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January 5, 2018

CERTIFIED MAIL- RETURN RECEIPT REQUESTED

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

RE: FINAL WARNING LETTER – CORRECTIVE ACTION OR NOTICE OF
CORRECTION ACTION TAKEN REQUIRED

ANNUAL INSPECTION No. 20161101CH – CONDUCTED NOVEMBER 1-4,
2016

Dear Mr. Green:

On November 1-4, 2016, the Utah Division of Public Utilities' Pipeline Safety Staff's (UTPS) conducted an O&M Inspection and a records and field audit (Audit) for Pacific Energy Mining Company (Company). During the inspection, 13 non-compliance items were found. Although one non-compliance item has been corrected, the UTPS has not received the Company's plan of action to correct and/or the correction made for each of the remaining 12 non-compliance items.

Because of the Company's failure to comply with the law as detailed below and its unresponsiveness, the Attorney General's Office (AG Office) has become involved. If necessary, the AG Office will institute legal proceedings against the Company as described below. The U.S. Department of Transportation has delegated responsibility for pipeline safety to the Division of Public Utilities (Division). Utah statutes found at Title 54, Chapter 13 and associated rules found at r746-409 have incorporated federal safety standards, including but not limited to, the Natural Gas Pipeline Safety Act of 1968, 49 U.S.C. 60101,

and related laws and regulations. By statute, the AG Office provides legal representation to the Division.

Background

Below please find a list of non-compliant items as set forth in the November 21, 2016 letter from UTPS to the Company informing it of the following non-compliance items:

1. **Procedural manual for operations, maintenance, & emergencies (b) (8):** Periodically reviewing the work done by operator personnel to determine the effectiveness, and adequacy of the procedures used in normal operation and maintenance and modifying the procedures when deficiencies are found. *No documentation was available to verify; needs documentation.*
2. **192.605 Procedural manual for operations, maintenance, & emergencies (c) (4):** Periodically reviewing the response of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found. *No documentation was available to verify; needs documentation.*
3. **192.615 Emergency plans (b) (2):** Train the appropriate operating personnel to assure that they are knowledgeable of the emergency procedures and verify that the training is effective. *No documentation was available to verify training and/or training effectiveness.*
4. **192.615 Emergency plans (b) (3):** Review employee activities to determine whether the procedures were effectively followed in each emergency. *No documentation was available to verify whether procedures were effectively followed.*
5. **192.615 Emergency plans (c):** Each operator shall establish and maintain liaison with appropriate fire, police, and other public officials. *No documentation was available to verify liaison.*
6. **192.616 Public awareness (e) & (f):** The program must include activities to advise affected municipalities, school districts, businesses, and residents of pipeline facility locations. The program and the media used must be as comprehensive as necessary to reach all areas in which the operator transports gas. *No documentation was available to verify public awareness activities.*
7. **192.616 Public awareness (g):** The program must be conducted in English and in other languages commonly understood by a significant number and concentration of the non-English speaking population in the operator's area. *This item was not addressed by the PEMC Procedural Manual for Operations, Maintenance and Emergencies (PMOME).*

8. **192.616 Public awareness (h):** Operators in existence on June 20, 2005, must have completed their written programs no later than June 20, 2006. The operator of a master meter or petroleum gas system covered under paragraph (j) of this section must complete development of its written procedure by June 13, 2008. Upon request, operators must submit their completed programs to PHMSA or, in the case of an intrastate pipeline facility operator, the appropriate State agency. *An effectiveness review was not addressed by the PEMC PMOME.*
9. **192.706 Transmission lines: Leakage surveys:** Leakage surveys of a transmission line must be conducted at intervals not exceeding 15 months, but at least once each calendar year. However, in the case of a transmission line which transports gas in conformity with §192.625 without an odor or odorant, leakage surveys using leak detector equipment must be conducted. *No documentation of leak surveys available.*
10. **192.745 Valve maintenance: Transmission lines:** Each transmission line valve that might be required during any emergency must be inspected and partially operated at intervals not exceeding 15 months, but at least once each calendar year. *No documentation of valve maintenance/testing available.*
11. **192.751 Prevention of accidental ignition:** Each operator shall take steps to minimize the danger of accidental ignition of gas in any structure or area where the presence of gas constitutes a hazard of fire or explosion. *Not addressed by the PEMC PMOME, no documentation available.*
12. **192.227/229 Qualification of welders and welding operators / Limitations on welders and welding operators:** Welder qualification documentation not available at the time of audit because records are stored in Reno, NV. *PEMC will check and follow-up with additional information.*
13. **192.243 Nondestructive testing:** NDT qualification documentation not available at the time of audit because records are stored in Reno, NV. *PEMC will check and follow-up with additional information.*

To date, the Company has corrected only one non-compliance item. The Company corrected item no. 10 by providing documentation of valves exercised in 2016 and 2015.

Therefore, non-compliance items identified above as 1-9 and 11-13 either remain uncorrected or the UTPS has not received notice of corrective action taken.

Future Legal Action

To avoid future legal action, by February 20, 2018, send the Company's written plan of action to correct each of these 12 items of noncompliance (items 1-9 and 11-13 identified above) or notification of the correction that has been made to each violation to:

Division of Public Utilities
Pipeline Safety Section
P.O. Box 146751
Salt Lake City, Utah 84114-6751
pipelinesafety@utah.gov

and

Patricia E. Schmid
Assistant Attorney General
P.O. Box 140857
Salt Lake City, Utah 84114-0857
pschmid@agutah.gov

If UTPS and the AG Office do not receive the Company's written response providing a corrective action plan or detailing the corrective action taken for each of the 12 outstanding items by the date specified above, the AG Office will initiate legal proceedings against you. The AG Office will file a Complaint and Notice of Probable Violation with the Public Service Commission (Commission). The Complaint and Notice of Probable Violation will request, among other things, that the Company be ordered (1) to comply with applicable law pertaining to the 12 items listed above, and (2) be assessed penalties related to the Company's noncompliance. If the Commission determines that the Company has violated a provision of Utah Code Title 54 Chapter 13 or any rule issued under this chapter, it shall assess civil penalties. The maximum civil penalty that the Commission can assess after notice and opportunity for hearing under Utah Code Ann. Section 54-13-8 may not exceed "\$100,000 for each violation for each day the violation persists," and "the maximum civil penalty assessed under this section may not exceed \$1,000,000 for any related services of violations." When assessing a penalty, the Commission shall consider various factors as specified by Utah Code Ann. Section 54-13-8(4). These factors are:

- (a) the nature, circumstances, and gravity of the violation; and
- (b) with respect to the person found to have committed the violation:
 - (i) the degree of culpability;
 - (ii) any history of prior violations;
 - (iii) the effect on the person's ability to continue to do business;
 - (iv) any good faith in attempting to achieve compliance;
 - (v) the person's ability to pay the penalty; and
 - (vi) any other matter, as justice may require.

This letter satisfies the requirement under Commission Rule R746-409 that the Company be provided notice before proceedings are initiated before the Commission.

This letter is not a determination that a violation has occurred or that a penalty is warranted or enforceable. The determination of whether a violation occurred and whether a penalty is warranted would be made by the Commission. Among other things, that Commission proceeding would provide the Company with a formal opportunity to present its defenses and to contest the claims made and the penalty sought while providing an opportunity for hearing.

If you have any questions, please contact me by phone at (801) 366-0380, or by email at pschmid@agutah.gov.

Sincerely,



Patricia E. Schmid
Assistant Attorney General

cc: Chris Parker
Al Zadeh

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

7012 0470 0000 3377 0351



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- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

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

2. Article Number

(Transfer from service label)

7012 0470 0000 3377 0351

PS Form 3811 February 2004

Domestic Return Receipt

102595-02-M-1540

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- B. Received by (Printed Name) C. Date of Delivery

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 If YES, enter delivery address below:

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 Insured Mail C.O.D.
4. Restricted Delivery? (Extra Fee) Yes No

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P.O. Box 140857

160 East 300 South, 5th Floor

THE ATTORNEY GENERAL

Office of

State of Utah



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Sent to

MR DAN GREEN (PEMC)

Pacific Energy & Mining Company

Street, Apt. No.:

3550 Barron Way, Ste 13A

or PO Box No.:

Reno NV 89511

City, State, ZIP+4

See Reverse for Instructions

PS Form 3800, August 2006