



U.S. Department  
of Transportation

**Pipeline and  
Hazardous Materials Safety  
Administration**

12300 W. Dakota Ave., Suite 110  
Lakewood, CO 80228

## NOTICE OF AMENDMENT

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 4, 2007

Mr. Dan Knepper  
VP Energy Operations  
CHS Inc.  
803 Highway 212 South  
Laurel, MT 59044

SENT TO COMPLIANCE REGISTRY  
Hardcopy  Electronically   
# of Copies 1 / Date 4/4/07

CPF 5-2007-5014M

Dear Mr. Knepper:

On August 28 through 31, 2006 a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected CHS Inc.'s procedures for integrity management in Laurel, Montana.

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

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

**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:**

- (1) A process for identifying which pipeline segments could affect a high consequence area;**
- (2) A baseline assessment plan meeting the requirements of paragraph (c) of this section;**
- (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);

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

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

(6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section);

(8) A process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information (see paragraph (h)(2) of this section).

• **Item 1.A: §195.452(f)(1)**

CHS's Integrity Management Program (IMP) does not contain enough detail regarding the application of airborne toxicity buffers in determining which pipeline segments could affect HCAs.

• **Item 1.B: §195 452(f)(1)**

CHS's IMP does not contain the process used by CHS to analyze the overland flow of liquids released from potential pipeline failures. This process must have sufficient detail to ensure repeatability including the assumptions used for spill volume, the buffer size and the effects of topography.

• **Item 1.C: §195.452(f)(1)**

CHS's IMP does not document the technical justification used for excluding tank volumes in their determination of facilities and adjacent piping that may impact HCAs.

• **Item 1.D: §195 452(f)(2)**

CHS's Baseline Assessment Plan has no provisions for assessing an each pipeline segment's susceptibility to SCC. CHS stated that they address SCC threats by performing magnetic particle testing for all excavations involving repairs to dents and gouge type anomalies.

• **Item 1.E: §195 452(f)(3)**

CHS's IMP does not contain a risk analysis that specifically addresses facilities and their unique attributes.

• **Item 1.F: §195 452(f)(4)**

CHS's IMP definition of "discovery" does not define a "discovery" process or provide requirements regarding how much time can be taken to review information and declare

“discovery” following receipt of vendor reports or other information that includes evidence of anomalies.

- **Item 1.G: §195 452(f)(4)**

CHS’s IMP does not specify that “immediate” repair conditions must be repaired as soon as possible.

- **Item 1.H: §195 452(f)(5)**

CHS’s IMP defaults to five years for all reassessments without any justification.

- **Item 1.I: §195 452(f)(5)**

CHS’s IMP does not contain a process for 1) examining causes of incidents, leaks, and near-misses, 2) making recommendations for corrective actions, and 3) providing those lessons learned to appropriate company employees.

- **Item 1.J: §195 452(f)(6)**

CHS’s IMP does not describe a process for performing a leak detection evaluation as required by §195.452(i)(3). It is expected that such a leak detection process would include a documented basis for all operator reactions credited in the leak detection evaluation.

- **Item 1.K: §195 452(f)(6)**

CHS’s IMP does not describe a process for evaluating the need for additional EFRDs including consideration of the factors required by 195.452(i)(4).

- **Item 1.L: §195 452(f)(8)**

Appendix I of CHS’s IMP specifies that anomalies selected for validation are chosen from anomalies in the “Maximum, Minimum, and Midrange” (two from each). However, there was no definition regarding what these ranges represent.

- **Item 1.M: §195 452(f)(8)**

CHS’s IMP discusses how assessment results are integrated with pertinent pipeline risk-condition information to discover integrity issues that might not be evident from the assessment data alone. However, the IMP does not provide details and specificity regarding how this analysis is to be performed.

- **Item 1.N: §195 452(f)(8)**

CHS’s IMP does not contain a requirement to document that an effective corrosion control

program is in place and that corrosion control is being effectively applied to segments where hydro tests are performed as assessments.

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 30 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.

In correspondence concerning this matter, please refer to **CPF 5-2007-5014M** 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 (#117712)