

January 3, 1973

Mr. D. J. Hendrickson  
Director  
Pipeline Safety Division  
Indiana Public Service Commission  
901 State Office Building  
Indianapolis, Indiana 46204

Dear Mr. Hendrickson:

This is in reply to your letter of November 28, 1972, concerning the costs to be included as "property damage" in connection with the telephonic notice of leaks required by 191.5. You ask whether, in addition to the cost of replacing or repairing the physical damage to the pipeline facility, you should consider such other out-of-pocket expenses as gas lost, meter turn-off, turn-on, and light-up, radio and TV announcements regarding gas outage, and other costs related to the incidents.

Section 191.5(a)(4) requires a telephonic report of any leak that caused estimated damage to the property of the operator, of others, or both, of a total of \$5,000 or more. Under the provisions of that section, the report is to be made at the earliest practicable moment following discovery of the leak.

In general, the direct costs attributable to the leak, to the extent they can be timely estimated without jeopardizing submission of the report at the earliest practicable moment, are includable in the estimated damage under 191.5(a)(4).

The term "damage to the property of the operator, or others, or both" includes, as you suggest, the cost of replacing or repairing the physical damage to the pipeline facility. It also covers like costs applicable to the damage caused by the leak to the property of persons other than the operator.

In addition to the foregoing, the OPS considers that property damage includes the cost of material, labor, and equipment to repair the leaks and the estimated cost of gas lost. To the extent that such direct costs may be estimated in a timely manner so that the report is submitted at the earliest practicable moment, they should be included. The timeliness of the report, however, must not be jeopardized merely to increase the accuracy of the estimate of the cost of damage. Thus where it is known that meter turn-off, turn-on, and light up will be required in connection with a repair, then the labor cost is properly includable. Likewise, if an operator considers it necessary to purchase radio or TV time, on the theory that public announcement

will minimize damage or injury, then the cost is includable if it can be estimated. On the other hand, if public service

- 2 -

announcements are donated, it would be unrealistic to attempt to ascertain their cost, and as indirect costs would not be includable.

I hope these guidelines will assist you in complying with the requirement. If you have further questions in this regard, please do not hesitate to contact us.

Sincerely,

Joseph C. Caldwell  
Director,  
Office of Pipeline Safety