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January 27, 2017

PARTIES OF RECORD

Re: Case No. 2016-00386

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum please do so within five days of receipt of this letter.

If you have any questions, please contact Virginia Gregg, Commission Staff Attorney, at 502-782-2584.

Sincerely,

A handwritten signature in blue ink, appearing to read "Talina R. Mathews".

Talina R. Mathews
Executive Director

VG/ph

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Virginia W. Gregg, Staff Attorney

DATE: January 25, 2017

RE: Case No. 2016-00386
Electronic Application of Louisville Gas and Electric Company for Approval of State Waiver of the Reassessment Interval Required by 49 C.F.R. § 192.939

Pursuant to Commission Staff's Notice of January 18, 2017, an informal conference was held on that same date at the Commission's offices in Frankfort, Kentucky, for the purpose of discussing substantive and procedural issues in this case. A list of the attendees is attached hereto.

The conference began with Louisville Gas and Electric Company's ("LG&E") providing an overview of its application seeking approval of a state waiver of the reassessment interval required by 49 C.F.R. § 192.939, for the Ballardsville West gas transmission pipeline (the "Ballardsville Pipeline"), which is approximately 19 miles long and is located in Jefferson and Oldham Counties. Of this 19 miles, approximately 4 ¼ miles are in high consequence areas ("HCA"). LG&E discussed the chronology of its efforts to reassess the Ballardsville Pipeline using in-line inspection ("ILI") tools, beginning in March of 2014, when LG&E conducted exploratory digs to confirm pipeline modifications that were needed to allow passage of ILI tools. These efforts also included LG&E's need to maintain product supply during the heating season and to ensure the safety of the covered segment until the reassessment is completed.

LG&E confirmed that it had conducted a direct assessment of the Ballardsville Pipeline in 2006 and a confirmatory direct assessment of the pipeline seven years later as required by 49 C.F.R. § 192.939. As part of the discussion, LG&E acknowledged that three leaks have occurred on the Ballardsville Pipeline and stated that each was addressed promptly. One of the leaks occurred in 2008, another in 2014, and a third sometime prior to 2014, with the specific year not readily recalled. Staff questioned LG&E further regarding the leak that occurred in 2014, which Staff identified as the "Goshen incident." LG&E acknowledged that this particular leak occurred during one of its "exploratory digs" as part of its effort to modify and reconfigure the Ballardsville Pipeline in anticipation of using ILI tools for inspection. Following the excavation of a portion of the pipeline, a mechanical coupling on the exposed pipeline failed. Because of this failure, the pipeline separated, allowing gas to escape. Due to pressure on the pipeline at the time of the leak, a "blow out" occurred.

LG&E emphasized that it prefers the use of ILI tools for the assessment or reassessment of its transmission pipelines, as opposed to conducting a pressure test or direct assessment, because using ILI tools provides a more comprehensive assessment. LG&E stated that using ILI tools for assessment has generally been successful throughout its transmission system of approximately 400 miles, but because many of the pipelines were constructed prior to the use of ILI tools, at times certain modifications are required to allow an ILI tool to successfully navigate through the pipeline.

LG&E explained its difficulty using ILI tools for the reassessment of the Ballardsville Pipeline, which consists of sections of both 12-inch diameter pipeline, as well as sections of 16-inch diameter pipeline installed at road crossings. LG&E stated that assessing the Ballardsville Pipeline using ILI tools has not been successful because of the combination of 12-inch diameter sections and 16-inch diameter sections. LG&E located only one vendor, the Rosen Group ("Rosen"), an international company based in Germany, which had an ILI tool deemed capable of performing an in line inspection of a pipeline with both 12-inch diameter sections and 16-inch diameter sections.

LG&E detailed the efforts it had gone to, beginning in the spring of 2014, to make the Ballardsville Pipeline capable of passing ILI tools, including modifications to the pipeline, which were completed in May of 2015. Although these modifications allowed both a Rosen gauge plate ILI tool and a Rosen high resolution geometry ILI tool to navigate the pipeline, LG&E was informed by Rosen that data gathered by the geometry tool determined that the 12-inch x 16-inch multi-diameter metal loss tool Rosen intended to use to assess the Ballardsville Pipeline would not work. Rosen recommended and LG&E agreed to use a 12-inch x 16-inch pull unit with the 12-inch metal loss tool to inspect the pipeline. In July of 2016, however, using both of these tools, the inspection failed when the ILI tool broke into pieces. Following this failed inspection, Rosen informed LG&E that it is in the process of developing a new ILI tool that will be able to navigate and inspect the Ballardsville Pipeline. Waiting for the development and availability of this new ILI tool will, however, delay the required inspection until the summer of 2018.

LG&E and Staff discussed the extent of the Ballardsville Pipeline located in a HCA, and therefore subject to the continual process of evaluation and assessment for pipeline integrity management. According to LG&E, approximately 17 miles of the 19 mile Ballardsville Pipeline is 12-inches in diameter, including the 4 ¼ miles located in the HCA. LG&E confirmed that a standard 12-inch ILI tool could navigate and inspect all the 12-inch diameter segments of the pipeline, which would meet the regulatory requirements, with the construction of temporary launching stations. LG&E stressed that its policy is to go beyond the minimum standards required and prefers having the in-line inspection of the entire 19-mile pipeline, including the 16-inch diameter road crossings which are outside the HCA and do not require ILI inspection.

Staff recognized LG&E's efforts to assess the entire Ballardsville Pipeline with the use of ILI tools in order to obtain more comprehensive results, but questioned LG&E's reluctance to either pressure test or conduct a direct assessment of the HCA portion of the pipeline, given that either would satisfy the regulatory requirements. Staff further noted that LG&E could continue pursuing an ILI tool compatible for use with the Ballardsville Pipeline in the future, through either Rosen or another vendor. LG&E acknowledged that this could be done and would "check the box" for compliance, but would not provide LG&E with the best information.

LG&E agreed to provide within ten days a map showing the location of the Ballardsville Pipeline, identifying each HCA location, the location of each segment of 12-inch pipeline and the location of each segment of 16-inch pipeline.

There being no further discussions, the informal conference was adjourned.

Attachment

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