



Aquila

Providing Energy
For Better Living.

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Lawrence, KS 66044
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Memo

To: The Mayor and City Commissioners, City of Lawrence

From: Chuck Hoag, Operations Manager, Aquila

Date: February 15, 2008

Re: LRM Industries Issues with Aquila's Distribution System

Background

In October and November 2007, Steve Glass, president of LRM Industries, wrote letters to City Manager Dave Corliss and Public Works Director Chuck Soules about his concerns regarding (1) Aquila's installation of gas lines within the city and (2) contact with the gas lines experienced by LRM and other contractors. Subsequently, representatives from LRM, Aquila and the city met to discuss his concerns.

Meetings were held Dec. 6, Dec. 11 and Jan. 25. During those meetings, Mr. Glass disputed Aquila's billings for third-party damage to pipelines, due to his concern with the depth of the lines that were hit. All parties entered the discussions hoping to resolve the issue, but ultimately were unable to reach a mutually acceptable outcome.

The purpose of this memorandum is to provide the Lawrence governing body with our response to LRM's concerns, along with background information and operating rules and regulations.

Safety Is Our First Concern

Aquila's highest priority is safety – for the public, customers and employees. The natural gas industry has an excellent safety record, and Aquila takes pride in its strong tradition of providing safe, reliable service to the people of Lawrence.

Aquila's gas distribution system in Lawrence currently consists of 389 miles of main: 18 miles of bare steel, 68 miles of coated and wrapped steel and 303 miles of plastic. All cast iron steel was replaced in 1989 through 1995, as part of a major replacement project.

To promote public safety, the State of Kansas has adopted a One Call System, which was developed to provide excavators and the general public with the ability to inform multiple owners of underground facilities of planned excavation with one phone call. Simply stated, it is the communications link between an excavator and underground facility owners.

The Kansas Underground Utility Damage Prevention Act (KSA 66-1801 – 66-1815) became law in 1993; it was amended as recently as 2007. The following is a brief summary of the Act's requirements as they relate to excavation activities and is taken from the 2008 Kansas One Call Excavator's Manual:

- Anyone engaging in any type of excavation is to provide advance notice to Kansas One-Call at a minimum of two full working days, but not more than 15 calendar days, excluding weekends and holidays, before work begins.
- Following notification, the owners of underground utilities locate and mark their facilities. Again, markings are made horizontally only. Technology for recording depth is not reliable.

- After facilities are located, the excavator is required to maintain a minimum clearance of two feet between marked and unexposed utility underground facilities and the cutting edge or point of any power-operated excavation or earth moving equipment. If excavation is required within two feet, horizontally, of any marking, **the excavation should be performed with extreme care and without damage.** Hand digging is recommended in these areas.
- **The excavator is to exercise reasonable care** to protect the underground facility in and near the construction area when working in close proximity to an underground facility. Reasonable care means to excavate with precaution in a careful and prudent manner and includes the following:
 - Providing for proper support and backfill around all existing underground facilities;
 - Using non-intrusive means, as necessary, to expose the existing facility in order to visually determine that there will be no conflict between the facility and the proposed excavation path when the path is within the tolerance zone of the existing facility;
 - Exposing the existing facility at intervals as often as necessary to avoid damage when the proposed excavation path is parallel to and within the tolerance zone of an existing facility; and maintaining the visibility of the markings that indicate the location of underground utilities throughout the excavation period.

As a proactive measure to prevent damage, Aquila provides safety information to the public. This information promotes the law to "Call Before You Dig," urges excavators to dig with care, and explains what to do when a natural gas leak is suspected. This information is communicated via customer bill inserts, print advertising, Aquila's Web site, by direct mail and in meetings with local officials, excavators/contractors, emergency response personnel and Citizen Advisory Councils.

In addition, Aquila launched its Pipeline Public Awareness campaign in May 2007. The campaign meets federal requirements to educate defined stakeholders on pipeline safety issues at prescribed intervals. One of the defined stakeholders is contractors/excavators. The company communicates annually with these stakeholders in group meetings and/or with written information covering pipeline awareness, leak recognition and response, one-call centers and pipeline marker identification/recognition.

Third Party Damages

Despite all precautions and safeguards, instances of third party damage to utility systems do occur. When such damage occurs, Aquila responds immediately to notification of a line hit, as it is imperative that the area be made safe (curtail the flow of gas) as quickly as possible. Once the area is safe, the pipeline is repaired. In addition to the overarching concern for safety, line hits may involve police and/or fire personnel, create unexpected downtime for the excavator and always require Aquila's employees to respond to the incident and repair the line.

The following is a summary of the annual number of third-party damage incidents in Lawrence for the years 1998 through 2007. As you can see, annual incidents have declined significantly. While we are aware that variations in the number of annual construction projects may have contributed to the reduction, we cannot determine to what extent from available data.

Year	Total
1998	77
1999	101
2000	104
2001	122
2002	74
2003	73
2004	75
2005	72

Third-Party Charges

When applicable, Aquila bills for third-party damages. Beginning this year, the Kansas Corporation Commission requires utilities to report third party damage information annually. Aquila developed a reporting form (attached) which is completed on-site and reviewed by the excavator. These steps encourage excavators to utilize the One Call System and to adhere to excavation requirements.

Aquila's Response to LRM Concerns

The photos provided by Mr. Glass show pipe damage by LRM during curb and gutter replacement projects. Mr. Glass provided the following suggestions during the initial meeting, which he indicated would address his concerns:

1. That Aquila absorb all of the cost if the line is hit because the pipe, in his view, was improperly buried, i.e., is less than 18 inches below grade.
2. That the city obtain the depth of gas lines when planning projects and provide them at the design-build stage.
3. That the city perform gas line inspections.

Aquila's Response

1. Prior to 1971, there was no regulatory depth requirement for pipeline installation and the company followed accepted installation practices in use at the time. This situation is not unique to gas utilities or to Lawrence; it is true across Kansas and the nation.

On Aug. 19, 1970, the U.S. Department of Transportation (DOT) issued regulations which required service lines installed after March 12, 1971, to be installed at least 18 inches below grade (Section 192.327 of the DOT Pipeline Safety Regulations). A grandfathering provision exempted pipelines installed prior to that date from these depth requirements (Section 192.13).

It is important to note that while Aquila is required to install pipe at that depth, **there is no requirement that the company maintain that depth, because it has no control over depth variations** that may be caused by human intervention, weather, erosion or other circumstances. Pipe that is exposed, however, is always replaced or lowered in place.

2. As is true of other utilities, Aquila locates lines horizontally only, per regulation. The technology to provide depth markings is not reliable. As described above, Aquila is not expected to maintain post-installation depth due to circumstances beyond our control.
3. The Kansas Corporation Commission currently inspects gas line installations. Requiring a city inspection would be a duplication of effort and cause unnecessary city expenditure. In addition to KCC inspections, Aquila conducts leak surveys pursuant to Kansas Corporation Commission requirements:
 - Business districts and metal pipes not cathodically protected are surveyed at least once each calendar year, not to exceed 15 months. Cathodic protection involves the use of an electrical field to slow or prevent corrosion in metal piping.
 - Cathodically protected and polyethylene (plastic) pipes are surveyed per regulations at least once every 5 calendar years, not to exceed 63 months.*

*The survey regulations for cathodically protected & polyethylene pipe recently were changed. Prior to 2008, these pipe classifications were surveyed once every 3 calendar years.

In summary:

- Mr. Glass's statement that Aquila has gas lines improperly buried throughout Lawrence is incorrect. We acknowledge that all lines are not buried 18 inches below grade, either because they were properly installed prior to 1971, or due to post-installation depth variations over which the company has no control.
- If the lines had been hit because they were not properly located, LRM would not have been billed. Aquila's gas lines were properly marked.
- LRM did not follow excavator requirements to expose the pipeline along the proposed excavation path. The company will not agree to absorb the cost of third party damages if the excavator did not follow the requirements of the Kansas Underground Utility Damage Prevention Act.

We are considerate of Mr. Glass's concerns and have reviewed the contested billings to ensure that the charges were properly incurred. In addition, we will send LRM a copy of the Third Party Damage Field Form (see attached), which will, prior to bill generation, provide Mr. Glass the opportunity to dispute any or all charges following a line hit.

Thank you for your time and consideration of this matter.

Attachments:

1. Kansas One Call Excavator's Manual
2. Aquila Third Party Damage Field Form
3. Pipeline Safety Brochure
4. Print Safety Ad



ASPHALT

CONCRETE

CONSTRUCTION

RECYCLE

December 27, 2007

Mr. Chuck Hoag, District Manager
Aquila
110 East 9th St.
Lawrence, KS 66044

Re: Gas line repair at 2201 Ousdahl Road
Gas line repair at 1805 Brook Street

Dear Chuck:

Today we received notices from The CBE Group, Inc. advising us that Aquila has forwarded two accounts to them for collection. These accounts are for repairs to damaged gas lines at the above referenced locations in Lawrence.

It has been our hope that the recent meeting involving Aquila, City of Lawrence and LRM Industries representatives would lead to a mutually acceptable resolution of the issue of the numerous improperly buried gas lines located throughout Lawrence and that until such a resolution was reached any collection efforts for previously damaged lines would be put on hold by Aquila. Unfortunately this does not appear to be the approach that Aquila has decided to take.

Given Aquila's decision to pursue collection efforts it is our intent to dispute the charges with The CBE Group, pursue discussions with the City Commission regarding the improperly buried line issue and report the improperly buried line issue to the Kansas Corporation Commission. We will withhold taking these steps until January 7, 2008 to allow time for Aquila to reconsider your decision to initiate collection efforts.

Sincerely,

Stephen E. Glass
President

Cc: Larissa Long, External Affairs Manager
Diane Stoddard, Asst. City Manager
Chuck Soules, Dir. Of Public Works