STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

February 27, 2014

Mr. Willard Evans
President
North Shore Gas Company
130 E. Randolph
Chicago, IL, 60601

Re: Notice of Probable Violations (NOPV #'s 2014-V001-00007, 2014-V001-00008, 2014-V001-00009, and 2014-V001-00010)

Dear Mr. Evans:

Representatives of the Illinois Commerce Commission Pipeline Safety Program ("Staff") conducted a Records audit for the North Shore Gas Company ("North Shore Gas") on February 4-7, 2014, (Inspection # 2014-P-00040). During that audit, our Analysts observed the following probable violations with reference to Part 192 of the Federal Regulations for the transportation of Natural Gas. A Notice of Probable Violation ("NOPV") has been issued for the sections of the Code of Federal Regulations ("CFR") cited, and were discussed with Mark Kinzle on February 7, 2014.

Below is the applicable section of the CFR and the subsection language applicable to the violation. In some instances, additional sections of the CFR are referenced to clarify the inadequacy identified. Following the CFR or subsection language is a description of each violation along with required corrective measures that must be taken to become compliant with the CFR.

NOPV # 2014-V001-00010

CFR §192.459 titled: ***"External corrosion control: Examination of buried pipelines when exposed"***, "Whenever an operator has knowledge that any portion of a buried pipeline is exposed, the exposed portion must be examined for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated. If external corrosion requiring remedial action under Secs. 192.483 through 192.489 is found, the operator shall investigate circumferentially and longitudinally beyond the exposed portion (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the exposed portion."

On 7/22/2013, a Meade crew was abandoning a main on Cambridge Ct., in Highland Park, (W.R. 1204077). The crew did not document the condition or coating on the exposed portion of the main.

It is Staff's expectation when a buried pipe is exposed, the exposed portion will be examined for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated, and this examination will be documented.

NOPV # 2014-V001-00007

CFR §192.517 titled: ***"Records",*** states in paragraph (b), Each operator must maintain a record of each test required by §§192.509, 192.511, and 192.513 for at least 5 years

With reference to the requirements included in **CFR §192.509** titled: ***"Test requirements for pipelines to operate below 100 psig"*** states, "Except for service lines and plastic pipelines, each segment of a pipeline that is to be operated below 100 psi (680 kPa) gage must be leak tested in accordance with the following:

(a) The test procedure used must ensure discovery of all potentially hazardous leaks in the segment being tested.

(b) Each main that is to be operated at less than 1 psi (6.9 kPa) gage must be tested to at least 10 psi (69 kPa) gage and each main to be operated at or above 1 psig must be tested to at least 90 psi (621 kPa) gage."

At 3713 Atlantic Ave, Gurnee, Work Request 1231443 - On 7/15/2013, a North Shore crew replaced a 2" valve on a 2 inch steel main. The crew installed (2) 1 1/8 service tees to use as a bypass. They also installed a 2" S.A.V. valve, 2" valve, and a 2" weld insulator. Pressure test documentation only indicated a soap test was performed.

Staff is requiring North Shore Gas to review all locations where testing of pipe occurred in 2013, and report back to Staff their findings, along with corrective action(s).

NOPV # 2014-V001-00009

CFR §192.603 titled: ***"General Provisions",*** states in paragraph (b), Each operator shall keep records necessary to administer the procedures established under §192.605."

With reference to the requirements included in **CFR §192.743** titled: ***"Pressure limiting and regulator stations: Capacity of relief"*** states in paragraph (b), "If review and calculations are used to determine if a device has sufficient capacity, the calculated capacity must be compared with the rated or experimentally determined relieving capacity of the device for the conditions under which it operates. After the initial calculations, subsequent calculations need not be made if the annual review documents that parameters have not changed to cause the rated or experimentally determined relieving capacity to be insufficient."

Records were not provided to indicate an annual review was conducted of the calculations to determine sufficient capacity for the relief devices.

Staff is requiring North Shore Gas to perform and document the annual review of the calculations to determine sufficient capacity of the relief devices.

NOPV # 2014-V001-00008

CFR §192.605 titled: **"Procedure manual for operations, maintenance, and emergencies",** states in paragraph (a), Each operator shall include the following in its operating and maintenance plan:
(a) General. Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least one each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.

From the documentation provided, twenty four (24) O&M procedures were not reviewed on an annual basis in 2013.

Staff is requiring the review of the procedures be completed by March 31, 2014.

Upon receipt of the NOPV, North Shore Gas Company may submit to this office by March 31, 2014, in writing, evidence refuting the probable violation referenced in the NOPV. If evidence refuting the probable violation cannot be provided, you must submit a written plan of action outlining actions to be taken to correct the violation, including a schedule and the date when compliance is anticipated within 30 days from the date of this letter. The response should include the steps that North Shore Gas has taken, or expects to take to prevent a recurrence of this situation.

Once the inadequacies identified herein have been addressed, documentation confirming the corrective action must be forwarded to this office. Staff will review the documentation provided to determine compliance. Any correspondence must include the Inspection Report Number as well as the corresponding NOPV Number.

Failure to respond to this letter by the date specified above and take corrective actions will subject North Shore Gas to a penalty assessment as allowed under Section 7 of the Illinois Gas Pipeline Safety Act (220 ILCS 20/7).

Please be advised that pursuant to IL Adm. Code Part 596 of the Commission's Rules, all information regarding this inspection in possession of the Commission, including communications regarding this inspection will be made available to the public and posted on the Commission's website. Confidential and/or personal information including, but not limited to social security numbers, drivers license numbers, credit card numbers, debit card numbers, and medical records, etc. should be included in neither inspection documents nor correspondence with the Commission. Any person, as set forth in Section 596.20, who believes that any inspection information is confidential or proprietary shall request that the Commission enter an order to protect the confidential or proprietary information pursuant to 83 Ill. Adm. Code 200.430.

If you have any questions concerning this matter, please contact Steve Canestrini at (217) 299-7810, or I may be contacted at (217) 785-1165.

Sincerely,

Darin R. Burk/mn

Darin R. Burk
Manager- Pipeline Safety

DRB/mn

cc: Jodi Caro, VP Legal Services
North Shore Gas Company
130 E. Randolph Drive
Chicago, Illinois 60601