

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
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October 31, 2013

Mr. Timothy J. Hermann, Vice President
Storage and Peaking Operations
AGL Resources Inc.
3333 Warrenville Road, Suite 300
Lisle, IL 60532

GA2013-~~12~~ 10

SUBJECT: General Order 112-E Gas Audit of Central Valley Gas Storage

Dear Mr. Hermann:

On behalf of the Safety and Enforcement Division (SED) of the California Public Utilities Commission (CPUC), Aimee Cauguiran, Willard Lam, and Alin Podoreanu conducted a General Order 112-E audit of Central Valley Gas Storage (CVGS) from June 10-13, 2013. The audit included a review of the CVGS's Operation and Maintenance Plan and records, operator qualification records, High Consequence Area (HCA) identification survey, and a representative field sample of its facilities including the compressor station. SED's findings are noted in the Summary of Inspection Findings (Summary) which is enclosed with this letter. The Summary reflects only those particular records and facilities that SED inspected during the audit.

Within 30 days of your receipt of this letter, please provide a written response indicating the measures taken by CVGS to address the violations and observations noted in the Summary. Pursuant to Commission Resolution ALJ-274, SED staff has the authority to issue citations for each violation found during the audit. SED will notify CVGS of the enforcement action it plans to take after it reviews CVGS's audit response.

If you have any questions, please contact Aimee Cauguiran at (415) 703-2055 or aimee.cauguiran@cpuc.ca.gov.

Sincerely,

Handwritten signature of Michael Robertson in cursive.

Michael Robertson
Program Manager
Gas Safety and Reliability Branch
Safety and Enforcement Division

Enclosure: Summary of Inspection Findings

cc: John Boehme, CVGS Manager of Regulatory Affairs
Brian Hackney, CVGS Manager of Storage Operations
Dennis Lee, SED
Aimee Cauquiran, SED
Willard Lam, SED
Alin Podoreanu, SED

Summary of Inspection Findings

A. Areas of Violations

1. General Order No. 112-E, Section 122.2, Requirements for reporting to the CPUC states in part:

*“(a) Each operator shall report incidents to the CPUC that meet the following criteria:
(2) Incidents which have either attracted public attention or have been given significant news media coverage, that are suspected to involve natural gas, which occur in the vicinity of the operator's facilities; regardless of whether or not the operator's facilities are involved.”*

SED's review of CVGS's Operation and Maintenance (O&M) Plan found that CVGS's reporting procedure does not include a requirement for reporting incidents to the CPUC which have either attracted public attention or have received significant news media coverage. CVGS must include this requirement in their reporting procedures and report any incidents under this criterion to the CPUC.

2. Title 49 Code of Federal Regulations (CFR) §§ 192.605(b)(1) and 192.739(a)(3) state in part:

Section 192.605(b)(1):

“The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations...

(1) Operating, maintaining, and repairing the pipeline in accordance with each of the requirements of this subpart and Subpart M of this part.

Section 192.739(a)(3):

“...Each pressure limiting station, relief device (except rupture discs), and Pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least one each calendar year, to inspections and tests to determine that it is - ...set to control or relieve at the correct pressure consistent with the pressure limits of 192.201(a);”

CVGS's O&M Plan Procedure 7.02 outlines inspection, test frequency, documentation, and capacity verification requirements for the regulator and relief device. Section 5.3 of this procedure describes items that are checked during the relief device inspection. However, the O&M Plan does not include procedures for testing the relief device to ensure that it is set to control or relieve within the pressure limits. The O&M Plan must describe how CVGS tests its relief device for proper control and relief setting.

3. Title 49 CFR § 192.605(b)(2) states in part:

“The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations...

(2) Controlling corrosion in accordance with the operations and maintenance requirements of Subpart I of this part.”

- a) CVGS's O&M Plan Procedure 6.05 requires that critical bonds be checked six times each calendar year, but with intervals not to exceed 2 ½ months. However, the procedure does

not describe how to check the critical bonds. It also does not include a requirement to fill out the associated Form #6.05B - Critical Bond Reading Record. The O&M Plan must have a written procedure for controlling corrosion, including procedure for checking critical bonds.

- b) CVGS's O&M Plan must also include written procedures for monitoring pipeline that may be subject to interference or stray currents, such as pipeline at foreign crossings, in accordance with §192.473.

4. Title 49 CFR § 192.605(b)(5), (b)(6), and (b)(7) state in part:

"The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations...

(5) Starting up and shutting down any part of the pipeline in a manner designed to assure operation within the MAOP limits prescribed by this part, plus the build-up allowed for operation of pressure-limiting and control devices.

(6) Maintaining compressor stations, including provisions for isolating units or sections of pipe and for purging before returning to service.

(7) Starting, operating, and shutting down gas compressor units."

- a) CVGS's Pipeline Specific Operations and Maintenance Manual (PSOM) Section 17.05 requires a written plan for the commissioning of a new pipeline and shutting down a pipeline segment. Sections 17.05.10 and 17.05.11 also describe, in general, the steps to take for a normal CVGS transmission pipeline normal start up and shut down.

SED reviewed a site-specific procedure for isolating units or sections to change filter elements in separators (CVGS-022). However, the site-specific procedure is not referenced in the PSOM. CVGS must include or reference in the PSOM any written procedures used for normal starting up and shutting down of any part of the pipeline to assure proper operation within the MAOP limits plus the build-up allowed under 49 CFR Part 192.

- b) Also, CVGS must include or reference in its PSOM any site-specific written procedure for maintaining its compressor station, including isolating units or sections of pipe when performing maintenance, and purging before returning to service.
- c) SED reviewed the site-specific procedures for operating its three compressor units. CVGS must include in its PSOM reference to these site-specific procedures for starting, operating, and shutting down CVGS's gas compressor units.

5. Title 49 CFR § 192.555 (e) states:

"(e) Where a segment of pipeline is uprated in accordance with paragraph (c) or (d)(2) of this section, the increase in pressure must be made in increments that are equal to:

(1) 10 percent of the pressure before the uprating; or

(2) 25 percent of the total pressure increase, whichever produces the fewer number of increments."

CVGS's O&M Plan Procedure 12.01 does not include the pressure increments when conducting an uprate that will procedure a hoop stress of 30% or more of SMYS. CVGS must revise its procedure

to include increasing the pressure within the required pressure increments during an uprate that will produce a hoop stress of 30% or more of SMYS, and that is above the established MAOP.

6. Title 49 CFR § 192.805(b) states in part:

“Each operator shall have and follow a written qualification program. The program shall include provisions to...

(b) Ensure through evaluation that individuals performing covered tasks are qualified;”

- a) CVGS’s Operator Qualification (OQ) Plan currently accepts qualifications from Veriforce and Compliance Services Incorporated (CSI) for covered tasks. However, covered tasks related to corrosion control were performed by an individual qualified under the Nicor Operator Qualification Plan. Nicor qualifications are currently not accepted in the CVGS OQ plan. Therefore the individual performing corrosion control covered tasks is not qualified under CVGS OQ Plan, which is a violation of §192.805(b).
- b) Compliance Services Incorporated’s qualifications were accepted into the CVGS OQ plan via a cover letter dated May 23, 2013. CSI performed the patrolling and leak survey tasks in 2012 on behalf of CVGS. Operator Qualifications must be current at the time the covered task is performed.

7. Title 49 CFR § 192.631 Control Room Management

SED will conduct a separate Control Room Management (CRM) Audit at a later time. However, during its audit, SED identified the following CRM violations:

- a) To be in accordance with Title 49 CFR § 192.631(c)(3), CVGS must identify the critical monitoring points in its internal communications procedure.
- b) To be in accordance with Title 49 CFR § 192.631(g), CVGS must incorporated the lessons learned from the August 2012 incident into its CRM.

B. Observations and Concerns

1. SED recommends that CVGS use and record distinct identifiers for each piece of equipment used to perform operation and maintenance activities. During the observation of field activities, SED noticed maintenance records were completed without identifying which piece of equipment was used to measure the readings. The lack of detail on which instrument or device was used for each reading does not allow for calibration records to be referenced to each respective reading. Furthermore, this information can be important during failure investigation.
2. During SED’s audit, CVGS stated that the O&M Plan is due for its annual review. CVGS must ensure that it reviews the entire plan, including a review and update of the PSOM.
3. SED reviewed CVGS’s 2011 and 2012 HCA identification and Class location survey records. The surveys were conducted using aerial photography and applying Method 1 for identifying HCAs. In addition to aerial photography, SED recommends that CVGS also review records from its routine operation and maintenance, such as patrol records, when conducting its annual HCA

identification review. The operation and maintenance records may provide more recent information regarding new construction or possible changes in class location than the aerial photography application used.