

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

In the Matter of Missouri Gas Energy,)	
a division of Southern Union Company,)	
Concerning a Natural Gas Incident at)	Case No. GS-2011-0248
the Intersection of 107 th Street and)	
Blue Ridge Boulevard in Kansas City,)	
Missouri)	

REPLY OF MISSOURI GAS ENERGY TO STAFF'S FINAL REPORT

COMES NOW Southern Union Company, d/b/a Missouri Gas Energy ("MGE" or "Company") and in response to Staff's Final Report dated December 9th, 2011, replies as follows:

Background

1. On February 2, 2011, natural gas was released from a fractured underground transmission line (the "Mayfair 16-inch pipeline") near 107th Street and Blue Ridge Boulevard in Kansas City, Missouri.¹ No fire or explosion occurred, no one was injured, and there was no damage to third-party property.² MGE reported the incident to the Staff of the Missouri Public Service Commission ("Staff") in less than two hours.³ The Company repaired the fractured section of pipe by installing a full circle band clamp around the fracture and by welding a repair

¹ Staff's Gas Incident Report, dated December 9th, 2011, p. 1.

² Id.

³ Id.

sleeve to the pipe around the band clamp.⁴ Service was restored to the ten customers who lost service by the next day.⁵ The pipeline is currently in operation at a reduced pressure.⁶

2. On February 7, 2011, Staff recommended that the Missouri Public Service Commission (“Commission”) establish a case in order to direct Staff to investigate the incident and to complete a Gas Incident Report. The Commission issued an Order Opening File and Directing Filing on February 9, 2011. Staff filed its Gas Incident Report on December 9, 2011 and the Commission ordered MGE to respond to Staff’s report by February 12, 2012.

3. Since the incident, Staff and MGE have worked to investigate the cause of the line failure. MGE has actively cooperated with Staff’s investigation and has provided significant detail to the Staff on the incident, on MGE’s compliance with gas safety standards, and on MGE’s operational practices. The cause of the fracture cannot be determined until the pipeline is removed from service,⁷ and consistent with Staff’s recommendations, MGE will remove the fractured section of the pipeline from service and submit the damaged section for further testing and analysis. MGE will work with Staff to review the findings of metallurgic and other testing to determine what, if any, further measures should be taken.

4. Consistent with Staff’s recommendations, which are discussed in detail below, MGE agrees to conduct further cathodic protection testing and analysis on its transmission pipelines, conduct record reviews, and has planned the replacement of several sections of pipeline. Consistent with Staff’s recommendations, MGE also has committed to conduct hydrostatic

⁴ Id.

⁵ Id.

⁶ Id.

⁷ Id.

testing on certain sections of pipeline, which serve to verify Maximum Allowable Operating Pressure as well as to extend the useful life of the pipe through verification and re-testing.

5. As discussed herein, MGE has endeavored to fully respond to Staff's requests for information and will continue to cooperate in the Staff's ongoing review of this incident.

MGE's Response to Staff Recommendations.

6. In response to Staff's first recommendation,⁸ MGE commits to replace the entire length of the Mayfair 16-inch pipeline installed by the Cities Service Gas Company and later purchased by the Gas Service Company, beginning with the segment on which the fracture occurred. Specifically, MGE plans to first replace the entire eastern section of the Mayfair 16-inch main beginning at the MLV 1411 west of the RR Tracks to District Regulator Station 357 at 107th & Elm. By the end of 2013, MGE will replace the entire western section of the Mayfair 16-inch main from the 108th & Holmes District Regulator Station 258, east to the 26-inch main. This project will result in approximately 3.162 miles of main replacement. Consistent with Staff's recommendations,⁹ MGE commits to the following:

- a. The new piping, fittings and components will meet all the requirements of Sections 2, 3 and 4 of CSR 240-40.030.
- b. Post-construction testing will be performed to establish an MAOP as set forth in recent DOT-PHMSA advisory bulletin guidance and by Sections 10 and 12 of 4 CSR 240-40.030.

⁸ Staff Gas Incident Report, Section 3.0, p. 5, paragraph 1.

⁹ Id., at paragraphs 1.a. through 1.c.

- c. After applying cathodic protection to the pipeline, MGE will perform a Close Interval Survey (CIS).

7. Pursuant to Staff's second recommendation,¹⁰ MGE will conduct hydrostatic pressure testing on the Mayfair 26-inch pipeline and the northern half of the Cass County 12-inch line, beginning at 107th & Elm in the mid-summer of 2012. Beginning in the mid-summer of 2013, MGE will conduct hydrostatic testing on the Bannister 20-inch line and the southern half of the Cass County 12-inch line, ending at old Cass County Town Border on 155th Street. This project will be completed by the mid-summer of 2013. The hydrostatic testing will be used to establish a MAOP in a manner consistent with applicable regulations and recent DOT-PHMSA ADB 11-01 advisory bulletin guidance.

8. With respect to Staff's third recommendation,¹¹ MGE agrees to continue operating the entire Mayfair 16-inch system at a pressure of 178 psig or lower until a) both sections of the Mayfair 16-inch line are replaced and b) MGE conducts hydrostatic testing on the section of 26-inch main to establish a MAOP based on applicable regulations and recent DOT-PHMSA ADB 11-01 advisory bulletin guidance.

9. In response to Staff's fourth recommendation,¹² MGE agrees to continue its investigation to determine the cause of the fracture after the pipeline has been removed from service. Specifically, prior to June 29, 2012, MGE will remove the fractured section of main and will submit it to a metallurgic lab for examination. MGE will work with Staff to develop testing criteria

¹⁰ Id., at pp. 5-6, paragraph 2.

¹¹ Id., at p. 6, paragraph 3.

¹² Id., at p. 6, paragraph 4.

prior to submitting the fractured segment for testing. MGE will provide the results of this analysis to Staff.

10. Pursuant to Staff's fifth recommendation,¹³ MGE will perform a complete MAOP record review of all its transmission mains prior to June 29, 2012. Documentation of the MAOP review, along with an updated listing of the MOAP determination, will be provided to Staff upon completion. This review will be completed based on applicable regulations and recent DOT-PHMSA ADB 11-01 advisory bulleting guidance.

11. With respect to Staff's sixth recommendation,¹⁴ Staff asks MGE to review its records to determine which pipeline segments remaining in service have similar coatings and are in similar environmental conditions as those that existed in the cased section of the Mayfair 16-inch pipeline beneath Blue Ridge Boulevard. MGE has reviewed all records available and historical dig sheets on transmission mains from baseline assessments performed under the Integrity Management Plan rules. The records indicate that the following transmission mains (other than the Mayfair 16-inch line scheduled for replacement by 2013) have what appears to be Bitumastic coatings:

- a. Inlet to 9800 Holmes 26-inch line. The company has removed, inspected, remediated and recoated all casings on this line.
- b. Mayfair 26-inch line. This line is scheduled to have all 3 known casings removed, inspected, remediated and recoated during mid-2012.
- c. Cass County 12-inch line. There are no known casings on this line.
- d. Portions of the Leavenworth 12-inch line. There are no known casings on this line.
- e. Gardner 24-inch line. This line is scheduled to have two known casings removed, inspected, remediated and recoated in mid-2012. This line has one additional casing with suspected Bitumastic coating under a railroad yard that is scheduled for replacement in mid- 2012.

¹³ Id., at p. 6, paragraph 5.

¹⁴ Id., at p. 6, paragraph 6.

12. In response to Staff's seventh and final recommendation,¹⁵ MGE agrees to perform a systematic evaluation of the adequacy of cathodic protection on its entire transmission line system.

- a. Staff asks the Company to begin reviewing the results of all CIS data recently obtained in conjunction with its Pipeline Integrity Management (IM) program. In response, the company has reviewed all Close Interval Survey data taken on transmission mains since the implementation of the IM program was initiated in 2005. This review exposed only one area of concern on the Grain Valley 16-inch line. This area will be investigated and will be remediated prior to May 1, 2012.
- b. Other than the geological shielding on the Mayfair 16-inch line (which information has already been provided to Staff), the Company found only one area of insufficient cathodic protection on previous CIS surveys. The CIS survey on the Leavenworth 12-inch line, which was conducted in December 2009, revealed one area with cathodic protection readings below the minimum criteria of -850 mv. The company installed sacrificial anodes to remediate the insufficient cathodic protection pipe-to-soil readings. A confirmatory survey was performed in May 2010 which verified that the corrective measures were successful and that the cathodic protection was sufficient.
- c. Staff asks that if a CIS has not been performed on segments of the Company's transmission lines, that the Company should perform a CIS on those lines and

¹⁵ Id., at pp. 6-7, paragraph 7.

evaluate the results. In response, the Company states that it will perform a CIS on the following transmission mains before the following dates:

- i. 9800 Holmes Inlet (3.39 miles), Mayfair 24-inch line (2.22 miles), and the Mayfair 26-inch line (1.02 miles) before December 31, 2012. Any deficiencies identified will be remediated within 6 months of discovery.
- ii. Cass County 12-inch main (8.97 miles) before December 31, 2013. Any deficiencies identified will be remediated within 6 months of discovery.

13. Based on its review and response to Staff's recommendations in Staff's Gas Incident Report, MGE does not believe that a procedural schedule is necessary in this proceeding. MGE will continue to work closely with Staff to analyze the cause of this incident and to continue to provide information to Staff during the course of its investigation as well as on MGE's natural gas safety efforts.

WHEREFORE, MGE respectfully submits this Reply consistent with the Commission's order.

Respectfully Submitted,

/s/

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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic transmission to all counsel of record on this 13th day of February, 2012.

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/s/
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