

WARNING LETTER

CERTIFIED - RETURN RECEIPT REQUESTED

January 24, 1997

Mr. John Landrum
Kenai Region Manager
North American E&P
Phillips Petroleum Company
P.O. Box Drawer 66
Kenai, AK 99611

CPF No. 57301-W

Dear Mr. Landrum:

On November 21 and 22, 1996, a representative of the Western Region, Office of Pipeline Safety, pursuant to Chapter 601 of 49 United States Code, conducted an onsite safety inspection of your Liquefied Natural Gas (LNG) facilities and records in Kenai, Alaska.

As a result of the inspection, it appears that Phillips has committed probable violations, as noted below, of pipeline safety regulations, Title 49, Code of Federal Regulations, Part 193. The probable violations are:

- 1) § 193.2627 requires the operator to protect each exposed component that is subject to atmospheric corrosive attack from atmospheric corrosion by -- (a) Material that has been designed and selected to resist the corrosive atmosphere involved; or (b) Suitable coating of jacketing.**

The propane transfer piping between the transfer hoses and refrigerant storage tank is not protected from atmospheric corrosion. Widespread corrosion was observed on the steel piping, but the full depth of corrosion was not known. Some minor pitting was observed on the piping. This piping is annually used for transferring imported refrigerants from tanker trucks to facility storage. The maximum transfer pressure is only 35 psi. Nevertheless, a corrosion-induced perforation may cause a combustible atmosphere to occur during the transfer operations. The operator must provide proper protection against atmospheric

corrosion.

page 2

- 2) **§ 193.2635(d) requires operators to inspect at intervals not exceeding 3 years each component that is protected from atmospheric corrosion.**

The operator does not monitor atmospheric corrosion on the refrigerant transfer piping. Once corrosion protection is provided on the transfer lines, it must be monitored and recorded at the required intervals to give early warning of ineffective corrosion protection.

Under 49 United States Code, §60122, you are subject to a civil penalty not to exceed \$25,000 for each violation for each day the violation persists up to a maximum of \$500,000 for any related series of violations.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to assess you a civil penalty. We advise you, however, that should you not correct the circumstances leading to the violations, we will take enforcement action when and if the continued violations come to our attention.

You will not hear from us again with regard to the noted inspection and our subsequent action. Because of the good faith that you have exhibited up to this time, we expect that you will act to bring your LNG facility, including operation and maintenance, into compliance with pipeline safety regulations.

Sincerely,

Edward J. Ondak
Director, Western Region