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January 12, 2023

Bryan Lethcoe

Director, Southwest Region
8701 S. Gessner, Suite 630
Houston, TX 77074

Re: Williams Field Services – Gulf Coast Company, L.P., Notice of Probable Violation, CPF No.4-2022-039-NOPV Appeal

Mr. Lethcoe,

On behalf of Williams Field Services – Gulf Coast Company, L.P. (Williams or the Company), this letter is to withdraw the Company's Request for Hearing previously submitted to the Pipeline and Hazardous Materials Safety Administration (PHMSA or the Agency) on July 15, 2022 in CPF No. 4-2022-039. Williams appreciates PHMSA's willingness to engage on these issues and shares the Agency's commitment to pipeline safety. In the spirit of cooperation and without admission, the Company is electing not to contest the two (2) alleged violations issued in the Notice of Probable Violation (NOPV) associated with the above-referenced matter. As detailed below, the Company submits supplemental information in support of a request for reduction in the proposed civil penalty pursuant to 49 C.F.R. § 190.208(a)(2) and a modification of the associated Proposed Compliance Order (PCO) requirements associated

The NOPV was issued on June 17, 2022. The NOPV asserted two (2) alleged violations of the federal pipeline safety regulations: a violation of § 195.452 related to integrity management in high consequence areas (HCAs) (Item 1) and a violation of § 192.579 related to internal corrosion (Item 2). In conjunction with the proposed allegations, PHMSA proposed a total civil penalty of \$116,660 and two (2) associated proposed compliance order (PCO) items.

The allegations arise out of a voluntarily self-disclosure made by the Company on May 18, 2021 and supplemented that self-disclosure on August 11, 2021 with additional information. Upon discovering the corrosion coupon inspection deficiencies, the Company voluntarily initiated a root cause analysis to identify the cause(s) of the deficiencies and ways to improve its procedures and processes. Williams shared the results of this root cause analysis (RCA) with PHMSA on October 29, 2021 and met with PHMSA representatives from the Southwest Region to discuss the findings. After discussing the RCA's findings and in coordination with PHMSA representatives, Williams engaged a third-party consultant, DNV GL USA, Inc., to conduct a second root cause analysis and to share those results with PHMSA. The third-party root cause analysis was shared with PHMSA on May 11, 2022. Notably, Williams' and DNV's root cause analyses arrived at very similar conclusions and made similar recommendations for corrective

action. Williams was in the process of implementing process and procedural improvements when PHMSA issued the NOPV on June 17, 2022.

Pursuant to 49 C.F.R. § 190.208(a)(4), Williams responded to the NOPV on July 15, 2022 and contested NOPV Item 1 and the associated proposed civil penalty and PCO requirement. Williams asserted that the allegation was based on a misunderstanding of its procedures and that the Company appropriately includes required data within its Pipeline Risk Model and monitors for the threat of internal corrosion across its system. As it relates to NOPV Item 2, Williams elected not to contest the allegation, but requested a modification of the PCO requirement and a reduction in the associated civil penalty. To resolve the contested item and requests for modifications, the Company requested an informal settlement meeting with PHMSA. To preserve its rights, the Company also requested a hearing.

On August 11, 2022 and August 19, 2022 Williams and PHMSA representatives from the Southwest Region met to discuss the contested item and requests for modification. In the spirit of cooperation, Williams is now withdrawing its request for hearing and submits this response to provide additional factual clarifications about the Company's self-disclosure of the missed internal corrosion coupon inspections and its work to address the underlying issue. Williams respectfully requests that the Agency reduce the civil penalties associated with the alleged violations to more accurately reflect the statutory and regulatory penalty assessment criteria required by 49 U.S.C. § 60122(b) and 49 C.F.R. § 190.225 and modify the proposed compliance order requirements as provided below.

PHMSA Allegation:

1. **§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:**
 - i. **Integrate information and attributes about the pipeline that include, but are not limited to:**
 1. ...
 2. **Other pertinent information derived from operations and maintenance activities and any additional tests, inspections, surveys, patrols, or monitoring required under this part.**

Williams failed to analyze all available information about the integrity of its pipeline during its information analysis in accordance with § 195.452(g)(1)(xxi). Specifically, Williams used invalid internal corrosion rates in its information

analysis because it failed to conduct the required internal corrosion inspections or use a conservative internal corrosion rate.

Williams transports corrosive hazardous liquid in its Gulf of Mexico offshore gathering pipelines. It uses internal corrosion coupons to monitor the internal corrosion rates within those pipelines, and these rates are used as pipeline attributes in the Williams' Pipeline Risk Model that analyzes all available information about the integrity of the entire pipeline. This process is detailed in Williams' Pipeline Risk Assessment Program, 5.1 Input Data (Revision 4, Effective Date: 4/1/2021) and Risk Algorithm Document, 3.20 MAX_COUPON_MPY as well as 7.1.2.2.1.3 Worst Coupon MPY (Revision 1.2).

In calendar years 2017, 2018, 2019, 2020, and 2021, Williams missed seven required internal corrosion coupon inspections. Due to these missing internal corrosion coupon inspections, Williams relied on inaccurate internal corrosion rates for the pipeline attributes in its Pipeline Risk Model, and instead should have used a more conservative rate. These inaccurate inputs resulted in flawed outputs from its Pipeline Risk Model.

Proposed Compliance Order Requirement: Williams must conduct a review of internal corrosion inputs and update 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.

Proposed Civil Penalty: \$55,200

Williams Appeal:

This allegation relates to whether the Company relied on inaccurate internal corrosion rates in its Pipeline Risk Model. As indicated in its prior response, Williams believes this allegation is based on a misunderstanding of its procedures and the Company's application of its risk model. Further, Williams believes its risk model exhibits a good faith effort to comply with 49 C.F.R. § 195.452, particularly when viewed as a component of a broader, sophisticated internal corrosion program.

At the outset, Williams' procedures and process allow the Company to use either (1) the actual tool results from an in-line inspection (ILI) tool or (2) modeled defects based on coupon corrosion rates in its Pipeline Risk Model. Williams' current approach when no ILI data is available is to infer the pipeline's condition based on indirect measurements like coupon corrosion rates and sampling results. In this case, ILI results were available for the relevant segments and that data was used in the Company's risk model for purposes of identifying and assessing whether the pipeline is susceptible to internal corrosion. The Company elects to use ILI data, if available, because it provides quantitative evidence of the asset's conditions as compared to coupon corrosion rate information, which only qualitatively predicts the condition of the asset. Using the ILI data as provided by its procedures, the Company's risk model indicated that the segment is susceptible to the threat of internal corrosion, but it calculated a low risk value for the threat.

Having identified the segment as a segment susceptible to the threat of internal corrosion, Williams utilizes multiple methodologies to actively monitor the threat of internal corrosion and

the segment undergoes scheduled risk assessment reevaluations. The Company monitors for the threat of internal corrosion using MFL ILI technology, which was used to assess the segment in 2018 and will also be used on the next scheduled assessment in 2023. After each integrity assessment, Williams completes a Post Assessment form that summarizes the assessment findings, risk results and provides support for the reassessment interval. Further, to prevent and mitigate the threat of internal corrosion, this segment is included within the Company's robust internal corrosion program. Subject matter experts coordinate the program with Operations, which includes pigging, corrosion inhibitor injection and monitoring, and continuous, real-time monitoring of BS&W values. BS&W refers to basic sediment and water content. To best manage internal corrosion, Williams institutes real-time surveillance of the crude's BS&W% content, which in large enough volume, could support an internal corrosion mechanism. Management of internal corrosion is always in place with injection of a designed corrosion inhibitor specific for the pipelines purpose and crude's 1% BS&W specification regardless of the level of BS&W%. If BS&W content exceeds the pipeline specification of 1%, alarms signal Operations and SMEs where enhanced mitigation efforts can be employed, including increased inhibitor injections or immediate pigging. Through the combination of these activities, the threat of internal corrosion is dramatically reduced, as evidenced by the low severity and risk result calculated from the ILI-called anomalies.

As a part of the PCO in Item A, PHMSA is requesting that Williams conduct a review of the internal corrosion coupon inputs and update them with the current input. After updating the inputs Williams would then be required to submit an updated information analysis to PHMSA within 90 days of receipt of the Final Order. Williams is committed to the safe operation of its pipeline facilities and in compliance with all applicable health, safety, and environmental laws and regulations and works to continuously improve its processes and procedures in furtherance of this goal. Consistent with its commitment Williams has identified improvements to strengthen its risk model to better account for corrosion coupon data as action items for 2023. Fully updating the risk model to be more comprehensive will take some time. Work is underway to update the risk model that would drive this updated analysis, but Williams needs more than 90 days to provide the resulting analysis to PHMSA. Williams anticipates being able to complete PHMSA's request by July 2023. The risk model already captured that this pipeline was susceptible to internal corrosion. Due to the fact that the pipeline was already flagged as susceptible to internal corrosion and is currently subject to corrosion control monitoring and mitigative strategies, Williams believes the additional time requested does not jeopardize public safety.

In light of the foregoing, Williams requests that PHMSA reduce the civil penalty associated with Item 1 to more accurately reflect the statutory and regulatory penalty assessment criteria and the Company's efforts to monitor and manage the threat of internal corrosion on its system. Specifically, Williams requests that PHMSA reduce the proposed civil penalty based on the following factors:

- Good Faith – PHMSA failed to provide Williams with any credit for the Company's good faith belief that it was acting in compliance with 49 C.F.R. § 195.452(g)(i)(2) and its procedural requirements by using ILI information in its risk assessment rather than modeled data based on coupon corrosion rates. As indicated above, the ILI data provides more quantitative information about the pipeline asset as compared to the more qualitative information provided by the coupon corrosion rate data. Moreover,

the Company used its risk model to determine that the segment is susceptible to the threat of internal corrosion and has actively worked to monitor and mitigate that risk as required by the federal pipeline safety regulations. In light of the Company's good faith efforts to comply with this requirement, Williams should be credited with a "-10" for this factor.

- Other Matters as Justice May Require – PHMSA has also failed to provide Williams with any credit to reflect that the alleged violation did not impact the safety of the pipeline. As indicated, Williams uses quantitative data gathered from ILI tools to assess the risk of internal corrosion on its system. Using that data, the Company identified that the pipeline segment is susceptible to internal corrosion and actively manages that threat. As such, any alleged failure to include coupon corrosion rate data did not impact the system or the Company's efforts to monitor its system for internal corrosion. Williams should be credited with a "-10" for this factor.
- Gravity – Relatedly, PHMSA found that the penalty associated with NOPV Item 1 should be enhanced by a factor of "17" because the violation occurred in an HCA. Although the violation does relate to an HCA, the Company requests that PHMSA reduce the gravity factor to "1" to reflect that the alleged violation did not impact the safe operation the pipeline. The Company monitors the pipeline for internal corrosion and, as such, pipeline safety was minimally affected by the Company's decision to use ILI data rather than coupon corrosion rate data.

PHMSA Allegation:

2. 195.579 What must I do to mitigate internal corrosion?

- a. ...
- b. **Inhibitors. If you use corrosion inhibitors to mitigate internal corrosion, you must –**
 - i. ...
 - iii. **Examine the coupons or other monitoring equipment at least twice each calendar year, but with intervals not exceeding 7 ½ months.**

Williams failed to examine internal corrosion coupons at least twice each calendar year, but with intervals not exceeding 7 ½ months in accordance with § 195.579(b)(3). Specifically, Williams missed seven internal corrosion coupon inspections from 2017 through 2021.

Section 10.1 of its Corrosion Control for Hazardous Liquid Pipelines (Revision 3, Effective Date 7/22/2021) manual states that "[i]f a pipeline transports any hazardous liquid that could corrode the pipeline, investigate the corrosive effect of the hazardous liquid on the pipeline and take adequate steps to mitigate internal corrosion." Because Williams transports corrosive hazardous liquid, it injects corrosion inhibitors and uses internal corrosion coupons to monitor the effectiveness of the inhibitors.

In addition, Section 10.1 of its Corrosion Control for Hazardous Liquid Pipelines (Revision 3, Effective Date 7/22/2021) manual states that Williams must "[c]heck

coupons or other monitoring equipment at least twice each calendar year, not to exceed 7 ½ months.” The results of these semiannual coupon inspections are recorded on form F-227 Corrosion Coupon Report.

In calendar years 2017, 2018, 2019, 2020, and 2021, seven required internal corrosion coupon inspections intervals were missed or exceeded the 7 ½ months required interval.

Therefore, Williams failed 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).

Proposed Compliance Order Requirement: Williams must submit the findings from a root cause failure analysis performed by an independent technical expert regarding the company’s failure to complete the inspections to PHMSA for review within 90 days of receipt of the Final Order. In addition, Williams must conduct the required internal corrosion inspections within 30 days of receipt of the Final Order.

Proposed Civil Penalty: \$61,400

Williams Response:

Williams does not contest this allegation. As summarized above, Williams submitted a voluntary self-disclosure to PHMSA on May 18, 2021. This initial disclosure identified missed coupon inspections in anticipation of an upcoming inspection with PHMSA for these assets. However, after submitting the initial disclosure, Williams continued its comprehensive review to determine whether similar gaps existed for other offshore assets. After completing this review, Williams supplemented its disclosure on August 11, 2021, identifying other instances where Williams had missed the coupon pulls that were not within the scope of the PHMSA inspection. This comprehensive voluntary disclosure highlights Williams commitment to continuously improve its processes and procedures and sharing identified gaps with PHMSA.

After providing a supplemental self-disclosure, Williams conducted an internal root cause analysis, which was shared with PHMSA on October 29, 2021. After discussing the findings of Williams analysis and in coordination with PHMSA representatives, Williams engaged a third-party consultant, DNV GL USA, Inc. (DNV) to conduct an investigation and perform an independent root cause analysis. The completed DNV analysis was shared with PHMSA on May 11, 2022 and a meeting was held with the Southwest Region Director, Mary McDaniel, and Transportation Specialist, Thomas Warner, to discuss the findings on June 6, 2022. The Williams and DNV RCA’s had very similar findings and recommendations regarding gaps in management processes.

Williams has already implemented several of the recommendations from these reports, including improved monitoring of contracted vendors and filling the management gaps identified in the root cause analysis by implementing a work-task tracking system that maintains deadlines and reminders for each coupon.

Below is a detailed description of the actions taken and changes that have been made as a result of the recommendations.

1. Remediation of the deficient management process for tracking coupon pulls:
 - a. Williams instituted a Maximo work management system for all corrosion coupons. This included the creation of a Preventive Maintenance (PM) task within Maximo to track due dates and completion of both the coupon pull and receiving data back from the lab.
 - b. The Maximo work order process was incorporated into the Williams Corrosion Control Operating Requirements for both 49 CFR Part 192 and Part 195 assets.
 - c. Williams instituted a Chain of Custody process for the life cycle of the corrosion coupon- from pull request to the receipt of the compliance data. This Chain of Custody process was incorporated into the Williams Corrosion Control Operating Requirements for both 49 CFR Part 192 and Part 195 assets.
 - d. Creation of a comprehensive flow chart documenting role and responsibilities for the pulling of coupons.
2. Vendor accountability:
 - a. Met with management of the vendor who performs many of Williams' coupon pulls to address the gaps identified. Vendor submitted letters of commitment that demonstrate their plan and commitment to:
 - i. Immediately implement the Chain of Custody process across the Williams business.
 - ii. Process all corrosion coupons within 3 weeks.
 - b. Williams Supply Chain is sending out vendor letters enterprise wide addressing our contractual requirements regarding the corrosion coupon pulls and data analysis.
 - i. The Chain of Custody process is to be used on all Williams corrosion coupons.
 - ii. Corrosion coupon processing time will not exceed 3 weeks.
 - iii. Failure to comply with the above (i or ii) could serve as cause for termination of the contract.
3. Williams internal checks and communication:
 - a. Instituting quarterly reviews by division with representatives from Operations, Tech Services, Asset Integrity, and SMEs. A talking point is to be documented that addresses corrosion coupon records.
 - i. Evaluate whether the Chain of Custody process is being adhered to and properly cataloged.
 - ii. Identification of any potential non-compliant records and if so, initiate appropriate tracking mechanism and remedial actions.
 - b. Williams will incorporate an Administrative Management of Change (AMOC) to ensure all stakeholders are notified and properly trained in any change to the internal corrosion coupon monitoring program. This AMOC process will be written into the Williams Operating Requirements.

In light of the foregoing and consistent with the Company's self-disclosure of the underlying allegation, Williams is requesting that PHMSA modify the proposed civil penalty to more accurately reflect the Company's voluntary self-disclosure of the underlying violation and the Company's proactive efforts to address the issue prior to issuance of the NOPV. Specifically, the

Company requests that the Agency reduce the associated civil penalty based on the following factors:

- Circumstances – In its self-disclosure, along with the coupon locations on its hazardous liquids lines, Williams also identified corrosion coupon inspection deficiencies at certain locations on offshore gas lines, which were at issue in the NOPV issued in CPF No. 4-2022-038. The mitigation factor applied in CPF 4-2022-038 was 50%, while the mitigation factor for NOPV Item 2 in action this is only 25%. PHMSA has not provided any basis to support the discrepancy and Williams requests that PHMSA reduce the civil penalty associated with NOPV Item 2 consistent with the mitigation applied in CPF No. 4-2022-038.
- Culpability – In its calculation of the proposed civil penalty, PHMSA failed to properly account for the fact that the Company identified the underlying violation and was taking and had completed proactive steps to address the deficiencies prior to issuance of the NOPV. Given the Company’s extensive efforts to address this issue, this factor should be reduced from a “2” to a “-12.”
- Gravity – In the civil penalty worksheet, PHMSA enhanced the civil penalty associated with this item by a factor of “20.40.” It is not clear why PHMSA selected this factor to enhance the proposed civil penalty, but Williams requests that PHMSA use its enforcement discretion to reduce this factor given that the missed inspections did not have an impact on the Company’s assessment of the relevant segments. As discussed in relation to NOPV Item 1, the Company was using other data to assess the threat of internal corrosion on its system and continues to actively monitor, manage, and mitigate that threat on its system. As a result, the failure to conduct the internal corrosion coupon inspections did not impact the safety of the pipeline. As such, Williams requests that PHMSA reduce or remove the “20.40” enhancement for this factor.

Finally, the PCO associated with Item 2 of the NOPV contains two requirements. The first requirement directs the Company provide the results of a third-party root cause analysis to the Agency within 90 days of receipt of the Final Order. Prior to PHMSA issuing this NOPV, Williams engaged DNV to perform an independent root cause analysis and shared those results with PHMSA. After discussions between Williams and PHMSA representatives, Williams understands that the DNV root cause analysis satisfies this PCO requirement. Williams requests the Final Order reflect it has satisfied this requirement of the PCO.

As to the additional requirement in the PCO to complete the coupon pulls within 30 days of receipt of the Final Order, Williams requests a modification to this requirement. Due to the offshore locations of these coupons and difficulty arranging for their pull and transportation, Williams requests that PHMSA permit it to comply with the PCO by pulling coupons during their next scheduled inspection in 2023. The next regularly scheduled coupon pulls will occur in March, April, and May of 2023.

* * * * *

Williams appreciates PHMSA's continued engagement in this matter. These issues arise out of a voluntary self-disclosure and the Company is electing not to further contest the underlying allegations. As detailed above, Williams respectfully requests that the Agency consider this additional explanation which supports a reduction of the proposed civil penalties to more appropriately reflect the Company's self-disclosure of the underlying issue and its proactive work to improve its processes and procedures. Additionally, Williams requests that PHMSA modify the PCO requirements considering the work the Company has done prior to and since issuance of the NOPV.

Please let me know if you have any questions.

Respectfully,

A handwritten signature in black ink, appearing to read "John Bell". The signature is written in a cursive, flowing style.

John Bell

Manager of Pipeline Safety – Transmission & Gulf of Mexico

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Cc: Amy Shank – Williams, Director of Pipeline Safety & Asset Integrity

Mark Cluff – Williams, Vice President Safety & Operational Discipline