

PUBLIC UTILITIES COMMISSION

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September 24, 2015

Robert Russell, Vice President
Lodi Gas Storage, L.L.C
1520 West Kettleman Lane, Suite A1
Lodi, CA 95242

GI-2015-06-LGS37-01
GI-2015-06-LGS37-05
GI-2015-06-LGS37-06
GI-2015-06-LGS37-15

SUBJECT: General Order 112 Gas Inspection of Lodi Gas Storage

Dear Mr. Russell:

The Safety and Enforcement Division (SED) of the California Public Utilities Commission conducted a General Order 112 inspection of Lodi Gas Storage (LGS) on June 15 to 19 and June 30 to July 2, 2015.¹ The inspection included a review of the LGS corrosion monitoring records, public awareness program, and anti-drug and alcohol plan for the period of 2012 through 2014, as well as both compressor stations and a representative field sample of the LGS facilities in Lodi and Kirby Hills. SED staff also reviewed LGS's operator qualification records, which included field observation of randomly selected individuals performing covered tasks.

SED's findings are noted in the Summary of Inspection Findings (Summary) which is enclosed with this letter. The Summary reflects only those particular records and pipeline facilities that SED inspected during the inspection.

Within 30 days of your receipt of this letter, please provide a written response indicating the measures taken by LGS to address the violations and observations noted in the Summary. Pursuant to Commission Resolution ALJ-274, SED staff has the authority to issue citations for each violation found during the inspection.

If you have any questions, please contact Willard Lam at (415) 703-1327 or by email at wlm@cpuc.ca.gov.

Sincerely,

A handwritten signature in blue ink that reads "Kenneth A. Bruno".

Kenneth Bruno
Program Manager
Gas Safety and Reliability Branch
Safety and Enforcement Division

Enclosure: Summary of Inspection Findings

cc: Greg Clark, Compliance Manager
Andy Anderson, Senior Operations Manager
Eric Kuykendall, Operations Manager

¹ General Order 112-F was adopted by the Commission on June 25, 2015 via Decision 15-06-044.

SUMMARY OF INSPECTION FINDINGS

I. Probable Violations

A. Title 49 Code of Federal Regulations (CFR) §192.469 states:

“Each pipeline under cathodic protection required by this subpart must have sufficient test stations or other contact points for electrical measurement to determine the adequacy of cathodic protection.”

Additionally,

Title 49 CFR §192.605(a) states:

“Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response.”

SED review of corrosion records found multiple instances of Lodi Gas Storage failing to record annual pipe-to-soil readings due to damaged or missing Electrolysis Test Stations (ETS). LGS relied on a third party contractor, Farwest Corrosion Control Company (Farwest) to be the subject matter expert (SME) and develop the ETS locations to provide an adequate determination of the cathodic protection on the pipeline. LGS explained that land owner and/or budget constraints caused difficulty in accessing the ETS locations, and contends that adjacent ETS locations could be used in lieu of the damaged or missing ETS location. However, LGS did not provide justification or consulted with Farwest to conduct a technical analysis (i.e. close interval survey) to demonstrate that the exclusion of those ETS locations still achieved an adequate sample of the overall cathodic protection level of the system.

Furthermore, LGS Procedure 6.05 Paragraph 4.6 states, “Recommended test station spacing shall generally not exceed 1-mile... Test leads found to be shorted and/or non-conductive during pipeline electrical potential surveys, shall be repaired or replaced prior to the next required survey”. Thus, LGS is in violation of 49 CFR §192.605(a) for failure to repair or replace the damaged or missing test leads prior to the next required survey, and 49 CFR §192.469 for failure to demonstrate that it maintains sufficient test stations to determine adequacy of cathodic protection.

Table 1 lists the locations with damaged or missing ETS’s for the period of 2012 through 2014.

Table 1. Damaged or Missing ETS locations

System	Station	Map	Comments
Lodi 24 inch	707+45	414M0126	Damaged or Missing ETS in 2012, 2013, 2014
Lodi 24 inch	808+37	414M0218	Damaged or Missing ETS in 2012, 2013, 2014
Lodi 24 inch	930+00	414M0220	Damaged or Missing ETS in 2013, 2014
Lodi 24 inch	1558+63	414M0234	Damaged or Missing ETS in 2013, 2014
Lodi 24 inch	1581+72	414M0234	Damaged or Missing ETS in 2014
Kirby 16 inch	80+81	012M103	Damaged or Missing ETS in 2012, 2013, 2014
Kirby 16 inch	259+77	012M106	Damaged or Missing ETS in 2012
Kirby 16 inch	275+05	012M107	Damaged or Missing ETS in 2012

Unless LGS can provide justification to demonstrate its contention that remaining ETS locations provide adequate determination of cathodic protection, LGS must repair or replace damaged ETS as required by its procedure.

B. Title 49 Code of Federal Regulations (CFR) §192.465(b) states:

“Each cathodic protection rectifier or other impressed current power source must be inspected six times each calendar year, but with intervals not exceeding 2 ½ months, to insure that it is operating.”

LGS contracts Farwest to perform all corrosion related covered tasks for LGS facilities. Farwest performs the annual pipe-to-soil reading and rectifier inspections for LGS. The Farwest corrosion inspection reports for years 2012 through 2014 recommend LGS to monitor and record rectifier voltage and current outputs on a bimonthly schedule. During the inspection interval from 2012 through 2014, LGS did not have any personnel operator qualified to perform any corrosion related covered tasks. SED observed only one rectifier inspection per calendar year, performed by Farwest. LGS failed to perform rectifier inspections at a minimum interval of six times each calendar year for 2012 through 2014, and therefore is in violation of 49 CFR §192.465(b).

II. Areas of Concern/ Observations/ Recommendations

1. LGS has chosen to use companywide consultants managed by Buckeye Partners, L.P. to develop and implement the written continuing public education program that follows the baseline guidance provided in American Petroleum Institute’s (API) recommended practice (RP) 1162. The baseline intent of 49 CFR §192.616(b) to assess the unique attributes and characteristics of the operator’s pipeline and facilities within the local area of LGS’s facilities could be better served by conducting grass-roots localized outreach to the 4 Stakeholder Audience’s listed within API 1162 Table 2-1.

In addition, API section 2.4.7, Operator Employee Participation states in part the following: “As members of communities and community services organizations,

informed employees of a pipeline operator can play an important role in promoting pipeline awareness. Operator employees can be a key part of public awareness efforts. Grass-roots employee contacts and communications can be particularly important in effectively reaching out to a community.”

During the inspection, SED discovered LGS employees discussed one-on-one outreach to specific property owners along various parts of the transmission pipelines. However, LGS does not document any of the one-on-one outreach efforts as part of the Public Awareness Procedure in 2012, 2013, or 2014. SED recommends documenting these outreach efforts to further demonstrate compliance with 49 CFR §192.616(b).

2. LGS uses third party resources PAPA and Paradigm to develop and implement the majority of the Public Awareness Procedure included in the November 2014 Operations and Maintenance Manual. Records were not readily available from both of these sources during the inspection and records were inconsistent in part due to the annual changes to the Public Awareness Procedure. In addition, both of these companies compile and distribute their information differently. If LGS continues the use of both companies in the future, SED recommends LGS use one consistent set of records from both companies to ensure program documentation and evaluation results are consistent and to avoid overlap of specific tasks contained within the Public Awareness Procedure.