STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

CERTIFIED MAIL

January 9, 2015

Steve Warsinske
Vice President and Controller
SEMCO ENERGY Gas Company
1411 Third Stree, Suite A
Port Huron, MI 48060

Dear Mr. Warsinske:

RE: 2014 Hazardous Liquid Technical Assistance Inspection – AltaGas Facilities (US) Inc. (Insp. No. 5820)

Staff from the Washington Utilities and Transportation Commission (staff) conducted a hazardous liquid technical assistance inspection inspection from December 1 - 4, 2014, of AltaGas Facilities (US) Inc. (AltaGas). The inspection included a procedures review, a visit to your drug and alcohol collection facility, and inspection of the pipeline facilities.

Our inspection indicates seven areas of concern as noted in the enclosed report. These concerns must be corrected, as they could potentially lead to future violations of state and/or federal pipeline safety rules. Corrections must be made as soon as possible as AltaGas is operating as a DOT regulated hazardous liquid pipeline.

Your response needed
Please review the attached report and respond in writing by February 11, 2015. The response should include how and when you plan to address staff's areas of concern.

What happens after you respond to this letter?
The attached report presents staff's findings and does not constitute a finding of violation by the commission at this time.

After you respond in writing to this letter, staff will review your responses and work with AltaGas personnel to schedule a formal standard inspection.

If you have any questions or if we may be of any assistance, please contact Dennis Ritter at (360) 664-1159. Please refer to the subject matter described above in any future correspondence pertaining to this inspection.

Sincerely,

David D. Lykken
Pipeline Safety Director

Enclosure

cc: David Zoobkoff, Divisional Vice President Operations-Gas, AltaGas Ltd.
David Harris, Chief Operating Officer, AltaGas, Ltd.

UTILITIES AND TRANSPORTATION COMMISSION
2014 Hazardous Liquid Pipeline Safety Technical Assistance Inspection
AltaGas Facilities (US) Inc.

The following areas of concern of Title 49 CFR Part 195, Chapter 480-75 WAC and Title 81 RCW were noted as a result of the 2014 inspection of the AltaGas Facilities (US) Inc. (AltaGas). The inspection included a review of company procedures--operation and maintenance (O&M) manual, emergency response, and field inspection of the pipeline facilities.

AREAS OF CONCERN OR FIELD OBSERVATIONS

1. **49 CFR Part 195.440 Public Awareness**

(a) Each pipeline operator must develop and implement a written continuing public education program that follows the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162 (IBR, see § 195.3).

(b) The operator's program must follow the general program recommendations of API RP 1162 and assess the unique attributes and characteristics of the operator's pipeline and facilities.

(c) The operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and not necessary for safety.

(d) The operator's program must specifically include provisions to educate the public, appropriate government organizations, and persons engaged in excavation related activities on:

(1) Use of a one-call notification system prior to excavation and other damage prevention activities;

(2) Possible hazards associated with unintended releases from a hazardous liquid or carbon dioxide pipeline facility;

(3) Physical indications that such a release may have occurred;

(4) Steps that should be taken for public safety in the event of a hazardous liquid or carbon dioxide pipeline release; and

(5) Procedures to report such an event.

(e) The program must include activities to advise affected municipalities, school districts, businesses, and residents of pipeline facility locations.

(f) The program and the media used must be as comprehensive as necessary to reach all areas in which the operator transports hazardous liquid or carbon dioxide.

(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.

(h) Operators in existence on June 20, 2005, must have completed their written programs no later than June 20, 2006. Upon request, operators must submit their completed programs to PHMSA or, in the case of an intrastate pipeline facility operator, the appropriate State agency.

(i) The operator's program documentation and evaluation results must be available for periodic review by appropriate regulatory agencies.

Finding(s):

Currently, AltaGas does not have a public awareness (PA) plan meeting the requirements of 49 CFR §195.440. They do belong to the one-call system in Whatcom County. AltaGas is unique as a hazardous liquid pipeline operator in that they only have 30-feet of pipeline which is outside of their secure facility. The 40-acre facility is bounded as follows: Conoco Phillips refinery to the south, Intalco Aluminum Smelter to the north, Strait of Georgia to the west. The closest general public neighbor is approximately 6500 feet east. As such, it was difficult to apply API 1162 to this operator. Given this, AltaGas is requesting the use of a modified program. They will check with Conoco Phillips to potentially be included in their PA program. Regardless of the approach, AltaGas must propose a plan which meets the intent of the code language, and ensures that communication is maintained with appropriate government agencies.

2. **49 CFR Part 195.442 Damage Prevention**

(a) Except as provided in paragraph (d) of this section, each operator of a buried pipeline must carry out, in accordance with this section, a written program to prevent damage to that pipeline from excavation activities. For the purpose of this section, the term "excavation activities" includes excavation, blasting, boring, tunneling, backfilling, the removal of aboveground structures by either explosive or mechanical means, and other earthmoving operations.

(b) An operator may comply with any of the requirements of paragraph (c) of this section through participation in a public service program, such as a one-call system, but such participation does not relieve the operator of responsibility for compliance with this section. However, an operator must perform the duties of paragraph (c)(3) of this section through participation in a one-call system, if that one-call system is a qualified one-call system. In areas that are covered by more than one qualified one-call system, an operator need only join one of the qualified one-call systems if there is a central telephone number for excavators to call for excavation activities, or if the one-call systems in those areas communicate with one another. An operator's pipeline system must be covered by a qualified one-call system where there is one in place. For the purposes of this section, a one-call system is considered a "qualified one-call system" if it meets the requirements of section (b)(1) or (b)(2) or this section.

(1) The state has adopted a one-call damage prevention program under §198.37 of this chapter; or

(2) The one-call system:

(i) Is operated in accordance with § 198.39 of this chapter;

(ii) Provides a pipeline operator an opportunity similar to a voluntary participant to have a part in management responsibilities; and

(iii) Assesses a participating pipeline operator a fee that is proportionate to the costs of the one-call system's coverage of the operator's pipeline.

(c) The damage prevention program required by paragraph (a) of this section must, at a minimum:

(1) Include the identity, on a current basis of persons who normally engage in excavation activities in the area in which the pipeline is located.

(2) Provides for notification of the public in the vicinity of the pipeline and actual notification of persons identified in paragraph (c)(1) of this section of the following as often as needed to make them aware of the damage prevention program:

(i) The program's existence and purpose; and

(ii) How to learn the location of underground pipelines before excavation activities are begun.

(3) Provide a means of receiving and recording notification of planned excavation activities.

(4) If the operator has buried pipelines in the area of excavation activity, provide for actual notification of persons who give notice of their intent to excavate of the type of temporary markings to be provided and how to identify the markings.

(5) Provide for temporary marking of buried pipelines in the area of excavation activity before, as far as practical, the activity begins.

(6) Provide as follows for inspection of pipelines that an operator has reason to believe could be damaged by excavation activities.

(i) The inspection must be done as frequently as necessary during and after the activities to verify the integrity of the pipeline; and

(ii) In the case of blasting, any inspection must include leakage surveys.

(d) A damage prevention program under this section is not required for the following pipelines:

(1) Pipelines located offshore.

(2) Pipelines to which access is physically controlled by the operator.

Finding(s):

AltaGas does not have a damage prevention plan meeting the requirements of 49 CFR §195.442. They do belong to the one-call system in Whatcom County. AltaGas believes they fall under the exemption under §195.442(d):

(d) A damage prevention program under this section is not required for the following pipelines:

(2) Pipelines to which access is physically controlled by the operator.

AltaGas contends that the only accessible portion of their pipeline is the 30 feet road crossing adjacent to their main gate, which is always under their control via gate guards or camera surveillance from their control room which is staffed 24/7. AltaGas must propose a plan which meets the intent of the code language and meets the state requirements under WAC 480-75-270 and RCW 19.122.035.

3. **49 CFR Part 195.406 Maximum Operating Pressure**

(a) Except for surge pressures and other variations from normal operations, no operator may operate a pipeline at a pressure that exceeds any of the following:

(1) The internal design pressure of the pipe determined in accordance with §195.106. However, for steel pipe in pipelines being converted under §195.5, if one or more factors of the design formula (§195.106) are unknown, one of the following pressures is to be used as design pressure:

(i) Eighty percent of the first test pressure that produces yield under section N5.0 of Appendix N of ASME B31.8, reduced by the appropriate factors in §§195.106(a) and (e); or

(ii) If the pipe is 323.8 mm (12¾ in) or less outside diameter and is not tested to yield under this paragraph, 1379 kPa (200 psig).

(2) The design pressure of any other component of the pipeline.

(3) Eighty percent of the test pressure for any part of the pipeline which has been pressure tested under Subpart E of this part.

(4) Eighty percent of the factory test pressure or of the prototype test pressure for any individually installed component which is excepted from testing under §195.305.

(5) For pipelines under §§195.302(b)(1) and (b)(2)(i), that have not been pressure tested under Subpart E of this part, 80 percent of the test pressure or highest operating pressure to which the pipeline was subjected for 4 or more continuous hours that can be demonstrated by recording charts or logs made at the time the test or operations were conducted.

(b) No operator may permit the pressure in a pipeline during surges or other variations from normal operations to exceed 110 percent of the operating pressure limit established under paragraph (a) of this section. Each operator must provide adequate controls and protective equipment to control the pressure within this limit.

Finding(s):

AltaGas needs to amend the manual to indicate how they determine the MOP for their pipeline and include a calculation of the actual MOP per 49 CFR §195.406. AltaGas was unable to produce this document during the inspection. AltaGas brought in their engineer during the inspection to discuss the rule. After this discussion, AltaGas was going to have their engineer re-create the documentation per §195.406. Additionally, AltaGas could not locate the hydrotest records for their pipeline. They are conferring with the former operator, Chevron, to see if these records can be found. It may be that AltaGas will need to re-hydrotest their pipeline per 49 CFR §195 Subpart E and WAC 480-75-420 if these documents cannot be located.

4. **49 U.S.C. 60132 National Pipeline Mapping System, Subsection (b)ADB-08-07**

Required Submission of Data to the National Pipeline Mapping System Under the Pipeline Safety Improvement Act of 2002.

Finding(s):
AltaGas amended its manual during the inspection to ensure an annual submission, however, AltaGas also must send updated mapping to NPMS as the current mapping does not include the regulated pipe to and from the tanks, T1 and T2.

5. **RCW 81.88.080 Pipeline Mapping System**

1) The commission shall require hazardous liquid pipeline companies, and gas pipeline companies with interstate pipelines, or gas pipelines operating over two hundred fifty pounds per square inch gauge, to provide accurate maps of these pipelines to specifications developed by the commission sufficient to meet the needs of first responders.

Finding(s):
Per area of concern 3. above, AltaGas believes the MOP of their pipeline will be over 250 psi when re-calculated by their engineer (note, hydrotest records confirming this MOP must be kept by the operator for the life of the pipeline). As such, AltaGas must submit mapping to the UTC per RCW 81.88.080 which conforms to specfications developed by the commission.

6. **WAC 480-75-660 Procedural Manual for Operations, Maintenance, and Emergencies**

(1) Each pipeline company must prepare and follow a procedural manual that includes the following:
- *(a) Procedures required in 49 CFR Section 195.402;*
- *(b) Procedures for responding to earthquakes, including a threshold for line shutoff, and procedures for integrity monitoring prior to restart; and*
- *(c) Procedure for assessing the potential for impacts on the pipeline system due to landslides. Pipeline companies with facilities located within potential landslide areas must develop monitoring and remediation procedures for ensuring that pipeline integrity is maintained in these areas.*

(2) Each pipeline company shall submit a copy of its current procedural manual to the commission and must submit any revisions to the procedural manual to the commission within thirty days of the procedural manual change. A new pipeline company must submit its procedural manual no later than sixty days prior to startup.

Findings:
AltaGas has not submitted its procedural manual (O&M manual) per 480-75-660(2). During the inspection, AltaGas was informed of this requirement and what constitutes their O&M manual. AltaGas must submit these documents to the UTC by January 31, 2015.

7. **49 CFR Part 199 and Part 40 – Drug and Alcohol Testing Regulations and Procedures**

Finding(s):

In evaluating the current AltaGas Drug and Alcohol Plan, it became apparent that significant improvements to the plan were necessary in order to meet the code requirements of 49 CFR §199 and §40. Examples of other drug and alcohol plans were reviewed showing the necessary language required in the plan and why revisions were necessary to the current AltaGas plan. AltaGas must revise it's current plan to comply with §199 and §40. This plan must also be submitted as part of the procedures manual as noted in area of concern 6. above.