

## NOTICE OF AMENDMENT

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 26, 2011

Mr. Daniel Knepper  
President and Chief Operating Officer  
Cenex Pipeline Company  
803 Highway 212 South  
Laurel, MT 59044

**CPF 5-2011-5018M**

Dear Mr. Knepper:

On August 16 through September 03, 2010, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected CHS's integrity management program procedures to include the Cenex Pipeline Company (Cenex) in Laurel, Montana.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Cenex's plans or procedures, as described below:

**1. §195.452 Pipeline integrity management in high consequence areas**

**§195.452(f) What are the elements of an integrity management program? An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:**

**A) §195.452(f)(5) A continual process of assessment and evaluation to maintain a pipeline's integrity (see paragraph (j) of this section);**

CHS's Integrity Management Program (IMP) pertaining to continual process of assessment and evaluation refers a CHS Procedure titled "Data Validation and Integration" at the following locations: Article 4.5 Assessment Planning page 21, Article 6.5 Repair Procedures page 52, Article 7.9 Evaluating Integrity Assessment Results page 61, and Verification and Remediation Digs page 182. However, this procedure could not be found within their IMP Manual. CHS/Cenex must amend their IMP Manual to reference the correct procedures that CHS/Cenex will be used during the evaluation process and other various pipeline integrity activities to meet the requirement of Part 195.452(f)(5).

**B) §195.452(f)(5) A continual process of assessment and evaluation to maintain a pipeline's integrity (see paragraph (j) of this section);**

**(j) What is a continual process of evaluation and assessment to maintain a pipeline's integrity?**

**(1) General. After completing the baseline integrity assessment, an operator must continue to assess the line pipe at specified intervals and periodically evaluate the integrity of each pipeline segment that could affect a high consequence area.**

CHS's IMP pertaining to continual process of evaluation and assessment the line pipe at specified intervals after completing the baseline integrity assessment is inadequate. At the time of inspection, CHS/Cenex described a process for completing annual evaluation and assessment reviews of their pipeline that was in disagreement with CHS's IMP Article 7.1 "Annual Evaluation and Assessment Review. CHS/Cenex must amend their procedures to accurately describe the process that CHS/Cenex will be used during their annual evaluation and assessment reviews of their pipeline to meet the requirement of Part 195.452(j)(1).

**C) §195.452(f) (5) A continual process of assessment and evaluation to maintain a pipeline's integrity (see paragraph (j) of this section);**

**(j) What is a continual process of evaluation and assessment to maintain a pipeline's integrity?**

**(4) Variance from the 5-year intervals in limited situations-**

**(i) Engineering basis. An operator may be able to justify an engineering basis for a longer assessment interval on a segment of line pipe. The justification must be supported by a reliable engineering evaluation combined with the use of other technology, such as external monitoring technology, that provides an understanding of the condition of the line pipe equivalent to that which can be obtained from the assessment methods allowed in paragraph (j)(5) of this section. An operator must notify OPS 270 days before the end of the five-year (or less) interval of the justification for a longer interval, and propose an alternative interval. An operator must send the notice to the address specified in paragraph (m) of this section.**

CHS's IMP did not include the PHMSA address where notifications pertaining to the variance from the five (5) year assessment intervals are required to meet the requirement of Part 195.452(j)(4)(i).

**D) §195.452(f)(4) Criteria for remedial actions to address integrity issues raised by the assessment methods and information analysis (see paragraph (h) of this section);**

**(h) What actions must an operator take to address integrity issues?**

**(1) General requirements. An operator must take prompt action to address all anomalous conditions the operator discovers through the integrity assessment or information analysis. In addressing all conditions, an operator must evaluate all anomalous conditions and remediate those that could reduce a pipeline's integrity. An operator must be able to demonstrate that the remediation of the condition will ensure the condition is unlikely to pose a threat to the long-term integrity of the pipeline. An operator must comply with § 195.422 when making a repair.**

**(i) Temporary pressure reduction. An operator must notify PHMSA, in accordance with paragraph (m) of this section, if the operator cannot meet the schedule for evaluation and remediation required under paragraph (h)(3) of this section and cannot provide safety through a temporary reduction in operating pressure.**

**(ii) Long-term pressure reduction. When a pressure reduction exceeds 365 days, the operator must notify PHMSA in accordance with paragraph (m) of this section and explain the reasons for the delay. An operator must also take further remedial action to ensure the safety of the pipeline.**

CHS's IMP did not include the PHMSA address where a notification must be sent whenever Cenex cannot adhere to either a 365 day limit on a pressure reduction or repair/remediation of an anomaly within the required time limits. Article 12.6 from their IMP Manual states, "If CHS determines that it cannot complete repair/remediation of an anomaly within the time limits specified in its Repair/Remediation Criteria, CHS will submit such notice to the address specified in §195.452(m). The notice will provide a complete explanation of the situation and proposed plan for repair/remediation completion." An operator's procedure cannot refer to Part 195 for instructions that its personnel must take to be in compliance with Part 195.

**E) §195.452(f)(4) Criteria for remedial actions to address integrity issues raised by the assessment methods and information analysis (see paragraph (h) of this section);**

**(h) What actions must an operator take to address integrity issues?**

**(4) Special requirements for scheduling remediation**

**(i) Immediate repair conditions. An operator's evaluation and remediation schedule must provide for immediate repair conditions. To maintain safety, an operator must temporarily reduce operating pressure or shut down the pipeline until the operator completes the repair of these conditions. An**

**operator must calculate the temporary reduction in operating pressure using the formula in Section 451.6.2.2 (b) of ANSI/ ASME B31.4 (incorporated by reference, see § 195.3). An operator must treat the following conditions as immediate repair conditions:**

- (A) Metal loss greater than 80% of nominal wall regardless of dimensions.**
- (B) A calculation of the remaining strength of the pipe shows a predicted burst pressure less than the established maximum operating pressure at the location of the anomaly. Suitable remaining strength calculation methods include, but are not limited to, ASME/ANSI B31G ("Manual for Determining the Remaining Strength of Corroded Pipelines" (1991) or AGA Pipeline Research Committee Project PR-3-805 ("A Modified Criterion for Evaluating the Remaining Strength of Corroded Pipe" (December 1989)). These documents are incorporated by reference and are available at the addresses listed in Sec. 195.3.**
- (C) A dent located on the top of the pipeline (above the 4 and 8 o'clock positions) that has any indication of metal loss, cracking or a stress riser.**
- (D) A dent located on the top of the pipeline (above the 4 and 8 o'clock positions) with a depth greater than 6% of the nominal pipe diameter.**
- (E) An anomaly that in the judgment of the person designated by the operator to evaluate the assessment results requires immediate action.**

CHS's IMP for responding to immediate repair conditions did not reference their O&M Manual's Safety-Related Condition Report (SRCR) procedure. A safety-related condition must be filed if the repair cannot be made within five (5) days of determination or ten (10) days of discovery. CHS/Cenex must amend their procedures to include a reporting requirement pertaining to safety-related condition report.

**F) §195.452(f)(3) An analysis that integrates all available information about the integrity of the entire pipeline and the consequences of a failure (see paragraph (g) of this section);**

- (g) What is an information analysis? In periodically evaluating the integrity of each pipeline segment (paragraph (j) of this section), an operator must analyze all available information about the integrity of the entire pipeline and the consequences of a failure. This information includes:**
  - (3) Data gathered in conjunction with other inspections, tests, surveillance and patrols required by this Part, including, corrosion control monitoring and cathodic protection surveys;**

CHS's IMP pertaining to information analysis did not adequately demonstrate the decision process to meet the requirement of Part 195.452(g). CHS/Cenex conducted their annual evaluations by using the CHS risk analysis algorithm as a tool to integrate and analyze integrity information related to their pipeline. However, the risk analysis algorithm under "Threats" categories did not include all the factors that may have been discovered since the last annual evaluation and assessment review. As an example, there were no risk scoring items for defects found attributable to the third party intervention, corrosion, pipe manufacturing, poor construction practices, operator error, or natural events. It is important

that the risk assessment is reflected the defects found in the past attributable to various threats to the pipeline if the risk assessment is used as a tool for information analysis during evaluations.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b). If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 60 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

It is requested (not mandated) that Cenex maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration.

In correspondence concerning this matter, please refer to **CPF 5-2011-5018M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Chris Hoidal  
Director, Western Region  
Pipeline and Hazardous Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*

cc: PHP-60 Compliance Registry  
PHP-500 G. Davis (#129363)