

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 15, 2015

Richard S. Petersen
President
Cenex Pipeline, LLC
PO Box 909
Laurel, MT 59044

CPF 5-2015-5020S

Dear Mr. Petersen:

Enclosed is a Notice of Proposed Safety Order (Notice) issued in the above-referenced case. The Notice proposes that you take certain measures with respect to your Cenex Products Pipeline to ensure pipeline safety. Your options for responding are set forth in the Notice. Your receipt of the Notice constitutes service of that document under 49 C.F.R. § 190.5.

We look forward to a successful resolution to ensure pipeline safety. Please direct any questions on this matter to me at 720-963-3160.

Sincerely,

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

Enclosure: Notice of Proposed Safety Order

Cc: Michelle Slyder, DOT Compliance Manager
Corey McIlvain, Manager, Pipeline Operations

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY**

In the Matter of)	
)	
Cenex Pipeline, LLC,)	CPF No. 5-2015-5020S
)	
Respondent)	
)	

NOTICE OF PROPOSED SAFETY ORDER

Background and Purpose

Pursuant to Chapter 601 of title 49, United States Code, the Pipeline and Hazardous Materials Safety Administration (PHMSA) has initiated an investigation of the safety of your Cenex Products Pipeline in Montana and North Dakota.

As a result of the investigation, it appears that a condition exists on your pipeline facilities that pose a pipeline integrity risk to public safety, property or the environment. Pursuant to 49 U.S.C. § 60117(1), PHMSA issues this Notice of Proposed Safety Order, notifying you of the preliminary findings of the investigation, and proposing that you take measures to ensure that the public, property, and the environment are protected from the potential risk.

Preliminary Findings

- The Cenex Products Pipeline is an 8-inch steel pipeline transporting gasoline and diesel fuel from Laurel, Montana, to Fargo, North Dakota.
- The pipeline was originally constructed in 1960. The pipe ranges in wall thickness from 0.188-inch to 0.500-inch, is a mix of seamless and low-frequency electric resistance welded pipe, and the grade of steel ranges from X46 to unknown. The coating type includes both coal tar bitumastic and epoxy applications.
- The pipeline was hydro-tested in 1999, inspected with a magnetic-flux leakage (MFL) tool in 2013, and an ultrasonic (UT) tool in 2015.

- Cenex filed a Safety Related Condition Report (SRCR, report #20150009) to PHMSA on January 23, 2015, stating: “Cenex Pipeline is taking a precautionary 20% pressure reduction relating to the approximately 10 mile pipeline segment immediately downstream of the Glendive Terminal. This pressure reduction is being implemented to allow CHS [Cenex] to further investigate concerns regarding in-line inspection results potentially being under reported. CHS has inspected 5 anomalies in this area and found 4 of the 5 callouts were “under-called” due to the presence of iron oxide within the pits.” Cenex indicated that it would perform additional external pipeline inspections to determine the extent of the issue and would perform appropriate pipeline repairs.
- The maximum operating pressure (MOP) of the pipeline at the discharge of the Glendive Station is 1231 psi. Following the SRCR, the company reduced the operating pressure to 80% of the highest measured discharge pressure from Glendive Station during the 30 days preceding the report. The current high discharge set point at Glendive Station is 935 psi.
- In response to the SRCR, PHMSA reviewed Cenex’s records relating to the pipeline from August 31 to September 8, 2015.
- A close interval survey report dated December 2013 indicates that a significant portion of the pipeline between the Glendive Pump Station and the Minot Pump Station has inadequate levels of cathodic protection to meet the requirements of 49 CFR § 195.571.
- The Affected Segment of the pipeline runs from Glendive Pump Station in Montana to Minot Pump Station in North Dakota.
- Cenex repaired 40 anomalies on the Affected Segment between January and August, 2015, after the MFL and UT in-line inspection (ILI) results indicated many external metal loss anomalies. CHS appears to have adequately repaired those anomalies. The ILI results showed a large number of anomalies that do not require repair, but they demonstrate that the pipeline is experiencing active corrosion.
- The Affected Segment begins at Glendive, Montana, and heads northeast to Highway 16, crosses the highway and Yellowstone River a few miles south of Sidney, MT and heads northeast to Minot, North Dakota. The Affected Segment crosses several high consequence areas, including Glendive, several populated areas, the Yellowstone River, and smaller streams which could affect the Yellowstone River.
- Cenex has indicated that they are working to address the cathodic protection (CP) issues but it is unclear as to when adequate cathodic protection levels will be obtained. Cenex has not had a full-time NACE-certified corrosion specialist for many years. They currently rely on third party contractors to provide support to their in house corrosion technicians. No comprehensive strategy appears to be in place to achieve required CP levels.

- Until adequate CP can be provided to the pipeline, external metal loss will likely continue, which will increase the potential for a leak in this segment of the pipeline.

Proposed Issuance of Safety Order

Section 60117(l) of Title 49, United States Code, provides for the issuance of a safety order, after reasonable notice and the opportunity for a hearing, requiring corrective measures, which may include physical inspection, testing, repair, or other action, as appropriate. The basis for making the determination that a pipeline facility has a condition or conditions that pose a pipeline integrity risk to public safety, property, or the environment is set forth both in the above-referenced statute and 49 C.F.R. § 190.239, a copy of which is enclosed.

After evaluating the foregoing preliminary findings of fact and considering the age of the pipe involved, the manufacturer, the hazardous nature of the product transported and the pressure required for transporting such product, the characteristics of the geographical areas where the pipeline facility is located, and the likelihood that the conditions could worsen or develop on other areas of the pipeline and potentially impact its serviceability, it appears that the continued operation of the affected pipeline without corrective measures would pose a pipeline integrity risk to public safety, property, or the environment.

Accordingly, PHMSA issues this Notice of Proposed Safety Order to notify Respondent of the proposed issuance of a safety order and to propose that Respondent take measures specified herein to address the potential risk.

Response to this Notice

In accordance with § 190.239, you have 30 days following receipt of this Notice to submit a written response to the official who issued the Notice. If you do not respond within 30 days, this constitutes a waiver of your right to contest 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 Safety Order. In your response, you may notify that official that you intend to comply with the terms of the Notice as proposed, or you may request that an informal consultation be scheduled (you will also have the opportunity to request an administrative hearing before a safety order is issued). Informal consultation provides you with the opportunity to explain the circumstances associated with the risk condition(s) alleged in the notice and, as appropriate, to present a proposal for a work plan or other remedial measures, without prejudice to your position in any subsequent hearing. If you and PHMSA agree within 30 days of informal consultation on a plan and schedule for you to address each identified risk condition, we may enter into a written consent agreement (PHMSA would then issue an administrative consent order incorporating the terms of the agreement). If a consent agreement is not reached, or if you have elected not to request informal consultation, you may request an administrative hearing in writing within 30 days following receipt of the Notice or within 10 days following the conclusion of an informal consultation that did not result in a consent agreement, as applicable. Following a hearing, if the Associate Administrator finds the facility to have a condition that poses a pipeline integrity risk to the public, property, or the environment in accordance with § 190.239, the Associate Administrator may issue a safety order

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).

In your correspondence on this matter, please refer to CPF **5-2015-5020S** and for each document you submit, please provide a copy in electronic format whenever possible.

Proposed Corrective Measures

Pursuant to 49 U.S.C. § 60117(1) and 49 C.F.R. § 190.239, PHMSA proposes to issue to Cenex a safety order incorporating the following remedial requirements with respect to the Affected Segment:

1. Maintain the 20% reduction in maximum operating pressure until authorized by the Director.
2. Within 14 days after a safety order is issued, submit a report detailing actions taken to mitigate the Safety-Related Condition including ILI surveys (dates and summary of findings), repairs made, and worst-case defects still existing in the Affected Segment.
3. Within 14 days after a safety order is issued, hire or retain on a full-time basis a NACE-certified cathodic protection specialist to review your pipeline cathodic protection system and to make recommendations for how to restore and maintain adequate cathodic protection to the pipeline.
4. Within 30 days after a safety order is issued, develop and submit to the Director for approval a written remedial work plan that includes corrective measures. The work plan must include:
 - (A) The performance of additional field testing, inspections, and evaluations to determine whether and to what extent the conditions described in this Notice are present elsewhere on the Affected Segment. Make the results of the inspections, field excavations, and evaluations available to PHMSA or its representative;
 - (B) The performance of repairs or other corrective measures that fully remediate the identified risk conditions. Include provisions for pipe replacement and continuing long-term periodic testing and integrity verification measures to ensure the ongoing safe operation of the pipeline considering the results of the analyses, inspections, and corrective measures undertaken pursuant to the safety order; and
 - (C) A proposed schedule for completion of the actions required by paragraphs (A) and (B) of this Item.

5. Revise the remedial work plan as necessary to incorporate new information obtained during the evaluations and associated remedial activities. Submit any such plan revisions to the Director for prior approval. The Director may approve plan elements incrementally. The remedial work plan shall become incorporated into the safety order.
6. Implement the work plan as it is approved by the Director, including any revisions to the plan.
7. Submit quarterly reports to the Director that: (1) include available data and results of the testing and evaluations required by the safety order; and (2) describe the progress of the repairs and other remedial actions being undertaken.
8. The Director may grant an extension of time for compliance with any of the terms of the safety order upon a written request timely submitted demonstrating good cause for an extension.
9. Respondent may appeal any decision of the Director to the Associate Administrator for Pipeline Safety. Decisions of the Associate Administrator shall be final.
10. PHMSA requests that Cenex maintain documentation of the safety improvement costs associated with fulfilling this Safety Order and submit the total to the Director, Western Region, Pipeline and Hazardous Materials Safety Administration. PHMSA requests that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.

The actions proposed by this Notice of Proposed Safety Order are in addition to and do not waive any requirements that apply to Respondent's pipeline system under 49 C.F.R. Parts 190 through 199, under any other order issued to Respondent under authority of 49 U.S.C. § 60101 et seq., or under any other provision of Federal or state law.

After receiving and analyzing additional data in the course of this proceeding and implementation of the work plan, PHMSA may identify other safety measures that need to be taken. In that event, Respondent will be notified of any proposed additional measures and, if necessary, amendments to the work plan or safety order.

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

Date issued