

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

OVERNIGHT EXPRESS DELIVERY

August 04, 2016

David Bauer
President, National Fuel Gas Supply Corp.
6363 Main Street
Williamsville, NY 14221

CPF 1-2016-1005

Dear Mr. Bauer:

On March 6, 2015, representatives of the New York State Department of Public Service (NYDPS), acting as agents for the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code, responded to and conducted an investigation into an incident that occurred on the regulator on the start gas line for the compressors at the National Fuel Gas Supply Corporation's (NFG) Beech Hill Compressor Station, located in the town of Wellsville, NY 14895, approximately 55 miles west of Corning, NY in a rural, wooded area.

On March 5, 2015, at 17:54 (EST), a regulator failed on the start gas line for the compressors at the NFG Beech Hill Compressor Station. The failure caused an increase in pressure in the piping downstream of the regulator from 175 psig to 341 psig. The downstream piping had a maximum allowable operating pressure (MAOP) of 300 psig.

A rupture disc relief device, rated at 311 psig, burst and natural gas was released into the atmosphere through the vent stack. The gas discharged up the side of the M&R building into the eave, located approximately ten feet above the top of the vent piping, and ignited. NFG personnel responded to a call from a neighbor, and activated the Emergency Shutdown System; the fire was extinguished.

The regulator was replaced, and the station was back in service on March 6, 2015.

There were no evacuations, injuries, deaths, or extensive property damage associated with this incident. The estimated natural gas product loss was reported to be 12,400 thousand cubic feet (MCF). Estimated incident costs were reported in excess of \$42,000.

NFG notified the National Response Center (NRC Report #1109781) on March 6, 2015, at 09:11 (EST).

On March 23, 2015, NFG submitted DOT Form F 7100.2 for the incident (Incident Report).

The Incident Report described the incident as a regulator malfunction, raising downstream pressure above the set point causing a relief rupture disc to burst, thereby allowing natural gas to vent. In the Incident Report, NFG indicated that the rupture disc burst at 17:54 (EST) on March 5, 2015. The fire was reported at 05:04 (EST) on March 6, 2015. The estimated pressure at the point and time of the incident was given as 300 psig. The apparent cause of the incident was given as equipment failure.

As a result of the investigation, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. §192.169 Compressor stations: Pressure limiting devices

(a) Each compressor station must have pressure relief or other suitable protective devices of sufficient capacity and sensitivity to ensure that the maximum allowable operating pressure of the station piping and equipment is not exceeded by more than 10 percent.

NFG failed to ensure that each compressor station had pressure relief or other suitable protective devices of sufficient capacity and sensitivity to ensure that the maximum allowable operating pressure of the station piping and equipment was not exceeded by more than 10 percent. Specifically, NFG exceeded the maximum allowable operating pressure on its start gas line at the Beech Hill Compressor Station by more than 10 percent.

On March 5, 2015, a pressure regulator controlling the gas pressure in the start line and the pressure in the line downstream of the failed regulator reached 341 psig. The MAOP of this line is 300 psig, and the maximum pressure allowed during a pressure relieving event is 330 psig. The pressure exceeded the maximum allowed by §192.169(a) by 11 psig.

Evidence for this probable violation includes the NFG-submitted DOT Form F 7100.2 part H, the manufacturer's rupture disc information, and NFG Supervisory Control and Data Acquisition (SCADA) logs that showed the pressure in the start gas line exceeded 330 psig at approximately 17:45 (EST) on March 5, 2015.

2. §192.169 Compressor stations: Pressure limiting devices.

(b) Each vent line that exhausts gas from the pressure relief valves of a compressor station must extend to a location where the gas may be discharged without hazard.

NFG failed to ensure that each vent line that exhausts gas from the pressure relief valves of a compressor station extends to a location where the gas may be discharged without hazard.

On March 5, 2015, a rupture disc relief device burst, and natural gas was released to the atmosphere through the vent stack. The gas discharged up the side of the M&R building into the eave of the building, located approximately ten feet above the top of the vent piping. The force of this gas flow peeled back the steel flashing from the side of the building. Subsequently, the gas ignited.

Thus, NFG failed to ensure that each vent line that exhausts gas from the pressure relief valves of a compressor station extends to a location where the gas may be discharged without hazard.

Evidence for this probable violation includes NYSDPS photographs of the relief stack, NFG submitted DOT Form F 7100.2, and maps showing the incident location.

3. §192.617 Investigation of failures

Each operator shall establish procedures for analyzing accidents and failures, including the selection of samples of the failed facility or equipment for laboratory examination, where appropriate, for the purpose of determining the causes of the failure and minimizing the possibility of a recurrence.

NFG's procedures for analyzing accidents and failures failed to include details on how to determine the causes of the failure, and how to minimize the possibility of a recurrence.

During the failure investigation, NYSDPS reviewed NFG Procedure Section 11.5 Investigation of Failures, dated 01-13. The procedure states in part that, "All necessary precautions shall be taken to eliminate a recurrence or similar failure." The procedure does not provide direction for determining the root cause of the failure, or direction on how to minimize the possibility of a recurrence, such as:

1. What is the process for performing the root cause analysis?
2. What is the process for minimizing the possibility of a recurrence?
3. What is the make-up of the investigation team (individual)?
4. What are the qualifications of the personnel on the team?
5. What is the extent of the investigation / how is it determined?
6. What documentation is required?
7. Who is responsible for approving conclusions reached by the investigation team?
8. How are lessons learned applied to other similar facilities?

NFG placed the line back in service without correcting the vent issue that resulted in the fire.

4. §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 one 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.

NFG failed to follow, for each pipeline, a manual of written procedures for emergency response. Specifically, NFG failed to notify the NRC of a regulator failure and fire, requiring an emergency shut down of the station within the required time frame, as specified in NFG Procedure Section 11.5 Paragraph 11.5.1, dated 07/13.

NFG's Procedure Section 11.5 Department of Transportation Notification Procedures And Federal Energy Regulatory Commission, paragraph 11.5.1 Incidents, states in part that:

“A. At the earliest practicable moment and not later than one hour following discovery, notice shall be given in accordance with Paragraph (B) of this section for any release of gas that:

1. Caused a death, or personal injury necessitating in-patient hospitalization.
2. Estimated property damage of \$50,000 or more, including loss to the operator and others, or both, but excluding cost of gas lost.
3. Unintentional estimated gas loss of three million cubic feet or more. Engineering Services should be contacted to calculate gas loss.
4. Any event that in the judgment of the operator was significant, even though it did not meet the above criteria.”

B. Each notice required by Section (A) will be made by telephone to the Superintendent. The Superintendent receiving notice of an incident will contact the National Response Center at 1-800-424-8802. Department of Transportation ("DOT") notification through the National Response Center ("NRC") is required and should be made within one hour of confirmed discovery by the Superintendent for any reportable incident. The local field or station foreman will prepare a draft report on form PHMSA-F-7100.2, which must also be sent to the Superintendent within 5 days of the incident.”

On March 6, 2015 at 05:19 (EST), NFG’s Station Manager responded to the Beech Hill Compressor Station, and activated the Emergency Shut Down system. In the afternoon, NYSDPS Staff interviewed the Station Manager. The Station Manager stated that after he ensured that the shutdown was successful, he began to make notification calls to NFG personnel, including Gas Control and the Superintendent. He approximated that these calls were made around 06:00 (EST). NFG notified the NRC at 09:11 (EST).

This exceeds the reporting requirement in NFG’s procedures by 2 hours and 11 minutes.

Proposed Civil Penalty

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. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violations and has recommended that you be preliminarily assessed a civil penalty of \$202,900 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$31,600
2	\$149,700
3	\$21,600

Warning Items

With respect to Item 4, 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 this item. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to Items 2 and 3 pursuant to 49 United States Code § 60118, PHMSA proposes to issue a Compliance Order to NFG. 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. All material you submit in response to this enforcement action may be 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). Not responding within 30 days of receipt of this Notice 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.

Please submit all correspondence in this matter to Byron Coy, PE, Director, PHMSA Eastern Region, 820 Bear Tavern Road, Suite 103, W. Trenton, NJ 08628. Please refer to **CPF 1-2016-1005** on each document you submit and please, whenever possible, provide a signed PDF copy in electronic format. Smaller files may be emailed to Byron.Coy@dot.gov. Larger files should be sent on a CD accompanied by the original paper copy to the Eastern Region Office.

Additionally, if you choose to respond to this (or any other case), please ensure that any response letter pertains solely to one CPF case number.

Sincerely,
Byron Coy, PE

Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration

Cc: Mr. Kevin Speicher, NYSDPS

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

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item 2 of the Notice pertaining to NFG's failure to ensure that each vent line that exhausts gas from pressure relief valves at compressor stations extends to a location where the gas may be discharged without hazard, for all NFG compressor stations in the State of New York, NFG must submit documentation demonstrating that all relief vent lines do (or modify as necessary) relieve to a location where the gas may be discharged without hazard.
2. In regard to Item 2 of the Notice, NFG will have 180 days after receipt of the Final Order to submit documentation that all relief devices exhaust gas to a location where the gas may be discharged without hazard.
3. In regard to Item 3 of the Notice pertaining to NFG's procedures for analyzing accidents and failures to include details on how to determine the causes of the failure and how to minimize the possibility of recurrences, NFG must revise the language of its operations and maintenance (O&M) procedures to address failure investigation, including a process for root cause analysis.
4. In regard to Item 3 of the Notice, NFG will have 90 days after receipt of the Final Order to revise its procedures to address failure analysis and follow-up.
5. It is requested (not mandated) that NFG maintains documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Byron Coy, PE, Director, Eastern 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.