NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 15, 2016

Mr. Keith Ryan
Chief Executive Officer
Aircraft Services International Group
201 South Orange Avenue
Orlando, Florida 32801

CPF 5-2016-6011

Dear Mr. Ryan:

On August 1 through 4, 2016, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your jet fuel pipeline between your tank farms at the Port of Anchorage and the Anchorage International Airport and operational records associated with that pipeline in Anchorage 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. §195.452 Pipeline integrity management in high consequence areas.
(f) *What are the elements of an integrity management program?* An integrity management program begins with the initial framework. An operator must

continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:
(6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section);

Aircraft Service International Group (ASIG) did not continually change their Integrity Management Plan (IMP) with regards to the identification of preventative and mitigative measures. Their IMP states that "The [Integrity Management Plan Assessment Team] shall evaluate the preventative and mitigative (P&M) measures annually not to exceed 15 months and make recommendations for improvement." However, according to the operator, this annual evaluation of P&M measures has not been implemented.

2. §195.555 What are the qualifications for supervisors?
You must require and verify that supervisors maintain a thorough knowledge of that portion of the corrosion control procedures established under §195.402(c)(3) for which they are responsible for insuring compliance.

ASIG has did not adequately designate corrosion control supervisors with a "thorough knowledge of the corrosion control procedures…for which they are responsible for insuring compliance." ASIG contracts most corrosion-related work. The corrosion-related citations (see items 3 and 4) resulted from ASIGs supervisors' failure to implement a thorough review process of the contract deliverables (e.g. CP or other inspection reports). ASIG's IMP states that a qualified third-party engineer will evaluate inline-inspection (ILI) and cathodic protection (CP) data but ASIG did not provide evidence that this has been done.

3. §195.452 Pipeline integrity management in high consequence areas.
(f) *What are the elements of an integrity management program?* An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:
(8) A process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information (see paragraph (h)(2) of this section).

ASIG did not implement a process to review and evaluate information and results from integrity assessments. In 2007, the locations of select anomalies detected in the prior year's ILI run were dug up for field ultrasonic thickness (UT) testing measurements. However, the locations of the UT measurements were not recorded and therefore cannot be correlated with

ILI data. No evaluation of the 2011 or 2016 ILI data quality was conducted. ASIG's IMP states that a qualified third-party engineer will evaluate ILI and CP data and supervise the field verification but ASIG did not provide evidence that this has been done.

4. §195.571 What criteria must I use to determine the adequacy of cathodic protection
Cathodic protection required by this subpart must comply with one or more of the applicable criteria and other considerations for cathodic protection contained paragraphs 6.2.2, 6.2.3, 6.2.4, 6.2.5 and 6.3 in NACE SP 0169

ASIG did not demonstrate that cathodic protection (CP) criteria applicable to steel pipelines (listed in paragraph 6.2.2 of NACE SP 0169) were met. During the 2015 Close Interval Survey (CIS), portions of the pipeline from the off-airport tank farm to approximately 1,800 feet from the tank farm exceeded the -850 mV polarized potential criteria.

ASIG did not interrupt all current sources or otherwise account for voltage drops per paragraph 6.3.1 of NACE SP 0169, and therefore cannot demonstrate that one or more of the criteria in paragraph 6.2.2 have been satisfied. Specifically, the following:

- Magnesium anodes located at several locations are shown in the 2014 CP monitoring report but the 2015 CP monitoring and 2015 CIS reports do not indicate that these current sources were interrupted or the voltage drop from these anodes was otherwise accounted for. The pipeline failed to meet CP criteria at Test Station 1A and Test Station 15 when the magnesium anodes were disconnected in 2014. Additionally, the 2015 CP monitoring report and 2015 CIS report do not state that these anodes were interrupted when collecting CP measurements.
- Magnesium galvanic anodes located at Test Stations 15, 15A, and 17 were not interrupted during the 2015 close interval survey, and many test points between Test Station 14 and Test Station 18 were only slightly more negative than the -850 mV criteria. ASIG has failed to demonstrate that these locations would meet CP criteria should all voltage drops be properly accounted for. In cases when "it is impractical or considered unnecessary to disconnect all current sources to correct for voltage drop(s) in the structure-to-electrolyte potential measurements, sound engineering practices should be used to ensure that adequate CP has been achieved," as allowed by NACE SP0169 Section 6.3.2. However, the 2015 CIS report does not explain if or how such practices were employed.

Proposed Compliance Order

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 violations 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 maximum penalty not exceeding $1,000,000 for related series of violations. 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.

With respect to items 1 through 4, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to ASIG. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. 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). 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.

In your correspondence on this matter, please refer to **CPF 5-2016-6011** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

cc: PHP-60 Compliance Registry
PHP-500 J. Gano (#153333)
PHP-500 D. Hassell
Mr. Marc G. McCafferty, Plant Manager, ASIG, 6000 Dehavilland Dr., Anchorage, Alaska 99502

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

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 1 of the Notice pertaining to pipeline integrity management, ASIG must implement and document a process of periodic reevaluation of preventative and mitigative measures for pipeline integrity, and must provide PHMSA with documentation showing that the process has been implemented.

2. In regard to Item Number 2 of the Notice pertaining to supervising corrosion control supervisors, ASIG must ensure their personnel in charge of implementing corrosion control are qualified to review work done by corrosion contractors for regulatory compliance. ASIG must:

    a. Designate supervisor(s) whose corrosion control responsibilities include ensuring deliverables from corrosion contractors are sufficient to meet regulatory requirements in 49 CFR 195 Subpart H.
    b. Provide PHMSA with the name(s), and qualifications of the designated supervisor(s).

3. In regard to Item Number 3 of the Notice pertaining to review of inline-inspection data, ASIG must implement a program of data quality verification and validation. ASIG must:

    a. “Follow recognized industry standards” per 195.451(b)(6), in conducting the data quality review.
    b. Provide PHMSA with records “to support the decisions and analyses, including any modifications, justifications, deviations and determinations made, variances, and actions taken” that ASIG has used in the validation process, per 195.452(l)(1)(ii).
    c. Provide PHMSA with the results of data quality review for the 2016 in-line inspection, including records of any field verification.

4. In regard to Item Number 4 of the Notice pertaining to cathodic protection criteria, ASIG must demonstrate that the pipeline is meeting CP criteria. ASIG must:

    a. Correct areas of low CP potential found during the 2015 close interval survey.
    b. Assess the effects of the voltage drop due to current output magnesium anode, either through measurement or “sound engineering judgement,” (NACE SP1069 par. 6.3.2, incorporated by reference), to demonstrate the pipeline is meeting CP criteria.
    c. Provide PHMSA with the results of the assessment in item (b), including a plan to correct any deficiencies should they be found during the assessment.

5. ASIG must complete Item Number 1 through 4 within 1 year after receipt of a Final Order.

6. It is requested (not mandated) that ASIG maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western 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.