

WARNING LETTER

OVERNIGHT EXPRESS DELIVERY

April 8, 2019

Ms. Linn Evans
President and CEO
Black Hills Energy
7001 Mt Rushmore RD, PO Box 1400
Rapid City, SD 57709

CPF 1-2019-0006W

Dear Ms. Evans:

From October 23 through 25, 2018, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Black Hills Energy's (BHE) Bunker Hill, East Mahoney, and Kirk Ranch Underground Natural Gas Storage Fields. The inspection was conducted at the BHE offices in Casper, Wyoming and the Bunker Hill and East Mahoney fields located in Carbon County, Wyoming and the Kirk Ranch field located in Fremont County, Wyoming.

As a result of the inspection, it is alleged that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violations are:

1. § 192.12 Underground natural gas storage facilities.

(e) Operators of underground gas storage facilities must establish and follow written procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1170 and API RP 1171, as required under this section, including the effective dates as applicable, and incorporate such procedures into their written procedures for operations, maintenance, and emergencies established pursuant to § 192.605.

BHE failed to follow its written procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1170 and API RP 1171. Specifically, BHE failed to document annular pressures as required in BHE's Underground Storage O&M, Section 30.10.2, WELL INTEGRITY MONITORING, dated 01/18/2018 (O&M Sec 30).

BHE's O&M Sec 30 states in part, "The Company shall perform the following actions to monitor well integrity: Monitor for the presence of annular gas every three months, not to exceed four and a half months, by recording measurements of pressure and/or gas flow in the annulus using 3538_18 Pressure Monitoring Form".

BHE was not able to produce records that reflected that annular pressures were documented according to its procedure.

2. § 192.12 Underground natural gas storage facilities.

(e) Operators of underground gas storage facilities must establish and follow written procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1170 and API RP 1171, as required under this section, including the effective dates as applicable, and incorporate such procedures into their written procedures for operations, maintenance, and emergencies established pursuant to § 192.605.

BHE failed to follow its written procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1170 and API RP 1171. Specifically, BHE failed to document visual wellhead inspections as required in BHE's Underground Storage O&M, Section 30.10.2, WELL INTEGRITY MONITORING, dated 01/18/2018 (O&M Sec 30).

BHE's O&M Sec 30 states in part, "The Company shall perform the following actions to monitor well integrity: Annually, at an interval not to exceed 15 months, perform a visual inspection of each wellhead assembly for leaks. The following tasks shall be performed in these inspections:

- Check for new developments around the well.
- Check for new hazards or obstructions around the well (if there is fencing, check that it is not damaged).
- Inspect for leaks at all connections and surface equipment.
- Inspect for surface corrosion (e.g., badly rusted, bolts worn out).
- Make sure signage is visible and correct.
- Check access road condition.
- Verify that valves are locked and secured as appropriate."

BHE documented the visual wellhead inspections on a valve inspection form that did not include all the elements listed in their procedure.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$213,268 per violation per day the violation persists, up to a maximum of \$2,132,679 for a related

series of violations. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022. For violations occurring prior to November 2, 2015, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 for a related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter. Failure to do so will result in Black Hills Energy being subject to additional enforcement action.

Please 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).

No reply to this letter is required. If you choose to reply, please submit all correspondence in this matter to Robert Burrough, Director, PHMSA Eastern Region, 840 Bear Tavern Road, Suite 300, West Trenton, NJ 08628. Please refer to **CPF 1-2019-0006W** on each document you submit, and whenever possible provide a signed PDF copy in electronic format. Smaller files may be emailed to robert.burrough@dot.gov. Larger files should be sent on USB flash drive accompanied by the original paper copy to the Eastern Region Office.

Sincerely,

Robert Burrough
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration