

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

OVERNIGHT EXPRESS DELIVERY

October 17, 2016

Mr. David Bauer
National Fuel Gas Supply Corporation
6363 Main Street
Williamsville NY 14221-5887

CPF 1-2016-1007

Dear Mr. Bauer:

From June 3, 2014 through September 16, 2015, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected the corrosion records for your Pennsylvania pipelines in your Erie, Pennsylvania office, and corresponded with National Fuel Gas Supply Corporation (NFG) personnel to obtain additional information related to items that were discussed during the onsite visit in 2014.

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 item inspected and the probable violation is:

1. §192.465 External corrosion control: Monitoring.

(a) Each pipeline that is under cathodic protection must be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of §192.463 . . .

NFG failed to determine whether each pipeline that is under cathodic protection met the requirements of §192.463(a), which states in part, "Each cathodic protection system required by this subpart must provide a level of cathodic protection that complies with one or more of the applicable criteria contained in Appendix D of this part. . ." Appendix D II- Criteria for Cathodic Protection and Determination of Measurements. Section II. Interpretation of voltage measurement states:

"Voltage (IR) drops other than those across the structure electrolyte boundary must be considered for valid interpretation of the voltage measurement in paragraphs A(1) and (2) and paragraph B(1) of section I of the appendix."

During the inspection, the PHMSA inspector reviewed a sampling of NFG's annual Corrosion Test Station History records (Corrosion History) for 2011 through 2013. NFG's Corrosion History for its transmission lines (including those in its storage or supply fields) show "PS [pipe to soil] ON" readings.

There are no IR-free readings in the Corrosion History during that period.

The PHMSA inspector asked NFG if it records any "OFF" [IR free] readings while monitoring for adequacy of cathodic protection. NFG stated that its voltage readings are more negative than the -0.85 specified volts (OFF) to ensure that the cathodic protection is adequate. NFG also stated that it has operated its entire pipeline inventory in this manner for many years with confidence that the pipelines had been adequately protected.

NFG could not provide any evidence to show that Voltage (IR) drop had been considered.

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 and 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

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 number 1, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration 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. 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 1-2016-1007** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Byron E. Coy, PE
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration

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 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 Number 1 of the Notice pertaining to failure to determine whether each pipeline that is under cathodic protection met the requirements of §192.463(a), NFG must amend its procedures to address the requirements of Appendix D noted above.
2. NFG must establish procedures to accommodate the requirements in Item 1 above within 120 days after receipt of the Final Order, and then submit those procedures to PHMSA for review and eventual approval by PHMSA.
3. After PHMSA approves the procedures described in Item 2 above, NFG must then apply those approved procedures, to conduct surveys, analyze results and identify any deficiencies on its transmission piping systems, including piping in storage fields. NFG must also make records available, as required by the amended procedures, for PHMSA review. This must be accomplished within 365 days after the procedures are approved by PHMSA. Identified deficiencies shall be processed and resolved in accordance with NFG's various established procedures.
4. It is requested (not mandated) that NFG maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Byron E. Coy, Director, ER, 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.