



U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 7, 2017

Mr. Scott Jepsen
President
Kuparuk Transportation Company
700 G Street
Anchorage, Alaska 99501

CPF 5-2017-5017W

Dear Mr. Jepsen:

On August 22 – 24 and September 1, 2016, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Kuparuk Oil Pipeline on the Alaskan North Slope and related documents in Anchorage, Alaska.

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. §195.583 What must I do to monitor atmospheric corrosion control?
(b) During inspections you must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.**

PHMSA representatives performed a visual field inspection for atmospheric corrosion on the appurtenances on the breakout tank Divert Tank A at Central Processing Facility Two. The inspection of valves, flanges, and other devices appurtenant to Divert Tank A, revealed oxidization

and incipient pitting corrosion in several places. Inspection records provided by Kugaruk Transportation Company (2015 API 570 Inspection) failed to note even oxidation of uncoated surfaces for the tank appurtenances, nor any scaling or pitting. Additional historic atmospheric inspection records, the Three Year Atmospheric Corrosion Inspection Locations Spreadsheet, for the Divert Tank A appurtenances failed to note the oxidation, scaling, or pitting as seen during PHMSA's field inspection. The records provided by Kugaruk Transportation Company for atmospheric corrosion were inconsistent with PHMSA's visual inspection and are insufficient to meet the criteria of §195.583.

2. **§195.581 Which pipelines must I protect against atmospheric corrosion and what coating material may I use?**
(a) You must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

A visual field inspection for atmospheric corrosion was performed on the appurtenances on Kugaruk Transportation Company's breakout tank Divert Tank A at Central Processing Facility Two. Inspection of valves, flanges, and other devices appurtenant to Divert Tank A, including some inspected after removal of non-permanent insulated covers, revealed uncoated or poorly coated facilities with incipient pitting corrosion in numerous places.

As of April 27, 2017, 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. 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. Failure to do so will result in Kugaruk Transportation Company being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2017-5017W**. 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).

Sincerely,



Huy Nguyen
Acting Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 H. Marlowe/J. Owens (#153684)