

MINNESOTA DEPARTMENT OF PUBLIC SAFETY



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Office of Pipeline Safety

445 Minnesota Street, Suite 147, St. Paul, Minnesota 55101-5147

Phone: [REDACTED]

<http://ops.dps.mn.gov>

APR 17 2019

Case No. 20170004-3
Legacy Case: 145744454-3

Mr. Brad Tutunjian, Division Vice President
CenterPoint Energy Resources Corp.
505 Nicollet Mall
Minneapolis, MN 55402

INCIDENT INVESTIGATION – MINNEHAHA ACADEMY EXPLOSION

Subject: Building Explosion

Dear Mr. Tutunjian:

This Office has reviewed your responses dated December 28, 2017, January 29, 2018 and December 20, 2018. Based on the information provided by CenterPoint Energy, MNOPS believes the violation(s) of Minnesota Statute 216D as noted below did occur and the proposed penalty warranted as noted in the following letter. As discussed in a meeting with CenterPoint Energy, MNOPS has revised the 192.747 violation as noted.

The **\$75,000** penalty is to be paid by check or money order payable to the Commissioner of Public Safety and sent to the Minnesota Office of Pipeline Safety. If payment is not received within 30 days of receipt of this letter, this case can be forwarded to the Attorney General's Office, to consider initiating a hearing before an Administrative Law Judge under Minnesota Statute 14.50 through 14.69.

When responding to this notice, please refer to above Case Number. If there are further questions, please contact this office.

Section and Subdivision of CFR 49:

Notice of Probable Violation (NPV)

Status: Open

192.13 (c) 192.703 (a) - General

§192.13 (c) Each operator shall maintain, modify as appropriate, and follow the plans, procedures, and programs that it is required to establish under this part.

§192.703 (a) No person may operate a segment of pipeline, unless it is maintained in accordance with this subpart.

Evidence Cited in MNOPS Letter 145744454-1 Dated November 29, 2017:

CenterPoint Energy failed to have adequate procedures to ensure that no person may operate a segment of pipeline, unless it is maintained in accordance with Subpart M, as required by §192.703.

CenterPoint Energy contracted Master Mechanical to perform a portion of the work associated with a meter relocation project at Minnehaha Academy. On August 2, 2017, Master Mechanical dismantled jurisdictional piping under full line pressure within the basement of the building causing a release of natural gas and subsequent explosion. The explosion caused two fatalities, nine injuries and significant property damage.

A number of walk-throughs of the project were done which included CenterPoint, Master Mechanical, and Minnehaha Academy (in February 2017, July 2017 and on August 1, 2017). CenterPoint Energy did not provide documentation or records describing adequate steps to be taken to ensure that the contractor would not operate, dismantle, or construct jurisdictional piping.

Proposed Compliance Order Cited in MNOPS Letter 145744454-1 Dated November 29, 2017:

CenterPoint Energy shall revise and update its plans, procedures and programs regarding moving meters to include coordination between individuals working on customer piping and those working on CenterPoint Energy's jurisdictional piping and equipment. These revisions shall include provisions to ensure the following are conducted and documented:

1. Only trained and qualified individuals, including contractors and/or subcontractors of CenterPoint Energy shall make any changes or adjustments to CenterPoint assets. Include provisions regarding the communication of this requirement.
2. Individuals working on customer piping understand the delineation between customer-owned piping and CenterPoint Energy-owned piping and what they are allowed to perform on each.
3. Piping within structures is properly and safely purged of gas.
4. Individuals working on customer piping understand the project schedule, safe practices, safety back up plan, what to do if they encounter abnormal operating conditions, and what to do in emergencies.

Procedural modifications shall be completed within 60 days of this Notice.

***Proposed Penalty Cited in MNOPS Letter 145744454-1 Dated November 29, 2017:**

\$100,000.00

CNP RESPONSE Dated December 28, 2017:

CenterPoint Energy respectfully disagrees with the Notice of Probable Violation. Consistent with its obligations as a party to the NTSB investigation, CenterPoint Energy is unable at this time to provide information about the cause of the incident, other than what the National Transportation Safety Board (NTSB) has stated publicly. However, CenterPoint Energy notes that the bid submitted by Master Mechanical for the job at Minnehaha Academy was for work on customer piping and expressly excluded demolition of piping and work on the existing meter.

While CenterPoint Energy disagrees with the Notice of Probable Violation, in light of this incident, CenterPoint Energy had already halted further scheduling of CenterPoint Energy-initiated commercial meter moves from inside to outside so that the Company can re-evaluate the process for such meter moves. This review was underway before receipt of the Notice of Probable Violation and includes re-examining current procedures and evaluating the procedures used to ensure clear project ownership, detailed job plans and documentation, and effective communication about the project internally as well as with contractors and affected customers. CenterPoint Energy will provide an update once these reviews are completed

*CenterPoint Energy chooses **option 3** for the Compliance Order with our written explanation contained in this response.*

3. The Operator may object to the compliance order and submit written explanations or other materials in answer to the allegations in the notice.

*CenterPoint Energy chooses **option 3** to the Civil Penalty with our written explanation contained in this response.*

3. The Operator may submit written explanations, information or other materials in answer to the allegations or in mitigation of the proposed civil penalty.

MNOPS Response Provided Via Email on November 26, 2018

The office has reviewed the CenterPoint Energy response and has determined that the violation and civil penalty are warranted.

MNOPS received a response in follow up to a Request for Specific Information request to CenterPoint sent on January 24, 2018. In the response, CenterPoint Energy provide the following information to MNOPS as steps taken to comply with the regulatory requirements of 192.617 / prevent recurrence:

CNP RESPONSE Dated January 29, 2018:

As MNOPS is aware, CenterPoint Energy is a party to the NTSB's investigation of the Minnehaha Academy explosion. Within days of the incident, CenterPoint Energy began

uploading documentation to the NTSB site and continues to submit additional documents as they are identified. As MNOPS is also a party to the NTSB investigation, it has access to CenterPoint Energy's documentation and the documents submitted by all other parties to the NTSB investigation. If MNOPS has questions about specific CenterPoint Energy documents, CenterPoint Energy will work with MNOPS to address those questions.

With respect to the operation of the Walworth valve, the NTSB took possession of the valve shortly after the incident and has been in charge of the laboratory examination as part of its investigation.

CenterPoint Energy stands by its December 28, 2017 response objecting to the MNOPS' Notices of Probable Violations. As noted in our December 28, 2017 response, the Company had already halted further scheduling of CenterPoint Energy-initiated commercial meter moves from inside to outside so that the Company can re-evaluate the process for such meter moves. This review was underway before receipt of the Notice of Probable Violation and includes re-examining current procedures and evaluating the procedures used to ensure clear project responsibilities, detailed job plans and documentation, and effective communication about the project internally as well as with contractors and affected customers.

Specifically, CenterPoint Energy is taking the following steps to minimize the possibility of a recurrence:

- *Formally document the process for CenterPoint Energy-initiated commercial meter moves from inside to outside, beginning with identification of project need through completion in the field and assigning responsible parties for each step in the process, with oversight provided by a project manager who is accountable for the project*
 - *This process documents multiple communications checkpoints with the customer and mechanical contractors to coordinate work, including defining the demarcation point between CenterPoint Energy facilities and customer piping and discussing when, where, and how gas will be turned off*
 - *Job documentation will note when such discussions with customer and mechanical contractors occurred*
 - *On the tie-in day, a group safety meeting will be held at the worksite involving all parties (CenterPoint Energy, customer, and mechanical contractor) to go over the plan, review each parties' responsibilities, and clarify any questions*
- *Train CenterPoint Energy management, engineering, and field personnel on the revised process, the Company's expectations, and their respective roles and responsibilities*
 - *Training will be completed by the end of February 2018*
- *Send a letter annually to licensed mechanical contractors, reminding them of the demarcation point between CenterPoint Energy facilities and customer piping and reiterating they are not authorized to work on or operate CenterPoint Energy facilities*
 - *This information will also be published on CenterPoint Energy's external website*

- *After letters are sent to mechanical contractors in Minnesota, CenterPoint Energy will expand this notification to mechanical contractors in other states where it operates natural gas distribution facilities*
- *Review other circumstances where CenterPoint Energy-retained contractors may work near CenterPoint Energy natural gas facilities and confirm that the contractors meet CenterPoint Energy's requirements, including training, safety, quality of work, and insurance*

CenterPoint Energy will continue to evaluate other ways it can minimize the possibility of a recurrence and will update MNOPS as it completes the steps outlined above and identifies additional risk mitigation measures.

MNOPS Response Provided Via Email on November 26, 2018 (Continued)

The items noted in the CenterPoint Energy response provide partial detail in working towards resolution of the violation and associated compliance order. CenterPoint Energy has provided MNOPS with procedural changes, process changes, as well as training documentation in responses dated April 20, 2018 and June 11, 2018.

CenterPoint Energy shall review its responses and the terms of the compliance order and work towards resolution of the open item. Outstanding items should be provided to MNOPS within 30 days of receipt of this letter.

***Proposed Penalty Amount: ~~\$100,000.00~~**

CNP RESPONSE December 20, 2018:

CenterPoint Energy disagrees with MNOPS' assertion that CenterPoint Energy lacked adequate procedures in violation of §§ 192.13(c) and 192.703(a) and stands on its previous responses. Master Mechanical was qualified by the State of Minnesota to perform work on customer piping, which was the work that CenterPoint Energy hired it to do. CenterPoint Energy did not hire Master Mechanical to perform any work on CenterPoint Energy's facilities. Indeed, as previously noted, Master Mechanical's bid for the Minnehaha Academy job expressly excluded demolition of piping and work on the existing meter. The scope of Master Mechanical's work was documented in its bid and was also discussed with Pat Boland of Master Mechanical, including during several walk-throughs on site before any work began.

CenterPoint Energy has provided MNOPS with the written process developed for CenterPoint Energy-initiated commercial meter moves. The written process formalizes the approach that was previously followed for CenterPoint Energy-initiated commercial meter moves, but adds a project manager with overall responsibility for the project and sets forth specific steps to be followed. MNOPS has been on site with CenterPoint Energy on several jobs where the written process was successfully utilized.

*Although CenterPoint Energy respectfully disagrees with the Notice of Probable Violation, in order to resolve it, CNP will agree to a civil penalty of **\$25,000.***

MNOPS April 2019 Response:

The items noted in the CenterPoint Energy response provide partial detail in working towards resolution of the violation and associated compliance order. CenterPoint Energy has provided MNOPS with procedural changes, process changes, as well as training documentation in responses dated April 20, 2018 and June 11, 2018.

CenterPoint Energy shall review its responses and the terms of the compliance order and work towards resolution of the open item. Outstanding items should be provided to MNOPS within 30 days of receipt of this letter.

***Revised Proposed Penalty Amount: \$75,000**

Notice of Probable Violation (NPV) -- RESCINDED

Status: Open

192.747 - Valve maintenance: Distribution systems.

(a) Each valve, the use of which may be necessary for the safe operation of a distribution system, must be checked and serviced at intervals not exceeding 15 months, but at least once each calendar year.

(b) Each operator must take prompt remedial action to correct any valve found inoperable, unless the operator designates an alternative valve.

Evidence Cited in MNOPS Letter 145744454-1 Dated November 29, 2017:

The Walworth Plug Valve involved in this incident was not maintained. This was a valve upstream of the gas meter and subject to the requirements of Part 192.

Proposed Compliance Order Cited in MNOPS Letter 145744454-1 Dated November 29, 2017:

CenterPoint Energy shall review all distribution valves in its system and designate the valves necessary for the safe operation. CenterPoint Energy shall initiate maintenance as required by applicable regulations. CenterPoint Energy shall revise its procedures in coordination with this review.

Procedural modifications should be completed within 60 days of this Notice.

~~****Proposed Penalty Cited in MNOPS Letter 145744454-1 Dated November 29, 2017:**~~

~~**\$100,000.00**~~

CNP RESPONSE December 28, 2017:

CenterPoint Energy respectfully disagrees with the Notice of Probable Violation. The valve involved in the incident was not "necessary for the safe operation of a distribution system" under CFR §192.747.

The Walworth valve was in the basement where two meters, one an interruptible and the other an uninterruptible (firm) meter, were located. The Walworth valve was approximately 10 feet or less upstream of the interruptible meter. However, the Walworth valve was downstream of the firm meter. Closing the Walworth valve upstream of the interruptible meter would not stop gas flow to the firm meter and to school equipment such as water heaters, stoves, and other equipment. A valve that shuts off only part of the gas flow to a single building is not a valve that is "necessary for the safe operation of a distribution system" under CFR §192.747.

The inapplicability of the inspection requirements of 192.747 to such valves has been established since at least 1980. As stated by Melvin A. Judah, Acting Director of the Pipeline Safety Regulation Materials Transportation Bureau, on August 13, 1980, in response to an inquiry from the Missouri Public Service Commission:

"A curb-cock valve could only be used to isolate the service line in which it is installed. It could not be considered as being capable of sectionalizing the distribution system. Therefore, because of its limited capability, a curb-cock valve would not be considered under Sec. 192.747 as being necessary for the safe operation of a distribution system." (<https://www.phmsa.dot.gov/regulations/title49/interp/PI-80-013>)

The Walworth valve has an even more limited capability than a curb-cock valve because it cannot isolate the service line. As such, the Walworth valve would also not be considered under Sec. 192.747 as being necessary for the safe operation of a distribution system.

PHMSA has consistently made clear that an operator is not required to maintain every valve on its system, as was stated in September 2003 in an Interpretation Response by Richard D. Huriaux, Manager, Regulations, Office of Pipeline Safety dated 09-12-03. <https://www.phmsa.dot.gov/regulations/title49/interp/PI-03-0108>

Similarly, the Office of Pipeline Safety had responded to a request from the City of Mesa, Arizona for an interpretation of Sec. 192.747 in June 2003 as follows:

"Mere operation of a particular valve during an emergency does not automatically elevate it to "Key Valve" status within the meaning of §192.747. Many valves may be shut during an emergency, including designated "Key Valves", valves on service lines, valves at meter assembly, and even some mainline valves not designated as "Key Valves." Not all these valves, upon investigation, would necessarily be shown to be "necessary for the safe operation of the system."

"The question to be addressed is whether a particular valve is necessary on an ongoing basis to safely operate the distribution system. This question must be addressed on a case by case basis by the distribution company and its regulatory agencies. Therefore, a "gas valve used to control blowing or escaping natural gas at an accident site" does not automatically become a "Key valve".

(http://www.windot.com/docs/federal/192ci/html/192I747/Interpretation_192_747_4.htm Interpretation 192.747 4, June 11, 2003.)

The valve at Minnehaha was a service valve and not a key valve considered necessary for the safe operation of the distribution system under CFR §192.747. There is no requirement for service valves to be maintained on an annual basis.

CenterPoint Energy chooses **option 3** for the Compliance Order with our written explanation contained in this response.

3. The Operator may object to the compliance order and submit written explanations or other materials in answer to the allegations in the notice.

CenterPoint Energy chooses **option 3** to the Civil Penalty with our written explanation contained in this response.

3. The Operator may submit written explanations, information or other materials in answer to the allegations or in mitigation of the proposed civil penalty.

MNOPS Response Provided Via Email on November 26, 2018

The violation noted above still stands. The Walworth valve installed upstream of the dimensional meter at Minnehaha Academy was not maintained for operation. This valve was the first safety device installed upstream of the work that was conducted on August 2, 2017.

MNOPS reviewed the findings of the incident as well as Federal Interpretation regarding the applicability of 192.747 to the Walworth valve mentioned above. The interpretation noted below, provides additional insight regarding the applicability of 192.747 to this and similar valves:

February 12, 1979

*George E. Morgan
Chief, Gas Engineer
Consolidated Edison Company of New York, Inc.
4 Irving Place
New York, New York 10003*

Dear Mr. Morgan:

This responds to your inquiry of February 9, 1979, asking whether 49 CFR 192.747 applies to a valve commonly called a "service head valve." You have stated that "service head valves" are installed on gas service lines in accordance with New York City law. They are each located inside a building, upstream from a gas meter and downstream from the first fitting inside the foundation wall through which the service line enters the building.

"Section 192.747 reads as follows:

Each valve, the use of which may be necessary for the safe operation of a distribution system, must be checked and serviced, at intervals not exceeding 1 year."

By its terms, this rule does not apply to every valve on a distribution system. Rather, the rule singles out certain valves for required maintenance by applying the standard of whether the valve "may be necessary for the safe operation of distribution system." Under the plain meaning of the rule and considering its safety purpose, a valve is subject to the rule if its use would significantly reduce the time it takes an operator to safely stop the flow of gas in an emergency as compared with the use of other available valves. Thus, determining whether Section 192.747 applies to a particular service head valve" would depend on the valving configuration of the system, the accessibility of each valve, and on whether a prudent operator would choose to use another valve instead of the "service head valve" to stop the flow of gas in an emergency.

Sincerely,

*Lucian M. Furrow
Acting Associate Director for Pipeline Safety Regulation
Materials Transportation Bureau*

As mentioned in the interpretation, the requirements of 192.747 do not apply to every valve in a distribution system. However, does require that certain valves may require maintenance when the valves are deemed for the safe operation of the distribution system.

As noted in the compliance order, CenterPoint Energy shall amend its procedures to ensure steps are taken to identify valves as required for the safe operation of its distribution system. The procedures shall describe when a valve is necessary for safe operation as well as maintenance requirements for the valves. CenterPoint Energy provide MNOPS with a copy of revisions within 30 days of receipt of this letter.

~~Proposed Penalty Amount: \$100,000~~**

CNP RESPONSE December 20, 2018:

CenterPoint Energy continues to respectfully disagree with the Notice of Probable Violation and stands on its previous responses. The valve involved in the incident was not "necessary for the safe operation of a distribution system" under CFR §192.747.

The February 12, 1979 letter to ConEd does not support MNOPS' position. The letter has been superseded by more recent interpretations, including the September 12, 2003 interpretation cited in CenterPoint Energy's December 28, 2017 response to MNOPS.

If, however, the February 12, 1979 letter is valid authority, it actually supports CenterPoint Energy's position that the Walworth valve is not a key valve, considering factors such as "the valving configuration of the system, the accessibility of each valve, and on whether a prudent operator would choose to use another valve instead of the 'service head valve' to stop the flow of gas in an emergency." Given its location in a basement on private property, the Walworth valve at Minnehaha Academy was not immediately accessible to CenterPoint Energy in an emergency. CenterPoint Energy had a shut-off valve located outside the building that would be used to shut off gas flow

in an emergency.

PHMSA has consistently recognized that simply because a valve can be used in an emergency does not elevate the valve to key valve status. A valve on a service line is not a key valve because operation of the service line valve affects only one property. Accordingly, the Walworth valve was not subject to the requirements of § 192.747, and there is no basis for the Notice of Probable Violation.

MNOPS April 2019 Response:

MNOPS has reviewed CenterPoint responses, regulatory requirements, industry practice and interpretations. Based on review, **the violation noted has been rescinded, however, the elements of the compliance order noted as follows, shall be incorporated in the compliance order associated with the 192.605(b) 192.727(d) - Abandonment or deactivation of facilities.**

Proposed Compliance Order:

CenterPoint Energy shall review all distribution valves in its system and designate the valves necessary for the safe operation. CenterPoint Energy shall initiate maintenance as required by applicable regulations. CenterPoint Energy shall revise its procedures in coordination with this review.

****Revised Proposed Penalty Amount: \$0.00 – This penalty amount has been rescinded**

Notice of Probable Violation (NPV)

Status: Open

- 191.9 - REGULATORY REPORTING PERFORMANCE AND RECORDS

§191.9 Distribution system: Incident report.

(a) Except as provided in paragraph (c) of this section, each operator of a distribution pipeline system shall submit Department of Transportation Form RSPA F 7100.1 as soon as practicable but not more than 30 days after detection of an incident required to be reported under §191.5.

(b) When additional relevant information is obtained after the report is submitted under paragraph (a) of this section, the operator shall make supplementary reports as deemed necessary with a clear reference by date and subject to the original report.

(c) Master meter operators are not required to submit an incident report as required by this section.

Evidence MNOPS Letter 145744454-1 Dated November 29, 2017:

CenterPoint Energy did not file form RSPA F 7100.1 by thirty days following the Minnehaha Academy explosion.

Proposed Compliance Order MNOPS Letter 145744454-1 Dated November 29, 2017:

CenterPoint Energy shall submit the report for this incident as soon as possible, not more than 5 days from receipt of this letter. In addition, CenterPoint Energy shall review its manual and ensure that the process explicitly requires submission of the appropriate forms within the time specified by §191.9.

† ~~Revised Proposed Penalty MNOPS Letter 145744454-1 Dated November 29, 2017: \$5,000.00~~

CNP RESPONSE Dated December 28, 2017:

CenterPoint Energy contacted PHMSA on August 2, 2017 for the initial telephonic notification. CenterPoint Energy worked closely with the Minnesota Office of Pipeline Safety during the incident answering questions relative to the incident. When Brian Pierzina from PHMSA arrived on site, CenterPoint Energy updated Mr. Pierzina with the information that we had at the time.

On the afternoon of August 2, the National Transportation and Safety Board (NTSB), through Roger Evans, notified CenterPoint Energy that the NTSB would be taking over the investigation. Once the NTSB assumed control of the investigation, CenterPoint Energy understood that the NTSB would be the source of all information. All communications were to be filtered through the NTSB. MNOPS is also a party to the NTSB investigation.

With the permission of the NTSB, CenterPoint Energy submitted form RSPA F 7100.1 on December 5, 2017 and several supplemental reports on December 8, 2017. Consistent with its obligations as a party to the NTSB investigation, however, CenterPoint Energy is unable at this time to provide information about the cause of the incident, other than what the NTSB has stated publicly.

*CenterPoint Energy chooses **option 3** for the Compliance Order with our written explanation contained in this response.*

3. The Operator may object to the compliance order and submit written explanations or other materials in answer to the allegations in the notice.

*CenterPoint Energy chooses **option 3** to the Civil Penalty with our written explanation contained in this response*

3. The Operator may submit written explanations, information or other materials in answer to the allegations or in mitigation of the proposed civil penalty.

MNOPS Response Provided Via Email on November 26, 2018

Pipeline Safety regulations require submittal of a written accident report. The submittal process allows for pipeline operators to provide supplemental reports as information becomes available during an investigation. CenterPoint Energy did not provide the written report within the 30 day requirement. CenterPoint Energy did not take steps to coordinate a submittal with the NTSB until after the 30 day deadline had past.

CenterPoint Energy shall amend its procedures as noted in the compliance order above, providing MNOPS with a copy of the procedures within 30 days of receipt of this letter.

† Revised Proposed Penalty Amount: \$0.00 – This penalty amount has been rescinded

Warning Letter (WL)

Status: Open

192.605(b) 192.727(d) - Abandonment or deactivation of facilities.

§192.605(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.

§192.727 Abandonment or deactivation of facilities.

(d) Whenever service to a customer is discontinued, one of the following must be complied with:

(1) The valve that is closed to prevent the flow of gas to the customer must be provided with a locking device or other means designed to prevent the opening of the valve by persons other than those authorized by the operator.

(2) A mechanical device or fitting that will prevent the flow of gas must be installed in the service line or in the meter assembly.

(3) The customer's piping must be physically disconnected from the gas supply and the open pipe ends sealed.

Evidence MNOPS Letter 145744454-1 Dated November 29, 2017:

CenterPoint Energy does not have adequate procedures to ensure proper pipeline abandonment or deactivation. CenterPoint Energy Operations and Maintenance Manual, Section XXV-C-1 does not provide sufficient specificity to outline steps and processes to accomplish abandonment or deactivation of facilities.

Proposed Compliance Order MNOPS Letter 145744454-1 Dated November 29, 2017:

CenterPoint Energy shall revise its procedures associated with the pipeline abandonment or deactivation. The revised procedures shall include provisions to ensure procedures are followed and coordinated with contractors as necessary.

Procedural modifications should be completed within 60 days of this Notice.

CNP RESPONSE Dated December 28, 2017:

Procedural modifications are not deemed necessary or appropriate by CenterPoint

Energy. CenterPoint Energy will, however, initiate outreach to mechanical contractors in its service area reminding them they are not authorized or qualified to work on jurisdictional piping.

*CenterPoint Energy chooses **option 3** for the Compliance Order with our written explanation contained in this response.*

3. The Operator may object to the compliance order and submit written explanations or other materials in answer to the allegations in the notice.

MNOPS Response Provided Via Email on November 26, 2018

The office has reviewed the CenterPoint Energy response and has determined that the violation and civil penalty are warranted.

MNOPS received a response in follow up to a Request for Specific Information request to CenterPoint sent on January 24, 2018. In the response, CenterPoint Energy provided the following information to MNOPS as steps take to comply with the regulatory requirements of 192.617 / prevent recurrence:

CNP RESPONSE Dated January 29, 2018:

As MNOPS is aware, CenterPoint Energy is a party to the NTSB's investigation of the Minnehaha Academy explosion. Within days of the incident, CenterPoint Energy began uploading documentation to the NTSB site and continues to submit additional documents as they are identified. As MNOPS is also a party to the NTSB investigation, it has access to CenterPoint Energy's documentation and the documents submitted by all other parties to the NTSB investigation. If MNOPS has questions about specific CenterPoint Energy documents, CenterPoint Energy will work with MNOPS to address those questions.

With respect to the operation of the Walworth valve, the NTSB took possession of the valve shortly after the incident and has been in charge of the laboratory examination as part of its investigation.

CenterPoint Energy stands by its December 28, 2017 response objecting to the MNOPS' Notices of Probable Violations. As noted in our December 28, 2017 response, the Company had already halted further scheduling of CenterPoint Energy-initiated commercial meter moves from inside to outside so that the Company can re-evaluate the process for such meter moves. This review was underway before receipt of the Notice of Probable Violation and includes re-examining current procedures and evaluating the procedures used to ensure clear project responsibilities, detailed job plans and documentation, and effective communication about the project internally as well as with contractors and affected customers.

Specifically, CenterPoint Energy is taking the following steps to minimize the possibility of a recurrence:

- *Formally document the process for CenterPoint Energy-initiated commercial meter moves from inside to outside, beginning with identification of project need through completion in the field and assigning responsible parties for each step in the process, with oversight provided by a project manager who is accountable for the project*
 - *This process documents multiple communications checkpoints with the customer and mechanical contractors to coordinate work, including defining the demarcation point between CenterPoint Energy facilities and customer piping and discussing when, where, and how gas will be turned off*
 - *Job documentation will note when such discussions with customer and mechanical contractors occurred*
 - *On the tie-in day, a group safety meeting will be held at the worksite involving all parties (CenterPoint Energy, customer, and mechanical contractor) to go over the plan, review each parties' responsibilities, and clarify any questions*
- *Train CenterPoint Energy management, engineering, and field personnel on the revised process, the Company's expectations, and their respective roles and responsibilities*
 - *Training will be completed by the end of February 2018*
- *Send a letter annually to licensed mechanical contractors, reminding them of the demarcation point between CenterPoint Energy facilities and customer piping and reiterating they are not authorized to work on or operate CenterPoint Energy facilities*
 - *This information will also be published on CenterPoint Energy's external website*
 - *After letters are sent to mechanical contractors in Minnesota, CenterPoint Energy will expand this notification to mechanical contractors in other states where it operates natural gas distribution facilities*
- *Review other circumstances where CenterPoint Energy-retained contractors may work near CenterPoint Energy natural gas facilities and confirm that the contractors meet CenterPoint Energy's requirements, including training, safety, quality of work, and insurance*

CenterPoint Energy will continue to evaluate other ways it can minimize the possibility of a recurrence and will update MNOPS as it completes the steps outlined above and identifies additional risk mitigation measures.

MNOPS April 2019 Response:

The items noted in the CenterPoint Energy response provide partial detail in working towards resolution of the violation and associated compliance order. CenterPoint Energy has provided MNOPS with procedural changes, process changes, as well as training documentation in responses dated April 20, 2018 and June 11, 2018.

CenterPoint Energy shall review its responses and the terms of the compliance order and work towards resolution of the open item. Outstanding items should be provided to MNOPS within 30 days of receipt of this letter.

Revised Proposed Compliance Order:

CenterPoint Energy shall revise its procedures associated with the pipeline abandonment or deactivation. The revised procedures shall include provisions to ensure procedures are followed and coordinated with contractors as necessary.

CenterPoint Energy shall review all distribution valves in its system and designate the valves necessary for the safe operation when conducting deactivation per 192.727(d). CenterPoint Energy shall initiate maintenance as required by applicable regulations. CenterPoint Energy shall revise its procedures in coordination with this review.

Procedural modifications should be completed within 60 days of this Notice.

RESPONSE OPTIONS:

Per Minnesota Rules 7530, CenterPoint Energy Resources Corp. is provided the following response options to Notices of Probable Violation and Warning Letters:

1. The Operator may agree to the proposed compliance order.
2. The Operator may request the execution of a consent order.
3. The Operator may object to the compliance order and submit written explanations or other materials in answer to the allegations in the notice.
4. The Operator may request a hearing under Chapter 14 of Minnesota Statutes.

As required by Minnesota Rules, CenterPoint Energy Resources Corp. must respond to Notices of Probable Violation, Warning Letters or Requests for Specific Information within 30 days of receipt of this document. **When responding electronically you must use the e-mail address:** [REDACTED]. Failure to respond to this document may result in further enforcement action.

For the issues which you agree with (response option 1), please submit a plan of action addressing how you plan to remedy the issue, and include a timetable for completion. If actions to correct violations were taken prior to receiving this document, please provide evidence (documentation, pictures, records, and procedures) that indicates corrections were made. Procedural modifications should be completed within 60 days of this Notice.

For the issues which you disagree with (response option 3), please support your arguments in writing and include any evidence that may help to support your position.

PROPOSED CIVIL PENALTIES:

CenterPoint Energy Resources Corp. shall pay a proposed civil penalty of **\$75,000.00**. This proposed civil penalty is related to the inadequacies cited above. This penalty is to be paid by check or money order payable to the Commissioner of Public Safety, sent to the Minnesota Office of Pipeline Safety. The Operator is subject to a maximum civil penalty of \$100,000 per violation per day of violation, not to exceed \$1,000,000 for any related series of violations.

In assessing a civil penalty, MNOPS has considered the following:

- A. the nature, circumstances, and gravity of the violation;
- B. the degree of the pipeline operator's culpability;
- C. the pipeline operator's history of previous offenses;
- D. the pipeline operator's ability to pay;
- E. good faith on the part of the pipeline operator in attempting to achieve compliance;
- F. the effect of the penalty on the operator's ability to continue in business;
- G. whether the pipeline is a hazardous liquid pipeline or a gas or other pipeline;

RESPONSE OPTIONS FOR PROPOSED CIVIL PENALTY

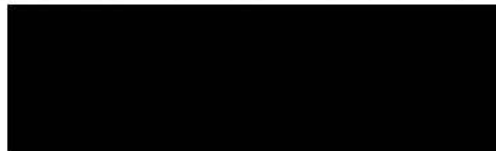
1. The Operator may agree to the proposed civil penalty.
2. The Operator may submit an offer in compromise to the proposed civil penalty.
3. The Operator may submit written explanations, information or other materials in answer to the allegations or in mitigation of the proposed civil penalty.
4. The Operator may request a hearing under Chapter 14 of Minnesota Statutes.

When responding to this notice, please refer to the Case Number. If you have any questions or need further information, please contact this Office.

For the Minnesota Office of Pipeline Safety,



Robert Hawkins, Assistant Commissioner,
Minnesota Department of Public Safety



Bruce West, State Fire Marshal /
Director of the Office of Pipeline Safety

Email: Dean Headlee, Tom Olinger, Gina Swanson, John Wiinamaki