

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 29, 2018

Mr. Randy Bates
Managing Director
Branta E&P
2441 High Timbers, Suite 120
The Woodlands, TX 77380

CPF 5-2018-0009M

Dear Mr. Bates:

On March 12 through 15, 2018, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected AIX Energy, LLC's procedures for Operations and Maintenance, Emergency Response, Control Room Management, and Integrity Management in Kenai, Alaska.

On the basis of the inspection, PHMSA has identified apparent inadequacies found within AIX's plans or procedures, as described below:

1. **§ 192.615 Emergency plans.**
 - (a) **Each operator shall establish written procedures to minimize the hazard resulting from a gas pipeline emergency. At a minimum, the procedures must provide for the following:**
...
 - (10) **Beginning action under § 192.617, if applicable, as soon after the end of the emergency as possible.**

AIX's Emergency Response Plan does not have provisions for "Beginning action under § 192.617, if applicable, as soon after the end of the emergency as possible" AIX failed to produce written procedures describing how AIX will conduct accident investigations consistent with § 192.617, and failed to include provisions in their Emergency Response Plan

for conducting accident investigations following emergencies.

2. § 192.631 Control room management.

(a) General. (1) This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section, except that for each control room where an operator's activities are limited to either or both of:

...

(ii) Transmission without a compressor station, the operator must have and follow written procedures that implement only paragraphs (d) (regarding fatigue), (i) (regarding compliance validation), and (j) (regarding compliance and deviations) of this section.

AIX's written control room management procedures lack the fatigue training and education process required by §§ 192.631(d)(2) and 192.631(d)(3). Their document titled "Control Room Management, Kenai Loop Pipeline" contains general provisions for fatigue mitigation and states that "Operators must train controllers and their supervisors to recognize the effects of fatigue and implement fatigue mitigation strategies," but has no specific process describing how AIX will implement such training.

3. § 192.909 How can an operator change its integrity management program?

...

(b) Notification. An operator must notify OPS, in accordance with § 192.949, of any change to the program that may substantially affect the program's implementation or may significantly modify the program or schedule for carrying out the program elements. An operator must also notify a State or local pipeline safety authority when either a covered segment is located in a State where OPS has an interstate agent agreement, or an intrastate covered segment is regulated by that State. An operator must provide the notification within 30 days after adopting this type of change into its program.

AIX's written Integrity Management Plan (Revision 2, dated March 9, 2018) ("the IMP") does not have written procedures consistent with § 192.909(b) for notifying PHMSA of changes to their integrity management program. The IMP has a process for making changes to the IMP (specifically located in "Section 1 – Changing This IMP"), but fails to describe how and under what circumstance AIX must notify PHMSA of the changes made.

4. § 192.915 What knowledge and training must personnel have to carry out an integrity management program?

(a) Supervisory personnel. The integrity management program must provide that each supervisor whose responsibilities relate to the integrity management program possesses and maintains a thorough knowledge of the integrity management program and of the elements for which the supervisor is responsible. The program must provide that any person who qualifies as a

supervisor for the integrity management program has appropriate training or experience in the area for which the person is responsible.

AIX failed to establish written procedures to "provide that any person who qualifies as a supervisor for the integrity management program has appropriate training or experience in the area for which the person is responsible" in their IMP. The IMP includes table which cross-references paragraphs of 192 Subpart O with the applicable section of the IMP. Regarding § 192.915, the cross reference table states "Experience or training Required" without elaboration or cross-reference to other parts of the IMP. The IMP does not describe how AIX will provide supervisory training and experience consistent with § 192.915(a).

5. § 192.915 What knowledge and training must personnel have to carry out an integrity management program?

...

(b) Persons who carry out assessments and evaluate assessment results. The integrity management program must provide criteria for the qualification of any person—

(1) Who conducts an integrity assessment allowed under this subpart; or

(2) Who reviews and analyzes the results from an integrity assessment and evaluation; or

(3) Who makes decisions on actions to be taken based on these assessments.

AIX failed to specify criteria for personnel who conduct integrity assessments, review and analyze their results, or make decisions based on those results in their IMP. The IMP includes table which cross-references paragraphs of 192 Subpart O with the applicable section of the IMP. Regarding § 192.915, the cross reference table states "Experience or training Required" without elaboration or cross-reference to other parts of the IMP. The IMP does not describe how AIX will provide knowledge and training to personnel who carry out an integrity management program consistent with § 192.915(b).

6. § 192.917 How does an operator identify potential threats to pipeline integrity and use the threat identification in its integrity program?

...

(b) Data gathering and integration. To identify and evaluate the potential threats to a covered pipeline segment, an operator must gather and integrate existing data and information on the entire pipeline that could be relevant to the covered segment. In performing this data gathering and integration, an operator must follow the requirements in ASME/ANSI B31.8S, section 4. At a minimum, an operator must gather and evaluate the set of data specified in Appendix A to ASME/ANSI B31.8S, and consider both on the covered segment and similar non-covered segments, past incident history, corrosion control records, continuing surveillance records, patrolling records, maintenance history, internal inspection records and all other conditions specific to each pipeline.

AIX failed to follow the requirements of ASME/ANSI B31.8S, Section 4 in preparing their IMP. Section 3.2 of the AIX's IMP, "Data Gathering and Integration" incorrectly identifies

the Kenai Loop Pipeline as an HDPE pipeline. “Material properties” is one required minimum data element in specified in ASME/ANSI B31.8S, Section 4.

7. **§ 192.933 What actions must be taken to address integrity issues?**
(a) General requirements. An operator must take prompt action to address all anomalous conditions the operator discovers through the integrity assessment. In addressing all conditions, an operator must evaluate all anomalous conditions and remediate those that could reduce a pipeline's integrity. An operator must be able to demonstrate that the remediation of the condition will ensure the condition is unlikely to pose a threat to the integrity of the pipeline until the next reassessment of the covered segment.

AIX failed to establish a process in their IMP to "address all anomalous conditions the operator discovers through the integrity assessment" consistent with §§ 192.933(a) through 192.933(d). On Page 8 under the table “Cross-Reference with 49 CFR 192 Subpart O,” the IMP directs the reader to “Section 5 – Additional Preventative and Mitigative Measures” for a discussion of how the IMP address the requirements of § 192.933. However, the IMP has no written procedures for address anomalous conditions consistent with §§ 192.933(a) through 192.933(d) in Section 5 nor elsewhere in the IMP.

8. **§ 192.935 What additional preventive and mitigative measures must an operator take?**

...

(b) Third party damage and outside force damage—

(1) Third party damage. An operator must enhance its damage prevention program, as required under § 192.614 of this part, with respect to a covered segment to prevent and minimize the consequences of a release due to third party damage. Enhanced measures to an existing damage prevention program include, at a minimum—

(iv) Monitoring of excavations conducted on covered pipeline segments by pipeline personnel. If an operator finds physical evidence of encroachment involving excavation that the operator did not monitor near a covered segment, an operator must either excavate the area near the encroachment or conduct an above ground survey using methods defined in NACE SP0502 (incorporated by reference, see §192.7). An operator must excavate, and remediate, in accordance with ANSI/ASME B31.8S and § 192.933 any indication of coating holidays or discontinuity warranting direct examination.

AIX failed to enhance their damage prevention program to include a written process for monitoring excavations on the covered segment consistent with § 192.935(b)(1)(iv). Neither AIX’s IMP nor their written damage prevention program describe how AIX will excavate the area near the encroachment or conduct an above ground survey using methods defined in NACE SP0502 if the AIX finds physical evidence of encroachment.

9. **§ 192.937 What is a continual process of evaluation and assessment to maintain a pipeline's integrity?**

...

(c) Assessment methods. In conducting the integrity reassessment, an operator must assess the integrity of the line pipe in the covered segment by any of the following methods as appropriate for the threats to which the covered segment is susceptible (see § 192.917), or by confirmatory direct assessment under the conditions specified in § 192.931.

(2) Pressure test conducted in accordance with subpart J of this part. An operator must use the test pressures specified in Table 3 of section 5 of ASME/ANSI B31.8S, to justify an extended reassessment interval in accordance with § 192.939.

AIX failed to specify correct assessment methods for conducting integrity reassessments in their IMP. Section 6.2.2 of AIX's IMP incorrectly specifies "§ 192.513 Test Requirements for Plastic Pipelines" as the applicable pressure test assessment method for the Kenai Loop Pipeline, which is a steel pipeline.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.206. 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).

Following the receipt of this Notice, you have 30 days to submit written comments, revised procedures, or a request for a hearing under § 190.211. 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 an Order Directing Amendment. If your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.206). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 90 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

It is requested (not mandated) that AIX maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Kim West, Director, Western, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 5-2018-0009M** and, for each document you submit, please provide a copy in electronic

format whenever possible.

Sincerely,

Kim West
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 J. Gano (#155860)

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*