

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

OVERNIGHT EXPRESS DELIVERY

December 05, 2019

Joseph Hartz
President
UGI Energy Services, LLC
1 Meridian Boulevard
Wyomissing, PA 19610

CPF 1-2019-3005

Dear Mr. Hartz:

From July 11 to July 13, 2017, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected UGI Energy Services, LLC (UGI)'s Temple LNG facility in Berks County, Pennsylvania.

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 (CFR). The item(s) inspected and the probable violation(s) are:

1. § 193.2605 Maintenance procedures.

(b) Each operator shall follow one or more manuals of written procedures for the maintenance of each component, including any required corrosion control. The procedures must include:

(1) The details of the inspections or tests determined under paragraph (a) of this section and their frequency of performance; and

UGI failed to include in its manuals of written procedures the details of the inspections or tests determined under § 193.2605(a)¹. Specifically, UGI failed to include adequate details for inspecting each component that is protected from atmospheric corrosion (AC) in accordance with § 193.2635(d)².

During the inspection, the PHMSA inspector reviewed UGI's Operations Manual, issued October 10, 2016 (Operations Manual), Maintenance Procedure, MP-1003 Corrosion Protection-Atmospheric. UGI's Operations Manual failed to provide a process for the inspection of steel components under thermal insulation. Further review of the Operations Manual revealed a lack of processes to access and inspect other components with visual barriers, such as pipe at supports and areas under disbanded coating.

The PHMSA inspector performed a field review of the LNG Plant and identified insulation barriers and pipe supports that prevented access to the majority of the piping for two vertical dryers. Inspecting these steel components would require specialized preparation or expanded effort to access and evaluate them for evidence of AC. The procedures failed to include any details on how to inspect insulated pipe.

The PHMSA inspector also reviewed UGI's 2012-2017 records of AC inspections. The records reviewed demonstrated that UGI conducted annual AC inspection of certain portions of the Temple II tank, boil off systems, and sendout system. Other records indicated inspections were performed in 2012, 2014 and 2017 for the liquefaction system. Based on the records and statements from UGI, it is unclear whether any direct or indirect inspection methods³ were employed during the 2017 AC inspection of the insulated piping on the vertical dryers.

Therefore, UGI failed to include in its manuals of written procedures the details of inspections or tests determined under § 193.2605(a), specifically atmospheric corrosion inspections of components with visual barriers in place.

Proposed Compliance Order

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022. 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

¹ § 193.2605(a) Each operator shall determine and perform, consistent with generally accepted engineering practice, the periodic inspections or tests needed to meet the applicable requirements of this subpart and to verify that components meet the maintenance standards prescribed by this subpart.

² § 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.

³ Direct Inspection Methods are inspections conducted with complete barrier removal.

Indirect Inspection Methods are inspection methods conducted without complete barrier removal. These methods include but are not limited to: semi-quantitative methods such as ultrasonic, radiographic, eddy current, or thermal inspections; or qualitative methods such as partial removal of barrier, neutron backscatter examination, or infrared imaging examination.

a related series of violations. Also, for each violation involving LNG facilities, and additional penalty of not more than \$79,875 occurring on or after July 31, 2019 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$77,910 occurring on or after November 27, 2018 and before July 31, 2019 may be imposed. For each violation involving LNG facilities occurring on or after November 2, 2018 and before November 27, 2018, an additional penalty of not more than \$76,352 may be imposed. For each violation involving LNG facilities occurring prior to November 2, 2015, an additional penalty of not more than \$75,000 may be imposed. For each violation involving LNG facilities occurring prior to November 2, 2015, an additional penalty of not more than \$75,000 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 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to UGI Energy Services, 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 Enforcement 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).

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 1-2019-3005**, and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Robert Burrough
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration

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

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 1 of the Notice pertaining to § 193.2605, UGI shall revise its procedure for atmospheric corrosion inspection to address insulated components, pipe at supports and pipe under disbonded coating. UGI shall provide PHMSA the revised procedure for review within 90 days of receipt of the Final Order.