

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 20, 2013

Mr. Charles Sakeagak
Director
North Slope Borough Public Works
P.O. Box 350
Barrow, AK 99723

CPF 5-2013-0011

Dear Mr. Sakeagak:

On April 16-20, 2012, 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, conducted an Integrity Management (IM) inspection of your records and facilities in Barrow, Alaska.

Background

The North Slope Borough (NSB) is a Home Rule Municipality within the State of Alaska. The town of Barrow, which is the largest community within the NSB boundaries, has a population of 4,500 residents. The Barrow natural gas transmission pipeline, which runs from the South Barrow gas fields to Barrow, is a 6-inch diameter pipeline that serves town residents and businesses through a natural gas distribution system operated by the Barrow Utilities & Electric Cooperative Inc. (BUECI). The transmission pipeline was installed in 1995 and was hydrostatically tested with diesel. The pipeline is buried in permafrost. The NSB also operates a 4" natural gas pipeline that runs from Barrow to the Arctic Naval Research Laboratory (NARL).

On June 10, 2013, the NSB petitioned PHMSA for a Special Permit to waive the requirements of 49 C.F.R. § 192.939 until December 31, 2016, but PHMSA has not issued this Special Permit.

As a result of the inspection, it appears that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The probable violation is:

1. **§192.937 What is a continual process of evaluation and assessment to maintain a pipeline's integrity?**
 - (a) **General. After completing the baseline integrity assessment of a covered segment, an operator must continue to assess the line pipe of that segment at the intervals specified in § 192.939 and periodically evaluate the integrity of each covered pipeline segment as provided in paragraph (b) of this section. An operator must reassess a covered segment on which a prior assessment is credited as a baseline under § 192.921(e) by no later than December 17, 2009. An operator must reassess a covered segment on which a baseline assessment is conducted during the baseline period specified in § 192.921(d) by no later than seven years after the baseline assessment of that covered segment unless the evaluation under paragraph (b) of this section indicates earlier reassessment.**

The North Slope Borough (NSB) did not implement a continual process of evaluation and assessment to ensure maintenance of its pipeline integrity. The NSB failed to continue to assess all its covered pipeline segments as required by §192.937 and at the intervals specified in §192.939.

The NSB operates the pipelines at <30% SMYS, and therefore the reassessment interval must comply with 192.939(b). In a letter dated December 14, 2012, the NSB stated that it has chosen to use its 1995 pressure test as the baseline assessment and that it has chosen to reassess their pipelines according to 192.939(b)(5). That regulation requires reassessments by the low stress assessment method in accordance with 192.941 to be conducted at 7 year intervals, and a reassessment by one of the methods in paragraphs (b)(1) through (b)(3) of §192.939 by year 20. However, the NSB has not conducted the low-stress reassessment according to § 192.941 by the 7-year deadline.

Section 192.941 contains specific requirements for addressing external corrosion and internal corrosion. NSB failed to address the threats of external corrosion on their covered segment according to the requirements of § 192.941(b)(2)(i). Specifically, the NSB failed to conduct leakage surveys as required by § 192.706 at 4-month intervals. At the time of the inspection, the NSB could only provide records showing annual leakage surveys from 2002 through 2007. Further, the NSB could not demonstrate that leakage surveys had been conducted in 2008 and 2009. Finally, since 2010, leakage surveys were conducted only twice annually. Therefore, the NSB did not meet the requirements of § 192.941(b)(2)(i).

In addition, the NSB failed to address the threat of internal corrosion on their covered segment according to the requirements of § 192.941(c)(1), (2), and (3). Specifically, the NSB failed to conduct a gas analysis for corrosive agents at least once each calendar year. The NSB only provided records showing that it had conducted a gas analysis in the year 1995 and in the years 2009 through 2012. Further, the NSB failed to conduct periodic testing of fluids removed from their covered segment and failed to test fluids removed from each storage field that may affect a segment at least once each calendar year, which is required by §192.941(c) (2). NSB records indicate that the NSB only conducted a fluid analysis as required by §192.941(c)(2) in the year 2012.

Finally, the NSB failed to integrate data from the analysis and testing required by §192.941(c)(1) and (c)(2) with applicable internal corrosion leak records, incident reports, safety-related condition reports, repair records, patrol records, exposed pipe records, and failed to define and implement appropriate remediation actions.

Proposed Compliance Order

With respect to item 1 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to the North Slope Borough. 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 5-2013-0011** and send all documents to our office at 188 W. Northern Lights Blvd., Suite 520, Anchorage, AK 99503. For each document you submit, please provide a copy in electronic format whenever possible to PHP-WRADMIN@dot.gov.

Sincerely,

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

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

cc: PHP-60 Compliance Registry
PHP-500 Jon Strawn (#139382)

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 1 of the Notice pertaining to the NSB's failure to meet the requirements for re-assessing its 6" natural gas pipeline, as required by §192.941 and, specifically, pertaining to the NSB's failure to address the threats of external and internal corrosion on its pipeline in the covered segment, the NSB must complete an integrity assessment of its natural gas pipeline that impacts a High Consequence Area (HCA), according to §192.937 or §192.941, within 9 months after the receipt of the Final Order.
2. It is requested (not mandated) that the North Slope Borough maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western 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.