



ILLINOIS COMMERCE COMMISSION

August 19, 2014

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

Re: Notice of Amendment (NOA #'s 2014-A001-00077 and 2014-A001-00078)

Dear Mr. Evans:

A representative of the Illinois Commerce Commission Pipeline Safety Program ("Staff") conducted a review of the North Shore Gas Company ("NSG") Distribution Integrity Management Program plan ("DIMP") on August 12-15, 2014 (Inspection # 2014-P-00362). The audit has established that NSG's DIMP is inadequate.

Below is the applicable section of the Code of Federal Regulations ("CFR") and the subsection language applicable to the violation. Following the CFR or subsection language is a description of each inadequacy.

NOA # 2014-A001-00078

CFR §192.1007 titled: ***"What are the required elements of an integrity management plan?"*** states in paragraph (b), "Identify threats. The operator must consider the following categories of threats to each gas distribution pipeline: corrosion, natural forces, excavation damage, other outside force damage, material or welds, equipment failure, incorrect operations, and other concerns that could threaten the integrity of its pipeline. An operator must consider reasonably available information to identify existing and potential threats. Sources of data may include, but are not limited to, incident and leak history, corrosion control records, continuing surveillance records, patrolling records, maintenance history, and excavation damage experience."

Staff reviewed Chapter 11.2 "List of Answers and Data Sources from SHRIMP Interviews." The review concluded that Subject Matter Experts were listed as the data source instead of the actual record used to populate the answer. The list of records used to populate the SHRIMP plan were generic. Specific records used to populate SHRIMP need to be listed for the various data sources. Once the data sources are determined then the actual data must be ***reviewed*** and entered to populate a new SHRIMP plan. Furthermore, workmanship defects were not considered a threat.

Workmanship defects are always a potential threat and must be included in the DIMP plan as a threat. All threats must be reviewed and all actual and potential threats must be identified.

NOA # 2014-A001-00077

CFR §192.1007 titled: ***“What are the required elements of an integrity management plan?”*** states in paragraph (c), “Evaluate and rank risk. An operator must evaluate the risks associated with its distribution pipeline. In this evaluation, the operator must determine the relative importance of each threat and estimate and rank the risks posed to its pipeline. This evaluation must consider each applicable current and potential threat, the likelihood of failure associated with each threat, and the potential consequences of such a failure. An operator may subdivide its pipeline into regions with similar characteristics (e.g., contiguous areas within a distribution pipeline consisting of mains, services and other appurtenances; areas with common materials or environmental factors), and for which similar actions likely would be effective in reducing risk.”

The risk ranking was not adequately validated. Higher risk threats were considered less of a threat. Excavation Damage threats were duplicated by using a slightly different threat name. For example, third party excavation damage was considered a threat, but excavation damage to main pipe or service pipe was also considered a threat. All threats must be reviewed to determine proper ranking. In addition, a review of the current process (SME surveys) used to validate threats must be conducted to determine if the approach is adequate. If a threat is changed from the SHRIMP ranking, then an explanation detailing the threat change must be listed.

This letter serves as notice of inadequate procedures. A written response to this notice is requested by September 18, 2014. If you are contesting this Notice, include a detailed written explanation and any necessary supporting documents with your response.

If you are not contesting this Notice, the written response must acknowledge that amended procedures will be provided to this office by February 16, 2015. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed. Any correspondence must include the Inspection Report Number as well as the corresponding NOA Number.

Failure to respond to this Notice and take corrective action will result in the issuance of a Notice of Probable Violation and initiation of a Citation Order that will subject North Shore Gas Company 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 Matt Smith at (217) 720-0291, or I may be contacted at (217) 785-1165.

Sincerely,

A handwritten signature in black ink that reads "Darin R. Burk/mn". The signature is written in a cursive style.

Darin R. Burk
Manager - Pipeline Safety

DRB/mn

Cc: Ms. Jodi Caro, VP Legal Services
North Shore Gas Company
200 E. Randolph Drive
Chicago, IL 60601