

INTERMOUNTAIN GAS COMPANY

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June 20, 2017

V. Joe Leckie
Executive Director
Idaho Public Utilities Commission
472 West Washington Street
Boise, ID 83702

Dear Mr. Leckie;

This letter is in response to The Idaho Public Utility Commission's Notice of Probable Violation, dated May 16, 2017, identifying three probable violations relating to the Nampa Gate Station (#30069) event occurring December 14th – December 16th, 2016.

Probable Violation 1 – IGC Failed to timely notify the National Response Center (NRC) per IGC response on PHMSA Form F 7100.0, Part A -Key Report Information line item #6 -National Response Center Report Number and item #7 -time reported to NRC.

Intermountain Response

IGC did not notify the NRC initially because the event did not rise to the level of an emergency requiring the mobilization of Federal Agencies. Upon further review, it was later determined IGC unnecessarily filed the PHMSA Incident Report (20160128-1645) for the Nampa Gate Station event. The Nampa Gate Station relief blowing with unintentional gas loss more than three million cubic feet was not a reportable incident, therefore nullifying the need to notify the NRC.

This determination was made after researching the Code of Federal Regulations Part 191.3 – Definition of an Incident. PHMSA updated the definition of an incident as part of Amendment 191-21, Pipeline Safety: Updates to Pipeline and LNG Reporting Requirements. This rule change was published in the Federal Register, Volume 75, No. 227 on Friday, November 26, 2010 and effective on January 1, 2011 (Exhibit 1 - pages 72882-72885).

It was in this rule change that PHMSA changed the definition of an incident to separate the gas loss costs from the estimated property damage of \$50,000. This was done to eliminate the cost of gas as a component of the \$50,000 reporting threshold. PHMSA initially added a new line to the definition in the proposed rule: (iii) *Estimated gas loss of three million cubic feet or more* (Exhibit 2 – Proposed Rule – Page 31683). After reviewing the proposed rule language, stakeholders had concerns “that intentional releases, including from appurtenances designed to release gas (e.g., relief valves) should not require reporting because these are not consequential incidents (Exhibit 1 – Page 72883).” PHMSA’s response in the final rule agreed with stakeholders “that intentional, controlled releases are not events with significant safety consequences. PHMSA revised the final rule to clarify that reporting under the volume threshold is only required for ‘unintended’ releases that exceed the specified amount (Exhibit 1 – page 72884).” PHMSA then revised the definition of an Incident to include the word “**Unintentional**” to the final rule (Exhibit 1 – page 72905):

Incident means any of the following events:

- (1) An event that involves a release of gas from a pipeline, or of liquefied natural gas, liquefied petroleum gas, refrigerant gas, or gas from an LNG facility, and that results in one or more of the following consequences:
 - (i) A death, or personal injury necessitating in-patient hospitalization;
 - (ii) Estimated property damage of \$50,000 or more, including loss to the operator and others, or both, but excluding cost of gas lost;
 - (iii) **Unintentional** estimated gas loss of three million cubic feet or more

This clarified the meaning of unintentional gas loss. Prior to this understanding, IGC misinterpreted unintentional gas loss to include gas loss from regulator station reliefs meeting the three million cubic foot threshold. This led to the erroneous decision to report the over 3 million gas loss from the Nampa Gate event as a PHMSA reportable incident. Thus, IGC plans to retract the Incident Report 20160128-1645.

Additionally, IGC will revise Procedure 3010.7 - Emergency Response Plan to include clarifying language ensuring intentional releases, including from appurtenances designed to release gas (e.g., relief valves, pipeline purges) do not require reporting to PHMSA.

IGC will work with the IPUC Pipeline Safety Staff to review the reporting processes and procedures to ensure it is clear when regulatory agency reports are required.

Probable Violation 2 – IGC failed to produce requested Forms 431 Material and/or Component Failure Report and 433 Root Cause Analysis Worksheet.

Intermountain Response

There was no component failure requiring Forms 431 or 433 to be completed. The safeguards installed on the system worked as intended to protect the distribution system from overpressure. The pilot filter performed as intended by minimizing contaminants from entering the pilot. The liquid contaminant restricted the pilot supply, causing reduced pressure above the diaphragm, allowing the inlet pressure to lift the diaphragm off the throttle plate and the regulator to open. Subsequently the relief valve opened at the designated set pressure to keep the pipeline from over pressuring the downstream distribution system.

IGC's definition of component, in Procedure 3370.2 – Material and/or Component Failures, is as follows, "Component...any part or system of parts within a unit including valves, regulators, strainers or other manufactured devices whose integrity or reliability is necessary to maintain safety." This definition would include the pilot filter. The definition of failure in the same procedure is as follows, "any time a component or material is not performing as intended, expected, warranted or represented." The pilot filter was performing as expected, so this did not meet the definition of a failure. Therefore, there was no need to complete form 431, Material and/or Component Failure Report or form 433 Root Cause Analysis Worksheet.

IPUC provided a copy of PHMSA: Stakeholder Communications – Equipment Failure Fact Sheet as a reference. The section outlining "what is equipment failure and why does it occur?" focuses in on a failure of equipment. In this context, IGC does not view a filter performing as designed as equipment failure.

Regarding a proposed violation of Part 192.605(a), IGC contends the procedure was followed so there is no violation.

IGC plans to add clarifying language to Procedure 3370.2 to give examples of what constitutes a failure of components and materials. Additionally, IGC will evaluate the root cause analysis process to determine the proper timing of the analysis and if the analysis should be expanded to other pipeline related events not rising to the level of an incident. IGC will work with the IPUC Pipeline Safety Staff to ensure the procedures address Staff concerns.

Probable Violation 3: Intermountain Gas Company failed to report a release at the Nampa Gate Regulator Station 30069 occurring on December 16, 2016 at 4:41pm. (Shortened)

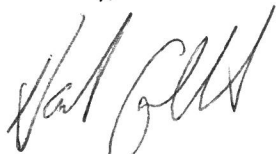
Intermountain Response

Initially IGC filed the two-day event as one PHMSA reportable incident, in hindsight IGC should not have reported either as an incident, as outlined in the response above to Probable Violation 1. The Nampa Gate Station relief vent had controlled gas loss, so it did not meet the unintentional gas loss definition; thus, no PHMSA incident report was necessary.

In closing, IGC is committed to pipeline safety and continuous improvement. This Notice of Probable Violation has shed light on the need to improve reporting procedures, material/component failure procedures and root cause analysis processes. IGC will work with the IPUC Pipeline Safety Staff to improve these procedures and processes.

If you have any further questions regarding this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Hart Gilchrist', written in a cursive style.

Hart Gilchrist
Vice President, Operations