

December 14, 2023

VIA ELECTRONIC MAIL TO: Amy.Shank@williams.com

Amy Shank
Vice President, Safety & Operational Discipline
Williams Field Services – Gulf Coast Company, LP
One Williams Center, P.O. Box 645
Tulsa, Oklahoma 74172

Re: CPF No. 4-2022-039-NOPV

Dear Ms. Shank:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation, assesses a civil penalty of \$116,600, and specifies actions that need to be taken by Williams to comply with the pipeline safety regulations. The penalty payment terms are set forth in the Final Order. When the civil penalty has been paid and the terms of the compliance order completed, as determined by the Director, Southwest Region, this enforcement action will be closed. Service of the Final Order by e-mail is effective upon the date of transmission and acknowledgement of receipt as provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Bryan Lethcoe, Director, Southwest Region, Office of Pipeline Safety, PHMSA
Mr. John Bell, Manager of Pipeline Safety – Transmission & Gulf of Mexico,
Williams, John.Bell@williams.com
Mr. Clint Pernack, Director of Pipeline Safety & Asset Integrity, Williams,
Clint.Pernack@williams.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)

Williams Field Services – Gulf Coast Company, LP,)

Respondent.)

CPF No. 4-2022-039-NOPV

FINAL ORDER

From May 18, 2021, through September 2, 2021, pursuant to 49 U.S.C. § 60117, representatives 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 Field Services – Gulf Coast Company, LP (Williams or Respondent) in Bay City, Texas and Mobile, Alabama. The facility that was the subject of the inspection is a 401-mile crude oil offshore gathering pipeline. The parent company, The Williams Companies, responded on Respondent’s behalf.

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated June 17, 2022, a Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Williams had violated 49 C.F.R. §§ 195.452(g) and 195.579(b) and proposed assessing a total civil penalty of \$116,600 for the alleged violations. The Notice also proposed ordering Respondent to take certain measures to correct the alleged violations.

Williams responded to the Notice by letter dated July 15, 2022 (Response). Williams contested Item 1 and did not contest Item 2 of the two allegations of violation and requested a consultation and settlement meeting with PHMSA regarding: the contested Item, the obligations in the Proposed Compliance Order (PCO), and the proposed civil penalty for both Items 1 and 2. Williams’ Response also reserved the right to request a hearing regarding the items in the NOPV should Williams not be satisfied with the outcome of the consultation and settlement meeting. By letter dated January 12, 2023 (Second Response), Respondent withdrew its request for a hearing and its opposition to Item 1 and thereby authorized the entry of this Final Order without further notice.

FINDINGS OF VIOLATION

In its Second Response, Williams did not contest the allegations in the Notice that it violated 49 C.F.R. Part 195, as follows:

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.452(g), which states:

§ 195.452 Pipeline integrity management in high consequence areas.

(a) ...

(g) *What is an information analysis?* In periodically evaluating the integrity of each pipeline segment (see paragraph (j) of this section), an operator must analyze all available information about the integrity of its entire pipeline and the consequences of a possible failure along the pipeline. Operators must continue to comply with the data integration elements specified in § 195.452(g) that were in effect on October 1, 2018, until October 1, 2022. Operators must begin to integrate all the data elements specified in this section starting October 1, 2020, with all attributes integrated by October 1, 2022. This analysis must:

(1) Integrate information and attributes about the pipeline that include, but are not limited to:

(i) ...

(xxi) Other pertinent information derived from operations and maintenance activities and any additional tests, inspections, surveys, patrols, or monitoring required under this part.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(g)(1)(xxi) by failing to analyze all available information when conducting its information analysis when it did not include proper information derived from operations and maintenance activities including tests, inspections, surveys, patrols, or monitoring requirements. Specifically, the Notice alleged that Williams did not conduct internal corrosion coupon inspections in calendar years 2017, 2018, 2019, 2020, and 2021, and Williams used invalid internal corrosion rates in its information analysis for those years. The Notice further alleged that these inaccurate inputs resulted in flawed outputs from its Pipeline Risk Model.

Respondent withdrew its opposition to this allegation of violation in its Second Response. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.452(g)(1)(xxi) by using invalid corrosion rates in its information analysis, such that it failed to effectively integrate information and attributes about the pipeline including tests, inspections, surveys, patrols, or monitoring.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.579(b), which states in relevant part:

§ 195.579 What must I do to mitigate internal corrosion?

(a) ...

(b) *Inhibitors.* If you use corrosion inhibitors to mitigate internal corrosion, you must—

(1) ...

(3) Examine the coupons or other monitoring equipment at least twice each calendar year, but with intervals not exceeding 7 ½ months.

The Notice alleged that Respondent violated 49 C.F.R. § 195.579(b)(3) by failing to examine coupons at least twice each calendar year for seven inspection intervals from 2017 through 2021. Specifically, the Notice alleged that Williams' failure to monitor coupons prevented Williams from properly integrating information about the pipeline in order to effectively monitor of the use or effectiveness of corrosion inhibitors for the purpose of mitigating internal corrosion.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.579(b)(3) by failing to examine coupons as required to evaluate the effectiveness of corrosion inhibitors.

These findings of violation will be considered prior offenses 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 \$200,000 per violation for each day of the violation, up to a maximum of \$2,000,000 for any related series of violations.¹

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; any effect that the penalty may have on its ability to continue doing business; the good faith of Respondent in attempting to comply with the pipeline safety regulations; and self-disclosure or actions to correct a violation prior to discovery by PHMSA. 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 \$116,600 for the violations cited above.

Item 1: The Notice proposed a civil penalty of \$55,200 for Respondent's violation of 49 C.F.R. § 195.452(g)(1)(xxi), for failing to effectively integrate information and attributes about the pipeline including tests, inspections, surveys, patrols, or monitoring by using invalid corrosion rates in its information analysis.

In its Second Response, Williams requests that PHMSA reduce the civil penalties associated with Item 1, arguing that the proposed civil penalty did not accurately reflect the statutory and regulatory penalty assessment criteria required by 49 U.S.C. § 60122(b) and 49 C.F.R. § 190.225. Williams specifically argues that PHMSA erred in considering the following criteria

¹ These amounts are adjusted annually for inflation. See 49 C.F.R. § 190.223 for adjusted amounts.

that are relevant to the calculation of the proposed civil penalty in the Notice.

First, Respondent argues it should have received a credit based on the “good faith” factor. Williams contends that despite the omission of corrosion coupon data, its risk model’s use of in-line inspection (ILI) data demonstrates a good faith effort to comply with both the regulation and Williams’ procedures. Williams further argues that that ILI data provides quantitative data, whereas corrosion coupon data is more qualitative. Williams argues that PHMSA should have awarded it with a “-10” for this factor. I find a credit based on Williams’ actions in this case is not warranted. Section 195.452(g)(1)(xxi) specifically requires the consideration of multiple factors and data points in each information analysis, including “pertinent data derived from operations and maintenance activities and any additional tests, inspections, surveys, patrols, or monitoring required under this part.” Williams was correct to consider ILI data, but it was also required to collect and utilize corrosion coupon data, which is pertinent data. Given that the plain language of the regulation conveys the importance of multiple data sources, Williams’ reliance on ILI data to exclusion of the other data does not demonstrate a good faith effort to comply with the letter of the regulation.

Next, Williams argues that in calculating the proposed civil penalty pursuant to the “other matters as justice may require” factor, PHMSA failed to provide Williams with credit to reflect that its failure to collect and input corrosion coupon data into its information analysis did not impact the safety of the pipeline. Williams argues that its use of the ILI data in its risk assessment still resulted in Williams identifying the segment as susceptible to internal corrosion, which resulted in Williams taking various actions to manage the threat of internal corrosion. I find a credit based on the “other matters as justice may require” is not warranted here because Williams’ procedures did not exceed the regulatory requirements, so Williams’ noncompliance was with the regulations and not a procedure that exceeded the standards set in the regulations.

Lastly, with regard to the “gravity” factor, Williams disagrees with PHMSA’s enhancement that was based on the violation occurring in a high consequence area (HCA). Williams does not dispute that the violation occurred in an HCA but argues that the gravity factor should be reduced because the violation only minimally affected pipeline safety. I disagree. The fact that the violation occurred in an HCA is determinative, so no reduction is warranted.

Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$55,200 for violation of 49 C.F.R. § 195.452(g)(1)(xxi).

Item 2: The Notice proposed a civil penalty of \$61,400 for Respondent’s violation of 49 C.F.R. § 195.479(b)(3), for failing to examine internal corrosion coupons at least twice each calendar year, but with intervals not exceeding 7 ½ months, in accordance with its procedure and § 195.579(b)(3). Williams provides an accounting of the actions it has taken since the discovery of the missed inspections and its disclosure to PHMSA. In light of the actions it describes, Williams requests that PHMSA reduce the proposed civil penalty for Item 2 in accordance with the following criteria that are relevant to the calculation of the proposed civil penalty in the Notice.

First, with regard to the “circumstances” factor and the 25 percent mitigation that PHMSA

awarded in the calculation of the proposed civil penalty based on Williams' self-report, Williams points out that in a separate PHMSA enforcement case involving a natural gas pipeline, PHMSA applied a 50 percent mitigation factor following Williams' disclosure of its failure to collect corrosion coupon data. Williams asserts that PHMSA should have applied the 50 percent mitigation in this case, given the similarity in the violations. However, the circumstances of the present case are distinguishable from the case involving the natural gas pipeline. The natural gas pipeline did not pose an environmental risk to the offshore area, and, unlike the current case, that pipeline was not located in an HCA. Additionally, in this case, Williams' failure to collect coupon data resulted in the use of a flawed risk model. In determining mitigation values, PHMSA considers the totality of the circumstances and the risk level, which is unique in each case. Here, I do not find any error in PHMSA's provision of a 25 percent mitigation factor for Williams self-reporting violations that had been occurred over the course of five years.

Next, with regard to the "culpability" factor, Williams argues that PHMSA did not account for the fact that Williams identified the violation to PHMSA and that "it was taking and had completed proactive steps to address the deficiencies prior to issuance of the NOPV." However, PHMSA does not provide credit for corrective actions taken after PHMSA learned of the violation. For this reason, a reduction based on the "culpability" factor is not warranted.

Lastly, Williams argues that PHMSA erroneously enhanced the civil penalty by a factor of "20.40" based on the "gravity" component of the civil penalty calculation. To support its argument, Williams again argues that the missed inspections did not affect the risk to pipeline safety because Williams had identified the pipeline as affected by internal corrosion due to the use of ILI data. However, the "20.40" here represents the additional points for multiple instances of violation, as reflected in the Violation Report. Accordingly, no reduction based on the "gravity" factor is warranted.

For the above reasons, Williams has failed to demonstrate that PHMSA's calculation of the civil penalty proposed in the Notice was incorrect or inappropriate. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$61,400 for violation of 49 C.F.R. § 195.479(b)(3).

In summary, having reviewed the record and considered the assessment criteria for each of the Items cited above, I assess Respondent a total civil penalty of **\$116,600**.

Payment of the civil penalty must be made within 20 days after receipt of this Final Order. 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 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 ORDER

The Notice proposed a compliance order with respect to Items 1 and 2 in the Notice for violations of 49 C.F.R. §§ 195.452(g)(1)(xxi) and 195.579(b)(3). Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601.

With regard to the violation of § 195.452(g) (Item 1), Respondent did not contest the PCO.

With regard to the violation of § 195.479(b) (Item 2), Respondent argues the compliance terms should be modified. Williams states that during discussions with PHMSA representatives, PHMSA agreed that the root cause analysis performed by DNV prior to the issuance of the Notice satisfies the PCO requirement that Williams submit the findings from a root cause failure analysis performed by an independent technical expert regarding the company's failure to complete the inspections. PHMSA agrees that the submitted root cause analysis fulfills the requirement. Thus, the first requirement of PCO Item 2 has been completed.

The PCO also stated that Williams must conduct the required internal corrosion inspections within 30 days of receipt of the Final Order. Williams argues that the offshore locations of these coupons requires arranging for the coupons' pull and transportation. Thus, Williams requests that PHMSA permit it to comply with the compliance order by pulling coupons during their next scheduled inspection in 2023. The next regularly scheduled coupon pulls were set to occur in March, April, and May of 2023. Given that these dates have passed, the coupon inspections should have already occurred. If Williams needs additional time to complete the compliance order after issuance of the Final Order, the Director may extend the deadline by written request for good cause.

For the above reasons, the Compliance Order is modified as set forth below.

Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 195.452(g) (**Item 1**), Respondent must conduct a review of internal corrosion coupon inputs and update with the information analysis with the current input. If the current input is not available, Williams must default to the most conservative value. Williams must submit an updated information analysis, reflecting this review, to PHMSA for review within 90 days of receipt of the Final Order
2. With respect to the violation of § 195.479(b) (**Item 2**), Respondent must

conduct the required internal corrosion inspections within 90 days of receipt of the Final Order.

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.

PHMSA requests that Respondent maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director. 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.

Failure to comply with this Order may result in the administrative assessment of civil penalties not to exceed \$200,000, as adjusted for inflation (*see* 49 C.F.R. § 190.223), for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

Under 49 C.F.R. § 190.243, Respondent may submit a Petition for Reconsideration of this Final Order to the 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. The written petition must be received no later than 20 days after receipt of the Final Order by Respondent. Any petition submitted must contain a statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.243. The filing of a petition automatically stays the payment of any civil penalty assessed. The other terms of the order, including corrective action, remain in effect unless the Associate Administrator, upon request, grants a stay.

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

December 14, 2023

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Date Issued