

WARNING LETTER

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

August 20, 2014

Daniel Britton
President
Titan Alaska LNG
3408 International Street
Fairbanks, AK 99701

CPF 5-2014-3001W

Dear Mr. Britton:

On July 14 to 15, 2014, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Titan Alaska LNG's (Titan) records and visually inspected your LNG facility in Houston, Alaska.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. §193.2509 Emergency procedures.

(b) To adequately handle each type of emergency identified under paragraph (a) of this section and each fire emergency, each operator must follow one or more manuals of written procedures. The procedures must provide for the following:

(4) Cooperating with appropriate local officials in evacuations and emergencies requiring mutual assistance and keeping these officials advised of:

(i) The LNG plant fire control equipment, its location, and quantity of units located throughout the plant;

(ii) Potential hazards at the plant, including fires;

(iii) Communication and emergency control capabilities at the LNG plant

(iv) The status of each emergency.

Titan could not produce records showing that they have communicated their emergency plans for evacuation to local officials. Each record should show that evacuation plans were coordinated with local authorities and newly elected officials. These records should indicate the extent of the evacuation preparations with local authorities. The records should, also,

indicated coordinating with appropriate local officials in evacuations and emergencies requiring mutual assistance. Titan was not able to produce any such records.

2. §193.2503 Operating procedures.

Each operator shall follow one or more manuals of written procedures to provide safety in normal operation and in responding to an abnormal operation that would affect safety. The procedures must include provisions for:

- (c) Recognizing abnormal operating conditions.**
- (d) Purging and inserting components according to the requirements of §193.2517.**
- (f) In the case of liquefaction, maintaining temperatures, pressures, pressure differentials and flow rates, as applicable, within their design limits for:**
 - (1) Boilers;**
 - (2) Turbines and other prime movers;**
 - (3) Pumps, compressors, and expanders;**
 - (4) Purification and regeneration equipment; and**
 - (5) Equipment within cold boxes.**

Titan did not record their Abnormal Operating Conditions (AOC) events. Furthermore, they did not purge the transfer houses after each truck fill. Titan also failed to provide the design limits for all equipment used during liquefaction.

Titan admitted they had a few power failures in the past. Titan's manuals of written procedures consider a power failure to be an AOC. Titan could not produce documentation of how it responded, investigated, and corrected each event identified as an AOC; nor did they check variations from normal operations after abnormal operation had ended at sufficient critical locations.

Titan has a truck loading facility and LNG is transferred on a continuous basis, but Titan failed to produce documentation showing all transfer hoses were purged following each truck fill. Additionally, Titan's liquefaction process is conducted daily and your company did not have documentation showing the design limits for maintaining temperatures, pressures, pressure differentials, and flow rate of equipment—such as prime movers, pumps, compressors, cold boxes, etc.

3. §193.2619 Control systems.

- (c) Control systems in service, but not normally in operation, such as relief valves and automatic shutdown devices, and control systems for internal shutoff valves for bottom penetration tanks must be inspected and tested once each calendar year, not exceeding 15 months, with the following exceptions:**
 - (2) Control systems that are intended for fire protection must be inspected and tested at regular intervals not to exceed 6 months**

Titan failed to show inspection records for the fire protection control system at the required 6 month interval. While Titan was able to show records for the previous annual inspection

conducted in September 2013, your company should have conducted an inspection in March 2014. There are no records to indicate that occurred.

The control systems that are intended for fire protection must be inspected and tested at regular intervals not exceeding 6 months. Titan did not inspect its fire protection system once every 6 months.

4. §193.2513 Transfer procedures.

(c) In addition to the requirements of paragraph (b) of this section, the procedures for cargo transfer must be located at the transfer area and include provisions for personnel to:

- (1) Be in constant attendance during all cargo transfer operations;**
- (2) Prohibit the backing of tank trucks in the transfer area, except when a person is positioned at the rear of the truck giving instructions to the driver;**
- (3) Before transfer, verify that:**
 - (i) Each tank car or tank truck complies with applicable regulations governing its use;**
 - (ii) All transfer hoses have been visually inspected for damage and defects;**
 - (iii) Each tank truck is properly immobilized with chock wheels, and electrically grounded; and,**
 - (iv) Each tank truck engine is shut off unless it is required for transfer operations;**
- (4) Prevent a tank truck engine that is off during transfer operations from being restarted until the transfer lines have been disconnected and any released vapors have dissipated;**
- (5) Prevent loading LNG into a tank car or tank truck that is not in exclusive LNG service or that does not contain a positive pressure if it is in exclusive LNG service, until after the oxygen content in the tank is tested and if it exceeds 2 percent by volume, purged in accordance with a procedure that meets the requirements of AGA "Purging Principles and Practice";**
- (6) Verify that all transfer lines have been disconnected and equipment cleared before the tank car or tank truck is moved from the transfer position; and,**

Titan did not have the cargo transfer procedures required by Part 193.2513(c) at the transfer site. Part 193.2513(c) requires specific provisions of items during a cargo transfer which include LNG, Ethylene, Propane, etc. Titan has procedures for its personnel to follow; however, they were unable to provide a record that such procedures were completed at the transfer site. A checklist should be provided for each cargo transfer, and kept at the transfer site.

5. §193.2717 Training, fire protection.

(c) Plant fire drills must provide personnel hands-on experience in carrying out their duties under the fire emergency procedures required by § 193.2509.

Titan did not conduct a drill for its personnel that provides hands-on experience in carrying out their duties under the fire emergency procedures. While Titan's procedural manuals

requires its operating personnel to conduct a fire drill annually, there was no documentation that training was conducted at the required frequencies.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. Also, for LNG facilities, an additional penalty of not more than \$50,000 for each violation may be imposed. 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 correct the items identified in this letter. Failure to do so will result in Titan Alaska LNG being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2014-3001W** and send all documents to our office at 188 W. Northern Lights Blvd., Suite 520, Anchorage, AK 99503. For each document you submit, please provide a copy in electronic format to PHP-WRADMIN@dot.gov whenever possible. Be advised that all material you submit in response to this enforcement action is subject to being 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).

Sincerely,

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 R. Guisinger (#145245)