

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

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

September 5, 2018

Mr. Jerry E. Sheridan  
President and Chief Executive Officer  
AmeriGas Propane, L.P.  
460 North Gulph Road  
King of Prussia, PA 19406

**CPF 2-2018-0002**

Dear Mr. Sheridan:

On November 13-17, 2017, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Southern Region, Office of Pipeline Safety, inspected the AmeriGas Propane, LP (AmeriGas) liquefied petroleum gas (LP-Gas) written procedures and records in your Saint Augustine and Holly Hill, Florida, offices and LP-Gas pipeline systems in Flagler and St. Johns counties, Florida, pursuant to Chapter 601 of 49 United States Code.

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

1. **§ 192.11 Petroleum gas systems.**
  - (a) . . . .
  - (b) **Each pipeline system subject to this part that transports only petroleum gas or petroleum gas/air mixtures must meet the requirements of this part and of ANSI/NFPA 58 and 59.**

AmeriGas failed to meet the requirements of NFPA-58 (2004)<sup>1</sup> for each pipeline system, as follows:

**A. NFPA 58 § 5.7.5 Pipe for Regulator Venting.**

**§ 5.7.5.1 Pipe or tubing used to vent regulators shall be one of the following:**

**(1) Metal pipe and tubing in accordance with 5.8.3**

**(2) PVC meeting the requirements of UL 651, Schedule 40 or 80 Rigid PVC Conduit**

**§ 5.7.5.2 Other PVC piping materials and polyethylene and polyamide pipe and tubing shall not be permitted to be used to vent regulators.**

AmeriGas failed to meet the NFPA 58 requirements for pipe or tubing used to vent regulators. PHMSA inspectors identified piping being used to vent regulators that did not meet the requirements of § 5.7.5. The PVC pipe used to vent regulators at 5525 and 5484 Cypress Links Boulevard, in Cypress Lakes, was not stamped or marked as meeting the requirements of UL 651 and, thus, did not meet the requirements of § 5.7.5.1(2). Moreover, § 5.7.5.2 did not permit these other PVC piping materials to be used to vent regulators.

**B. NFPA 58 § 6.7.2.4**

**Rain caps or other means shall be provided to minimize the possibility of the entrance of water or other extraneous matter into the relief device or any discharge piping. Provision shall be made for drainage where the accumulation of water is anticipated.**

AmeriGas failed to provide rain caps or other means to minimize the possibility of the entrance of water or other extraneous matter into the container relief device. PHMSA inspectors observed and photographed the container relief device on tank 2 at Belz Outlet Mall, an underground ASME container, filled with dirt.

**C. NFPA 58 § 6.7.4.6**

**The point of discharge [of a regulator] shall also be located not less than 5 ft (1.5 m) in any direction away from any source of ignition, openings into direct-vent (sealed combustion system) appliances, or mechanical ventilation air intakes.**

AmeriGas failed to locate the regulator point of discharge not less than 5 feet, in any direction, away from any source of ignition. PHMSA inspectors observed and photographed regulator points of discharge less than 5 feet away from a source of ignition at:

- 5524 Cypress Links Boulevard in Cypress Lakes
- 8 Old Oak Drive N in the Sanctuary of Palm Coast

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<sup>1</sup> The 2004 edition of NFPA 58, "Liquefied Petroleum Gas Code (LP-Gas Code)," is the edition incorporated by reference in §192.7.

2. **§ 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. However, if tests at those intervals are impractical for separately protected short sections of mains or transmission lines, not in excess of 100 feet (30 meters), or separately protected service lines, these pipelines may be surveyed on a sampling basis. At least 10 percent of these protected structures, distributed over the entire system must be surveyed each calendar year, with a different 10 percent checked each subsequent year, so that the entire system is tested in each 10-year period.

AmeriGas failed to test each pipeline under cathodic protection at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection met the requirements of §192.463. AmeriGas exceeded the 15-month interval for external corrosion control monitoring on the Heritage Landing pipeline system by more than 3 months between June 3, 2015 and December 27, 2016, according to AmeriGas records reviewed during the inspection.

3. **§ 192.465 External corrosion control: Monitoring**

(a) . . . .

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

AmeriGas did not take prompt remedial action to correct deficiencies indicated by external corrosion control monitoring. AmeriGas records showed that AmeriGas identified low<sup>2</sup> tank-to-soil (T/S) potentials during its cathodic protection monitoring in 2015 and 2016 which were not corrected before the next monitoring cycle. The tanks with low T/S potentials and the range of readings<sup>3</sup> (in mV) were as follows:

Belz Outlet Mall

	<u>02/25/2016</u>	<u>12/27/2016</u>	<u>01/28/2017</u>
Tank 1	-444 to -655	-410 to -520	-410 to -780
Tank 2	-478 to -619	-380 to -470	-480 to -640

Heritage Landing

	<u>06/03/2015</u>	<u>12/27/2016</u>
Tank 1	-720 to -850	-670 to -910
Tank 2	-610 to -760	-720 to -860
Tank 3	-550 to -710	-560 to -770
Tank 4	-530 to -640	-610 to -830

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<sup>2</sup> The criteria for cathodic protection are contained in 49 CFR Part 192, Appendix D. The criterion being referenced in this letter is a negative (cathodic) voltage of at least 850 mV with reference to a saturated copper-copper sulfate half-cell. Accordingly, a low reading is any reading less negative than -850 mV.

<sup>3</sup> AmeriGas takes multiple tank-to-soil (T/S) potential readings, typically four, around each tank to test for adequate levels of cathodic protection. Tanks are not deemed to have adequate cathodic protection until all readings meet the cathodic protection criterion.

Tank 5	-390 to -440	-550 to -650
Tank 6	-490 to -610	-540 to -760
Tank 7	-600 to -700	-710 to -850
Tank 8	-610 to -860	-840 to -1020

Cypress Lakes

	<u>06/04/2015</u>	<u>02/16/2016</u>	<u>03/07/2017</u>
Tank 3	-518 to -954	-453 to -1012	-518 to -954
Tank 4	-733 to -946	-822 to -1079	-740 to -979
Tank 6	-707 to -976	-826 to -1059	-810 to -1000
Tank 7	-521 to -971	-836 to -1071	-690 to -960

**4. §192.481 Atmospheric corrosion control: Monitoring.**

**(a) Each operator must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:**

<b>If the pipeline is located:</b>	<b>Then the frequency of inspection is:</b>
<b>Onshore</b>	<b>At least once every 3 calendar years, but with intervals not exceeding 39 months</b>
<b>Offshore</b>	<b>At least once each calendar year, but with intervals not exceeding 15 months</b>

AmeriGas failed to meet the regulation because it did not conduct atmospheric corrosion control monitoring at least every 3 calendar years, with intervals not exceeding 39 months. AmeriGas records demonstrated that it conducted atmospheric corrosion control monitoring on its Heritage Landing pipeline system on December 27, 2016 and March 28, 2017. However, AmeriGas was unable to produce records demonstrating that it had conducted atmospheric corrosion control monitoring in the 39 months prior to the December 27, 2016, monitoring.

**5. § 192.491 Corrosion control records.**

**(a) . . . .**

**(b) Each operator shall maintain a record of each test, survey, or inspection required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that a corrosive condition does not exist. These records must be retained for at least 5 years, except that records related to §§192.465 (a) and (e) and 192.475(b) must be retained for as long as the pipeline remains in service.**

AmeriGas failed to meet the regulation when it failed to document the external corrosion control inspection required by §192.459, which requires operators to examine exposed portions of buried pipelines, for evidence of external corrosion, when the operator has knowledge a buried pipeline is exposed.

On July 23, 2017, AmeriGas exposed the tanks at the Sanctuary of Palm Coast system for a local government permit review but did not document any external coating examinations or evaluations for evidence of external corrosion. The Holly Hill District Manager stated that he performed the required inspection, looking for signs of coating

deterioration and evidence of external corrosion, but acknowledged that he did not document it at the time of the inspection. The District Manager documented the inspection after the PHMSA inspectors identified the lack of records for this item.

6. **§ 192.619 Maximum allowable operating pressure: Steel or plastic pipelines.**  
**(a) No person may operate a segment of steel or plastic pipeline at a pressure that exceeds a maximum allowable operating pressure determined under paragraph (c) or (d) of this section, or the lowest of the following:**  
**(1) The design pressure of the weakest element in the segment, determined in accordance with subparts C and D of this part. . . .**

AmeriGas did not correctly determine the maximum allowable operating pressure (MAOP) on segments of its LP-Gas pipeline systems between the regulator station and the service regulators because it did not consider the design pressure of the weakest element in the segment.

AmeriGas records showed that it established MAOP on its pipeline systems, as 33.3 psig, for Belz Outlet Mall, Cypress Lakes, and Heritage Landing, based upon § 192.619(a)(2)(i)<sup>4</sup>, and 30 psig, for the Sanctuary of Palm Coast, based upon NFPA 58 § 6.8.1.1(3)(a)<sup>5</sup>. In establishing the MAOP for pipeline segments between the regulator station and service regulators, AmeriGas failed to account for the design pressure of the weakest element in each segment – these systems had service regulators with a design pressure of 10 psig.

PHMSA inspectors observed and photographed service regulators stamped (or labeled) by the manufacturer with a maximum inlet pressure of 10 psig. The 10 psig pressure rating established by the manufacturer, is, in accordance with § 192.143, the design pressure of the component.

7. **§ 192.707 Line markers for mains and transmission lines.**  
**(a) Buried pipelines. Except as provided in paragraph (b) of this section, a line marker must be placed and maintained as close as practical over each buried main and transmission line:**  
**(1) At each crossing of a public road and railroad; and**

AmeriGas failed to meet the regulation because it did not place and maintain line markers as close as practical over each buried main at each crossing of a public road. During the field inspection of the Cypress Lakes system, the PHMSA inspectors identified locations without line markers where mains crossed public roads at Gulf Ridge Road and Cypress Links Boulevard.

8. **§ 192.707 Line markers for mains and transmission lines.**  
**(a) . . . .**  
**(b) Marker warning. The following must be written legibly on a background of sharply contrasting color on each line marker:**

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<sup>4</sup> 49 CFR §192.619(a)(2)(i) limits MAOP to the test pressure, in this case 50 psig, divided by a factor of 1.5.

<sup>5</sup> NFPA 58 § 6.8.1.1(3)(a) limits polyethylene piping systems to “Vapor Service not exceeding 30 psig (208 kPag)”

**(1) The word “Warning,” “Caution,” or “Danger” followed by the words “Gas (or name of gas transported) Pipeline” all of which, except for markers in heavily developed urban areas, must be in letters at least 1 inch (25 millimeters) high with 1/4 inch (6.4 millimeters) stroke.**

**(2) The name of the operator and the telephone number (including area code) where the operator can be reached at all times.**

AmeriGas failed to meet the regulation because some of its line markers did not contain the words “Warning,” “Caution,” or “Danger” followed by the words “Gas (or name of gas transported) Pipeline” in letters at least 1-inch high with 1/4-inch stroke and the name of the operator and the telephone number where the operator can be reached at all times written legibly on a background of sharply contrasting color. During the field inspection, the PHMSA inspectors observed and photographed line markers that failed to meet one or more of the specified criteria. The nature and locations of the marker deficiencies were as follows:

- A. Line markers, at Belz Outlet Mall, that did not contain the words “Warning,” “Caution,” or “Danger” followed by the words “Gas (or name of gas transported) Pipeline”. These markers contained only the operator’s name and phone number.
- B. Line markers, at Belz Outlet Mall and Cypress Lakes, that contained the words “Warning” and “Propane” but were missing the word “Pipeline” and that were written in letters less than 1-inch high and 1/4-inch stroke. Furthermore, some of the line markers did not contain the name of the current operator, but instead had the name of a previous operator of the system.

**9. § 192.721 Distribution systems: Patrolling**

**(a) . . . .**

**(b) Mains in places or on structures where anticipated physical movement or external loading could cause failure or leakage must be patrolled—**

**(1) In business districts, at intervals not exceeding 4½ months, but at least four times each calendar year; and**

AmeriGas failed to meet the regulation because it did not patrol mains in business districts at intervals not exceeding 4½ months. Patrolling records for the Belz Outlet Mall system demonstrated that AmeriGas exceeded the 4½ month interval between June 29 and December 27, 2016, and between January 23 and June 26, 2017.

**10. § 192.721 Distribution systems: Patrolling**

**(a) . . . .**

**(b) Mains in places or on structures where anticipated physical movement or external loading could cause failure or leakage must be patrolled—**

**(1) . . . .**

**(2) Outside business districts, at intervals not exceeding 7½ months, but at least twice each calendar year.**

AmeriGas failed to meet the regulation because it did not patrol mains outside business districts at intervals not exceeding 7½ months, but at least twice each calendar year. Patrolling records reviewed during the inspection showed that AmeriGas, on the Cypress

Lakes system, documented only one (1) patrol in calendar year 2015, exceeded the 7½ month interval between June 4, 2015, and January 22, 2016, and, on the Heritage Landing system, exceeded the 7½ month interval between April, 5 and December 27, 2016.

**11. § 192.723 Distribution systems: Leakage surveys.**

(a) . . . .

**(b) The type and scope of the leakage control program must be determined by the nature of the operations and the local conditions, but it must meet the following minimum requirements:**

(1) . . . .

**(2) A leakage survey with leak detector equipment must be conducted outside business districts as frequently as necessary, but at least once every 5 calendar years at intervals not exceeding 63 months. However, for cathodically unprotected distribution lines subject to §192.465(e) on which electrical surveys for corrosion are impractical, a leakage survey must be conducted at least once every 3 calendar years at intervals not exceeding 39 months.**

AmeriGas failed to meet the regulation because it did not conduct a leakage survey with leak detector equipment outside business districts every 5 calendar years at intervals not exceeding 63 months. AmeriGas leakage survey records for the Sanctuary of Palm Coast showed that leakage surveys were conducted, by the previous system operator, on April 10, 2008, which meant that the next leakage survey was due on or about July 10, 2013. However, AmeriGas, who began operating the system in January, 2012, did not conduct the next leakage survey until October 21, 2014.

**12. § 192.1005 What must a gas distribution operator (other than a master meter or small LPG operator) do to implement this subpart?**

**No later than August 2, 2011 a gas distribution operator must develop and implement an integrity management program that includes a written integrity management plan as specified in §192.1007.**

A. AmeriGas did not develop and implement a written integrity management plan for Heritage Landing, a system with 100 or more customers, before it began operating the system.

AmeriGas began operating the Heritage Landing system on or about January, 2012, after acquiring the system, however, according to AmeriGas records, it did not begin developing the plan for Heritage Landing until May, 2012. Since AmeriGas began operating this system after August 2, 2011, it was required to have an integrity management plan in place for the system prior to commencing operation.

B. AmeriGas's DIMP plan for Heritage Landing did not address all the elements required by § 192.1007.

(1) The DIMP plan did not demonstrate that AmeriGas had evaluated and ranked the risks, as required by § 192.1007(c). The DIMP plan for Heritage Landing did not determine the relative importance of each threat and estimate and rank

the risks posed to its pipeline. The section of the plan where threats were ranked was blank and did not contain any justifications or further explanation.

- (2) The DIMP plan did not demonstrate that AmeriGas identified and implemented measure to address risk, as required by 192.1007(d). While the DIMP plan for Heritage Landing contained a list of measures, the actions were coded only with a unique numerical identifier and did not detail the specific actions identified. During the inspection, AmeriGas personnel were unable to access the database containing detailed information about the selected measures or to demonstrate that the measures were implemented as the plan required.

The Southern Region OPS Manager informed the inspection team that related integrity management deficiencies were identified during inspection by state pipeline agencies and that, in light of those findings, AmeriGas was reevaluating its integrity management implementation.

**13. § 192.1015 What must a master meter or small liquefied petroleum gas (LPG) operator do to implement this subpart?**

**(a) General. No later than August 2, 2011 the operator of a master meter system or a small LPG operator must develop and implement an IM program that includes a written IM plan as specified in paragraph (b) of this section. The IM program for these pipelines should reflect the relative simplicity of these types of pipelines.**

- A. AmeriGas did not develop and implement a written integrity management plan for its small LPG systems, serving fewer than 100 customers, by August 2, 2011. The written DIMP plan for Belz Outlet Mall was not developed and implemented until August 23, 2011.
- B. AmeriGas did not develop and implement written integrity management plans for its small LPG systems, serving fewer than 100 customers, prior to operating the systems. The written DIMP plans for Cypress Lakes and the Sanctuary of Palm Coast, which AmeriGas began operating in January, 2012, were not developed and implemented until May, 2012.
- C. AmeriGas's DIMP plans for its small LPG systems failed to address all the elements required by § 192.1015(b), as follows:
  - (1) The DIMP plans for Belz Outlet Mall, Cypress Lakes, and the Sanctuary of Palm Coast did not demonstrate that AmeriGas had evaluated the risks to its pipelines and estimated the relative importance of each threat, as required by § 192.1015(b)(3). The sections of these plans, where threats were ranked, was blank and did not contain any justifications or further explanations.
  - (2) The DIMP plans for Belz Outlet Mall, Cypress Lakes, and the Sanctuary of Palm Coast did not demonstrate that AmeriGas identified and implemented measure to mitigate risks, as required by 192.1015(b)(4). While the DIMP plans for these three systems contained a list of measures, the actions were coded with only a unique numerical identifier and did not detail the specific actions identified. During the inspection, AmeriGas personnel were unable to access



the database containing detailed information about the selected measures or to demonstrate that the measures were implemented as the plan required.

The Southern Region OPS Manager informed the inspection team that related integrity management deficiencies were identified during inspection by state pipeline agencies and that, in light of those findings, AmeriGas was reevaluating its integrity management implementation.

### **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 item 6, pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to AmeriGas Propane, LP. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

### **Warning Items**

With respect to items 1 - 5 and 7 - 13 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 the extent practicable, 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 2-2018-0002** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

James A. Urisko  
Director, Office of Pipeline Safety  
PHMSA Southern Region

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 AmeriGas Propane, LP (AmeriGas), a Compliance Order incorporating the following remedial requirements to ensure the compliance of AmeriGas with the pipeline safety regulations:

1. In regard to Item Number 6 of the Notice pertaining to maximum allowable operating pressure (MAOP), AmeriGas, for the systems operated by the Saint Augustine and Holly Hill Districts, must:
  - a. Review and update the MAOP determinations for pipeline segments downstream of pressure regulating and limiting stations
  - b. Review and adjust, if necessary, pressure regulating and limiting station set-points to ensure they are set to maintain system pressure in accordance with § 192.201(a)(2).
  - c. Provide a diagram of each regulating or limiting station, indicating the make, model, and set-point for each pressure limiting or regulating device.
2. Within 30 days of receipt, of the Final Order, AmeriGas must complete these actions and document the results of each action.
3. Within 60 days of receipt, of the Final Order, AmeriGas must submit, to the Director, Office of Pipeline Safety, PHMSA Southern Region, documentation demonstrating satisfactory completion of Item 1.
4. It is requested (not mandated) that AmeriGas maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director, Office of Pipeline Safety, PHMSA Southern Region.

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.