

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 25, 2017

Mr. Alan Armstrong
President, Chief Executive Officer
Williams Olefins Feedstock Pipelines, LLC
One Williams Center
Tulsa, Oklahoma 74172

CPF 4-2017-5001

Dear Mr. Armstrong:

On multiple occasions between August 31 and December 10, 2015, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Williams Olefins Feedstock Pipelines, LLC's (Williams) plans and records for operations and maintenance in Houston, Texas, and conducted field evaluation of its Bayou Ethane System and Iowa to Port Neches 6-inch pipeline system.

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. The items inspected and the probable violations are:

1. § 195.49 Annual report.

Each operator must annually complete and submit DOT Form PHMSA F 7000-1.1 for each type of hazardous liquid pipeline facility operated at the end of the previous year. An operator must submit the annual report by June 15 each year, except that for the 2010 reporting year the report must be submitted by August 15, 2011. A separate report is required for crude oil, HVL (including anhydrous ammonia), petroleum products, carbon dioxide pipelines, and fuel grade ethanol pipelines. For

each state a pipeline traverses, an operator must separately complete those sections on the form requiring information to be reported for each state.

Williams did not include the new 10-inch, 0.37 mile BASF Connection pipeline in their 2014 annual report submittal. Williams had constructed new pipelines and pipeline facilities in 2013 and 2014 as part of the Bayou Ethane Pipeline Rehabilitation Project, which includes the construction of 0.37 miles of 10-inch pipeline (BASF Connection) which was completed in 2013.

At the time of inspection, Williams stated that the BASF Connection was sold to another company in 2014, but Williams retained operatorship. Williams' 2014 Annual Report submitted to PHMSA did not include data information on BASF Connections.

This is a repeat violation of CPF 4-2013-5016, Items #1, 2, and 3.

2. § 195.222 Welders: Qualification of welders.

(a) Each welder must be qualified in accordance with section 6 of API 1104 (incorporated by reference, see § 195.3) or section IX of the ASME Boiler and Pressure Vessel Code, (incorporated by reference, see § 195.3) except that a welder qualified under an earlier edition than listed in § 195.3 may weld but may not re-qualify under that earlier edition.

Williams could not demonstrate that welders were qualified in accordance with section 6 of API 1104 or section IX of the ASME Boiler and Pressure Vessel Code on the Bayou Ethane Pipeline Rehabilitation Project that was completed in December 2014.

Williams constructed new pipelines and pipeline facilities in 2013 and 2014 as part of the Bayou Ethane Pipeline Rehabilitation Project which included the following activities:

- (1) 3.24 miles of 12-inch steel pipeline (Ethane BASF South).
- (2) 0.49 mile of 12-inch steel pipeline (Ethane BASF North).
- (3) 0.48 mile of 12-inch steel pipeline (Korbe Junction to Explorer Line).

A Request for Specific Information (RSFI) was sent to Williams on August 29, 2016. The RSFI specifically requested a list of all welders that welded on the projects listed above. The RSFI also specifically requested the welder qualification records to demonstrate that the welders were qualified in accordance with section 6 of API or section IX of the ASME Boiler and Pressure Vessel Code.

On September 28, 2016, Williams provided the welding procedure and the procedure qualification record for Welding Procedure Specification Sunland-004. Williams provided another welder record which was for a different contractor and company, and it could not be determined what procedure that the individual was qualified under and if that was approved by Williams, dated November 16, 2012. Williams also provided a procedure qualification record TRB1-1, and no welding procedure. It is unclear that these individuals actually welded on the projects and what procedures were utilized.

The RSFI also requested the non-destructive test records for the construction projects listed

above. On September 28, 2016, Williams provided non-destructive test records for the projects. The records provided did identify the welds being tested and the results of the non-destructive tests, but the records did not identify the welders. Williams stated that they were unable to locate and provide a weld map or other record that specifically confirms which welders performed each weld and the results of the non-destructive tests for those welds.

Williams' Procedure WE-ADM-005, 'Specification 102 – Welder Performance Qualification', Section 3.1.3, states that "Prior to welding on pipelines, all welders are required to be qualified in accordance with one or more of the following: ASME Section IX and/or API 1104 (latest DOT-accepted editions)."

The information provided by Williams did not confirm how many welders were utilized and if the welders were qualified to weld on activities #1, #2, and #3 above. Williams did not demonstrate that the person(s) who welded on activities #1, #2, and #3 above, were qualified in accordance with section 6 of API 1104 or section IX of the ASME Boiler and Pressure Vessel Code.

3. § 195.569 Do I have to examine exposed portions of buried pipelines?

Whenever you have knowledge that any portion of a buried pipeline is exposed, you must examine the exposed portion for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated. If you find external corrosion requiring corrective action under § 195.585, you must investigate circumferentially and longitudinally beyond the exposed portion (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the exposed portion.

Williams did not examine exposed portions of buried pipe for evidence of external corrosion at the time when Williams had constructed new pipelines and pipeline facilities in 2013 and 2014 as part of the Bayou Ethane Pipeline Rehabilitation Project.

Williams Procedure No. 7.04-ADM-005, 'Examining and Documenting the Condition of an Underground Pipeline or Related Facility When Exposed for Any Reason', Section 1, states that each time a buried pipeline or related underground facility is exposed for any reason (intentionally or unintentionally), it must be thoroughly inspected (end-to-end) and the conditions documented on the appropriate form(s)." The procedures also state, to perform an inspection of the pipe coating and pipe conditions and to document the findings on Form 02-OPR-1581-Maintenance Report or 02-LEG-1035-Encroachment Agreement (Short Form).

At the time of inspection, Williams was unable to provide documentation to demonstrate that the pipelines that were exposed during the following construction activities had been examined for evidence of external corrosion:

1. Replacement of existing valves on the "12-inch Explorer pipeline" segment's main line valve between Korbe Junction in Port Neches, Texas, and the Lake Charles Pump Station in Sulphur, Louisiana. Nine valves were converted to above ground valves and six valves remained underground. Williams was unable to provide documentation to demonstrate that they had examined buried sections of the "12-inch Explorer pipeline" segment that were exposed during the valve replacement for evidence of external corrosion.

2. Replacement of above ground spans at two locations on the “12-inch, Explorer pipeline” segments. One span, approximately 800 feet in length, was replaced with underground pipe via Horizontal Directional Drilling; and the other span, approximately 75 feet in length was replaced by open cut technique. Williams was unable to provide documentation to demonstrate they had examined buried sections of existing “12-inch Explorer pipeline” segment that were exposed during the pipeline span replacement for evidence of external corrosion.
3. A 12-inch, 2.5 miles of pipeline was constructed to connect the Lake Charles Pump Station to the existing 8-inch pipeline near Sulphur, Louisiana. A new 12-inch pig trap was also installed at the Lake Charles Pump Station Williams was unable to provide documentation to demonstrate that they had examined the buried section of the existing 8-inch pipeline for evidence of external corrosion.
4. A new 12-inch, 0.49 mile pipeline (Ethane BASF North) was constructed and connected to the existing “12-inch Explorer pipeline” segment. Williams was unable to provide documentation to demonstrate that they had examined the buried sections of the existing “12-inch Explorer pipeline” segment that were exposed during the construction for evidence of external corrosion.
5. A new 12-inch, 3.24 miles pipeline (Ethane BASF South) was constructed between existing “8-inch, 840 pipeline” segment and the existing “12-inch Explorer pipeline” segment. Williams was unable to provide documentation to demonstrate that they had examined the buried sections of existing “8-inch, 840 pipeline” segment and buried sections of existing “12-inch Explorer pipeline” segment that were exposed during the construction for evidence of external corrosion.
6. A new 12-inch, 0.48 mile pipeline (Korbe Junction to Explorer) was constructed and connected to the existing “12-inch Explorer pipeline” segment. Williams was unable to provide documentation to demonstrate that they had examined buried sections of existing “12-inch Explorer pipeline” segment that were exposed during construction for evidence of external corrosion.

4. § 195.579 What must I do to mitigate internal corrosion?

(c) Removing pipe. Whenever you remove pipe from a pipeline, you must inspect the internal surface of the pipe for evidence of corrosion. If you find internal corrosion requiring corrective action under § 195.585, you must investigate circumferentially and longitudinally beyond the removed pipe (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the removed pipe.

Williams did not inspect the internal surface of the removed pipe at the time when Williams had constructed new pipelines and pipeline facilities in 2013 and 2014 as part of the Bayou Ethane Pipeline Rehabilitation Project.

Williams Procedure No. 7.04-ADM-005, ‘Examining and Documenting the Condition of an Underground Pipeline or Related Facility When Exposed for Any Reason’, Section 2, states that

“If the internal portion of the pipe is exposed from being cut, coupon extracted, or other reasons, include the internal surface in the Corrosion examination.” The procedures also state, to perform an inspection of the internal pipe conditions and to document the findings on 02-OPR-1581 – Maintenance Report or 02-LEG-1035-Encroachment Agreement (Short Form).

At the time of inspection, Williams did not provide documentation to demonstrate that pipelines that were exposed internally from being cut during the following construction activities had been examined for evidence of internal corrosion:

1. A new pump station was constructed near Hankamer, Texas, and connected to the existing “8-inch, 840 pipeline” segment. Williams did not provide documentation to demonstrate they had internally examined sections of the “840 pipeline” segment for evidence of internal corrosion.
2. New pump station construction near Port Arthur, Texas, and connected to the existing “12-inch Explorer pipeline” segment. Williams did not provide documentation to demonstrate they had internally examined sections of the “12-inch Explorer pipeline” segment for evidence of internal corrosion.
3. Valve replacement was conducted on the existing “12-inch Explorer pipeline” segment’s main line valve between Korbe Junction in Port Neches, Texas, and the Lake Charles Pump Station in Sulphur, Louisiana. Nine valves were converted to above ground valves and six valves remain underground. Williams did not provide documentation to demonstrate they had internally examined sections of “12-inch Explorer pipeline” segment for evidence of internal corrosion.
4. Replacement of above ground spans at two locations on the “12-inch Explorer pipeline” segments. One span, approximately 800 feet in length, was replaced with underground pipe via Horizontal Directional Drilling; and the other span, approximately 75 feet in length was replaced by open cut technique. Williams did not provide documentation to demonstrate they had internally examined sections of the existing “12-inch Explorer pipeline” segment that was exposed and cut during the pipeline span replacement for evidence of external corrosion.
5. Replacement of an ethane liquid meter was installed at the Lake Charles Pump Station. Williams did not provide documentation to demonstrate they had internally examined the section of existing above ground pipe connected to the new ethane liquid meter for evidence of internal corrosion.
6. A 12-inch, 2.5 miles of pipeline was constructed to connect Lake Charles Pump Station to the existing 8-inch pipeline near Sulphur, Louisiana. A new 12-inch pig trap was also installed at the Lake Charles Pump Station. Williams did not provide documentation to

demonstrate they had internally examined the section of the existing 8-inch pipeline for evidence of internal corrosion.

7. A new pump station was constructed near Bruly, Louisiana, and connected to an existing 10-inch pipeline. Williams did not provide documentation to demonstrate they had internally examined the section of the existing 10-inch pipeline for evidence of internal corrosion.
8. A new 12-inch, 0.49 mile pipeline (Ethane BASF North) was constructed and connected to existing the “12-inch Explorer pipeline” segment. Williams did not provide documentation to demonstrate they had internally examined sections of the existing “12-inch Explorer pipeline” segment that was exposed for evidence of internal corrosion.
9. A new 12-inch, 3.24 miles pipeline (Ethane BASF South) was constructed between an existing “8-inch, 840 pipeline” segment and the existing “12-inch Explorer pipeline” segments. Williams did not provide documentation to demonstrate they had internally examined sections of the existing “8-inch, 840 pipeline” segment and sections of the existing “12-inch Explorer pipeline” segments that were exposed for evidence of internal corrosion.
10. A new 12-inch, 0.48 mile pipeline (Korbe Junction to Explorer) was constructed and connected to the existing “12-inch Explorer pipeline” segment. Williams did not provide documentation to demonstrate they had internally examined sections of the existing “12-inch Explorer pipeline” segment that was exposed for evidence of internal corrosion.

5. § 195.583 What must I do to monitor atmospheric corrosion control?

(c) If you find atmospheric corrosion during an inspection, you must provide protection against the corrosion as required by §195.581.

Williams did not provide protection against atmosphere corrosion, after atmospheric corrosion was identified during inspections. During the inspection of the Williams Iowa to Orange 6-inch pipeline system, the inspector reviewed the inspection of valves and the documentation indicated that there was atmospheric corrosion with repairs, identified at the following locations:

- 1) Valve Site #10 Old Ferry Road
- 2) Valve Site #9 South Pig Trap.
- 3) Valve Site #8 North Pig Trap
- 4) Valve Site #6 Global Dr.
- 5) 6” Riser off 6” Main Line Targa Valve Site Greywood Parkway.
- 6) Valve Site #5 Tank Farm Rd.
- 7) Valve Site #4 Ham Reid Rd.

Inspections of the valves noted above were conducted in April 2014; October 2015 and in May 2015. The Valve Inspection Reports, 02-OPR-1035, indicate ‘Corrosion’ was observed on their inspection forms. Under the ‘List Post-Inspection Repairs Needed’ column, comments state that

various repairs are needed. The deficiencies and repair recommendations noted were the same for all valve inspections.

Williams' Procedure No 9.01-ADM-037 Valve Inspection and Maintenance, states 'Using 02-OPR-1035 – Valve Inspection Report, document any repairs or corrections made and any deficiencies observed which require follow-up.' A review of records indicated that in 2014 and 2015, several valves had atmospheric corrosion deficiencies, specifically Valve Site #4 and #10. During the PHMSA field inspection during the week of December 8-10, 2015, it was discovered that these valve sites had not been maintained. The PHMSA field inspection revealed that several pipeline and pipeline components showed severe atmospheric corrosion; and pipe supports and valve handles were missing and corroded.

Moreover, Valve Sites #1, #7 and #11 were physically visited and inspected. Pipeline and pipeline components at these locations also showed severe atmospheric corrosion. The 2014 and 2015 annual valve inspection forms did not have any notes on the observations regarding atmospheric corrosion for these valves. Also, Valve Site #11 was not listed on 2014 and 2015 annual valve inspection.

Williams' Procedure No. 7.04-ADM-002 - Atmospheric Corrosion Inspection, states that they are to visually 'inspect all surfaces and assign a visual coating condition code on the Atmospheric Corrosion Inspection data gather form, generated from the American Innovations Pipeline Compliance System (PCS) or in the data logger as either "Adequate" or "Inadequate." Also, the procedures state that they are to visually 'inspect all surfaces and assign a visual corrosion condition code on the Atmospheric Corrosion Inspection data gather form (generated from the American Innovations Pipeline compliance System (PCS) or in the data logger as either "Rust", "Pitting", or "None".'

Williams provided the records of the atmospheric inspections for the Iowa Extension. These records show, the valves were inspected for atmospheric corrosion in April of 2014, and in May of 2016. The coating conditions were identified as "Coating Not Adequate" and the Inspection Remarks vary from 'Transition needs to be rewrapped and needs paint' to 'hand wheel rusted off, transition needs repair, pipe supports missing'.

During and after the inspection, Williams stated that, "the line is idled and has been idled for some time prior to our purchase. A complete and total inspection and rehabilitation of the pipeline, including valve replacement, atmospheric corrosion remediation, and in-line inspection will be completed before the pipeline is place back in service."

On August 11, 2016, PHMSA issued an Advisory Bulletin (PHMSA-2016-0075), PHMSA regulations do not recognize an "idle" status for hazardous liquid and gas pipelines. The regulations consider pipeline to be either active and fully subject to all relevant parts of the safety regulations or abandoned.

Proposed Civil Penalty

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, to 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 a maximum penalty not to exceed \$1,000,000 for 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 \$253,900 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$57,000
2	\$46,600
3	\$69,100
4	\$81,200

Proposed Compliance Order

With respect to Items 1 and 5 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Williams Olefins Feedstock Pipelines, 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 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). 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 4-2017-5001** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest 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 Williams Olefins Feedstock Pipelines, LLC a Compliance Order incorporating the following remedial requirements to ensure the compliance of Williams Olefins Feedstock Pipelines, LLC with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice, pertaining to the failure to submit an accurate 2014 annual report to PHMSA, Williams Olefins Feedstock Pipelines, LLC, must submit a supplemental annual report to PHMSA to include the BASF Connection pipeline information. This must be completed within 30 days of after receipt of the Final Order.
2. In regards to Item Number 5 of the Notice pertaining to the failure provide protection against atmospheric corrosion, Williams Olefins Feedstock Pipelines, LLC, must correct all deficiencies identified in their atmospheric inspections of the Iowa Extension. Williams must provide a monthly update regarding all deficiencies that have been corrected. All work is to be completed within 365 days after receipt of the Final Order.
3. It is requested (not mandated) that Williams maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to R. M. Seeley, Director, Southwest 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.