



State of Utah
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Division of Public Utilities

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April 8, 2014

Dan Green
Vice President of Operations
Pacific Energy & Mining Company (PEMC)
3550 Barron Way, Suite 13A
Reno NV 89511

Mr. Green,

The Utah Public Service Commission is authorized, by Title 54, Chapter 13, to adopt rules and regulations to be in conformance with the Natural Gas Pipeline Safety Act of 1968, as amended. This commission, by orders issued in Docket No. 89-999-06, has adopted Title 49 CFR Parts 190, 191, 192, 198, 199, and Part 40 along with certain subsequent amendments. The Division of Public Utilities' Pipeline Safety Staff is charged with seeking compliance with the adopted minimum safety standards through conducting safety inspections, investigations and evaluation of records and field facilities for compliance to those standards.

An annual inspection (No. 2014-028-JB) of Pacific Energy Mining Company System, which includes 21.7 miles of Paradox 16 inch steel pipeline, was conducted on March 26-28, 2014. The purpose of this inspection was to review the Operation and Maintenance Plan (O&M Plan), Emergency Plan, Public Awareness Program (PAP Plan), records and field audit. During the inspection 8 non-compliance items were found as noted below:

Non-compliance Found:

- 1. Violation 192.745 Valve maintenance, Transmission Lines:** The block valves at the outlet of the processing plant and near the airport were inspected as part of the field audit. It was observed that the valves weren't properly identified with a tag or number.
- 2. Violation 192.179(b)(1) Transmission line valves:** The valve and the operating device to open or close the valve must be readily accessible and protected from tampering.
- 3. Violation 192.605 Procedural manual (192.745 Transmission valves):** The operator has procedures to shutoff or isolate the pipeline by closing the block valve during an emergency. However, the operator does not have a procedure that covers the operating and maintaining of the block valves.
- 4. Violation 192.479(a) & (b) Atmospheric corrosion control:** The block valve at the outlet of the processing plant is exposed to the atmosphere. The pipeline before and after the block valve appears to

have a light surface oxide on the external pipeline. The pipeline exposed to the atmosphere is not clean and coated. Also, the coating material must be suitable for the prevention of atmospheric corrosion.

5. Violation 192.605 Procedural manual (192.465 External corrosion control, Monitoring): The operator does not have a procedure that covers operating and maintaining the rectifier. The rectifier at the processing plant was not inspected by or under the direction of a person qualified in pipeline corrosion control methods within the required maintenance duration. The rectifier also was not secured from tampering.

6. Violation 192.605 Procedural manual (192.475 Internal corrosion control): The operator does not have a procedure that covers operating and maintaining an internal corrosion system. A method of monitoring internal corrosion is not performed two times each calendar year or at periods exceeding 7 ½ months.

7. Violation 192.605 Procedural manual (192.469 External corrosion control: Test stations): The operator does not have a procedure that covers operating and maintaining test stations. The operator has not repaired or replaced defective test lead wires to the solid state decouplers at Test Station #8.

8. Violation 192.605 Procedural manual (192.707 Line markers for mains and transmission lines): The operator does not have a procedure that covers maintaining the Transmission Line Markers. The Pipeline Markers have not been updated or do not contain required information. The listed telephone number does not reach the pipeline operator, or their contracted service provider, at all times. Also, some of the line markers did not have any stickers on them.

Please inform us in writing within 30 days of the receipt of this letter in regards to your plan of action to correct these items and the correction made to each violation.

At this stage we need corrective action from you. However, be advised failure to plan and implement corrective action may result in enforcement actions taken against your company. In accordance with Utah Code Title 54-13-8; all violations are subject to civil penalties in the amount of up to \$10,000 per violation per day for noncompliance, with a maximum penalty of \$500,000 for any related series of violations.

If you have any questions concerning this inspection or the compliance process you may contact me at 801-580-7515 or call our office at 801-530-6286.

Sincerely,



Jimmy Betham
Pipeline Safety Engineer
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