

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

February 28, 2020

Mr. Daniel Britton
President
Fairbanks Natural Gas, LLC
3408 International Way
Fairbanks, Alaska 99701

CPF 5-2020-0003W

Dear Mr. Britton:

On May 6 through 10 and June 24 through 27, 2019, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected your natural gas distribution system in Fairbanks, 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 (CFR). The items inspected and the probable violations are:

1. § 192.287 Plastic pipe: Inspection of joints.

No person may carry out the inspection of joints in plastic pipes required by §§ 192.273(c) and 192.285(b) unless that person has been qualified by appropriate training or experience in evaluating the acceptability of plastic pipe joints made under the applicable joining procedure.

Fairbanks Natural Gas (FNG) failed to provide records documenting any operator was qualified as a joint inspector. FNG personnel stated that they did not have a person qualified as a joint inspector.

2. § 192.479 Atmospheric corrosion control: General.

(a) Each operator must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

Some piping and valves at meter sets and service regulators lacked coating as required by the cited regulation.

FNG Standard Operating Procedure 7205 Corrosion Control stated under section titled Monitoring, subsection titled Distribution Facilities, "...FNG distribution facilities and the above ground meter set network is protected from atmospheric corrosion, such as by paint...". Field observations determined that much of the piping to and within meter and regulator sets was unpainted, and demonstrated visible surface corrosion. Photographic evidence of surface corrosion on FNG aboveground piping was taken at the meter set and regulator serving Pizza Hut at 89 College Road, as well as several meter sets and regulators serving businesses in the malls located at 357-421 Merhar Avenue.

3. § 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:

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

FNG failed to conduct atmospheric corrosion inspections of aboveground piping at their meter sets and service regulators, and as a result, did not provide any documentation of atmospheric corrosion inspections.

4. § 192.743 Pressure limiting and regulating stations: Capacity of relief devices.

(a) Pressure relief devices at pressure limiting stations and pressure regulating stations must have sufficient capacity to protect the facilities to which they are connected. Except as provided in §192.739(b), the capacity must be consistent

with the pressure limits of §192.201(a). This capacity must be determined at intervals not exceeding 15 months, but at least once each calendar year, by testing the devices in place or by review and calculations.

FNG failed to demonstrate their pressure relief devices had sufficient capacity to protect their distribution facilities to which they were connected. FNG failed to provide any documentation of testing the devices or review by calculations annually as required by § 192.743.

5. § 192.1007 What are the required elements of an integrity management plan?

A written integrity management plan must contain procedures for developing and implementing the following elements:

(a) ...

(c) Evaluate and rank risk. An operator must evaluate the risks associated with its distribution pipeline. In this evaluation, the operator must determine the relative importance of each threat and estimate and rank the risks posed to its pipeline. This evaluation must consider each applicable current and potential threat, the likelihood of failure associated with each threat, and the potential consequences of such a failure. An operator may subdivide its pipeline into regions with similar characteristics (e.g., contiguous areas within a distribution pipeline consisting of mains, services and other appurtenances; areas with common materials or environmental factors), and for which similar actions likely would be effective in reducing risk.

FNG did not complete any meaningful evaluation of the Simple, Handy, Risk-based Integrity Management Plan (SHRIMP) assessment results and, consequently, the risk rank results did not accurately reflect the threats to their system. The SHRIMP selected the threat "Other Outside Forces" as the highest ranked risk to FNG's distribution system. SHRIMP described this threat as: "Above ground facilities are being hit by vehicles. Below ground facilities have been damaged due to heavy vehicles driving along or over the facility location." FNG accepted this result as the top-rated threat. During the inspection, FNG stated that their system hasn't had any leaks caused by the threat "Other Outside Forces". FNG stated that incorrect data may have caused ranking of "Other Outside Forces" to be ranked as the number one threat of their system.

Most damage is caused by Excavation Damage - Third Party Damages, which was ranked third. The threat "Material, Weld or Joint Failure due to workmanship defects" was ranked as the second highest risk. FNG stated the "Material, Weld or Joint Failure due to workmanship defects" may have been ranked high, from many welds failing during a pressure test. FNG should evaluate if this data should have been included in the SHRIMP, since these pressure test weld failures were not leaks in their distribution system.

FNG accepted these ranking results that did not accurately reflect the risks faced by the system.

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 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. We advise you to correct the items identified in this letter. Failure to do so will result in Fairbanks Natural Gas, LLC 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 5-2020-0003W**. 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,

Dustin Hubbard
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 G. St. Pierre (#162682)
Mark Rockwell, Director of Operations, Fairbanks Natural Gas (via email)
Chris Gillespie, Chief of Engineering, Fairbanks Natural Gas (via email)