

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 26, 2016

Mr. Daniel W. Britton
President/CEO
Fairbanks Natural Gas, LLC
3408 International Way
Fairbanks, Alaska 99701

CPF 5-2016-3004W

Dear Mr. Britton:

On April 18-20 and June 6-10, 2016, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your LNG Facilities in Fairbanks, AK.

As a result of the inspection, it appears that Fairbanks Natural Gas, LLC has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

- 1. §193.2507 Monitoring operations.**
Each component in operation or building in which a hazard to persons or property could exist must be monitored to detect fire or any malfunction or flammable fluid that could cause a hazardous condition. Monitoring must be accomplished by watching or listening from an attended control center for warning alarms, such as gas, temperature, pressure, vacuum, and flow alarms, or by conducting an inspection or test at intervals specified in the operating procedures.

FNG failed to maintain a Fire Eye (flame detector) with a broken glass sight piece which would affect its ability to operate correctly, could fail to detect fire, and could cause a hazardous condition. Inspections in both April 2016 and June 2016 by PHMSA

representatives revealed a Fire Eye (flame detector) with a broken glass sight piece. FNG was first notified of the Fire Eye (flame detector) deficiency in April 2016.

2. **§193.2907 Protective enclosure construction**
 - (b) **Openings in or under protective enclosures must be secured by grates, doors or covers of construction and fastening of sufficient strength such that the integrity of the protective enclosure is not reduced by any opening.**

FNG did not maintain proper cover under gates at both LNG sites. The openings under the enclosures (gates) are not otherwise secured by grates, doors, or covers. A person could easily breach the security of the enclosure by slipping under the gates resulting in a protective enclosure that does not prevent unauthorized access to the facility.

3. **§193.2639 Maintenance records.**
 - (a) **Each operator shall keep a record at each LNG plant of the date and type of each maintenance activity performed on each component to meet the requirements of this part. For each LNG facility that is designed and constructed after March 31, 2000 the operator shall also maintain related periodic inspection and testing records that NFPA-59A-2001 (incorporated by reference, see §193.2013) requires. Maintenance records, whether required by this part or NFPA-59A-2001, must be kept for a period of not less than five years.**

§193.2625 Corrosion protection.

(b) Components whose integrity or reliability could be adversely affected by corrosion must be either?

(1) Protected from corrosion in accordance with §§193.2627 through 193.2635, as applicable;

FNG provided no repair records that showed repair, protection, or replacement as a result of corrosion inspections that identified deficiencies. No repair records were provided by operator that showed repair or protection as a result of the deficiencies identified by a December 12, 2015 corrosion inspection. FNG's compliance officer stated that there were no other corrosion documents related to inspection, identification of components, or repairs prior to or after the December 12, 2015 inspection. Additionally, FNG's compliance officer confirmed that the corroded infrastructure identified by the December 12, 2015 inspection were not subsequently protected from corrosion. FNG's compliance officer also stated that FNG generally repairs corrosion coating deficiencies themselves, but keep no records of the repairs.

4. **§193.2639 Maintenance records.**
 - (a) **Each operator shall keep a record at each LNG plant of the date and type of each maintenance activity performed on each component to meet the requirements of this part. For each LNG facility that is designed and constructed**

after March 31, 2000 the operator shall also maintain related periodic inspection and testing records that NFPA-59A-2001 (incorporated by reference, see

§193.2013) requires. Maintenance records, whether required by this part or NFPA-59A-2001, must be kept for a period of not less than five years.

§193.2635 Monitoring corrosion control. Corrosion protection provided as required by this subpart must be periodically monitored to give early recognition of ineffective corrosion protection, including the following, as applicable:

(d) Each component that is protected from atmospheric corrosion must be inspected at intervals not exceeding 3 years

FNG failed to demonstrate that monitoring for atmospheric corrosion was performed once every 3 years. No records provided by FNG demonstrated that monitoring for atmospheric corrosion was performed once every 3 years. FNG made available corrosion inspection records from December 12, 2015. FNG's compliance officer stated that there were no other corrosion documents related to inspection prior to or after the December 12, 2015 inspection.

5. §193.2637 Remedial measures.

Prompt corrective or remedial action must be taken whenever an operator learns by inspection or otherwise that atmospheric, external, or internal corrosion is not controlled as required by this subpart.

FNG did not provide records that show that prompt corrective or remedial action was taken when corrosion control deficiencies were found. A corrosion inspection of FNG's two LNG facilities was completed on December 12, 2015. Field inspection by PHMSA representatives revealed that tanks and pipelines show some evidence of coating via painting but age could not be determined, although the coating was not recent. No corrosion deficiencies from the December 12, 2015 inspection were corrected before the time of the PHMSA's June 2016 inspection.

6. §193.2719 Remedial measures.

Training: records.

(a) Each operator shall maintain a system of records which—

(1) Provide evidence that the training programs required by this subpart have been implemented; and

(2) Provide evidence that personnel have undergone and satisfactorily completed the required training programs.

PHMSA representatives discovered that training records for one FNG supervisor were not maintained with the expected record requirements. No initial training records were provided for the aforementioned supervisor, who started working for FNG in 2012. FNG failed to show that personnel have satisfactorily completed the required initial training. Upon examination of existing training records for covered tasks including first aid, fire, and lock-out-tag-out training, FNG displayed records for the aforementioned FNG supervisor for fire training on 05/27/2014 and 06/01/2016, lock-out-tag-out training on 5/19/2016, and first aid

on 12/08/2014 but no other records were provided. FNG failed to provide records that personnel received refresher training every two years. FNG provided neither records that

show that personnel received the mandatory initial training nor evidence that FNG kept such records of implementation and completion or maintained the records for the required period of time.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. Also, for LNG facilities, an additional penalty of not more than \$50,000 for each violation may be imposed. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter. Failure to do so will result in FNG being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2016-3004W** and for each document you submit, please provide a copy in electronic format to PHP-WRADMIN@dot.gov whenever possible. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b).

Sincerely,

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 Jennifer Owens

Item 1: Activity 152965