

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 2, 2018

Ms. Kelly Nguyen
Director of Gas & Electric
City of Vernon
4305 Santa Fe Ave.
Vernon, CA 90058

CPF 5-2018-0007

Dear Ms. Nguyen:

On April 24 through 27, 2017 and May 22 through 26, 2017, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected the natural gas distribution pipeline system in Vernon, California.

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

1. **§192.1007 What are the required elements of an integrity management plan?**
 - (a) . . .
 - (c) ***Evaluate and rank risk. An operator must evaluate the risks associated with its distribution pipeline. In this evaluation, the operator must determine the***

relative importance of each threat and estimate and rank the risks posed to its pipeline. This evaluation must consider each applicable current and potential threat, the likelihood of failure associated with each threat, and the potential consequences of such a failure. An operator may subdivide its pipeline into regions with similar characteristics (e.g., contiguous areas within a distribution pipeline consisting of mains, services and other appurtenances; areas with common materials or environmental factors), and for which similar actions likely would be effective in reducing risk.

Vernon failed to develop and implement a threat evaluation and risk ranking model in its Distribution Integrity Management Plan (DIMP). Although Vernon uses SHRIMP¹ to develop its DIMP, it lacks the data required for SHRIMP to make a meaningful evaluation of risk. For example, SHRIMP requires failure data input in its software algorithm. If an operator (like Vernon) has no data (or very limited data) to enter, SHRIMP will return an output of "No threat risk sections are prescribed in this Plan." Vernon created an addendum to its DIMP to address this issue by ranking all threats based on a single materials failure. The resulting risk ranking gave all threats the same value, thus leaving Vernon without any new information on what threats the City should focus on to reduce risk. Vernon failed to recognize that in the absence of meaningful data, further action was required to create and implement a meaningful evaluation and risk ranking model of their own.

2. §192.1007 What are the required elements of an integrity management plan?

(a) . . .

(b) *Identify threats.* The operator must consider the following categories of threats to each gas distribution pipeline: corrosion, natural forces, excavation damage, other outside force damage, material or welds, equipment failure, incorrect operations, and other concerns that could threaten the integrity of its pipeline. An operator must consider reasonably available information to identify existing and potential threats. Sources of data may include, but are not limited to, incident and leak history, corrosion control records, continuing surveillance records, patrolling records, maintenance history, and excavation damage experience.

The City of Vernon (Vernon) failed to consider and identify corrosion as a threat to its gas distribution pipeline in its DIMP even though the Vernon gas distribution system contains several steel service risers and steel transition piping at the city gates that are at risk of corrosion. Further, the Vernon DIMP fails to consider reasonably available information (e.g.

¹ The Vernon DIMP was developed with the Simple Handy Risk-Based Integrity Management Plan (SHRIMP) software. SHRIMP asks questions about a user's infrastructure and creates a DIMP plan ready to sign and implement. The questions cover basic pipeline data (size, material, number of services, etc.), damage data (1st, 2nd & 3rd party damage), failure data, etc. SHRIMP then uses an algorithm to produce the DIMP plan. Without data provided by Vernon, SHRIMP has nothing to analyze and thus assigns all threats the same risk ranking. In this situation, the operator must seek other risk ranking methodologies.

PHMSA Advisory Bulletins and other industry information) to assist in identifying existing and potential threats to the Vernon gas distribution system.

3. **§192.1007 What are the required elements of an integrity management plan?**
 - (a) . . .
 - (d) ***Identify and implement measures to address risks. Determine and implement measures designed to reduce the risks from failure of its gas distribution pipeline. These measures must include an effective leak management program (unless all leaks are repaired when found).***

Vernon failed to identify and implement measures designed to reduce the risks from failure of its gas distribution pipeline. Specifically, by relying on SHRIMP to identify risks to its system, Vernon failed to determine and implement measures designed to reduce failure risks based on identified threats to each pipeline segment on its unique system.

4. **§192.1007 What are the required elements of an integrity management plan?**
 - (a) . . .
 - (e) ***Measure performance, monitor results, and evaluate effectiveness.***
 - (1) **Develop and monitor performance measures from an established baseline to evaluate the effectiveness of its IM program. An operator must consider the results of its performance monitoring in periodically re-evaluating the threats and risks. These performance measures must include the following:**
 - (i) **Number of hazardous leaks either eliminated or repaired as required by § 192.703(c) of this subchapter (or total number of leaks if all leaks are repaired when found), categorized by cause;**
 - (ii) **Number of excavation damages;**
 - (iii) **Number of excavation tickets (receipt of information by the underground facility operator from the notification center);**
 - (iv) **Total number of leaks either eliminated or repaired, categorized by cause;**
 - (v) **Number of hazardous leaks either eliminated or repaired as required by § 192.703(c) (or total number of leaks if all leaks are repaired when found), categorized by material; and**
 - (vi) **Any additional measures the operator determines are needed to evaluate the effectiveness of the operator's IM program in controlling each identified threat.**

Vernon failed to develop and monitor performance measures from an established baseline to evaluate the effectiveness of its DIMP program. For example, Vernon failed to consider the results of its performance monitoring in periodically re-evaluating the threats and risk by failing to keep track of the number of excavation tickets.

For SHRIMP to be effective it requires regular entry of system data. Vernon had not added any data to SHRIMP since they originally implemented the software in 2011.² As a result, Vernon failed to develop and monitor any performance measures from an established baseline to evaluate the effectiveness of its DIMP.

5. **§192.1007 What are the required elements of an integrity management plan?**
(a) . . .
(f) ***Periodic Evaluation and Improvement.* An operator must re- evaluate threats and risks on its entire pipeline and consider the relevance of threats in one location to other areas. Each operator must determine the appropriate period for conducting complete program evaluations based on the complexity of its system and changes in factors affecting the risk of failure. An operator must conduct a complete program re-evaluation at least every five years. The operator must consider the results of the performance monitoring in these evaluations.**

Vernon failed to re-evaluate threats and risks on its entire pipeline and consider the relevance of threats in one location to other areas at least every five years. Specifically, Vernon failed to conduct a complete program reevaluation of DIMP by the date required in its plan (August 2, 2016 – 5 years after it implemented its program).

6. **§192.605 Procedural manual for operations, maintenance, and emergencies.**
(a) ***General.* Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.**

Vernon failed to review and update its procedural manual for the years 2012, 2013, 2015, and 2016.³ The most recent review was on March 18, 2017, just prior to the 2017 PHMSA inspection.

7. **§192.616 Public awareness.**
(a) . . .
(i) **The operator's program documentation and evaluation results must be available for periodic review by appropriate regulatory agencies.**

² The Vernon pipeline consultant logged into the SHRIMP system for the first time since 2011 during the inspection.

³ See 49 C.F.R. § 192.603(b) (noting that “[e]ach operator shall keep records necessary to administer the procedures established under § 192.605”).

No records were available to document the annual program audit of the City of Vernon Public Awareness Natural Gas System Public Awareness Program (PAP). PAP Section 8, pg. 7 requires the City to conduct annual audits of the program and to document these annual audits. The City failed to provide records of the required annual program audits.

8. §192.616 Public awareness.

(a) . . .

(c) The operator must follow the general program recommendations of API RP 1162, unless the operator provides justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and not necessary for safety.

Vernon failed to perform the Program Effectiveness Evaluation of the Vernon Public Awareness Program in accordance with the recommendations of API RP 1162. Specifically, API RP 1162 Section 8.5, Table 8.1, Row 3, Column 3 states that the recommended frequency of each Effectiveness Assessment is “no more than four years apart.”⁴ Vernon, however, never completed a baseline effectiveness evaluation, or subsequent effectiveness assessments at least every four years as required by API RP 1162 and its own plan.

9. §192.465 External corrosion control: Monitoring.

(a) . . .

(d) Each operator shall take prompt remedial action to correct any deficiencies indicated by the monitoring.

Vernon failed to take prompt remedial action in response to the CorrPro corrosion inspection and monitoring reports for 2014, 2015 & 2016 that listed 4 isolated steel risers as having deficient cathodic protection pipe-to-soil readings of greater than -850mV.

Proposed Compliance Order

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$209,002 per violation per day the violation persists up to a maximum of \$2,090,022 for a related series of violations. For violations occurring prior to November 2, 2015, 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.

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 Items 1–4 and 9, pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to The City of Vernon.

⁴ See also Vernon’s Public Awareness Program, Section 8.2, pg. 7-8 (which requires the City to conduct an Effectiveness Assessment at least every four years).

Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to Items 5, 6, 7, 8 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 promptly correct these items. Failure to do so may result in additional enforcement action.

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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. 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. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 5-2018-0007** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Kim West
Director, Western
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. Dunphy (#156372)

PROPOSED COMPLIANCE ORDER

Pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to the City of Vernon (Vernon) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Vernon with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to Vernon's failure to develop and implement a threat evaluation and risk ranking model, Vernon must develop and implement a process to evaluate system threats and rank the risk each threat poses. This process must be separate from the Simple Handy Risk-Based Integrity Management Plan (SHRIMP) software.
2. In regard to Item Number 2 of the Notice pertaining to the City of Vernon's failure to identify corrosion as a threat in its Distribution Integrity Management Plan (DIMP) and failure to consider or use any reasonable available external information to assist in identifying threats to the Vernon gas distribution system, Vernon must amend its DIMP to identify corrosion as a threat and include a process to identify and use external information to assist in identifying threats to the Vernon distribution system.
3. In regard to Item Number 3 of the Notice pertaining to Vernon's failure to identify and implement measures designed to reduce the risk of failure of its gas distribution pipeline, Vernon must identify and implement measures designed to reduce the risk of failure on its gas distribution pipeline.
4. In regard to Item Number 4 of the Notice pertaining to Vernon's failure to develop performance measures, monitor results or evaluate effectiveness, Vernon must develop and implement a process(es) requiring: 1) the development of meaningful DIMP performance measures; 2) require the collection and analysis of data (including the number of excavation tickets and other appropriate data) to support the selected performance measures; and 3) an annual review and effectiveness evaluation of the DIMP and performance measures.
5. In regard to Item Number 9 of the Notice pertaining to Vernon's failure to take prompt remedial action to correct any deficiencies indicated by external corrosion control monitoring, Vernon must install appropriate cathodic protection on the isolated steel risers or replace the steel risers with anodeless risers or abandon the isolated steel risers.
6. Vernon shall complete the remedial requirements described in 1-5 above within 180 days after receipt of a Final Order. Vernon shall submit documentation that the remedial requirements have been completed within 210 days of the Final Order.
7. It is requested (not mandated) that The City of Vernon maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Kim West, Director Western Region, 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.