.455(a)(2)** *Per exhibit "A" the company was unable to verify the exact installation date of the galvanic cathodic protection system.*

**Federal Code 49 CFR Part §192.463(a)** External corrosion control: Cathodic protection (a) Requires each cathodic protection system to provide a level of cathodic protection that complies with one or more of the applicable criteria contained in Appendix D of this part.

### **Division Findings:**

Nineteen (19) violations of **§192.463(a)** *Per exhibit "A" the company was unable to verify if the galvanic anodes or rectifier system cathodic protection system(s) installed in 1971 provided a level of cathodic protection that complies with one or more of the applicable criteria contained in Appendix D of this part for the years, 1972-1983, 1984-1991, and 1994. Although the company did provide records of pipe to soil readings for the years 1978-1982, 1984-1986, and 1989-1991, the records unfortunately cannot be accepted due to the fact they do not specifically include the test station box P-022P-055 as indicated on the remaining surveys.*



**Federal Code 49 CFR Part §192.465(a)(b)** External corrosion control: Monitoring. (a) Requires each pipeline that is under cathodic protection to be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of §192.463. (b) Requires each cathodic protection rectifier or other impressed current power source to be inspected six (6) times each calendar year, but with intervals not exceeding 2 1/2 months, to insure that it is operating.

Division Findings:

Twenty (20) violations of **§192.465(a)** *Per exhibit "A" the company did not test at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of §192.463 in the years 1972-1983, 1984-1991, and 1994. Although the company did provide records of pipe to soil readings for the years 1978-1982, 1984-1986, and 1989-1991, the records unfortunately cannot be accepted due to the fact they do not specifically include the test station box P-022P-055 as indicated on the remaining surveys. Between the years 2002 and 2003 the test sequence exceeded the 15 month limit by 2 ½ months.*

Twenty-four (24) violations of **§192.465(b)** *Per exhibit "B" the company did not test the 23-Union Street Rectifier as required in the years 1978-2002, and only two (2) recordings were listed for the year 2003 instead of the required six (6). In the year 2005 the readings of 01/03/2005 and 03/21/2005 exceeded the 2 ½ months allowance by three (3) days.*

**Federal Code 49 CFR Part §192.469** External corrosion control: Test stations. Requires that each pipeline under cathodic protection to have sufficient test stations or other contact points for electrical measurement to determine the adequacy of cathodic protection.

Division Findings:

The Division finds one (1) violation of Part **§192.469**. *Code §192.465(e)(2) specifically states that an electrical survey means a series of closely spaced pipe-to-soil readings over a pipeline that are subsequently analyzed to identify locations where a corrosive current is leaving the pipeline. §192.469 Requires that each pipeline under cathodic protection to have sufficient test stations or other contact points for electrical measurement to determine the adequacy of cathodic protection. Since the company is relying on only one test point identified as the test station box P-022P-055 to determine the adequacy of a rectifier cathodic protection system provided by the 23-Union Street rectifier on a closed loop gas pipeline system that runs approximately 2.25 miles in length the Division finds the use of only one test station to be inadequate and unacceptable on a system that may in fact be electrically shorted anywhere within the 2.25 mile duration of pipeline on the property.*

**Federal Code 49 CFR Part §192.481(a)** Atmospheric corrosion control: Monitoring.

(a) Requires each operator to inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows: If the pipeline is located onshore then the frequency of inspection is at least once every 3 calendar years, but with intervals not exceeding 39 months.

Division Findings:

Twenty-seven (27) violations of **§192.481(a)** *Per exhibit "C" the company did not perform any atmospheric corrosion control monitoring in the years 1974-2001.*

**Federal Code 49 CFR Part §192.491(a)(b) Corrosion control records.**

(a) Requires each operator to maintain records or maps to show the location of cathodically protected piping, cathodic protection facilities, galvanic anodes, and neighboring structures bonded to the cathodic protection system. Records or maps showing a stated number of anodes, installed in a stated manner or spacing, need not show specific distances to each buried anode.

(b) Each record or map required by paragraph (a) of this section must be retained for as long as the pipeline remains in service.

Division Findings:

One (1) violation of §192.491(a) *Per exhibit "A" the company did not provide any records or maps to show the location of cathodically protected piping, cathodic protection facilities, galvanic anodes, and neighboring structures bonded to the cathodic protection system.*

One (1) violation of §192.491(b) *Per exhibit "A" the company did not retain each record or map required by paragraph (a) of this section for as long as the pipeline remains in service.*

**Federal Code 49 CFR Part §192.723(2) Distribution systems: Leakage surveys.**

(2) A leakage survey with leak detector equipment must be conducted outside business districts as frequently as necessary, but at least once every 5 calendar years at intervals not exceeding 63 months. However, for cathodically unprotected distribution lines subject to § 192.465(e) on which electrical surveys for corrosion are impractical, a leakage survey must be conducted at least once every 3 calendar years at intervals not exceeding 39 months.

Division Findings:

Eight (8) violations of §192.723(b) *Per exhibit "C" the company did not perform leak surveys in 1976, 1981, 1986, and 1991. The former Providence Gas Company, which conducted all leak surveys on a three year basis, did not perform leak surveys in the years 1994, 1997, and 2000. The leak survey completed in 2003, although the document is not dated, failed to leak survey Bldg. 4 and Bldg. 6 on the Oxbow Farms property because the buildings were not identified on the provided maps to the contractor.*

**Federal Code 49 CFR Part §192.747(a) Valve maintenance: Distribution systems.**

(a) Each valve, the use of which may be necessary for the safe operation of a distribution system, must be checked and serviced at intervals not exceeding 15 months, but at least once each calendar year.

Division Findings:

Thirty-four (34) violations of §192.747(a) *Since the company does not have a valve specifically designated as a critical valve designed to shut down the entire 2.25 miles of natural gas pipeline at the Oxbow Farms complex the company failed to check and service at intervals not exceeding 15 months, but at least once each calendar year each valve, the use of which may be necessary for the safe operation of a distribution system in the years 1972-2006.*

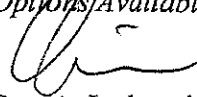
Pursuant to 49 U.S.C. § 1679a(a)1, 49 C.F.R. § 190.223, and R.I.G.L. § 39-3-40, any gas utility that is determined to have violated any provision of the Natural Gas Pipeline Safety Act or any order or regulation issued under that Act is subject to a civil penalty not to exceed \$10,000 for each violation, for each day that the violation persists; The Division has determined there are one hundred and thirty-seven probable violations in total associated with NOPV 06-2 for a total of a potential minimum fine of one million three-hundred and seventy thousand dollars (\$1,370,000). Realizing the enormous nature of this proposed fine the Division has considered the guidance of **Part §190.225 Assessment considerations**, listed below, in determining the final amount of a civil penalty we believe is more appropriate to the circumstances at hand. In our determination we considered that prior to 1992 the Oxbow Farms Apartments was under the pipeline safety jurisdiction of the former Newport Gas Company and out of the direct control of the New England Gas Company. We also considered that Oxbow Farms Apartments is an exception to our common practice of master meter operators maintaining their own pipelines. And finally we have considered the fact that the company will install, as they have agreed in principal, a critical valve and additional cathodic protection test stations as needed at the Oxbow Farms Apartments.

In conclusion, the Division will assess a civil penalty of ten-thousand dollars (\$10,000) for each of the eight (8) separate CFR violations for a total of eighty-thousand dollars (\$80,000). The determination for this amount was guided by the fact that the company failed to conduct good business practice and subjected potentially thousands of people to harms way for a period of over thirty-five (35) years by not being providing the tenants at Oxbow Farms the same minimum pipeline safety considerations their fellow rate payers have received year in and year out.

**Part §190.225 Assessment considerations**

- (1) The nature, circumstances and gravity of the violation, including adverse impact on the environment;
  - (2) The degree of the respondent's culpability;
  - (3) The respondent's history of prior offenses;
  - (4) The respondent's ability to pay;
  - (5) Any good faith by the respondent in attempting to achieve compliance;
  - (6) The effect on the respondent's ability to continue in business; and
- (b) The Division may consider:
- (1) The economic benefit gained from violation, if readily ascertainable, without any reduction because of subsequent damages; and
  - (2) Such other matters as justice may require.

You have twenty days to respond to the Division per the guidelines outlined in the Divisions **Regulations Regarding Gas Pipeline Safety Enforcement Procedures, Section VII. Response Options Available to the Operator.**

  
Don A. Ledversis  
Gas Pipeline Safety Engineer  
RIDPUC

Cc: Thomas Ahern  
James Lanni



## STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

**DIVISION OF PUBLIC UTILITIES AND CARRIERS**

89 Jefferson Blvd.  
Warwick, R.I. 02888  
(401) 941-4500

FAX (401) 941-4885

August 29, 2006

Mr. Thomas C. Robillard  
President & Chief Operating Officer  
New England Gas Company  
100 Weybosset Street  
Providence, RI 02903

IN RE: Notices of Probable Violation No. 06-2;

The Division issued this NOPV based upon conditions found and procedures observed in the course of our inspection program to verify the New England Gas Company's compliance with the **Federal Pipeline Safety Regulations CFR 49 Parts §190-§199**.

Pursuant to 49 U.S.C. (Subtitle XIII) Chapter 601, et seq. and R.I. Gen. Laws §39-3-40, the Division of Public Utilities and Carriers ("Division") issued the above NOPV relating to the natural gas distribution system located at the Oxbow Farms Apartments, in Middletown, Rhode Island, to the New England Gas Company, a division of Southern Union Company ("NEGC" or "Operator,"), NEGC exercised its rights under the Division's Regulations Regarding Gas Pipeline Safety Enforcement Procedures by responding to this NOPV in an informal hearing with the Division on July 17th, 2006.

A summary of the violations issued under the NOPV and the Division's findings regarding each violation follows:

**(Violation 1)** Part §192.455(a)(1)(2) External corrosion control: Buried pipelines installed after July 31, 1971

Description: External corrosion control: Buried pipelines installed after July 31, 1971; requires that each buried pipeline installed after July 31, 1971 must be protected against external corrosion, including the following: (1) It must have an external protective coating meeting the requirements of §192.461. (2) It must have a cathodic protection system designed to protect the pipeline in accordance with this subpart, installed, and placed in operation, within 1 year after completion of construction.

Division Findings:

One (1) violation of **§192.455(a)(1)** Per exhibit "A" the company was unable to verify if the pipe coating used at the time of installation met the requirements of §192.461.

One (1) violation of **§192.455(a)(2)** Per exhibit "A" the company was unable to verify the exact installation date of the galvanic cathodic protection system.

Issue Date: May 22, 2006

Response: *NEG will provide further documentation to the Division to support compliance.<sup>1</sup>*

<sup>1</sup> 7/17/06, Verbal response during informal hearing by NEG employees, David Black, Esquire, Richard Abraham, Al Morsocci, Paul Raymond.

Findings: The Division finds that the Operator violated **Federal Code 49 CFR Part §192.455(a)(2) External corrosion control: Buried pipelines installed after July 31, 1971** by being unable to verify the exact installation date of the galvanic cathodic protection system. The Division will withdraw the violation associated with **Federal Code 49 CFR Part §192.455(a)(1)** since NEG was able to provide adequate documentation for compliance.

□ □ □ □ □

**(Violation 2)** Part §192.463(a) External corrosion control: Cathodic protection

Description: External corrosion control: Cathodic protection requires; each cathodic protection system to provide a level of cathodic protection that complies with one or more of the applicable criteria contained in Appendix D of this part.

Division Findings:

Nineteen (19) violations of **§192.463(a)** *Per exhibit "A" the company was unable to verify if the galvanic anodes or rectifier system cathodic protection system(s) installed in 1971 provided a level of cathodic protection that complies with one or more of the applicable criteria contained in Appendix D of this part for the years, 1972-1983, 1984-1991, and 1994. Although the company did provide records of pipe to soil readings for the years 1978-1982, 1984-1986, and 1989-1991, the records unfortunately cannot be accepted due to the fact they do not specifically include the test station box P-022P-055 as indicated on the remaining surveys.*

Issue Date: May 22, 2006

Response: *NEG agrees records for the particular test station box P-022P-055 are missing but declares the test station's absence would not result in low cathodic protection readings at Oxbow Farms since other test stations in close proximity to the property proved the cathodic protection levels were always in compliance.*

Findings: The Division finds that the Operator violated **Federal Code 49 CFR Part §192.463(a) External corrosion control: Cathodic protection** in the years 1972, 1973, 1974, 1975, 1976, and 1977 as evidenced on the attached exhibit "A" for being unable to provide documentation that the cathodic protection system provided a level of cathodic protection that complied with one or more of the applicable criteria contained in Appendix D of this part.

□ □ □ □ □

**(Violation 3)** Parts §192.465(a) & (b) External corrosion control: Monitoring

Description: External corrosion control: Monitoring; requires each pipeline that is under cathodic protection to be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of §192.463. (b) Requires each cathodic protection rectifier or other impressed current power source to be inspected six (6) times each calendar year, but with intervals not exceeding 2 1/2 months, to insure that it is operating.

Division Findings:

Twenty (20) violations of **§192.465(a)** *Per exhibit "A" the company did not test at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of §192.463 in the years 1972-1983, 1984-1991, and 1994. Although the company did provide records of pipe to soil readings for the years 1978-1982, 1984-1986, and 1989-1991, the records unfortunately cannot be accepted due to the fact they do not specifically include the test station*

box P-022P-055 as indicated on the remaining surveys. Between the years 2002 and 2003 the test sequence exceeded the 15 month limit by 2 ½ months.

Twenty-four (24) violations of **§192.465(b)** Per exhibit "B" the company did not test the 23-Union Street Rectifier as required in the years 1978-2002, and only two (2) recordings were listed for the year 2003 instead of the required six (6). In the year 2005 the readings of 01/03/2005 and 03/21/2005 exceeded the 2 ½ months allowance by three (3) days.

Issue Date: May 22, 2006

Response: *NEG will provide further documentation to the Division to support compliance.*<sup>1</sup>

Findings: The Division finds that the Operator violated **Federal Code 49 CFR Part §192.465(a)** in the years 1971-1977, 1980, 1988-1989, and 1994 by declaring these records as missing. The Division finds that the Operator violated **Federal Code 49 CFR Part §192.465(b)** in the years 1978 – 2000 by not inspecting six (6) times each calendar year, but with intervals not exceeding 2 1/2 months, the 23-Union Street Rectifier to insure that it was operating.

□ □ □ □ □

**(Violation 4) Part §192.469 External corrosion control: Test stations**

Description: External corrosion control: Test stations; requires that each pipeline under cathodic protection to have sufficient test stations or other contact points for electrical measurement to determine the adequacy of cathodic protection.

Division Findings:

The Division finds one (1) violation of Part **§192.469**. Code **§192.465(e)(2)** specifically states that an electrical survey means a series of closely spaced pipe-to-soil readings over a pipeline that are subsequently analyzed to identify locations where a corrosive current is leaving the pipeline. **§192.469** Requires that each pipeline under cathodic protection to have sufficient test stations or other contact points for electrical measurement to determine the adequacy of cathodic protection. Since the company is relying on only one test point identified as the test station box P-022P-055 to determine the adequacy of a rectifier cathodic protection system provided by the 23-Union Street rectifier on a closed loop gas pipeline system that runs approximately 2.25 miles in length the Division finds the use of only one test station to be inadequate and unacceptable on a system that may in fact be electrically shorted anywhere within the 2.25 mile duration of pipeline on the property.

Issue Date: May 22, 2006

Response: *Although NEG does not have a cathodic protection test station specific to the internal underground gas piping at the master meter facility Oxbow Farms, there is a cathodic protection test station in the close vicinity of the Oxbow Farms property that is tested six (6) times per year based on the company's rectifier read program. Per our qualified pipeline corrosion person, NEG employee Paul Raymond, no additional test stations are required for the area in question.*<sup>1</sup>

Findings: The Division finds that due to the fact **Federal Code 49 CFR Part §192.469 External corrosion control: Test stations**; is written in performance language and therefore the Operator is responsible for choosing of the adequate amount and location of test stations based on good engineering practice, the

necessity of a test station associated solely with the Oxbow Farms property was not mandated. The violation is withdrawn without consequence.

□ □ □ □ □

**(Violation 5) Part §192.481(a) Atmospheric corrosion control: Monitoring**

Description: Atmospheric corrosion control: Monitoring; requires each operator to inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows: If the pipeline is located onshore then the frequency of inspection is at least once every 3 calendar years, but with intervals not exceeding 39 months.

Division Findings:

Twenty-seven (27) violations of **§192.481(a)** Per exhibit "C" the company did not perform any atmospheric corrosion control monitoring in the years 1974-2001.

Issue Date: May 22, 2006

Response: *As for any atmospheric monitoring inspections performed prior to 2003 NEG states atmospheric monitoring inspection records are only required to be kept for 5 years (Part §192.491(c) Corrosion control records) and therefore does not have to maintain or produce this documentation.*<sup>1</sup>

Findings: The Division finds that the Operator violated the **Federal Code 49 CFR Part §192.481(a) Atmospheric corrosion control: Monitoring** in the years 1974, 1977, 1980, 1983, 1986, 1989, 1992, 1995, 1998, and 2001 for failing to provide documentation that a atmospheric corrosion control monitoring inspection was performed on all the above ground piping at the Oxbow Farms property as required. NEG contends atmospheric corrosion control monitoring records are only required to be kept for five (5) years and therefore does not have to maintain or produce this documentation. The Division does not agree with the operator's reasoning and provides further guidance by quoting the Pipeline Safety Laws **§ 60117(b)(1)(2)**. **Administrative: Records, reports, and information as shown below.**

Pipeline Safety Laws § 60117(b)(1)(2). Administrative: Records, reports, and information

To enable the Secretary to decide whether a person owning or operating a pipeline facility is complying with this chapter [49 USCS § 60101 et seq.] and standards prescribed or orders issued under this chapter [49 USCS § 60101 et seq.], the person shall—

- (1) maintain records, make reports, and provide information the Secretary requires; and
- (2) make the records, reports, and information available when the Secretary requests.

□ □ □ □ □

**(Violation 6) Parts §192.491 (a) & (b) & (c) Corrosion control records**

Description: Corrosion control records; requires each operator to maintain records or maps to show the location of cathodically protected piping, cathodic protection facilities, galvanic anodes, and neighboring structures bonded to the cathodic protection system. Records or maps showing a stated number of anodes, installed in a stated manner or spacing, need not show specific distances to each buried anode.

(b) Each record or map required by paragraph (a) of this section must be retained for as long as the pipeline remains in service. (c) Each operator shall maintain a record of each test, survey, or inspection required by

this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that a corrosive condition does not exist. These records must be retained for at least 5 years, except that records related to §§192.465(a) and (e) and 192.475(b) must be retained for as long as the pipeline remains in service.

Division Findings:

One (1) violation of **§192.491(a)** *Per exhibit "A" the company did not provide any records or maps to show the location of cathodically protected piping, cathodic protection facilities, galvanic anodes, and neighboring structures bonded to the cathodic protection system.*

One (1) violation of **§192.491(b)** *Per exhibit "A" the company did not retain each record or map required by paragraph (a) of this section for as long as the pipeline remains in service.*

Issue Date: May 22, 2006

Response: *NEG is unable to provide the records for compliance.*<sup>1</sup>

Findings: The Division finds that the Operator violated **Federal Code 49 CFR Part §192.491(a) & (b)** Corrosion control records; by not being able to provide any records or maps that show the location of the galvanic anodes installed at the Oxbow Farms Apartments. Since there were no copies of the original records of the location of the galvanic anodes installed at the Oxbow Farms Apartments the Division realizes it would be impossible to retain for the life of the pipeline records that do not exist in the first place and therefore will only institute a fine for associated with **Part §192.491(a)** and not **Part §192.491(b)**.

□ □ □ □ □

(Violation 7) Parts §192.723 (a) & (b)(2) Distribution systems: Leakage surveys

Description: Distribution systems: Leakage surveys; requires a leakage survey with leak detector equipment must be conducted outside business districts as frequently as necessary, but at least once every 5 calendar years at intervals not exceeding 63 months. However, for cathodically unprotected distribution lines subject to §192.465(e) on which electrical surveys for corrosion are impractical, a leakage survey must be conducted at least once every 3 calendar years at intervals not exceeding 39 months.

Division Findings:

Eight (8) violations of **§192.723(b)** *Per exhibit "C" the company did not perform leak surveys in 1976, 1981, 1986, and 1991. The former Providence Gas Company, which conducted all leak surveys on a three year basis, did not perform leak surveys in the years 1994, 1997, and 2000. The leak survey completed in 2003, although the document is not dated, failed to leak survey Bldg. 4 and Bldg. 6 on the Oxbow Farms property because the buildings were not identified on the provided maps to the contractor.*

Issue Date: May 22, 2006

Response: *We (NEG) will provide further documentation with the appropriate date and the name of the (contractor) leak survey person who conducted the 2003 leak survey. Documentation will also be provided verifying the 2003 leak survey did in fact include Bldg. 4 and Bldg. 6 on the Oxbow Farms property. As for any leak surveys performed prior to 2003 NEG states leak survey records are only required to be kept for 5 years and therefore does not have to maintain or produce this documentation.*<sup>1</sup>

Findings: The Division finds that the Operator violated the **Federal Code 49 CFR Part §192.723(2)** **Distribution systems: Leakage surveys** in the years 1976, 1981, 1986, 1991, 1994, 1997, and 2000 for failing to provide documentation that a leakage survey with leak detector equipment was performed on the



Oxbow Farms property as required. NEG contends leak survey records are only required to be kept for 5 years and therefore does not have to maintain or produce this documentation. The Division does not agree with the operator's reasoning and provides guidance by quoting the Pipeline Safety Laws § 60117(b)(1)(2). **Administrative: Records, reports, and information as shown below.** The violation associated with the leakage survey for the year 2003 is withdrawn without consequence since adequate records have been provided to the Division to prove compliance.

Pipeline Safety Laws § 60117(b)(1)(2). Administrative: Records, reports, and information

To enable the Secretary to decide whether a person owning or operating a pipeline facility is complying with this chapter [49 USCS § § 60101 et seq.] and standards prescribed or orders issued under this chapter [49 USCS § § 60101 et seq.], the person shall—

- (1) maintain records, make reports, and provide information the Secretary requires; and
- (2) make the records, reports, and information available when the Secretary requests.

□ □ □ □ □

**(Violation 8) Parts §192.747 (a) & (b) Valve maintenance: Distribution systems**

Description: **Federal Code 49 CFR Part §192.747(a) Valve maintenance: Distribution systems;** requires each valve, the use of which may be necessary for the safe operation of a distribution system, must be checked and serviced at intervals not exceeding 15 months, but at least once each calendar year.

Division Findings:

Thirty-four (34) violations of **§192.747(a)** *Since the company does not have a valve specifically designated as a critical valve designed to shut down the entire 2.25 miles of natural gas pipeline at the Oxbow Farms complex the company failed to check and service at intervals not exceeding 15 months, but at least once each calendar year each valve, the use of which may be necessary for the safe operation of a distribution system in the years 1972-2006.*

Issue Date: May 22, 2006

Response: *Although NEG does not have a critical valve specific to the isolation of the gas flow to the master meter facility Oxbow Farms there is a critical valve in the vicinity of the Oxbow Farms property that is tested on a yearly basis per the company's critical valve program that would in fact isolate the Oxbow Farms property in the event of an emergency.* <sup>1</sup>

Findings: The Division finds that due to the fact **Federal Code 49 CFR Part §192.747(a) Valve maintenance: Distribution systems;** is written in performance language and therefore the Operator is responsible for choosing of the locations of their critical valves based on good engineering practice, the necessity of a critical valve associated solely with the Oxbow Farms property was not mandated. The violation is withdrawn without consequence.

□ □ □ □ □

CONCLUSIONS

NOPV 06-2:

(Violation 1 of 8) The Division finds that the Operator violated **Federal Code 49 CFR Part §192.455(a)(2)**. For this violation, the Division will impose a fine of \$10,000.00.

(Violation 2 of 8) The Division finds that the Operator violated **Federal Code 49 CFR Part §192.463(a)** in six (6) instances. For these violations, the Division will impose a total fine of \$10,000.00.

(Violation 3 of 8) The Division finds that the Operator violated **Federal Code 49 CFR Part §192.465(a)** in eleven (11) instances and the Operator violated **Federal Code 49 CFR Part §192.465(b)** in twenty-two (22) instances. For these violations, the Division will impose a total fine of \$10,000.00.

(Violation 4 of 8) The Division finds that the Operator did not violate **Federal Code 49 CFR Part §192.469**. The Division will withdraw the violation without consequence.

(Violation 5 of 8) The Division finds that the Operator violated **Federal Code 49 CFR Part §192.481(a)** in ten (10) instances. For these violations, the Division will impose a total fine of \$10,000.00.

(Violation 6 of 8) The Division finds that the Operator violated **Federal Code 49 CFR Part §192.491(a)**. For this violation, the Division will impose a fine of \$10,000.00.

(Violation 7 of 8) The Division finds that the Operator violated **Federal Code 49 CFR Part §192.723(2)** in seven (7) instances. For these violations, the Division will impose a total fine of \$10,000.00.

(Violation 8 of 8) The Division finds that the Operator did not violate **Federal Code 49 CFR Part §192.747(a)**. The Division will withdraw the violations without consequence.

□   □   □   □   □

For NOPV 06-2 a payment by the Company of sixty-thousand dollars (\$60,000) is due upon agreement with the Division, and should be made by check or money order payable to the "Rhode Island Division of Public Utilities and Carriers," and delivered to the attention of: Charles Brown, Division of Public Utilities and Carriers, 89 Jefferson Blvd., Warwick, Rhode Island 02888.

Moreover, ratepayers should not bear the burden of this fine. The Division, therefore, requires NEGC to acquire the funds for payment of this fine from monies that would have been distributed to its shareholders.

If NEGC is aggrieved by the Division's decision and imposition of this penalty, it must request a formal evidentiary hearing from the Division within ten calendar days of the issuance of this letter.



\_\_\_\_\_  
Don A. Ledversis  
Gas Pipeline Safety Engineer

CC: Thomas Abern RIDPUC  
James Lanni RIDPUC  
Leo Wold, Esquire, RIAG

The Narragansett Electric Company d/b/a

Check Date: 12/5/2006

# National Grid

Check No. 4900049120

Invoice Number	Invoice Date	P.O. ID	Gross Amount	Discount Taken	Paid Amount
OXBOW VIOLATION 06-2	11/22/2006		30,000.00	0.00	30,000.00
OXBOW VIOLATION PAYMENT \$30,000 C/O CHARLES BROWN					

Vendor Number	Vendor Name	Total Discounts
0000010353	GENERAL TREASURER	\$0.00

Check Number	Date	Total Amount	Discounts Taken	Total Paid Amount
4900049120	12/5/2006	\$30,000.00	\$0.00	\$30,000.00

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

The Narragansett Electric Company d/b/a  
**National Grid**

FLEET (MAINE) N.A.  
SOUTH PORTLAND, ME

4900049120

300 Erie Boulevard West  
Syracuse, NY 13202-4250

52-153/112

Date 12/5/2006

Pay Amount \$30,000.00\*\*\*

Pay \*\*\*\*THIRTY THOUSAND AND XX/100 DOLLAR\*\*\*\*

To  
The  
Order  
Of

GENERAL TREASURER  
STATE OF RHODE ISLAND  
DIVISION OF PUBLIC UTILITIES  
AND CARRIERS  
89 JEFFERSON BOULEVARD  
WARWICK, RI 02888

*John S. Cochrane*  
Authorized Signature