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August 14, 2017

WARNING LETTER

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

Dear Mr. Green,

The Utah Public Service Commission (Commission) is authorized by Title 54, Chapter 13 of the Utah State Code to adopt rules and regulations in conformance with the Natural Gas Pipeline Safety Act of 1968, as amended, and other applicable laws. The 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. Through delegation from the U.S. Department of Transportation, the Division of Public Utilities' Pipeline Safety Staff (UTPS) monitors compliance and enforces intrastate gas pipeline safety requirements.

An annual inspection, No. 20161101CH, was conducted on November 1-4, 2016 for the Pacific Energy Mining Company pipeline. An O&M inspection was performed along with a records and field audit. During the inspection 13 non-compliance items were found as noted in our letter to you dated November 21, 2016 (enclosed). A reply in writing from you with your plan of action to correct the 13 non-compliance items and/or the correction to each item was required by December 23, 2016. When a reply was not received, we sent a warning letter on May 16, 2017 (enclosed) requiring a response by May 24, 2017. We received your response letter dated May 25, 2017, stating that all records would be completed by June 30, and July 31, 2017.

A follow-up inspection, No. 20170803JB, was performed on August 3-4, 2017 to verify the completion of the records stated in your May 25, 2017 response letter. During the inspection only one (item #10 below: **192.745 Valve maintenance: Transmission lines**) of the 13 non-compliance items was corrected. The other 12 non-compliance items are pending.

Non-compliance Found:

1. **192.605 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.*
Corrected: The operator provided documentation of valves exercised in 2016 and 2015.
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.*

We need immediate corrective action from you to correct the remaining 12 violations and to ensure the safety of the pipeline. **The corrective action must include changes to plans and procedures along with records of completion of overdue maintenance activities and is required by September 11, 2017.** Be advised, failure to plan and implement corrective action will 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 \$100,000 per violation per day for noncompliance, with a maximum penalty of \$1,000,000 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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Enclosures

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