NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER

VIA ELECTRONIC MAIL TO: esudduth@interiorgas.com

August 29, 2024

Elena Sudduth
General Manger
Interior Gas Utility
2525 Phillips Field Road
Fairbanks, Alaska 99709-3942

CPF 4-2024-046-NOPV

Dear Ms. Sudduth:

From July 31 to August 4, 2023, and from August 7-8, 2023, of the on-site inspection, 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 Interior Gas Utility's (IGU) liquefied natural gas (LNG) Storage Site #1 Facility 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. § 193.2801 Fire protection.

Each operator must provide and maintain fire protection at LNG plants according to sections 9.1 through 9.7 and section 9.9 of NFPA-59A-2001 (incorporated by reference, *see* § 193.2013). However, LNG plants existing on March 31, 2000, need not comply with provisions on emergency shutdown systems, water delivery systems, detection systems, and personnel qualification and training until September 12, 2005.

IGU failed to provide and maintain fire protection at its LNG plant according to sections 9.1 through 9.7 and section 9.9 of NFPA-59A-2001 in accordance with § 193.2801. Specifically, IGU failed to determine, by an evaluation based on sound fire protection engineering principles, analysis of local conditions, hazards within the facility, and exposure to or from other property, the fire protection required for Fairbanks Natural Gas (FNG) Donald Road Storage Facility #1 LNG facility (Storage Site #1) in accordance with section 9.1.2 of NFPA-59A-2001.

IGU's Storage Site #1 Code Analysis for Storage Site – 2015 (Storage Site #1 Code Analysis) failed to evaluate to the following criteria required by section 9.1.2 of NFPA-59A-2001:

- A determination of the allocation of detection devices, fire protection by area, and fire protection equipment (such as fire extinguishing and fire control) type. The evaluation also failed to include a plot plan that contained the location of fire and hazard detection devices with the intended coverage zones of those devices (sections 9.1.2(1), (2), and (5) of NFPA-59A-2001);

- A determination of the equipment and processes to be incorporated within the emergency shutdown (ESD) system (section 9.1.2(6) of NFPA-59A-2001); and

- An analysis of subsystems and the need for depressurizing specific vessels or equipment during a fir emergency (section 9.1.2(6) of NFPA-59A-2001).

Therefore, IGU failed to determine, by an evaluation based on sound fire protection engineering principles, analysis of local conditions, hazards within the facility, and exposure to or from other property, the fire protection required for Storage Site #1 in accordance with section 9.1.2 of NFPA-59A-2001 and § 193.2801.

2. § 193.2635 Monitoring corrosion control.

Corrosion protection provided as required by this subpart must be periodically monitored to give early recognition of ineffective corrosion protection, including the following, as applicable:

(a) . . . .

(d) Each component that is protected from atmospheric corrosion must be inspected at intervals not exceeding 3 years.

IGU failed to inspect each component that is protected from atmospheric corrosion at intervals not exceeding three years in accordance with § 193.2635(d). Specifically, during the December 31, 2022, inspection IGU failed to inspect two components protected from atmospheric corrosion at the Donald Avenue/Schacht Street, Fairbanks, Alaska, location.

IGU submitted records documenting that a visual inspection of these components was performed on July 26, 2023.

3. § 193.2637 Remedial measures.

Prompt corrective or remedial action must be taken whenever an operator learns by inspection or otherwise that atmospheric, external, or internal corrosion is not controlled as required by this subpart.

IGU failed to take prompt corrective or remedial action whenever it learned by inspection or otherwise that atmospheric, external, or internal corrosion was not controlled as required by Part 193, Subpart G in accordance with § 193.2637. Specifically, IGU failed to take corrective or remedial action when it learned from the December 31, 2022, atmospheric corrosion inspection report that corrosion discovered during the previous July 10, 2019, inspection had not been remediated.

For example, the July 10, 2019, report identified coating damage requiring repair on multiple components, including a storage tank, at Storage Site #1. The December 31, 2022, report identified the same coating damage on the same components. On August 23, 2023, IGU submitted documentation showing that all outstanding items were remediated on July 26, 2023.

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed $266,015 per violation per day the violation persists, up to a maximum of $2,660,135 for a related series of violations. For violation occurring on or after January 6, 2023 and before December 28, 2023, the maximum penalty may not exceed $257,664 per violation per day the violation persists, up to a maximum of $2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022 and before January 6, 2023, the maximum penalty may not exceed $239,142 per violation per day the violation persists, up to a maximum of $2,391,412 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not 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.

Also, for each violation involving LNG facilities, an additional penalty of not more than $97,179 occurring on or after December 28, 2023 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than $94,128 occurring on or after January 6, 2023 and before December 28, 2023 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than $87,362 occurring on or after March 21, 2022 and before January 6, 2023 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than $82,245 occurring on or after May 3, 2021 and before March 21, 2022 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.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

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 Interior Gas Utility. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to Items 2 and 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 these items. Failure to do so may result in additional enforcement action.

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 your receipt of this Notice, you have 30 days to respond as described in the enclosed *Response Options*. 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. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF 4-2024-046-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Bryan Lethcoe
Director, Southwest Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

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

cc: Jim Rasmussen, Operations Engineer, jrasmussen@interiorgas.com

PROPOSED COMPLIANCE ORDER

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

A. In regard to Item 1 of the Notice pertaining to IGU's failure to maintain fire protection at LNG Storage Site #1 according to sections 9.1 through 9.7 and section 9.9 of NFPA-59A-2001 in accordance with § 193.2801, IGU must conduct and submit a fire protection evaluation for Storage Site #1 that evaluates, at a minimum, all criteria required by § 193.2801 and NFPA-59A-2001 using an independent third party approved by the Director, Southwest Region, in accordance with the following:

1. IGU must hire a qualified independent third party, approved by the Director, to perform the fire protection evaluation for Storage Site #1. IGU must select the independent third party and submit documentation demonstrating that the independent third party is qualified and experienced with PHMSA-regulated LNG facilities to the Director, Southwest Region within **30** days of receipt of the Final Order.

2. IGU must submit for approval the final fire protection evaluation performed by the approved independent third party to the Director, Southwest Region within **120** days of the date the Director, Southwest Region approves the independent third party.

3. IGU must address all deficiencies identified in the final fire protection evaluation and provide records of any completed work within **120** days of submitting the final fire protection evaluation to the Director, Southwest Region.

B. It is requested (not mandated) that Interior Gas Utility maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Bryan Lethcoe, Director, Southwest 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.