



U.S. Department
of Transportation
**Pipeline and Hazardous
Materials Safety
Administration**

1200 New Jersey Avenue, SE
Washington, DC 20590

December 8, 2021

VIA ELECTRONIC MAIL TO: jhartz@ugies.com

Mr. Joseph Hartz
President
UGI Energy Services, LLC
1 Meridian Boulevard
Wyomissing, Pennsylvania 19610

Re: CPF No. 1-2021-018-NOPV

Dear Mr. Hartz:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation, assesses a civil penalty of \$27,400, and specifies actions that need to be taken to comply with the pipeline safety regulations. When the civil penalty has been paid and the terms of the compliance order are completed, as determined by the Director, Eastern Region, this enforcement action will be closed. Service of the Final Order by e-mail is effective upon the date of transmission as provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

ALAN KRAMER MAYBERRY
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KRAMER MAYBERRY
Date: 2021.12.07
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Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosures (Final Order and NOPV)

cc: Mr. Robert Burrough, Director, Eastern Region, Office of Pipeline Safety, PHMSA
Mr. Frank H. Markle, Senior Counsel, UGI Corporation, marklef@ugicorp.com
Mr. Keith Coyle, Counsel for UGI Energy Services, LLC, Babst Calland,
kcoyle@babstcalland.com

CONFIRMATION OF RECEIPT REQUESTED

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

In the Matter of

UGI Energy Services, LLC,

Respondent.

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CPF No. 1-2021-018-NOPV

FINAL ORDER

On October 14, 2021, pursuant to 49 C.F.R. § 190.207, the Director, Eastern Region, Office of Pipeline Safety (OPS), issued an Amended Notice of Probable Violation (Notice) to UGI Energy Services, LLC (Respondent).¹ The Notice proposed finding that Respondent had violated the pipeline safety regulations in 49 C.F.R. Part 193. The Notice also proposed certain measures to correct the violations. Respondent did not contest the allegations of violation, the proposed civil penalty, or corrective measures.

Based upon a review of all of the evidence, pursuant to § 190.213, I find Respondent violated the pipeline safety regulations listed below, as more fully described in the enclosed Notice, which is incorporated by reference:

49 C.F.R. § 193.2441 **(Item 1)** — Respondent failed to have the required capabilities and characteristics at its control centers used for monitoring operations because each of its remotely actuated control systems and each automatic shutdown control system was not operable from its off-site control center location.

49 C.F.R. § 193.2623 **(Item 2)** — Respondent failed to inspect or test its LNG Temple II storage tank to verify that inner tank leakage, effectiveness of insulation, and frost heave do not impair the structural integrity or safety of the tank.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent. In accordance with 49 C.F.R. § 190.223, I assess Respondent a total civil penalty of **\$27,400**.

¹ The original Notice of Probable Violation was issued on June 24, 2021.

Payment of the civil penalty must be made within 20 days of service. Federal regulations (49 C.F.R. § 89.21(b)(3)) require such payment to 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 (AMK-325), Federal Aviation Administration, Mike Monroney Aeronautical Center, 6500 S MacArthur Blvd, Oklahoma City, Oklahoma 79169. The Financial Operations Division telephone number is (405) 954-8845.

Failure to pay the \$27,400 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.

COMPLIANCE ACTIONS

Pursuant to 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the action proposed in the enclosed Notice to correct the violation. The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an extension. Upon completion of ordered action, Respondent may request that the Director close the case. Failure to comply with this Order may result in the assessment of civil penalties under 49 C.F.R. § 190.223 or in referral to the Attorney General for appropriate relief in a district court of the United States.

WARNING ITEM

With respect to Item 3, the Notice alleged a probable violation of 49 C.F.R. § 193.2639 but did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be a warning item. If OPS finds a violation of this provision in a subsequent inspection, Respondent may be subject to future enforcement action.

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

ALAN KRAMER
MAYBERRY

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Alan K. Mayberry
Associate Administrator
for Pipeline Safety

December 8, 2021

Date Issued



U.S. Department
of Transportation

Pipeline and
Hazardous Materials
Safety Administration

840 Bear Tavern Road, Suite 300
West Trenton, NJ 08628
609.771.7800

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

OVERNIGHT EXPRESS DELIVERY

October 14, 2021

Mr. Joseph Hartz
Vice President Asset Management
UGI Energy Services
1 Meridian Blvd
Wyomissing, PA 19610

CPF 1-2021-018-NOPV

Dear Mr. Hartz:

From November 9, 2020 to November 18, 2020, 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 (U.S.C.) inspected UGI Energy Services' (UGI) procedures and records for the Temple LNG Plant in Reading, Pennsylvania.

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. § 193.2441 Control center.

Each LNG plant must have a control center from which operations and warning devices are monitored as required by this part. A control center must have the following capabilities and characteristics:

(a) ...

(b) Each remotely actuated control system and each automatic shutdown control system required by this part must be operable from the control center.

UGI's control centers used for monitoring operations failed to have the required capabilities and characteristics. Specifically, UGI failed to have each of its remotely actuated control systems and each automatic shutdown control system operable from its off-site control center location.

During the inspection, the PHMSA inspector requested data regarding UGI's control center monitoring operations and questioned UGI's ability to operate each control system and automatic shutdown device from its off-site control center.

UGI stated that the Reading, Pennsylvania Temple LNG plant is manned and has all monitoring capabilities and functions Monday through Friday from 0600 hours to 1530 hours. Outside of these timeframes monitoring is done via a 3rd party from an off-site control center site in Pennsylvania. The off-site control center responds to alarms as needed and will contact UGI technicians to respond, who are required to be within 45 minutes of the LNG plant. The only operating functions the off-site control center has is to emergency shut down the entire LNG plant. The off-site control center does not have control of UGI's remotely actuated control systems and each automatic shutdown control system.

UGI also provided its *LNG Emergency Procedures Manual, Chapter 4* (Procedure). However, this Procedure did not discuss or mention any functions or monitoring capabilities of the main control center nor the off-site control center.

When the PHMSA inspector asked UGI how they maintain operation and control of each control system and automatic shutdown control system when the Reading, Pennsylvania control center is not manned, UGI's subject matter engineering expert stated that the offsite control center does not have full functionality to control the plant and that it has been operated like this for some time.

Therefore, UGI failed to have each remotely actuated control system and each automatic shutdown control system operable from its off-site control center location in accordance with § 193.2441(b).

2. § 193.2623 Inspecting LNG storage tanks.

Each LNG storage tank must be inspected or tested to verify that each of the following conditions does not impair the structural integrity or safety of the tank:

- (a) ...
- (b) Inner tank leakage.
- (c) Effectiveness of insulation.
- (d) Frost heave.

UGI failed to inspect or test its LNG storage tanks. Specifically, UGI failed to inspect or test its LNG Temple II storage tank to verify that inner tank leakage, effectiveness of insulation and frost heave do not impair the structural integrity or safety of the tank.

During the inspection, the PHMSA inspector requested records for LNG storage tank Temple T-II for calendar years 2018 – 2019. UGI provided Temple T-II *LNG Tank Foundation Elevation Survey, dated 5/31/19* and *Temple T-II Tank Foundation Elevation Survey, dated 5/29/18* (Records).

When the PHMSA inspector asked UGI how they inspect or test tank T-II for inner tank leakage, effectiveness of insulation and front heave, UGI stated that it is a concrete walled tank and they do not conduct the inspections or tests.

In email communication subsequent to the inspection when the PHMSA inspector again requested inspection or testing records for Temple T-II tank, UGI stated, "Because of the design of T2, instead of doing a periodic monitor of the tank for inner tank leakage and insulation effectiveness an engineering solution was created. There are multiple temperature sensors in between the tank and the outer containment that constantly detect for leakage. If these sensors detected a low enough temperature it would create an alarm on the HMI to alert the operator. Going through the alarm logs I found four instances since January 2018 of alarms related to the T2 tank. None of these were in relation to the previously mentioned temperature sensors. I've included these four alarm responses for your review."

However, the alarm log records do not indicate the required inspection and testing data. The use of temperature sensors that UGI discussed was not documented in any UGI procedure. Furthermore, installing temperature sensors in between the tank and the outer containment to detect for leakage (only) does not satisfy the inspection or testing requirements in § 193.2623.

Therefore, UGI failed to inspect its storage tank Temple T-II during calendar years 2018 and 2019 in accordance with § 193.2623.

3. § 193.2639 Maintenance records.

(a) Each operator shall keep a record at each LNG plant of the date and type of each maintenance activity performed on each component to meet the requirements of this part. For each LNG facility that is designed and constructed after March 31, 2000 the operator shall also maintain related periodic inspection and testing records that NFPA-59A-2001 (incorporated by reference, see § 193.2013) requires. Maintenance records, whether required by this part or NFPA 59A must be kept for a period of not less than five years.

UGI failed to maintain a record of each maintenance activity performed on each component at its LNG plant to meet the requirements of Part 193. Specifically, UGI failed to maintain its 2019 fire extinguisher records for Temple I and Temple II facilities at its LNG plant.

During the inspection, the PHMSA inspector requested records for calendar year 2019 for fire extinguisher inspections. UGI could not provide any records of these inspections during the PHMSA inspection. The PHMSA inspector asked whether the inspection was conducted and if so, if a record was generated, and UGI stated they were searching for the information.

When the PHMSA inspector re-requested this information subsequent to the inspection, UGI stated via email communication, "For the 2019 fire extinguisher inspection UGIES only has the invoice. We are currently working with Kistler-O'Brien to clean up these records and ensure we have all the appropriate copies on hand at the facility. Kistler-O'Brien is providing us a copy of the 2019 results as soon as possible. I will forward this over to you as soon as we have it." And, "The fire

extinguisher records are kept in paper format at Temple. After searching in the folder containing the other fire extinguisher records I was unable to find the 2019 records. I then began combing through other paper records at Temple and was still unable to find this. It appears it has been misplaced. I then reached out to Kistler-O'Brien to request an electronic copy as a replacement. Yesterday (12/18) they responded to me and provided the record requested. You'll see it's in the same format as the 2020 extinguisher inspection record. I've attached this to this email."

Therefore, UGI failed to maintain its records of its 2019 fire extinguisher inspection records, in accordance with § 193.2639(a).

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not 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. Also, for each violation involving LNG facilities, and additional penalty of not more than \$82,245 occurring on or after May 3, 2021 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$81,284 occurring on or after January 11, 2021 and before May 3, 2021 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$79,875 occurring on or after July 31, 2019 and before January 11, 2021 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$77,910 occurring on or after November 27, 2018 and before July 31, 2019 may be imposed. For each violation involving LNG facilities occurring on or after November 2, 2015 and before November 27, 2018, an additional penalty of not more than \$76,352 may be imposed.

We have reviewed the circumstances and supporting documentation involved for the above probable violations and recommend that you be preliminarily assessed a civil penalty of \$27,400 as follows:

<u>Item number</u>	<u>PENALTY</u>
2	\$27,400

Warning Item

With respect to Item 3, 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 promptly correct this item. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to Item 1, pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to UGI Energy Services. 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 Enforcement 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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. 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. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 1-2021-018-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,



Robert Burrough
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration

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

PROPOSED COMPLIANCE ORDER

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

- A. In regard to Item 1 of the Notice pertaining to UGI's control center monitoring, UGI must bring each LNG Plant control center location it utilizes under § 193.2441 into compliance with § 193.2441(b). Specifically, UGI must submit a work plan and schedule of action detailing how they will demonstrate compliance with § 193.2441(b). The work plan will demonstrate compliance when each LNG Plant control center location has the ability to remotely actuate each control system and each automatic shutdown control system is fully operable from the control center location. UGI must submit the work plan and schedule of action within 30 days of receipt of the Final Order to the Director, Eastern Region. Prior to implementation of the plan and schedule, PHMSA Eastern Region will review and approve the plan and schedule. UGI must begin to implement the plan and schedule within 30 days of receipt of the Region's approval.
- B. It is requested (not mandated) that UGI Energy Services maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Robert Burrough, Director, Eastern 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.