

**NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 8, 2023

Daniel Britton
General Manager
Interior Gas Utility
2525 Phillips Field Road
Fairbanks, AK 99709

CPF 4-2023-006-NOPV

Dear Mr. Britton:

On November 21, 2021, Interior Gas Utility (IGU) experienced a rupture of its 8-inch gas distribution main at 2942 Tria Road in Fairbanks, Alaska. Consequently, 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.) video conferenced and investigated IGU's LNG Storage Site #3 (SS3) Main in Fairbanks, Alaska.

IGU notified PHMSA of two reportable incidents on December 20, 2021, after cold natural gas vapors from LNG Storage Site #3 entered the downstream gas distribution system causing a rupture of an 8-inch distribution pipeline that released 559 mcf of gas and an emergency shutdown of the LNG facility.¹ As a result of the investigation, it is alleged that IGU has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items investigated and the probable violations are:

¹ IGU filed two separate incident notification reports for the emergency shutdown of the LNG facility and the rupture on its distribution line.

1. § 193.2441 Control center.

Each LNG plant must have a control center from which operations and warning devices are monitored as required by this part. A control center must have the following capabilities and characteristics:

(a)

(c) Each control center must have personnel in continuous attendance while any of the components under its control are in operation, unless the control is being performed from another control center which has personnel in continuous attendance.

IGU failed to have personnel in continuous attendance in its control center or secondary control center while components under its control were in operation in accordance with § 193.2441(c). Specifically, due to the absence of continuous attendance in its control room, IGU failed to notice low temperature alarms in its control center that required an emergency shutdown of the LNG facility, a reportable incident. This failure was a causal factor in the reportable incidents. Due to this failure, cold gas and LNG entered a gas distribution system. The cold gas and LNG embrittled an 8-inch underground pipe, which ruptured and disrupted gas supply to 91 businesses and 144 residential homes.

On November 21, 2021, prior to the incidents, IGU operators were not present in the SS3 control center while the facility was in operation. The subsequent output data from a temperature sensor indicated that the lead vaporizer's outlet temperature dropped below minimum safe operating levels. According to IGU, when the temperature drops in this manner valves should close to protect the downstream piping and limit damage to the vaporizer. IGU's standard operating procedure states that an operator is expected to perform a manual process at the distributed control system human machine interface to ensure the lag vaporizer operates correctly. If an operator had been in the control center at that time, the operator would have detected the malfunctioning valve and initiated manual corrective action.

Therefore, IGU failed to have personnel in continuous attendance in its control center or secondary control center while components under its control were in operation in accordance with § 193.2441(c).

2. § 193.2515 Investigations of failures.

(a)

(b) As a result of the investigation, appropriate action must be taken to minimize recurrence of the incident.

IGU failed to adequately take appropriate action to minimize recurrence of the incidents in accordance with § 193.2515(b). Specifically, after investigating the incidents IGU failed to review and implement changes throughout its procedures, tests, and design reviews to prevent recurrence of the incidents.

IGU must review and implement changes where necessary to prevent recurrence of the incidents, including in its procedures, equipment design reviews, manufacturing test records, control systems design reviews, and control systems test records.

Therefore, IGU failed to adequately take appropriate action to minimize recurrence of the incidents in accordance with § 193.2515(b).

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$257,664 per violation per day the violation persists, up to a maximum of \$2,576,627 for a related series of violations.

For violation occurring on or after March 21, 2022 and before January 6, 2023, the maximum penalty may not 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, and additional penalty of not more than \$94,128 occurring on or after January 6, 2023 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$87,362 occurring on or after March 21, 2022 and before January 6, 2023 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 for the above probable violation and recommend that you be preliminarily assessed a civil penalty of \$342,800 as follows:

<u>Item number</u>	<u>PENALTY</u>
Item 1	\$342,800

Proposed Compliance Order

With respect to Items 1 and 2 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Interior Gas Utility. 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 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 your receipt of this Notice, you have 30 days to respond as described in the enclosed *Response Options*. 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. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF-2023-006-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Bryan Lethcoe
Director, Southwest Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

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

PROPOSED COMPLIANCE ORDER

Pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Interior Gas Utility a Compliance Order incorporating the following remedial requirements to ensure the compliance of Interior Gas Utility with the pipeline safety regulations:

- A. In regard to Item 1 of the Notice pertaining to Interior Gas Utility's failure to have personnel in continuous attendance in its control center while any of the components under its control were in operation, Interior Gas Utility must develop and implement an operations procedure requiring personnel to be in continuous attendance in its SS3 control room in accordance with § 193.2441(c).
- B. In regard to Item 2 of the Notice pertaining Interior Gas Utility's failure to take appropriate action to minimize recurrence of the incidents, Interior Gas Utility must submit a detailed list of changes to prevent recurrence of the equipment failure in, at a minimum, the following areas:
 - 1. Equipment Design Review
 - 2. Manufacturing Test Records
 - 3. Procedural Updates
 - 4. Control Systems Design Review
 - 5. Control Systems Test Records
- C. Interior Gas Utility must provide documentation of the completion of paragraphs A and B to the Director, Southwest Region within **45** days of issuance of the Final Order.
- D. It is requested (not mandated) that Interior Gas Utility maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director, Southwest 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.