

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 16, 2016

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

CPF 5-2016-3005

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, Alaska.

As a result of the inspection, it is alleged that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

- 1. §193.2607 Foreign material.
(b) LNG plant grounds must be free from rubbish, debris, and other material which present a fire hazard. Grass areas on the LNG plant grounds must be maintained in a manner that does not present a fire hazard.**

Fairbanks Natural Gas, LLC (FNG) failed to keep grounds free from rubbish, debris, and other material which present a fire hazard. Specifically, the Site 1 and 2 vaults and impoundments under the LNG tanks and associated piping contain water (liquid, snow and ice) creating fire and explosion hazards. LNG when mixed with water could result in a rapid phase transition and a physical explosion due to the methane (and ethane) vapor coupled with an ignition source. These hazardous conditions were found during inspections in both April 2016 and in June 2016 and captured in notes and photographs taken by PHMSA representatives during the inspections.

Proposed Compliance Order

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$205,638 per violation per day the violation persists up to a maximum of \$2,056,380 for a related series of violations. For violations occurring between January 4, 2012 to August 1, 2016, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$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 maximum penalty not exceeding \$1,000,000 for related series of violations. Also, for LNG facilities, an additional penalty of not more than \$75,123 for each violation may be imposed.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to item(s) 1 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Fairbanks Natural Gas, LLC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. 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). If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order.

In your correspondence on this matter, please refer to **CPF 5-2016-3005** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

cc: PHP-60 Compliance Registry
PHP-500 J. Owens

Item 1: Activity 152965

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Fairbanks Natural Gas, LLC (FNG) a Compliance Order incorporating the following remedial requirements to ensure the compliance of FNG with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to FNG's failure to keep ice and water from the vaults and impoundments, FNG must develop and implement a means to keep all LNG vaults and impoundments free of water, snow, and ice. FNG must document all details of any facility changes made as a result of this proposed Compliance Order. FNG must also revise its operations and maintenance procedures to record and document ice, snow, and water removal maintenance activities.
2. FNG must provide documentation of the above changes to the Director, Western Region, within 90 days.
3. It is requested (not mandated) that Fairbanks Natural Gas, LLC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.