AUG 27 10

Mr. Randy Bernard
Senior Vice President
Technical Services and Operations
Williams Gas Pipeline
The Williams Companies, Inc.
2800 Post Oak Boulevard
Houston, TX 77056

Re: CPF No. 1-2007-1011

Dear Mr. Bernard:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and assesses a reduced civil penalty of $24,600. The penalty payment terms are set forth in the Final Order. This enforcement action closes automatically upon receipt of payment. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Byron Coy, Director, Eastern Region PHMSA

CERTIFIED MAIL – RETURN RECEIPT REQUESTED[7009 1410 0000 2472 2827]

U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590

In the Matter of	)	
Williams Gas Pipeline, a division of The Williams Companies, Inc.,	)	**CPF No. 1-2007-1011**
Respondent.	)	

FINAL ORDER

On June 8, 2006, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Williams Gas Pipeline, a division of The Williams Companies, Inc. (Williams or Respondent), in Charlottesville, Virginia. Williams is a global energy company that delivers approximately 12 percent of the natural gas consumed in the United States.[1] The company operates over 750 miles of 10-inch to 42-inch diameter gas transmission pipeline in the Virginia area, including a 20-inch diameter line known as "the Virginia Lateral." The piping system for the Virginia Lateral was constructed during the 1960's and 1970's.

As a result of the inspection, the Director, Eastern Region, OPS (Director), issued to Respondent, by letter dated October 22, 2007, a Notice of Probable Violation and Proposed Civil Penalty (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Respondent had violated 49 C.F.R. § 192.465(d) and proposed assessing a civil penalty of $41,000 for the alleged violations.

On July 13, 2006, following the inspection but prior to the issuance of the Notice, Respondent replied to a request from the Eastern Region for certain documentation (Reply). Williams responded to the Notice by letter dated November 29, 2007, requesting a meeting in lieu of an informal hearing to explain mitigating factors. On December 12, 2007, Respondent withdrew its request for a meeting and requested an informal hearing (Response). In its Response, Williams contested the allegations and explained that it would offer information at the hearing to justify its actions. A hearing was held on May 8, 2008, at the Eastern Regional Office, in Washington, DC, with Amelia Samaras, Attorney, Office of Chief Counsel, PHMSA, presiding. After the hearing, Respondent submitted a Post-Hearing Response.

[1] The Williams Companies' website (http://www.williams.com/gas_pipeline/) (last accessed 7/29/10).

FINDING OF VIOLATION

The Notice alleged that Respondent violated 49 C.F.R. Part 192, as follows:

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 192.465(d), which states:

> **§ 192.465 External corrosion control: Monitoring.**
> (a) . . .
> (b) Each cathodic protection rectifier or other impressed current power source must be inspected six times each calendar year, but with intervals not exceeding 2 1/2 months, to insure that it is operating. . .
> (d) Each operator shall take prompt remedial action to correct any deficiencies indicated by the monitoring.

The Notice alleged that Respondent violated 49 C.F.R. § 192.465(d) by failing to take prompt remedial action to correct certain deficiencies indicated by the company's external corrosion monitoring program. Specifically, it alleged that after Respondent found Rectifiers #170-2, 170-5, 185-5-A, 185-5-B, and 190-0 on the Virginia Lateral to be inoperative, repairs were not promptly completed for the following time periods:

> Rectifier #170-2: 3 months and 25 days;
> Rectifier #170-5: 6 months and 2 days;
> Rectifier #185-5-A&B: 4 months and 20 days;
> Rectifier #190-0: 3 months and 8 days.

In the Pipeline Safety Violation Report that served as the basis for the Notice, the Eastern Region stated, "The in-operative Rectifiers should have been repaired promptly i-e [sic] by the next inspection cycle of two months after they were reported broken." Given that § 192.465(b) requires rectifier inspections every 2½ months, I agree that the word "prompt" in § 192.465(d) should be interpreted to mean a period of time less than 2½ months, i.e., until the next required inspection.

During the hearing, Respondent relied heavily on its Reply, which explained why repairs to the inoperative rectifiers did not occur within 2½ months of detection. The Eastern Region requested that Williams provide documentation to support the explanations in the Reply. Respondent requested and was granted a 60-day period after the hearing to prepare a Post-Hearing Response and to provide records explaining and documenting the events described in the Reply. Each of the rectifiers is discussed separately below.

Rectifier #170-2

In its Reply, Williams stated that this rectifier "burned up" on July 6, 2005, but that the cause was not immediately known. Respondent indicated that it had worked with the rectifier vendor and gathered information between July and November 2005 to identify the cause of the fire. Respondent stated that it did not consider it prudent to repair or replace the rectifier until the cause of the fire had been ascertained, especially given the rectifier's proximity to a public road. It stated that "temporary repairs" were made on October 31, 2005.

Respondent further indicated that a combination of the distance lying between a remote groundbed and the pipeline and a poorly designed panel layout caused the lightning arrestors to catch fire during lightning strikes, thus resulting in severe fire damage to the rectifier. In June 2006, a new rectifier was installed. Respondent gave no explanation as to why the "temporary repairs" that it made more than three months after the rectifier was found to be inoperative (but before the cause of the fire was determined) could not have been made sooner.

In its Post-Hearing Response, Williams contended that it had immediately taken a cathodic protection reading after discovering the damage and had determined that sufficient protection was being provided by nearby rectifiers. The company provided a photo of the fire-damaged rectifier and contended that it would not have been prudent to repair or replace the rectifier without knowing the cause of the fire. Respondent also stated that "[its subject matter expert's] evaluation of the local readings determined that there was time to investigate the nature of the failure without jeopardizing the integrity of the pipeline system." However, Williams did not provide any documentation of its cathodic protection readings from the location of the destroyed rectifier, its four-month investigation into the cause of the fire, or any correspondence with the rectifier vendor. Accordingly, upon review of all of the evidence, I find that Williams failed to take prompt remedial to correct the deficiencies indicated by the failure of Rectifier # 170-2.

Rectifier # 170-5

In its Reply, Williams stated that its inspector had observed this rectifier to be "burned up" and inoperative on September 10, 2005. The company contended that it had not taken "emergency action" to repair or replace the rectifier because it believed that surrounding rectifiers supplied sufficient current to the pipeline. At the hearing, Respondent also stated that there was a low risk of lightning in winter and that it "did not have budget" for a new rectifier at that time. Therefore, temporary repairs were made in March 2006 and a new rectifier installed on June 14, 2006.

In its Post-Hearing Response, Williams further stated that after it had discovered the destroyed rectifier, a pipe-to-soil reading showed that sufficient protection was being provided by nearby rectifiers. Respondent also stated that initial repairs were "problematic," but neither explained what the problem was nor provided any documentation to support this assertion or records of the cathodic protection readings from the location of the destroyed rectifier. Accordingly, upon review of all of the evidence, I find that Williams failed to take prompt remedial action to correct the deficiencies indicated by the failure of Rectifier # 170-5.

Rectifiers # 185-5-A&B

In its Reply, Williams stated that this transformer was found "burned up" and "the rectifier"[2] inoperative on May 4, 2005. From May to mid-July, Respondent claimed to have searched old stockpiles of retired rectifiers for a similar size transformer but without success. A new rectifier was ordered and installed by September 24, 2005.

[2] In both its Reply and Post-Hearing Response, Williams used the singular, i.e. "the rectifier," in discussing Rectifiers 185-5-A&B. However, the company never contested OPS' allegation that both 185-5 A and 185-5 B were inoperative for nearly four months.

On January 5, 2006, the output on #185-5-A was observed to be lower than normal, with further decreasing outputs observed on March 6, 2006, and May 10, 2006. At the time of its Reply in July 2006, Respondent stated that it had immediate plans to replace damaged header cables and was awaiting power re-connection by the power company.

Williams also discovered in early 2006 that the groundbed powered by rectifier #185-5-B was damaged and scheduled it for replacement in July or August of 2006. It was confirmed at the hearing that this replacement had in fact occurred.

In its Post-Hearing Response, Williams stated that it had no records to document its internal search of retired rectifiers. It also stated that based on the 8/30/05 cathodic protection readings, its engineer felt that there was sufficient influence from adjacent rectifiers to protect that section of pipeline. Respondent had not raised this argument earlier and failed to provide documentation in its Post-Hearing Response of cathodic protection readings. Furthermore, even if the company had provided documentation of the 8/30/05 readings, this date was still three months after the rectifiers were found to be out of service, which is longer than the 2½-month period within which remedial action must be taken in order to be considered "prompt." Accordingly, upon review of all of the evidence, I find that Williams failed to take prompt remedial to correct the deficiencies indicated by the failure of Rectifiers #185-5 A&B.

Rectifier #190-0

In its Reply, Williams stated that its inspector had observed this rectifier to be damaged and inoperative on January 13, 2004. A new rectifier was received and installed in April 2004. From January to April 2005, Respondent recorded two readings that demonstrated decreasing amperage. In mid-April, the groundbed was repaired to increase amperage.

In its Post-Hearing Response, Williams provided documentation showing that it had received a price quotation for Rectifier #190-0 ten days after the rectifier was found to be inoperative. It also provided a copy of its receiving report for the rectifier, showing that the company had paid for it in March, a month before the new rectifier was repaired and back in service. For this rectifier, I find that Respondent took prompt remedial action to remedy the deficiency. Therefore, based upon review of all of the evidence, I withdraw that portion of Item 1 relating to Rectifier #190-0.

In summary, after considering all the evidence, I find that Respondent failed to take prompt remedial action to correct inoperative Rectifiers #170-2, 170-5, 185-5-A, and 185-5-B. I further find that Respondent did take prompt remedial action to replace inoperative Rectifier #190-0.

This finding of violation will be considered a prior offense in any subsequent enforcement action taken against Respondent.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed $100,000 per violation for each day of the violation, up to a maximum of $1,000,000 for any

related series of violations. In determining the amount of a civil penalty under 49 U.S.C. § 60122 and 49 C.F.R. § 190.225, I must consider the following criteria: the nature, circumstances, and gravity of the violation, including adverse impact on the environment; the degree of Respondent's culpability; the history of Respondent's prior offenses; the Respondent's ability to pay the penalty and any effect that the penalty may have on its ability to continue doing business; and the good faith of Respondent in attempting to comply with the pipeline safety regulations. In addition, I may consider the economic benefit gained from the violation without any reduction because of subsequent damages, and such other matters as justice may require. The Notice proposed a total civil penalty of $41,000 for five instances of violation of § 192.467(d).

As noted above, I have found that Williams failed to take prompt remedial action to correct corrosion protection deficiencies in four out of the five instances alleged in the Notice (i.e., Rectifiers #170-2, 170-5, and 185-5A and 185-5B). In considering the civil penalty assessment criteria, the Violation Report cited the interviews that OPS had conducted with Respondent's personnel, who indicated that repairs had not been promptly conducted due to the "capital budget process" and because a "root cause analysis" was still being performed. The Region considered the gravity of the proposed violations when it stated in the Violation Report, "Any breakdown of corrosion protection system [sic] must be repaired promptly to mitigate advancement of corrosion . . ." It also considered that the repair delays had ranged from three months and eight days to six months and two days.

On the one hand, the record shows that while some steps were taken to determine the cause of the failure of these rectifiers and to acquire replacement equipment, they were not operational by the end of the next inspection cycles. On the other hand, the fact that Williams promptly took cathodic protection readings for two of the inoperative rectifiers (i.e., Rectifiers #170-2 and 170-5) gave the company reasonable assurance that the nearby rectifiers were providing sufficient protection while the damaged rectifiers were being replaced. Therefore, I think it is appropriate to mitigate the amount of the proposed penalty for these two violations.

As for Rectifiers #185-5A and 185-5B, Williams failed to take prompt pipe-to-soil readings after the damaged rectifiers were first discovered on May 4, 2005. In fact, such readings were not taken until August 30, more than three months after the problem was first discovered. Since such readings should have been taken immediately to determine whether the affected sections of pipe were receiving adequate protection from adjacent rectifiers, the company cannot contend that it was assiduously taking action to address these deficiencies. Therefore, I can see no basis for mitigating this portion of the proposed penalty.

In summary, I have found that Williams violated § 192.467(d) with regard to four out of the five rectifiers cited in the Notice. As discussed above, I am proportionally reducing the proposed civil penalty for Rectifier #190-0 by $8,200 (1/5 of $41,000), which allegation has been withdrawn. I am also reducing the proposed civil penalty by half ($4,100) for both Rectifiers #170-2 and 170-5. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a total civil penalty of **$24,600**.

Payment of the civil penalty must be made within 20 days of service. Federal regulations (49 C.F.R. § 89.21(b)(3)) require this payment be made by wire transfer, through the Federal Reserve Communications System (Fedwire), to the account of the U.S. Treasury. Detailed instructions are contained in the enclosure. Questions concerning wire transfers should be directed to: Financial Operations Division (AMZ-341), Federal Aviation Administration, Mike Monroney Aeronautical Center, P.O. Box 269039, Oklahoma City, OK 73125; The Financial Division's telephone number is (405) 954-8893.

Failure to pay the $24,600 civil penalty will result in accrual of interest at the current annual rate in accordance with 31 U.S.C. § 3717, 31 C.F.R. § 901.9 and 49 C.F.R. § 89.23. Pursuant to those same authorities, a late penalty charge of six percent (6%) per annum will be charged if payment is not made within 110 days of service. Furthermore, failure to pay the civil penalty may result in referral of the matter to the Attorney General for appropriate action in a district court of the United States.

Under 49 C.F.R. § 190.215, Respondent has the right to submit a Petition for Reconsideration of this Final Order. The petition must be sent to: Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address. PHMSA will accept petitions received no later than 20 days after receipt of service of this Final Order by the Respondent, provided they contain a brief statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.215. The filing of a petition automatically stays the payment of any civil penalty assessed but does not stay any other provisions of the Final Order, including any required corrective actions. If Respondent submits payment for the civil penalty, the Final Order becomes the final administrative decision and the right to petition for reconsideration is waived.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

_____ _____

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued