

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE

IN THE MATTER OF THE NOTICE OF )  
POTENTIAL VIOLATION OF 26 DEL. )  
ADMIN. C. §8001 AND ASSOCIATED ) PSC DOCKET NO. 15-1539  
CIVIL PENALTIES ASSESSED TO )  
CHESAPEAKE UTILITIES CORPORATION )  
(OPENED SEPTEMBER 25, 2015) )

ORDER NO. 8849

AND NOW, this 23<sup>rd</sup> day of February, 2016, the Delaware Public Service Commission ("Commission") determines and orders the following:

**WHEREAS**, the Commission has qualified for federal certification to operate a state pipeline safety compliance program pursuant to 49 U.S.C. §60105(a) and has the authority pursuant to 26 Del. C. §821 to make and enforce rules required by the federal National Gas Pipeline Safety Act of 1968, as amended (49 U.S.C. Chapter 601); and

**WHEREAS**, the Commission is authorized by the Federal Pipeline Safety Regulations, 49 C.F.R., Parts 190-193 and 198-199, to order remedial actions and impose civil penalties where appropriate; and

**WHEREAS**, Chesapeake Utilities Corporation ("Chesapeake") is an "Operator" as set forth in 26 Del. C. §802(11) and 26 Del. Admin. C. §8001-1.0 in that Chesapeake acts as an operator of a buried pipeline facility used in the transportation of gas, such as propane and natural gas, within the State of Delaware and therefore falls within the Commission's jurisdiction; and

**WHEREAS**, a member of the Commission's staff ("Staff") conducted an investigation into an event that occurred on September 2, 2015, on Route 13 near Dover Downs and the Best Buy store in Dover, Delaware. Staff noted its findings in a written report which was finalized on October 22, 2015 (the "Report"). The Report states that an excavation contractor had struck a partially-retired service line that Chesapeake had failed to mark because the service line had not been included in its Geographical Information System. This caused a natural gas leak, which in turn caused Route 13 to be temporarily closed until repairs could be made; and

**WHEREAS**, based on Staff's investigation, the Report concludes that Chesapeake's failure to properly mark the partially-retired service line in the area of the excavation before the excavation work actually began represented one potential violation of 49 C.F.R. §§192.614(a)<sup>1</sup> and (c)(5);<sup>2</sup> and

**WHEREAS**, based on the findings in the Report, on November 6, 2015, the Program Manager of the Pipeline Safety Program for the State of Delaware (who is also a member of the Commission Staff) sent a written letter of the Notice of Potential

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<sup>1</sup> 49 C.F.R. §192.614(a) deals with "damage prevention program" and requires, in pertinent part, that except as provided in 49 C.F.R. §§192.614(d) and (e), " ... each operator of a buried pipeline *must carry out*, in accordance with this section, a written program to prevent damage to that pipeline from excavation activities...." [emphasis added]

<sup>2</sup> 49 C.F.R. §192.614(c)(5) deals with "damage prevention program" and provides, in pertinent part, that the damage prevention program required by 49 C.F.R. §192.614(a) "must, at a minimum provide for temporary marking of buried pipelines in the area of excavation activity before, as far as practical, the activity begins."

Violations ("NOPV") and a copy of the Report to Mr. Charles A. Russell, Engineering and Compliance Manager for Chesapeake. A copy of the NOPV and Report are attached to the Proposed Consent Agreement (defined below); and

**WHEREAS**, the NOPV indicated Staff's recommendation that within 30 days of the date of the NOPV, Chesapeake should provide to Staff, in writing, the procedural changes made by Chesapeake which would provide the best protection against a similar event occurring again in the future;<sup>3</sup> and

**WHEREAS**, Staff also recommended in the NOPV that the Commission impose a civil penalty of \$5,500.00 for one potential violation of 49 C.F.R. §§192.614(a) and (c)(5) (the "Civil Penalties"); and

**WHEREAS**, Chesapeake responded to the NOPV by letter dated December 3, 2015; and

**WHEREAS**, Chesapeake and Staff entered into settlement negotiations and agreed to resolve the potential violation and the Civil Penalties by entering into a consent agreement (the "Proposed Consent Agreement") which is attached as **Attachment "A"**. Both Staff and Chesapeake agree that the Proposed Consent Agreement is subject to the Commission's review and final approval; and

**WHEREAS**, Staff and Chesapeake submit that resolving this matter through a negotiated compromise and without the need for a formal evidentiary hearing serves the public interest and yields

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<sup>3</sup> Staff has confirmed that Chesapeake timely provided to Staff in writing the procedural changes as recommended in the NOPV.

a reasonable result. In addition, both parties assert that the Civil Penalties are within the bounds of allowable civil penalty amounts based on circumstances unique to Chesapeake, and this settlement will avoid further administrative and hearing costs;

**NOW, THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE  
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Pursuant to 26 *Del. C.* §512(c), the Commission finds that the Proposed Consent Agreement, attached as Attachment "A," is in the public interest for the reasons set forth above and, therefore, approves such agreement in full.

2. Pursuant to 49 U.S.C. §60122(a), subpart B of Part 190 of the Federal Regulations, and 26 *Del. Admin. C.* §8001-7.1.2, the Commission assesses a civil penalty against Chesapeake in the amount of \$5,500.00 payable within 20 days of the date of this Order.

3. The Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

**BY ORDER OF THE COMMISSION:**

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

ATTEST:

\_\_\_\_\_  
Secretary

ATTACHMENT "A"

Proposed Consent Agreement

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE NOTICE OF )  
POTENTIAL VIOLATION OF 26 *DEL. ADMIN. C.* )  
§8001 AND ASSOCIATED CIVIL PENALTIES ) PSC DOCKET NO. 15-1539  
ASSESSED TO CHESAPEAKE UTILITIES )  
CORPORATION (OPENED SEPTEMBER 25, 2015) )

**PROPOSED CONSENT AGREEMENT**

**THIS PROPOSED CONSENT AGREEMENT** (“Proposed Consent Agreement”) is made this 27<sup>th</sup> day of January, 2016, between Chesapeake Utilities Corporation, a Delaware corporation (“Chesapeake”), and the Delaware Public Service Commission Staff (“Staff”).

**WHEREAS**, Chesapeake is a Delaware corporation with its headquarters located at 909 Silver Lake Boulevard, Dover, Delaware 19904; and

**WHEREAS**, Chesapeake is an “Operator” as set forth in 26 *Del. C.* §802(11)<sup>1</sup> and 26 *Del. Admin. C.* §8001-1.0<sup>2</sup> in that such company acts as an operator of a buried pipeline facility used in the transportation of gas, such as propane and natural gas, within the State of Delaware; and

**WHEREAS**, the Delaware Public Service Commission (the “Commission”) has qualified for federal certification of a state pipeline safety compliance program under 49 U.S.C. §60105(a), which relates to the regulation of intrastate gas pipeline transportation; and

**WHEREAS**, 26 *Del. C.* §821 provides, in pertinent part, that the Commission “shall have the authority to make and enforce rules required by the federal Natural Gas Pipeline Safety Act of 1968, as amended (49 U.S.C. Chapter 601), to qualify for federal certification of a state pipeline safety compliance program under 49 U.S.C. § 60105(a)....;”<sup>3</sup> and

<sup>1</sup> 26 *Del. C.* §802(11) defines an “underground pipeline facility operator” as an operator of a buried pipeline facility used in the transportation of gas, such as propane and natural gas, subject to the Natural Gas Pipeline Safety Act of 1968 (49 U.S.C. §1671 et seq.) [repealed by Act July 5, 1994, P.L. 103-272], or used in the transportation of hazardous liquid subject to the Hazardous Liquid Pipeline Safety Act of 1979 (49 U.S.C. § 2001 et seq.) [repealed by Act July 5, 1994, P.L. 103-272]; underground pipeline facility operators include, without limitation, natural gas, propane gas, master meter, LP gas and interstate and intrastate gas and liquid distribution facility operators as defined by these acts. **NOTE:** P.L. 103-272 amended and transferred to a new section of the U.S. Code the “Natural Gas Pipeline Safety Act of 1968” and the “Hazardous Liquid Pipeline Safety Act of 1979.” See P.L. 103-272; 108 Stat. 745; 49 U.S.C. §§60101 through 60128.

<sup>2</sup> Under 26 *Del. Admin. C.* §8001-1.0, an “Operator” means an “underground pipeline facility operator” as defined in 26 *Del. C.* §802(11).

<sup>3</sup> 26 *Del. C.* §821 further provides, in pertinent part, that such rules shall incorporate the safety standards and penalty provisions (including injunctive and monetary sanctions) established under the federal Natural Gas Pipeline Safety Act of 1968, as amended [49 U.S.C. § 60101 et seq.], that are applicable to intrastate gas pipeline transportation and will apply to underground pipeline facility operators, as defined under 26 *Del. C.* §802(11).

**WHEREAS**, on September 2, 2015, Staff learned that a portion of Route 13 near Dover Downs and the Best Buy store in Dover, Delaware, was closed because an excavation contractor had struck a gas pipeline and caused a gas leak. After the leak had been repaired and the site was determined to be safe, Mr. Edwin Robles, a Staff member and pipeline safety inspector, began an investigation into the event as part of Staff's duties as a certified state pipeline safety compliance program. After investigating, he determined the excavation contractor had struck a partially retired service line that Chesapeake had failed to mark because the service line had not been included in its Geographical Information System (GIS). This caused the leak which caused the highway to be temporarily closed until repairs could be made; and

**WHEREAS**, Mr. Robles then prepared a written report finalized on October 22, 2015, which described in detail his investigation and findings; and

**WHEREAS**, based on Mr. Robles's written report and findings, on November 6, 2015, Mr. Gerald D. Platt, a member of Staff and the Program Manager of the Pipeline Safety Program for the State of Delaware, sent a written letter of the Notice of Potential Violations ("NOPV") to Mr. Charles A. Russell, Engineering and Compliance Manager for Chesapeake. A copy of the NOPV Staff sent to Mr. Russell is attached as Exhibit "A"; and

**WHEREAS**, a service line falls within the definition of a "pipeline" as set forth in 49 C.F.R. §192.3;<sup>4</sup> and

**WHEREAS**, the NOPV notes that Chesapeake's failure to properly mark the buried service line in the area of the excavation before the excavation work actually began represents one potential violation of 49 C.F.R. §§192.614(a)<sup>5</sup> and (c)(5);<sup>6</sup> and

**WHEREAS**, the NOPV indicated that the Commission is authorized by the Federal Pipeline Safety Regulations, 49 C.F.R., Parts 190-193 and 198-199 (the "Regulations"), to order remedial actions and to impose civil penalties. The NOPV further indicated Staff's recommendation that within 30 days of the date of the letter, Chesapeake provide to Staff, in writing, the procedural changes made by Chesapeake which would provide the best protection against a similar event occurring again in the future;<sup>7</sup> and

**WHEREAS**, Staff recommended in the NOPV that the Commission impose a civil penalty in the amount of \$5,500.00 for one potential violation of 49 C.F.R. §§192.614(a) and (c)(5); and

<sup>4</sup> 49 C.F.R. §192.3 provides as a definition for Part 192 that "pipeline" means all parts of those physical facilities through which gas moves in transportation, including pipe, valves, and other appurtenance attached to pipe, compressor units, metering stations, regulator stations, delivery stations, holders, and fabricated assemblies.

<sup>5</sup> 49 C.F.R. §192.614(a) deals with "damage prevention program" and requires, in pertinent part, that except as provided in 49 C.F.R. §§192.614(d) and (e), "each operator of a buried pipeline must carry out, in accordance with this section, a written program to prevent damage to that pipeline from excavation activities...." [emphasis added].

<sup>6</sup> 49 C.F.R. §192.614(c)(5) deals with "Damage prevention program" and provides, in pertinent part, that the damage prevention program required by 49 C.F.R. §192.614(a) "must, at a minimum provide for temporary marking of buried pipelines in the area of excavation activity before, as far as practical, the activity begins."

<sup>7</sup> Staff has confirmed that Chesapeake provided its written revised procedural changes to the O&M Manual.

**WHEREAS**, Chesapeake responded to the NOPV by letter dated December 3, 2015; and

**WHEREAS**, Chesapeake and Staff thereafter entered into settlement negotiations and hereby propose to resolve all of the issues in this proceeding without recourse to a formal administrative hearing by entering into this Proposed Consent Agreement under the terms and conditions set forth herein; and

**WHEREAS**, Chesapeake has been informed that it is entitled to an evidentiary hearing and to be represented by counsel but has decided to waive its right to an evidentiary hearing;

**NOW, THEREFORE**, upon the mutual consent and agreement of Chesapeake and Staff (individually, a "Party," and collectively, the "Parties"), the Parties hereby propose a complete settlement of all issues in this proceeding as follows:

1. The Parties have conferred and have agreed to enter into this Proposed Consent Agreement on the terms and conditions contained herein because they believe that resolving the matter by stipulation will serve the interests of the public. The Parties also agree that the terms and conditions of this Proposed Consent Agreement will be presented to the Commission for the Commission's final approval.

2. Chesapeake waives its right to an evidentiary hearing for the issues in this proceeding and makes such waiver as a free and voluntary act.

3. Chesapeake states it fully understands the violation alleged by Staff, the facts relating to above-referenced potential violation, and all of the consequences of its consent to this Proposed Consent Agreement.

4. Chesapeake admits to all of the facts as set forth above in this Proposed Consent Agreement and admits that it failed to properly mark its buried service pipeline in the area of the excavation before the excavation actually began, which is a violation of 49 C.F.R. §§192.614(a) and (c)(5).

5. Pursuant to 26 *Del. Admin. C.* §8001-7.1.2, Chesapeake agrees to pay a civil penalty in the amount of \$5,500.00 within 20 days of the date of a final Commission order that approves this Proposed Consent Agreement without modification. This sum is a negotiated amount representing a civil penalty totaling \$5,500.00 for one violation of 49 C.F.R. §§192.614(a) and (c)(5). Pursuant to 26 *Del. C.* §116(b)(2), these civil penalties will be payable to and deposited into the General Fund of the State of Delaware.

6. If Chesapeake fails to pay the civil penalty in the amount of \$5,500.00 within 20 days of the date of a final Commission order approving this Proposed Consent Agreement without modification, Chesapeake agrees that it shall pay interest on such penalty amount at the current annual rate in accordance with 31 U.S.C. §3717, 31 C.F.R. §901.9, and 49 C.F.R. §89.23. Pursuant to those same authorities, a late penalty charge of six percent (6%) per annum will be assessed if payment is not made within 110 days of service of a Notice of Late Payment.



Furthermore, failure to pay the civil penalty may result in referral of the matter to the Delaware Attorney General for appropriate action.

7. The terms of this Proposed Consent Agreement are binding upon the Parties and their successors and assigns, and such terms may be admitted into evidence in any judicial or administrative proceeding that may be required to enforce its terms.

8. This finding of a violation will be considered a prior offense in any subsequent enforcement action against Chesapeake.

9. Nothing in this Proposed Consent Agreement affects or relieves Chesapeake of its responsibility to comply with all applicable requirements of the federal Pipeline Safety Laws, 49 U.S.C. §60101, et seq., and the regulations and administrative orders issued thereunder. Nothing in this Agreement alters Staff's right of access, entry, inspection, and information gathering or Staff's authority to bring enforcement actions against Chesapeake pursuant to the federal Pipeline Safety Laws, the regulations and administrative orders issued thereunder, Delaware's laws or regulations, or any other provision of Federal or State law pertaining to subsequent violations.

10. No change, amendment, or modification to this Proposed Consent Agreement shall be effective or binding unless it is in writing and is dated and signed by the Parties.

11. If Staff or the Commission fails to act on any one or more defaults hereunder by Chesapeake, such failure to act shall not be a waiver of any rights hereunder on the part of Staff or the Commission to declare Chesapeake in default of this Proposed Consent Agreement and to take such action as may be permitted by it or by law.

12. The covenants contained in this Proposed Consent Agreement shall survive the termination or expiration of this Proposed Consent Agreement and shall be enforceable against Chesapeake and its respective successors or assigns.

13. The provisions of this Proposed Consent Agreement are not severable.

14. The Parties agree that this Proposed Consent Agreement may be submitted to the Commission for its consideration and final decision and that no Party will oppose such a determination. Except as expressly set forth herein, neither of the Parties waives any rights it may have to take any position in future proceedings regarding the issues in this proceeding, including positions contrary to positions taken herein or in previous cases.

15. This Proposed Consent Agreement will become effective upon the Commission's issuance of a final order approving it and all of its terms and conditions without modification. After the issuance of such final order, the terms of this Proposed Consent Agreement shall be implemented and enforceable notwithstanding the pendency of any legal challenge to the Commission's approval of this Proposed Consent Agreement or to actions taken by another regulatory agency or Court, unless such implementation and enforcement is stayed or enjoined by the Commission, another regulatory agency, or a Court having jurisdiction over the matter.

16. The Parties may enforce this Proposed Consent Agreement through any appropriate action before the Commission or through any other available remedy. Any final Commission order related to the enforcement or interpretation of this Proposed Consent Agreement shall be appealable to the Superior Court of the State of Delaware, in addition to any other available remedy at law or in equity.

17. If a Court grants a legal challenge to the Commission's approval of this Proposed Consent Agreement and issues a final non-appealable order that prevents or precludes implementation of any material term of this Proposed Consent Agreement, or if some other legal bar has the same effect, then this Proposed Consent Agreement is voidable upon written notice by either Party to the other Party.

18. This Proposed Consent Agreement resolves all of the issues specifically addressed herein and precludes the Parties from asserting contrary positions during subsequent litigation in this proceeding or related appeals; provided, however, that this Proposed Consent Agreement is made without admission against or prejudice to any factual or legal positions which any of the Parties may assert (a) if the Commission does not issue a final order approving this Proposed Consent Agreement without modifications; or (b) in other proceedings before the Commission or another governmental body so long as such positions do not attempt to abrogate this Proposed Consent Agreement. This Proposed Consent Agreement is determinative and conclusive of all of the issues addressed herein and, upon approval by the Commission, without modification, shall constitute a final adjudication as to the Parties of all of the issues in this proceeding.

19. This Proposed Consent Agreement contains all of the terms and conditions agreed to by the Parties and constitutes the final agreement between the Parties.

20. This Proposed Consent Agreement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein. If the Commission fails to grant such approval, or modifies any of the terms and conditions, this Proposed Consent Agreement will terminate and be of no force and effect, unless the Parties agree in writing to waive the application of this provision. The Parties will make their best efforts to support this Proposed Consent Agreement and to secure its approval by the Commission.

21. It is expressly understood and agreed that this Proposed Consent Agreement constitutes a negotiated resolution of the issues in this proceeding.

22. Each of the undersigned representatives of the Parties certifies that he or she is fully and legally authorized by the Party represented to enter into the terms and conditions hereof and to execute and legally bind that Party to it.

23. This Proposed Consent Agreement may be executed in two or more counterparts, each of which together shall be deemed an original, but all of which together shall constitute one and the same instrument. If either Party sends the other Party a signature on this Proposed Consent Agreement by facsimile transmission or by e-mail as a ".PDF" format file, such



signature shall create a valid and binding obligation of the Party executing it (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".PDF" signature page were an original thereof. Chesapeake agrees that an uncertified copy of the Proposed Consent Agreement shall be valid as evidence in any proceeding that may be required for purposes of enforcement.

A handwritten signature in black ink, appearing to be 'C. J. ...', located to the right of the main text block.

[SIGNATURE PAGE TO FOLLOW]

The undersigned Parties, intending to bind themselves and their successors and assigns, have caused this Proposed Consent Agreement to be signed by their duly-authorized representatives and hereby agree to all of the terms and conditions set forth in this Proposed Consent Agreement.

**DELAWARE PUBLIC SERVICE COMMISSION STAFF**

By:  Date: 1/27/2016  
Printed Name: GERALD D PLATT  
Title: Pipeline Safety Program Manager

**CHESAPEAKE UTILITIES CORPORATION**

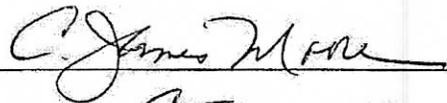
By:  Date: 1/26/2016  
Printed Name: C. JAMES MOORE  
Title: VICE PRESIDENT

EXHIBIT "A"

COPY OF WRITTEN NOTICE OF POTENTIAL VIOLATIONS  
OF 26 *DEL. ADMIN. C.* §8001 DATED NOVEMBER 6, 2015,  
FROM GERALD D. PLATT, PROGRAM MANAGER OF THE  
PIPELINE SAFETY PROGRAM FOR THE STATE OF DELAWARE,  
TO CHARLES RUSSELL, ENGINEERING AND COMPLIANCE MANAGER,  
CHESAPEAKE UTILITY CORPORATION  
(INCLUDING COPY OF VIOLATION REPORT DATED SEPTEMBER 2, 2015)



**STATE OF DELAWARE  
PUBLIC SERVICE COMMISSION**

861 SILVER LAKE BOULEVARD  
CANNON BUILDING, SUITE 100  
DOVER, DELAWARE 19904

TELEPHONE: (302) 736-7500  
FAX: (302) 739-4849

November 6, 2015

Mr. Charles A. Russell, Engineering and Compliance Manager  
Chesapeake Utilities Corporation  
32145 Beaver Run Drive  
Salisbury, MD 21804-1774

**RE: Written Notice of Potential Violation of 26 Del. Admin. C. §8001 occurring on 9/2/15**

Dear Mr. Russell:

This letter serves as notice to Chesapeake Utilities Corporation (the "Operator") of potential violations of the State of Delaware's Rules to Establish an Intrastate Gas Pipeline Safety Compliance Program, **26 Del. Admin. C. §8001** (the "Regulations"). The Regulations, at a minimum, enforce the standards set forth in the Federal Pipeline Safety Regulations, Title 49, U.S. Code of Federal Regulations, Parts 190-193 and 198-199.

On September 2, 2015, the Public Service Commission Staff ("Staff") received notice that a portion of Route 13 in Dover, near Dover Downs, was closed due to a gas leak. Upon contacting the Operator, this was confirmed. Further, Staff was informed that an excavation contractor had struck a gas pipeline in the vicinity of Route 13, and the Operator was on site attempting to make the situation safe. When Staff was made aware that the leak had been repaired, the site was safe, and traffic was flowing, Ed Robles visited the site to perform an inspection of the event. Mr. Robles witnessed the repair of the damaged pipeline and spoke with Richard Cleveland at the site. Later, Mr. Robles corresponded with both Mr. Cleveland and yourself regarding follow-up questions. In short, Mr. Robles' investigation determined the excavation contractor had struck a retired service line that was not located, or marked, by the Operator in response to the request made through the approved notification center for such services. This caused the leak which endangered the general public and caused the highway to be temporarily closed until repairs could be made.

This represents the following potential violation:

- 1) One (1) potential violation of **49 C.F.R. §§192.614(a) and (c)(5): Damage prevention program**, which requires the following:
  - (a) ... each operator of a buried pipeline must carry out, in accordance with this section, a written program to prevent damage to that pipeline from excavation activities.

Charles A. Russell, Engineering and Compliance Manager  
November 6, 2015  
Page 2

*(c) The damage prevention program required by paragraph (a) of this section must, at a minimum...*

*(5) Provide for temporary marking of buried pipelines in the area of excavation activity before, as far as practical, the activity begins.*

The Commission is authorized by the Regulations to order remedial actions and to impose civil penalties. In this case, the Commission Staff is recommending the following remedial action and civil penalties:

- 1) Within thirty (30) days of the date of this letter, the Operator shall provide, in writing, the procedural changes made which will provide the best protection against an event such as this from occurring again.
- 2) Civil penalties are proposed in the amount of \$5500.00 for the potential violation of 49 C.F.R. §§192.614(a) and (c)(5). Additional penalties may also be imposed for any additional violations found in any ensuing investigations or hearings.

The Commission Staff is referring this matter to the Commission for a formal hearing so that the Commission can rule on this matter. A docket will be opened for this matter, and a notice of a hearing date will be sent to the Operator as soon as possible.

If you have questions regarding this matter, please don't hesitate to contact me at 302-736-7526.

Sincerely,



Gerald D. Platt, Program Manager

Enclosure: Copy of Violation Report for 9/2/15

cc: Ed Robles, DE PSC Pipeline Safety Inspector  
Julie Donoghue, Deputy Attorney General

UNITED STATES DEPARTMENT OF TRANSPORTATION  
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION  
OFFICE OF PIPELINE SAFETY  
GAS PIPELINE SAFETY VIOLATION REPORT

|  |   |                                      |  |  |  |   |  |
|--|---|--------------------------------------|--|--|--|---|--|
| 1. <u>Inspector Name</u><br>Edwin Robles   | 2. <u>Date of Inspection</u><br>September 2, 2015 | 3. <u>CPF #</u>                      |  |  |  |   |  |
| 4. <u>Pipeline Operator/Owner</u><br>Chesapeake Utilities, Inc.  |   |                                      |  |  |  |   |  |
| 5a. <u>Headquarters Address</u><br>909 Silver Lake Boulevard, Dover DE 19904   |   |                                      |  | 5b. <u>Telephone No.</u><br>(302) 734-6797   |  |   |  |
| 6. <u>Inspection Location</u><br>1165 N. Dupont Hwy., Dover DE 19901   |   |                                      |  | 7. <u>Inspection Unit</u><br>No. ___ of ___  |  |   |  |
| 8. <u>Portion of System Inspected</u> (Describe location & facility)   |   |                                      |  |  |  |   |  |
| 9. <u>Nature and Size of Operator</u>  |   |                                      |  |  |  |   |  |
| 9a. <u>Type of Operator</u>  |   |                                      |  | 9b. <u>Type of Pipe in System Inspected</u>  |  |   |  |
| <input type="checkbox"/> LNG (interstate)<br><input type="checkbox"/> LNG (Intrastate)<br><input type="checkbox"/> LPG<br><input type="checkbox"/> Master Meter<br><input checked="" type="checkbox"/> Other Distribution<br><input type="checkbox"/> Gathering<br><input type="checkbox"/> Transmission (interstate)<br><input type="checkbox"/> Transmission (intrastate)  |   |                                      |  | <input type="checkbox"/> Cast Iron<br><input type="checkbox"/> Steel<br><input type="checkbox"/> Plastic<br><input checked="" type="checkbox"/> Other - Coated Steel |  |   |  |
|  |   |                                      |  | 9c. <u>Size of Operator</u> (No. of Miles/Customers/Storage Capacity)  |  |   |  |
| 10. <u>Nature of Probable Violations</u> (Check as many as applicable)   |   |                                      |  |  |  |   |  |
| <input type="checkbox"/> 1. Problem in Design/Materials<br><input type="checkbox"/> 2. Problem in Construction<br><input type="checkbox"/> 3. Welding or Joining<br><input type="checkbox"/> 4. Problem in LNG Equipment<br><input type="checkbox"/> 5. Test Requirements or MAOP Qualification<br><input type="checkbox"/> 6. Corrosion Control<br><input type="checkbox"/> 7. Pressure Control<br><input type="checkbox"/> 8. Other Maintenance/Monitoring<br><input type="checkbox"/> 9. Personnel Qualifications & Training<br><input type="checkbox"/> 10. Fire Protection<br><input type="checkbox"/> 11. Security<br><input type="checkbox"/> 12. Anti-Drug Program<br><input type="checkbox"/> 13. Other Operations<br><input type="checkbox"/> 14. Reporting Requirements<br><input checked="" type="checkbox"/> 15. Other <u>Damage Prevention</u> - Failure to mark all buried pipelines<br><input type="checkbox"/> 16. Inadequate/No Procedures |   |                                      |  |  |  |   |  |
| <input type="checkbox"/> A. Construction   |   | <input type="checkbox"/> D. Training |  | <input type="checkbox"/> B. Corrosion Control  |  | <input type="checkbox"/> E. Maintenance |  |
| <input type="checkbox"/> C. Operations   |   |                                      |  |  |  |   |  |

Violation No. 1

8 Violated: 192.614 Damage Prevention Program

11b. Summarize what the regulation requires that operator did not do:

192.614 (a) requires that each operator of a buried pipeline shall carry out, in accordance with 192.614 a written program to prevent damage to their pipeline by excavation activities, specifically per 192.614(c)(5), provide for the temporary marking of buried pipelines in the area of excavation activity before activity begins.

12. Provide detailed information about violation:

On 9/2/15, Drill Tech Inc. worked on the installation of telephone conduit by directional drilling method, near the Best Buy (located at 1165 N. Dupont Hwy) in Dover, Delaware. During the operation, the contractor hit and damaged an unmarked gas service line running from US 13 (Dupont Hwy.), east towards the Best Buy. The 1-1/4 inch coated steel gas service was not marked by Chesapeake, and is shown on the corresponding miss utility ticket (ticket no. 152400309) as being "cleared/no conflict". After further investigation, it was determined that this service was a retired service line, retired/abandoned on 9/4/92 and documented on a Record Card. Chesapeake claims that the service was not marked, due changes in the site over the years (All landmarks referenced on the record card were removed).

13. Public and/or environmental concerns in area of violation:

The damage to the gas service resulted in a leak, which lead to the temporary shut-down of US 13 (Dupont Hwy, both north and southbound lanes). The highway was reopened once the leak was found and temporarily fixed. Since the hit service line was adandoned, Chesapeake cut the service and capped both ends. No customers lost gas service during the gas leak and repair.

14a. Person Interviewed: Richard Cleveland and Charlie Russell

**Title:** Mr. Cleveland is a District Gas Operations Manager and Mr. Russell is the Engineering and Compliance Manager

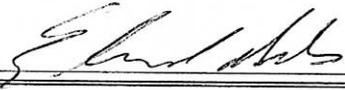
14b. Comments of person interviewed: Stated that the hit line was a 1-1/4" coated steel line that was installed on 7/6/73 to service an old Lowes. The service was abandoned in place on 9/4/92 and recorded on a Record Card. The old service meter and riser were removed and the old building demolished. The service was retired by cutting and capping the service under the parking lot. The Best Buy currently has gas service that comes through a 2" PE service installed on 6/21/93. This line comes from the rear of the property(east side of building), from the Dover Downs complex.

15. Supporting Documents/Materials

| Item No. | Description (Include date)          | Source of Documents | Remarks |
|----------|-------------------------------------|---------------------|---------|
| 1        | Chesapeake Leak/Damaged Line Report | Jim Ferguson        |         |

16. Inspector's Signature:

Date:



10/22/15

17. Compliance History

| Date | Place | Describe Violation/<br>Noncompliance | CPF No.<br>Date WL | Outcome |
|------|-------|--------------------------------------|--------------------|---------|
|------|-------|--------------------------------------|--------------------|---------|

| Date | Place | Describe Violation/<br>Noncompliance | CPF No.<br>Date WL | Outcome |
|------|-------|--------------------------------------|--------------------|---------|
|      |       |                                      |                    |         |

18. Gravity of Offense

19. Degree of Culpability

High

20. Ability to Continue in Business

Excellent

21. Ability to Pay

Good

22. Good Faith in Attempting to Achieve Compliance

Excellent

23a. Proposed Remedy

Warning Letter  
 Civil Penalty: Recommended Amount \$     TBD      
 Compliance Order  
 Hazardous Facility Order  
 Notice of Amendment of O&M Plan

23b. Analysis of Proposed Remedy

24. Regional Director's Signature: \_\_\_\_\_

Date: \_\_\_\_\_

U.S. Department of Transportation  
Office of Pipeline Safety  
Eastern Region

EXHIBIT TAB  
Name of Operator

Exhibit No.

| Evidence | Obtained from | Identifying Witness |
|----------|---------------|---------------------|
|          |               |                     |

Investigator  
Name

Title

# CHESAPEAKE UTILITIES CORPORATION

*Josh Annand, Mike Gander, Joel Hermogenes*

## Leak/Damaged Line Report

Work Done By *Frank Lane, Dan Heider* Date Completed *9/2/15*

1. Location & Time of Leak Or Failure *Best Buy*  
 a. Number & Street *1165 N. Rupert Hwy*  
 City & County *DOVER, DE Kent*

State & Zip Code \_\_\_\_\_  
 b. Date of Detection *9/2/15* Time Dispatched: *10:22 am*  
 Classify Leak: *1* Time arrived: *10:27 am*  
 c. Time of Detection: *10:19 am* Time Escaped of Gas Stopped: \_\_\_\_\_  
 Time of departure: *4:30 pm*

d. High Pressure  Low Pressure

2. Method Of Leak Or Failure Detection  
 a. Method  Routine Consultants  Maintenance Survey  Outside Party  Company Survey  
 b. Reported By:  Public  Company Personnel  
 Customer  Agency Causing Damage  
 Police  Other (Specify) \_\_\_\_\_

3. Part Of System Where Leak Or Failure Occurred  
 Main  Service  Other (Specify) \_\_\_\_\_

4. Part of System Which Leaked Or Failed  
 a. Part  Pipe  Drip  Valve  Regulator  Fitting  Tap Connection  Other (Specify) \_\_\_\_\_  
 b. Date Installed \_\_\_\_\_ (Or Estimate Of Date Installed)

5. Material Which Leaked Or Failed  
 a. Material:  Steel Coated  Cast Iron  Steel Bare  Copper  Plastic  Other \_\_\_\_\_

b. Was The Material That Leaked Or Failed The Same Material As Adjoining Object? YES  NO   
 (If "No" Describe Material In The Adjoining Component Or Parts) \_\_\_\_\_

6. Origin Of Leak Or Failure:  Threads  Saddles  Dresser  Corrosion  Welds  Bell Joint  Other (Specify) \_\_\_\_\_

7. Type Of Repair  
 a.  Pipe  Replace Pipe  Patch-Welded  Clamp  Weld Over Sleeve  Length \_\_\_\_\_ FT  Replace Fitting  Other (Specify) *Retired 1 1/4"*  
 b. Component Replaced  Reconditioned  Other

8. Personal Injury Or Property Damage Resulting From Escape Of Gas  
 Yes  No   
 If Marked Yes, Complete Question 9.

9. Mark Appropriate Boxes:  
 a. Rupture Occurred   
 b. Gas Ignited   
 c. Explosion Occurred   
 d. Incident Induced Any   
 Secondary Explosions Or Fires

|    | Yes | No |
|----|-----|----|
| a. |     |    |
| b. |     |    |
| c. |     |    |
| d. |     |    |

10. Environmental Description  
 a. Predominant Type Of Area  
 Commercial  Rural  Industrial  Other (Specify) \_\_\_\_\_  
 Residential  
 b. Predominant Above-Ground Structure Adjacent To Leak  
 Commercial  Residential  Industrial  Other (Specify) \_\_\_\_\_  
 c. Approximate Distance To Nearest Above Ground Structure (within 1 Mile) *200 FT*  
 d. Did Other Under-Ground Facility (ies) Contribute To Occurrence Of Leak In Any Manner? YES  NO   
 e. Location Of Leak Or Failure  Under Structure  Within Building  Below Walkway  Above Ground  Below Road  Below Ground a.  Paved b.  Unpaved  
 f. Depth Of Cover *36"* Inches  
 g. Soil Information At Pipe:  Soil  Rock

11. Nominal Diameter Of Pipe *1 1/4"*

12. Additional Description Of Incident Or Continuation Of Explanation Of Items Above Or Comments  
*Danella doing a directional drill hit an unmarked 1 1/4" coated steel service stub with reamer they were pulling back.*

13. Name/ Identity of Locator *Bill Bathea*

(Mandatory supervisory review in compliance with 49 CFR Part 192.615 b.3)  
 14. Supervisor Approval/Date *Frank Lane* *9/15/15*

**Part A CORROSION**

Work Completed By \_\_\_\_\_ Date Completed \_\_\_\_\_

1. General Corrosion Information

a. Location  
 Internal Corrosion  
 External Corrosion

b. Description  
 Pitting  
 General

c. Cause  
 Galvanic  
 Bacterial  
 Stray Current  
 Other (Specify) \_\_\_\_\_

2. Pipe Coating Information

a. Coating  
 Bare  
 Coated  
 Wrapped

b. Year Installed \_\_\_\_\_  
 (Or Estimated Date Installed)

c. Material  
 Coal Tar  
 Thin Film Coating  
 X-Tru Coat  
 Other \_\_\_\_\_

3. Pipe To Soil Potential

a. Last Pipe To Soil Potential Measurement At Nearest Points On Each Side Of Leak Volts \_\_\_\_\_ and \_\_\_\_\_ Volts

b. Distance From Leak To Each Measurement Point \_\_\_\_\_ Feet And \_\_\_\_\_ Feet.  
 Date Of Measurement \_\_\_\_\_

4. Cause Of Coating Failure

a.  Damage  
 b.  Detective Material  
 c.  Detective Application  
 d.  Decomposition  
 e.  Other (Specify) \_\_\_\_\_

5. Cathodic Protection

a.  Yes  
 b.  No  
 c.  Year Started \_\_\_\_\_  
 d. Type:  Impressed  Ilnvanic  Other (Specify) \_\_\_\_\_

6. PH Of Soil Near Leak \_\_\_\_\_

**Part B DAMAGE BY OUTSIDE FORCES**

Work Completed By \_\_\_\_\_ Date Completed \_\_\_\_\_

1. Billable  Yes  No

2. Primary Cause Of Leak

a.  Damage By Equipment Operated By Or For Gas Division  
 b.  Damage By Equipment Operated By Outside Party  
 c.  Damage By Earth Movement  
 d.  Damage By City Or County  
 e.  Damage By State

3. Describe Exact Nature Of Leak hit 1 1/4" coated steel line with reamer of a directional drill

4. Name & Address Of Outside Party:  
Danella Line Services  
1402 Conshohocken Rd  
Plymouth Meeting, PA 19462

Superintendent's Name: Travis Phone #: 410-490-8422

Operators Name: \_\_\_\_\_ Phone # \_\_\_\_\_

d. Was the Pipeline Marked Or Identified?  Yes  No  
 Was it Marked Correctly?  Yes  No

If "YES", What Type Of Marking Or Identification Was Used

Permanent Markers  Excavation  
 Map Furnished  Paint  
 Temporary Stakes  Other \_\_\_\_\_

| Labor and Equipment |       | Photographs of the Scene of Damage |   | Materials and Contractor |          |
|---------------------|-------|------------------------------------|---|--------------------------|----------|
| Name                | Hours |                                    |   | Description              | Quantity |
| Frank Lane          | 5     | <input type="checkbox"/>           | Motor vehicles (licenses plates and logos)                                  | 1 1/4" Band Clamp        | 1        |
| Dan Hodson          | 6     | <input type="checkbox"/>           | Witness on the scene (Chesapeake Utilities employees etc.)                  |                          |          |
| Josh Hermajers      | 6     | <input type="checkbox"/>           | Damaged observed  | Dresser 1 1/4"           | 1        |
| Josh Anzani         | 4     | <input type="checkbox"/>           | Equipment used (logos, operators & I.D. numbers)                            | Nipples 1 1/4"           | 2        |
| Mike Gander         | 4     | <input type="checkbox"/>           | Locate marks (all angles)   | Cap 1 1/4"               | 1        |
|                     |       | <input type="checkbox"/>           | Taking reference points / tangible reference points                         |                          |          |
|                     |       | <input type="checkbox"/>           | (Buildings, Utility poles, Street signs, Mailboxes, Meter pans, Gas meters) |                          |          |

(for additional comments or materials if needed)

**Part C REPAIR RECORDS/ BILLING INFORMATION**

Work Completed By \_\_\_\_\_ Date Completed \_\_\_\_\_

1. Work Order # \_\_\_\_\_

2. Location Drawing  YES  NO

3. Total Billable Amount (See Attached Work Order For Details) \$ \_\_\_\_\_

Comments: \_\_\_\_\_

**Completed By CCA**

Customer Number \_\_\_\_\_

Amount Billed \_\_\_\_\_

Date Billed \_\_\_\_\_

CCA Approval (Copy to Accounting) \_\_\_\_\_