NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER

VIA E-MAIL TO MR. DANIEL BRITTON

July 18, 2022

Mr. Daniel Britton
General Manager
Interior Gas Utility
3408 International Street
Fairbanks, AK 99701-7901

CPF 5-2022-008-NOPV

Dear Mr. Britton:

From September 28 through 30, November 17 through 19, 2020 and January 12, 14 and 15, 2021, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected Interior Gas Utility's (IGU) records and facilities in Fairbanks, Alaska and North Pole, Alaska. PHMSA was notified that the operator of some of the LNG facilities changed from Fairbanks Natural Gas to Interior Gas Utility during the inspection. The construction of North Pole LNG facility was conducted by Interior Gas Utility and was not part of this operator change.

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

1. § 193.2301 Scope.

Each LNG facility constructed after March 31, 2000, must comply with requirements of this part and of NFPA-59A-2001 (incorporated by reference, *see* § 193.2013). In the event of a conflict between this part and NFPA 59A, this part prevails.

IGU failed to comply with the requirements of paragraph 4.4.2 of NFPA 59A-2001, which requires that "[s]torage containers shall have all penetrations marked with the function of the penetration. Markings shall be visible if frosting occurs." During the inspection no markings on any storage tank penetrations at Storage Site 1 (Site #1) were observed.

2. § 193.2301 Scope.

Each LNG facility constructed after March 31, 2000, must comply with requirements of this part and of NFPA-59A-2001 (incorporated by reference, *see* § 193.2013). In the event of a conflict between this part and NFPA 59A, this part prevails.

IGU failed to comply with the requirements of NFPA-59A, during the January 12, 14, & 15, 2021 inspection of the construction of the Storage Site 4 (North Pole Site #4). NFPA-59A Section 6.1.1 requires piping systems to be in general conformance with ASME B31.3, with additional specific requirements of NFPA 59A sections 6.3.4 (Welding) and 6.6.3 (Welded Pipe Tests). IGU's North Pole Site #4 construction records for welding and Non-Destructive Testing (NDT) did not meet the minimum requirement of ASME B 31.3 as described in more detail below.

1. ASME B 31.3, section 328.5.1(b) provides "that each qualified welder and welding operator shall be assigned an identification symbol. Unless otherwise specified in the engineering design, each pressure-containing weld or adjacent area shall be marked with the identification symbol of the welder or welding operator. In lieu of marking the weld, appropriate records shall be filed." IGU failed to identify which welder or welding operator completed each weld on the official North Pole Site #4 bubble map drawing records of welded joints.

2. ASME B 31.3, section 341.3 provides that "[p]rior to initial operation each piping installation, including components and workmanship, shall be examined in accordance with the applicable requirements of section 341." IGU failed to examine the piping in accordance with section 341. IGU's welding NDT records neglected to document critical joint characteristics, including weld joint, weld size, and welder ID number. Records showed equipment utilized during an inspection was past due for calibration. A review of select drawings with weld and welder identification information (referred to as a weld bubble maps) and select Nondestructive Testing (NDT) reports found inconsistences. While comparing the records of welds, it was found that drawings and NDT reports listed different welder identifications for the same weld during construction of North Pole Site #4.

3. ASME B 31.3, section 328.2 states "that welding and brazing procedure specifications (WPSs and BPSs) to be followed in production welding shall be prepared and qualified, and welders, brazers, and operators shall be qualified as required." North Pole Site #4 construction drawings stated welders must use a Process Piping Specification. These process piping specifications did not contain instructions as to which Welding Process Sheet (WPS) must be used to accomplish the welds. Numerous qualified WPS did exist, however no direction on when and how to use them was given by the construction drawings.

3. § 193.2301 Scope.

Each LNG facility constructed after March 31, 2000 must comply with requirements of this part and of NFPA-59A-2001 (incorporated by reference, *see* § 193.2013). In the event of a conflict between this part and NFPA 59A, this part prevails.

IGU failed to comply with the requirements of NFPA-59A, Section 6.6.1 (Pressure Testing) and Section 6.6.2 (Record Keeping) during the January 12, 14, & 15, 2021 inspection of the construction of the North Pole Site #4. NFPA 59A, section 6.6.2 states that "[r]ecords of pressure, test medium, temperature, and ambient temperature shall be maintained for the duration of each test, and these records shall be maintained for the life of the facility or until such time as a retest is conducted." In addition, the requirements of ASME B31.3 are incorporated into NFPA-59A, and ASME B 31.3, section 345.2.7 states that "[r]ecords shall be made of each piping system during the testing, including (a) date of test, (b) identification of piping system tested, (c) test fluid, (d) test pressure, (e) certification of results by examiner."

During the inspection, PHMSA reviewed the pressure tests records for the North Pole Site #4, titled "Udelhoven Oilfield Services Hydro Test Report – Permanent File," which were completed between June 2020 and January 2021 for the North Pole Site #4's construction, and found that the operator failed to record one or more of the required specific parameters for numerous test records:

- Records did not identify which piping systems were being tested.
- Records were not clear on which type of test was conducted, as both "hydro" & "pneumatic" were underlined. A testing record's test type was left blank.
- Records were not clear on which test media was utilized to complete the test, as both "water" and "air" were underlined. Records had test media left blank.
- Records indicated testing times were completed below the stated minimum test duration times.
- Records did not contain ambient temperature nor test media temperature.
- Records did not annotate testing results were satisfactory.

4. § 193.2301 Scope.

Each LNG facility constructed after March 31, 2000 must comply with requirements of this part and of NFPA-59A-2001 (incorporated by

reference, *see* § 193.2013). In the event of a conflict between this part and NFPA 59A, this part prevails.

IGU failed to meet NFPA 59A-2001 section 7.1.1.1, which requires that "LNG containers be equipped with two independent liquid level gauging devices. Density variations shall be considered in the selection of the gauging devices. These gauges shall be designed and installed so that it is possible to replace them without taking the tank out of operation."

Site #1 tank piping was configured such that both liquid level measuring devices (one analog and one digital) were connected to the same common sensing line penetration. Because the sensing lines are traced from the same source, the measurements were not independent. Therefore, the Site #1 containers did not meet the requirement of NFPA 59A, section 7.1.1.1.

5. § 193.2301 Scope.

Each LNG facility constructed after March 31, 2000 must comply with requirements of this part and of NFPA-59A-2001 (incorporated by reference, *see* § 193.2013). In the event of a conflict between this part and NFPA 59A, this part prevails.

IGU containers failed to meet NFPA 59A, section 10.12.4.3, as required. NFPA 59A, section 10.12.4.3 requires that stop valves under individual safety relief valves shall be locked or sealed when opened and shall not be opened or closed except by an authorized person. Site #1, Tanks #2 and #3, each have a set of two relief valves, adjacent to the catwalk. Below each 90-degree relief valve are isolation [stop] valves with manual operation handles. The stop valves had no locking device installed and could be freely operated to disable the overpressure protection relief valves for Tank #2 and/or Tank #3. Therefore, Tanks #2 and #3 at Site #1 do not meet the requirement of 59A 10.12.4.3.

6. § 193.2603 General

(a) Each component in service, including its support system, must be maintained in a condition that is compatible with its operational or safety purpose by repair, replacement, or other means.

IGU failed to meet the requirement of § 193.2513 (c)(3)(iii) at Site #1. The tank truck's electrical grounding cable connection to the grounding clip was corroded and nearly severed. The grounding cable itself was frayed in multiple areas. The as-found condition of the electrical grounding strap assembly was unsatisfactory and presents a safety concern if the transportation tank trucks are not electrically grounded during cargo transfer.

7. § 193.2913 Security monitoring.

Each protective enclosure and the area around each facility listed in § 193.2905(a) must be monitored for the presence of unauthorized persons. Monitoring must be by visual observation in accordance with the schedule in the security procedures

under § 193.2903(a) or by security warning systems that continuously transmit data to an attended location. At an LNG plant with less than 40,000 m^3 (250,000 bbl) of storage capacity, only the protective enclosure must be monitored.

IGU failed to provide the procedures for security monitoring by visual observation as required by § 193.2913. In addition, no records or schedules of security checks were provided for Site #1 or Storage Site 3 (Site #3). Neither Site #1 nor Site #3 have active monitoring systems to alert operators/security of unauthorized entry.

Proposed Compliance Order

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed $239,142 per violation per day the violation persists, up to a maximum of $2,391,412 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed $225,134 per violation per day the violation persists, up to a maximum of $2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed $222,504 per violation per day the violation persists, up to a maximum of $2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed $218,647 per violation per day the violation persists, up to a maximum of $2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed $213,268 per violation per day, with a maximum penalty not to exceed $2,132,679. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed $209,002 per violation per day, with a maximum penalty not to exceed $2,090,022. Also, for each violation involving LNG facilities, an additional penalty of not more than $87,362 occurring on or after March 21, 2022 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than $82,245 occurring on or after May 3, 2021 and before March 21, 2022 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than $81,284 occurring on or after January 11, 2021 and before May 3, 2021 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than $79,875 occurring on or after July 31, 2019 and before January 11, 2021 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than $77,910 occurring on or after November 27, 2018 and before July 31, 2019 may be imposed. For each violation involving LNG facilities occurring on or after November 2, 2015 and before November 27, 2018, an additional penalty of not more than $76,352 may be imposed.

We have reviewed the circumstances and supporting documentation involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to items 1, 2, 3, 4 and 5, pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to IGU. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to items 6 & 7, 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 promptly correct these items. Failure to do so may result in additional enforcement action.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement Proceedings*. Please refer to this document and note the response options. All material you submit in response to this enforcement action may be 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, or request a hearing under 49 CFR § 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 a Final Order. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 5-2022-008-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Dustin Hubbard
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

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

cc: PHP-60 Compliance Registry
PHP-500 M. Yeager (#20-191036)
Mark Rockwell, Interior Gas Utility (via email)
Brendan Kern, Engineer, Interior Gas Utility (via email)

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Fairbanks Natural Gas/Interior Gas Utility's (IGU) a Compliance Order incorporating the following remedial requirements to ensure the compliance of IGU with the pipeline safety regulations:

A. In regard to item 1 of the Notice, IGU must mark all LNG storage container penetrations with the function of the penetration within 90 days of receipt of the Final Order. Markings shall be visible if frosting occurs. Provide the Western Region Director revised operating procedures and photographic evidence of marking all LNG storage container penetrations within 120 days of receipt of the Final Order.

B. In regard to item 2 of the Notice, IGU must perform a 100% review of all welding documentation and associated NDT to determine, with a high degree of accuracy, that all welder ID's are consistent with construction documentation and associated NDT. Provide the Western Region Director with a report of items reviewed and corrections made within 120 days of receipt of the Final Order.

C. In regard to item 3 of the Notice, IGU must either correct the aforementioned records or retest the systems under question. Provide the Western Region Director corrected testing records or completed retest records within 120 days of receipt of the Final Order.

D. In regards to item 4 of the Notice, IGU must ensure all tanks have independent liquid level gauging installed per NFPA 59A within 180 days of receipt of the Final Order. Provide the Western Region Director revised operating procedures and updated P&ID drawings as well as photographic evidence within 270 days of receipt of the Final Order.

E. In regard to item 5 of the Notice pertaining to the unrestricted operation of stop valves prior to relief valves, IGU must lock or seal secure all stop valves present prior to relief valves within 30 days of receipt of the Final Order. Provide the Western Region Director revised operating procedures and photographic evidence of locked/secured valves within 90 days of receipt of the Final Order.

F. It is requested (not mandated) that IGU maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Dustin Hubbard, 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.