WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

October 6, 2016

The Honorable Harry K. Brower, Jr.
Mayor of the North Slope Borough
North Slope Borough Energy Management
Nuiqsut Utilities Cooperative
P.O. Box 69
Barrow, Alaska 99723

CPF 5-2016-0020W

Dear Mayor Brower:

On July 11 through 15, 2016, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected the Nuiqsut Utility Cooperative (NUC) natural gas distribution system facilities, records, and procedures associated with that system in Nuiqsut, Alaska.

As a result of the inspection, it is alleged that the North Slope Borough (NSB) has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. §192.625 Odorization of gas.
(f) To assure the proper concentration of odorant in accordance with this section, each operator must conduct periodic sampling of combustible gases using an instrument capable of determining the percentage of gas in air at which the odor becomes readily detectable

The NSB did not use an instrument that is "capable of determining the percentage of gas in air at which the odor becomes readily detectable." The current test method employed by NSB consists of releasing gas from a fitting, and wafting a gas-in-air mixture to a tester who sniffs the gas with a combustible gas indicator (CGI) nearby. The tester notes the reading on the CGI when the he first detects an odor. This method does not ensure that the CGI and the tester are each receiving the same gas-in-air mixture so that the CGI reading correctly corresponds to what the tester was sniffing. NSB must conduct sampling using an instrument capable of accurately and consistently determining the percent gas in air at which odor is readily detectable.

2. §192.465 External corrosion control: Monitoring.
(d) Each operator shall take prompt remedial action to correct any deficiencies indicated by the monitoring.

The NSB did not take prompt remedial action to correct deficiencies noted in their annual cathodic protection (CP) monitoring reports. PHMSA reviewed the 2013, 2014, and 2015 CP monitoring reports for this inspection. Many of the same repairs were recommended over multiple years. Specifically:

- Building 2209's anode was not functioning in 2013 and 2014.
- Several of the same test locations did not adequately meet CP criteria in 2013 and 2014.
- Risers 2310 and 3310 were shorted to their respective buildings in 2014 and 2015

The 2015 Cathodic Protection and Atmospheric Corrosion Monitoring report noted several risers and low point drains that did not meet CP criteria, locations with shorts, and damaged coating. The NSB must take prompt remedial action to address the 2015 CP repair recommendations.

3. §192.503 General Requirements.
(a) No person may operate a new segment of pipeline, or return to service a segment of pipeline that has been relocated or replaced, until-
(1) It has been tested in accordance with this subpart and §192.619 to substantiate the maximum allowable operating pressure;

The NSB did not conduct a pressure test consistent with Subpart J on piping spools located in the Pressure Reducing Valve (PRV) station skid. The PRV skid is the location where the transmission pipeline pressure is reduced to distribution pipeline pressure. The NSB operates the PRV skid, including valves and regulators within. Short welded piping spools are used within the skid to connect valves, regulators, and other appurtenances. Records indicate that the spools were hydrostatically tested for ten (10) minutes at 997psi or 388psi.

The NSB must determine the operating pressure and percent SMYS of each spool and, based on these findings, conduct a pressure test in accordance with 192.503.

4. §192.605 Procedural manual for operations, maintenance, and emergencies.
(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations
(8) Periodically reviewing the work done by operator personnel to determine the effectiveness, and adequacy of the procedures used in normal operation and maintenance and modifying the procedures when deficiencies are found.

The NSB did not review work done by operator personnel and incorporate changes into their manual as required. Their O&M manual contains provisions for this process but NSB did not produce documentation demonstrating that it is being implemented. The NSB must implement and document the review procedure.

5. §192.465 External corrosion control: Monitoring.
(d) Each operator shall take prompt remedial action to correct any deficiencies indicated by the monitoring.

The NSB has not correctly reported leaks on their annual report required by 191.11(a). They have not been including non-hazardous leaks that cannot be removed by lubrication, adjustment, or tightening as "leaks," per instructions on Section C of the annual report. NSB is reportedly filing corrected prior reports. NSB must correctly fill out future annual reports.

6. §192.739 Pressure limiting and regulating stations: Inspection and testing.
(a) Each pressure limiting station, relief device (except rupture discs), and Pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is-
(1) In good mechanical condition;
(2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;
(3) Except as provided in paragraph (b) of this section, set to control or relieve at the correct pressure consistent with the pressure limits of §192.201(a); and
(4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.

The NSB did not adequately pressure test the relief valves at the required intervals. Two parallel pressure safety valves (PSV), PSV 62252A and PSV 62252B, are used for pressure protection and are connected so that one can protect the distribution system when the other is removed and serviced. Records show that approximately 18 months elapsed between subsequent tests for PSV 62252A (3/22/14 and 9/8/15). Additionally, NSB indicated that PSV6225B was tested on October 9, 2014 but was unable to locate the corresponding test records. Therefore, there was a period which NSB cannot demonstrate that the PSV protecting the system had been tested within the 15 month maximum testing interval as required by regulation. The NSB must test pressure limiting devices at the required intervals and retain records demonstrating the adequacy of the device for protecting the system.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed $205,638 per violation per day the violation persists up to a maximum of $2,056,380 for a related series of violations. For violation occurring between January 4, 2012 to August 1, 2016, the maximum penalty may not exceed $200,000 per violation per day, with a maximum penalty not to exceed $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. 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 the NSB 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 5-2016-0020W.** 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 J. Gano (#153508)
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