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September 18, 2014

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Via Email and U.S. Mail

Darin R. Burk
Manager – Pipeline Safety
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

Illinois Commerce Commission
GAS PIPELINE SAFETY

Re: Response to NOA #s 2014-A001-00077 and 2014-A001-00078
ICC Inspection # 2014-P-00362

Reference: Letter from DR Burk (ICC) to WS Evans (NSG) dated August 19, 2014

Dear Mr. Burk:

In the Reference, the Illinois Commerce Commission (ICC) issued Notice of Amendments (NOA) to North Shore Gas Company (NSG). The NOA resulted from a review of NSG's Distribution Integrity Management Program plan (DIMP) on August 12-15, 2014.

The Reference identifies the following NOAs:

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.

The Reference further states:

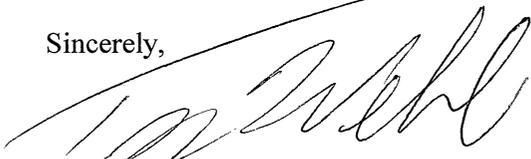
A written response to this notice is requested by September 18, 2014. If you are contesting this Notice, include a detailed written explanation and any necessary supporting documents with your response.

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.

NSG is not contesting the NOAs and will submit its amended procedures by February 16, 2015.

Please contact me at your convenience if you have any questions regarding this matter.

Sincerely,



Thomas J. Webb
Compliance Manager
The Peoples Gas Light and Coke Company
North Shore Gas Company
312-240-4650