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Scott Jepsen
President
Oliktok Pipeline Company

October 11, 2017

Via UPS

Ms. Kim West
Acting Director, Western Region
Pipeline and Hazardous Materials Safety Administration
12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

Re: Notice of Probable Violation and Proposed Compliance Order CPF 5-2017-0017

Dear Ms. West:

Pursuant to 49 C.F.R. § 190.208(b), the Oliktok Pipeline Company ("OPC") respectfully contests the Notice of Probable Violation ("NOPV") and Proposed Compliance Order ("PCO") set forth in your letter dated September 13, 2017, and received by OPC on September 15, 2017. The NOPV contained one alleged violation of 49 C.F.R. § 192.195(a) (protection against accidental overpressuring). The PCO requires a modification of the Oliktok pipeline to protect the line from unsafe operating pressures. As fully explained below, OPC is contesting the NOPV and PCO because (1) the pressure limiting device that PHMSA inspected in 2015 satisfies 49 C.F.R. § 192.195(a); and (2) OPC modified the pressure limiting device prior to PHMSAs issuance of the NOPV, negating the need for a PCO. Accordingly, OPC respectfully requests that the September 13, 2017 NOPV and PCO be withdrawn, or, in the alternative, that the NOPV be reduced to a warning as allowed by 49 C.F.R. § 190.205.

1. ROV 9000 Was Compliant With 49 C.F.R. § 192.195(a) in 2015

The September 2017 NOPV and PCO arise out of a Pipeline and Hazardous Materials Safety Administration ("PHMSA") inspection that occurred in February and March of 2015. The NOPV states that the use of ROV 9000, a remotely operated valve, fails to satisfy 49 C.F.R. § 192.195(a) because the valve is inoperable during a loss of power. It is OPCs belief that ROV 9000 satisfies 49 C.F.R. § 192.195(a) because it is a pressure limiting device. The regulation does not prescribe a reliability standard or that the device automatically "failsafe" in all conditions, such as unplanned losses of power. Further, in 2015, when PHMSA inspected ROV 9000, the valve operated automatically when power was supplied and could be manned during planned and unplanned losses of power.

In 2015, to ensure operability of ROV 9000 and pipeline integrity during a loss of power, OPC's written procedures directed the operator of the line to undertake the following actions:

- OPC's operator immediately dispatches personnel to 'man' the valve. The valve operator will close the valve upon indication of over-pressure.

- The shipper/supplier of gas is notified of the loss of power, and per agreement, will remotely close their supply valve upon OPC's request.[1]

It is important to note that a loss of power cannot initiate an overpressure scenario, and OPC cannot identify any scenario in which a single event would have resulted in the loss of power *and* loss of pressure control. OPC's operator had determined that the reliability of ROV 9000 was adequate for the service in which it was employed.

2. Following the 2015 Inspection, ROV 9000 Was Modified to Address PHMSA's Concerns

Notwithstanding, OPC's belief that ROV 9000 complied with 49 C.F.R. § 192.195(a), during the 2015 inspection, OPC recognized the PHMSA inspector's concern with ROV 9000 and undertook work to modify the valve to a failsafe design that does not require operator intervention on loss of power.

OPC completed the engineering work and ordered replacement parts in June 2015. PHMSA inspected the modified valve before it was replaced, and discussed its electro-hydraulic design with OPC. Importantly, OPC completed the modification *before*[2] it received the September 2017 NOPV and PCO.

Pursuant to Item 3 of the PCO, OPC has attached a final cost calculation of modifying the valve. The total cost of modifying the valve as of August 31, 2017, was $233,723. See Attachment 2.[3]

OPC's proactive approach to modifying the valve arises out of our mutual goal: To protect people and the environment while transporting gas. OPC is committed to operational excellence and appreciates PHMSA's oversight on this and other matters.

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[1] The relevant section of OPC's *Response to Communication and Power Failure* procedure is attached as Attachment 1.
[2] ROV 9000 was replaced in June 2017. The valve has remained in the closed position awaiting final functional checkout and commissioning scheduled for October 2017. The Oliktok Pipeline has been in an idle status since January 2017 due to lack of demand for gas transportation.
[3] Attachment 2 contains detailed cost and vendor information. OPC requests that Attachment 2 be protected from public disclosure pursuant to 5 U.S.C. 552(b)(4) as confidential commercial information obtained from a person.

Due to the fact that ROV 9000 complied with 49 C.F.R. § 192.195(a) during the 2015 inspection, and because ROV 9000 has been modified to a failsafe design to address PHMSA's concerns, OPC respectfully requests that the NOPV and PCO be withdrawn, or, alternatively, that the NOPV be reduced to a warning.

Sincerely,

Scott Jepsen

Scott Jepsen
President, Oliktok Pipeline Company

Attachment 1: Section 3.1 of OPL Procedure – Response to Communication and Power Failure
Attachment 2: Cost Summary Report – ROV 9000 Modification (Confidential)