



Agenda Date: 10/31/16  
Agenda Item: 6A

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

RELIABILITY & SECURITY

IN THE MATTER OF ALLEGATIONS OF ) ORDER  
VIOLATIONS OF PIPELINE SAFETY )  
REGULATIONS AND THE UNDERGROUND )  
FACILITY PROTECTION ACT BY SOUTH JERSEY )  
GAS COMPANY WITH RESPECT TO A PIPELINE )  
INCIDENT IN PENNSVILLE, NEW JERSEY ON )  
SEPTEMBER 15, 2015. ) DOCKET NO. GS16070663K

**Party of Record:**

**Steven Cocchi, South Jersey Gas**

**BY THE BOARD:**

This matter has been opened to the Board of Public Utilities ("Board") following an investigation by the Board's Bureaus of Pipeline Safety and One Call ("BOC") (collectively "Board Staff") of a natural gas incident that occurred on September 15, 2015 at North Broadway Avenue in Pennsville, New Jersey. Board Staff conducted a detailed and comprehensive investigation which included a review of the circumstances surrounding the incident as well as South Jersey Gas' ("SJG") procedures and actions. Based on this investigation, it was determined that a build-up of natural gas accumulated in the unit located at 111 North Broadway, and ignited. The subsequent explosion and fire destroyed the unit. The source of the ignition could not be determined.

The investigation disclosed that on September 15, 2015, a contractor working for SJG was in the process of installing a high pressure gas main and connecting services to the residences along the street. This project was being conducted along the entire length of North Broadway, in Pennsville. Four markout requests were made by the contractor, which included the property the duplex was located on. The contractor was slated to dig the initial pit in front of the 111 and 113 North Broadway duplex. The property had two existing steel high pressure gas services, one running to each unit of the duplex. On the morning of the incident, the contractor first hand dug, and located the marked gas service supplying natural gas to 113 North Broadway. The investigation determined that SJG failed to locate and identify the gas service that fed natural gas to 111 North Broadway. Staff reviewed SJG's electronic and paper service records as well as the locate attempts made in the field. There were several anomalies in gas service records

and multiple failed locate attempts in the field. After the incident, the outlet of the service regulator vent connected to the inside meter set, fed by the unmarked service line, was located. The vent outlet was discovered to be under a deck structure and obscured from view. The vent outlet was most likely not seen by markout personnel who could have used the vent as an aid in the markout process prior to the incident. The unmarked gas service to 111 North Broadway was pulled by the excavation equipment, resulting in the catastrophic incident which took place on the day in question.

In the course of its investigation of the September 15<sup>th</sup> 2015 explosion and fire, BOC developed concerns regarding SJG's compliance with certain Underground Facility Protection Act ("UFPA"), N.J.S.A. 48:2-73, et seq. regulations related to the retention of records and markout procedures.

BOC advised SJG that it had found certain probable violations of applicable laws relating to the retention of records and markout procedures.

SJG contested certain facts and conclusions relating to Board Staff's determinations that probable violations of law existed. SJG and Board Staff engaged in settlement discussions pertaining to the identified probable violations. On September 29<sup>th</sup>, 2016, SJG and Board Staff entered into a Stipulation and Settlement Agreement ("Stipulation")<sup>1</sup> which, among other things, provides for a one-time payment to the Treasurer of the State of New Jersey in the amount of Three Hundred Thousand Dollars (\$300,000.00). As part of the Stipulation, SJG did not admit any wrongdoing nor violation of any law or regulation.

In addition to the \$300,000.00 payment amount referenced above, SJG agreed to take, or has already implemented, certain measures, and to amend SJG procedures to ensure compliance with all laws and its ongoing safe operation in New Jersey, which are summarized below and set forth more fully in the Stipulation.

- **Markouts and Meter Location:** SJG will attempt to enter structures to visually inspect inside meters prior to renewing service. SJG personnel will use metal detectors to assist in locations and markouts.
- **Obstructions:** SJG will train field personnel and contractors to identify obstructed meters and vents and work with local code enforcement officials to educate them on federal and state laws regarding obstruction by structures. Additionally, during major replacement projects, SJG inspectors will visually look for obstructed meters and vents.
- **Update Tickets:** Update tickets will be fully marked and documented. Additionally, Update Tickets will be incorporated into SJG's ticket audit process.
- **Field Book:** SJG is implementing a quality assurance program to ensure that South Jersey Gas's GIS system ("Fieldbook") accurately reflects all service records for all customers and contractors will be required to identify any facilities located, but not included in Fieldbook. SJG will continue to update Fieldbook and provide details of the update to SJG.

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<sup>1</sup> Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of the Order.

- **Training:** SJG will implement additional Emergency Response Simulation Drills involving its personnel as well as local police/fire/ems. SJG is also required to provide additional excavation training
- **Reducing Excess Service Lines:** SJG will develop a standard to eliminate multiple service lines serving a single structure where feasible.

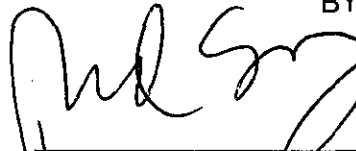
The Board reviewed the Stipulation and **HEREBY FINDS** it to be a reasonable settlement of the outstanding issues, in the public interest, in accordance with law and in accordance with the intent and purpose of the Natural Gas Pipeline Safety Act of 1968 as amended, 49 U.S.C.A. § 1671, et seq. and all regulations promulgated thereto, the Natural Gas Safety Act, N.J.S.A. 48:10-2, et seq. and all regulations promulgated thereto, N.J.A.C. 14:7, et seq., and the New Jersey Underground Facility Protection Act, N.J.S.A. 48:2-73, et seq., and all regulations promulgated thereto, N.J.A.C. 14:2, et seq. Therefore, the Board **HEREBY APPROVES** and **ADOPTS** the Stipulation as its own, incorporating by reference the terms and conditions therein as if fully set forth at length herein.

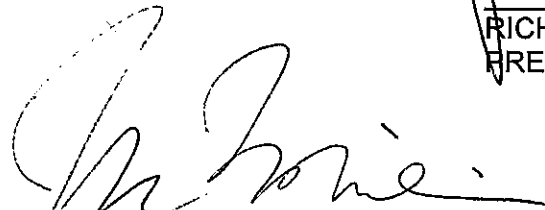
The Board **HEREBY ORDERS** SJG to comply with the terms of the Stipulation as presented.

This Order shall be effective on November 10, 2016.

DATED: 10/31/16

BOARD OF PUBLIC UTILITIES  
BY:

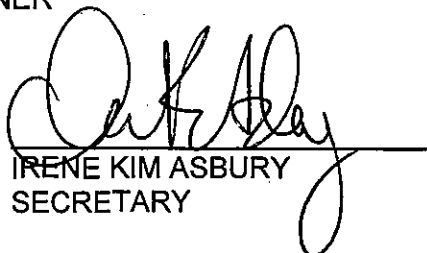
  
RICHARD S. MROZ  
PRESIDENT

  
JOSEPH L. FIORDALISO  
COMMISSIONER

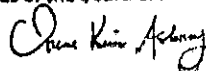
  
MARYANNA HOLDEN  
COMMISSIONER

  
DIANNE SOLOMON  
COMMISSIONER

  
UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:   
IRENE KIM ASBURY  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public Utilities



**IN THE MATTER OF ALLEGATIONS OF VIOLATIONS OF PIPELINE SAFETY  
REGULATIONS AND THE UNDERGROUND FACILITY PROTECTION ACT BY SOUTH  
JERSEY GAS COMPANY WITH RESPECT TO A GAS PIPELINE INCIDENT IN  
PENNSVILLE, NEW JERSEY ON SEPTEMBER 15, 2015.**

**DOCKET NO. GS16070663K**

**SERVICE LIST**

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IN THE MATTER OF ALLEGATIONS OF )  
VIOLATIONS OF PIPELINE SAFETY REGULATIONS )  
AND THE UNDERGROUND FACILITY PROTECTION )  
ACT BY SOUTH JERSEY GAS COMPANY WITH )  
RESPECT TO A GAS PIPELINE INCIDENT IN )  
PENNSVILLE, NEW JERSEY ON SEPTEMBER 15, )  
2015 )

STIPULATION AND SETTLEMENT AGREEMENT

Docket No. GS16070663K

**Stipulation and Settlement Agreement**

This Stipulation and Agreement of Settlement ("Stipulation") is entered into by and between the Staff of the New Jersey Board of Public Utilities (the "Board"), and South Jersey Gas Company ("South Jersey Gas" or "Company") (collectively referred to as the "Parties") as of this 21 day of September, 2016.

**Whereas**, on September 15, 2015, a natural gas incident occurred at North Broadway Avenue, in Pennsville, New Jersey related to a damaged buried gas service line related to a bare steel gas main replacement project (the "Incident"); and

**Whereas**, the Bureau of Pipeline Safety and the Bureau of One Call and Meter Testing ("Board Staff") of the Board, commenced an investigation of the Incident including an evaluation of South Jersey Gas's compliance with applicable laws, rules and regulations pertaining to natural gas facilities including the Underground Facility Protection Act N.J.S.A. 48:2-73 et seq., Natural Gas Pipeline Safety Act of 1968 as amended, 49 U.S.C. 1671 et seq. and all regulations promulgated thereto and the Natural Gas Safety Act, N.J.S.A. 48:10-2, et seq. and all regulations promulgated thereto, including N.J.A.C. 14:7-2.5 and N.J.A.C. 14:2-6.4 (collectively "Applicable Laws"); and

**Whereas**, as part of the investigation, Board Staff advised South Jersey Gas that it had found certain probable violations of Applicable Laws; and

**Whereas**, the Parties have reached an agreement to resolve any and all claims the Board may have against the Company arising from or relating to the Incident in a comprehensive settlement in accordance with the terms of this Stipulation. Each party agrees that this Stipulation represents a fair and reasonable settlement of all issues that were or could have been raised in regard to the Incident, or the Board's subsequent investigation; and

**Whereas**, the resolution of this matter through the adoption of the stipulated positions set forth herein best serves the interests of the Parties, supports judicial economy and preservation of valuable judicial, administrative and corporate resources, and is therefore, in the public interest.

NOW THEREFORE, the Parties hereby agree as follows:

1. As a compromise of civil penalties for alleged violations of Applicable Laws, the Company, without any admission of any violation of law or wrongdoing, shall make a one-time payment of Three Hundred Thousand Dollars (\$300,000.00) to the Treasurer State of New Jersey. This Stipulation represents a settlement of all claims the Board may have against the Company regarding violations of the Applicable Laws in connection with the Incident. No later than thirty (30) days after the date that the Board enters an Order approving this Stipulation. South Jersey Gas will send a check for Three Hundred Thousand Dollars (\$300,000.00) payable to the Treasurer of the State of New Jersey to Michael Greco, Acting Chief Fiscal Officer, Board of Public Utilities, 44 South Clinton Avenue, 7<sup>th</sup> Floor, P.O. Box 350, Trenton, New Jersey 08625. A copy of this check shall be provided to Geoffrey Gersten, Deputy Attorney General, Department of Law and Public Safety, P.O. Box 45029, 124 Halsey Street, 5<sup>th</sup> Floor Newark, New Jersey 07102.
2. South Jersey Gas's agreement to pay the foregoing sum is not an acknowledgement of non-compliance with the law, including the Applicable Laws, the Board Orders, or the Board requirements. The payment is made as part of the negotiated settlement intended to resolve the claims of the respective Parties without further litigation.
3. In addition, South Jersey Gas hereby agrees to take the following measures, or already has implemented the following measures:
  - (a) South Jersey Gas contractors or personnel will make every effort to enter all structures to determine whether there are inside meters prior to renewing a service line. This visual inspection will confirm the number and location of meters inside the structure.
  - (b) In addition to all currently required underground facility locating methods, South Jersey Gas's locating contractor is required to utilize metal detectors when performing locates and markouts to aid in identifying curb boxes and associated service lines.
  - (c) South Jersey Gas employees and contract workers with frequent access to customer properties, including Millennium Account Services meter readers, locating contractors and all contracted leak surveyors, will be trained to identify and report to South Jersey Gas personnel any structure or other conditions that violate State or Federal Code, e.g. decks, ramps, or other structural conditions that partially or fully obscure a meter or vent.
  - (d) For major replacement projects, such as that which was occurring in Pennsville at the time of the incident, South Jersey Gas inspectors will walk all properties to search for obstructed meters, vents or other utility facilities.

(e) South Jersey Gas will work with local code enforcement officials to educate them as to State and Federal code requirements regarding construction of structures that may obstruct a meter, vent or other utility facilities.

(f) For all "Update Tickets", South Jersey Gas's locating contractor is required to perform a new comprehensive markout, documented with photographs, and will be required to speak to the excavator and/or South Jersey Gas personnel to determine the reason for the request prior to any excavation activity occurring.

(g) Requests for "Update Tickets" will be incorporated into South Jersey Gas' markout ticket audit process, under which South Jersey Gas randomly audits markouts via physical inspection. Contractors will be required to notify South Jersey Gas when an "Update Ticket" is requested and South Jersey Gas personnel will be dispatched to audit randomly selected markouts.

(h) Contractors have received additional excavation training and are required to utilize excavation methods that minimize the risk of gas entering a structure in the event a gas service is damaged.

(i) South Jersey Gas' locating contractor is required to notify South Jersey Gas if it locates an underground facility that is not reflected in South Jersey Gas's GIS system (Fieldbook) so that appropriate investigative and corrective actions can be taken to enter the information into the Company GIS system.

(j) South Jersey Gas is implementing a quality assurance program to ensure that Fieldbook accurately reflects all service records for all customers.

(k) Implementation of Emergency Response Simulation Drills involving call center, dispatch, and operations personnel. Local emergency response personnel, such as police, fire and EMS, should be included in the emergency response drills when possible. Within the twenty-four months following the execution of the Stipulation and Settlement Agreement, each of South Jersey Gas' five divisions shall perform one emergency drill simulating an event where South Jersey Gas' distribution system is compromised resulting in a simulated explosion or fire. Each division's emergency drill shall not be conducted within two weeks of another division's drill. After the conclusion of the twenty-four month period, each South Jersey Gas division shall perform an emergency drill at least once every two calendar years, within an interval not to exceed twenty-seven months. The emergency drill shall be a site specific emergency drill at a training center facility or field site and not a tabletop drill. A tabletop drill, subject to the Bureau of Pipeline Safety approval, may be an additional option after the first twenty-four month period. South Jersey Gas shall notify the Bureau of pipeline Safety at least five business days prior to performing any emergency drill in order to allow the Bureau of Pipeline Safety to inspect the drill. A final audit report of each emergency drill shall be

submitted to the Bureau of Pipeline Safety staff for review within two months after the emergency drill is performed.

(l) In addition to the emergency response simulation drills, the Bureau of Pipeline Safety requests South Jersey Gas send periodic updates on the progress of the Fieldbook "Quality Assurance process" which South Jersey Gas discussed implementing in a November 18, 2015 letter sent in response to a Bureau of Pipeline Safety letter, PS#24-15, and a July 1, 2016 letter sent following a June 24, 2016 meeting. The process is to ensure all existing paper records are properly filed and accounted for in Fieldbook or alternatively to compare existing Fieldbook records with customer account records. The updates should include an estimated date when this process is planned to be completed.


(m) In addition to the measures stated above, when replacing gas service lines, South Jersey Gas shall develop a standard to eliminate, where feasible and appropriate, existing instances where more than one service line is serving a structure with multiple meters and where appropriate shall prohibit the construction of more than one service line serving a structure with multiple meters in the future. Such single service line shall be designed to accommodate multiple meters as appropriate. A copy of this standard should be forwarded to the Bureau of pipeline Safety for review.

4. South Jersey Gas' participation in this Stipulation is not an admission of any violation of Applicable Laws or wrongdoing by South Jersey Gas, and does not constitute any admission of liability.
5. The Parties agree that the terms of this Stipulation shall not be cited or otherwise used by or against each other or other parties or argues as binding persuasive precedent in this or any other forum, except in any proceeding to enforce the Stipulation or the terms and conditions thereof the Stipulation or the terms and conditions thereof and/or Board Order adopting this Stipulation.
6. Should South Jersey Gas default in paying the amounts set forth in the Paragraph 1 above, the Board shall be entitled to enforce the order pursuant to the Penalty Enforcement Law of 1999 as amended, N.J.S.A. 2A:58-10 et seq. or enter a judgement in the Superior Court of New Jersey, or other appropriate forum against South Jersey Gas for any unpaid amount set forth in Paragraph 1 above and to take such steps as it deems reasonable to collect the amount due plus interest thereon and to otherwise enforce this Stipulation.
7. After this Stipulation has been fully executed, it shall be presented to the Board for Approval.




8. Upon approval of this Stipulation by the Board, it shall then constitute the entire agreement between the Board and South Jersey Gas with respect to the Incident and the above referenced matters, and shall operate as complete and final disposition of the investigation by the Board subject only to the fulfillment of all of the provisions of this Stipulation.
9. This Stipulation may not be amended in any way, or any part of its provisions waived, except by writing executed by all of the Parties to this Stipulation. In the event the Board modifies any provisions of this Stipulation, absent express written consent of the Parties, the Stipulation shall be void and the Parties shall be restored to their positions prior to the execution of the Stipulation.
10. This Stipulation may be executed in as many counterparts as there are signatures, thereof each of which shall be original, but all of which shall constitute one and the same instrument. No amendment or waiver of any substantive provision of this Stipulation shall be effective unless it is agreed to by the authorized representative of each party thereto.
11. This Stipulation shall be governed by, and construed in accordance with the laws of the State of New Jersey.

**NOW THEREFORE**, the Parties cause this stipulation to be executed by their duly authorized officers and officials.

By:   
Steven R. Cocchi  
Vice President  
On behalf of South Jersey Gas

Dated: September 29, 2016

Christopher S. Porrino  
Attorney General of New Jersey  
Attorney for Board Staff

By:   
Geoffrey R. Gersten  
Deputy Attorney General

Dated: September 29, 2016