

NOTICE OF AMENDMENT

OVERNIGHT EXPRESS DELIVERY

April 11, 2019

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

CPF 1-2019-0007M

Dear Mr. 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.

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

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's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1170 and API RP 1171 were inadequate. Specifically, BHE procedures did not define a threshold level for annular pressure or flow as required in API RP 1171, Section 9.3.2.

API RP 1171, Section 9.3.2 states, in part:

The operator shall evaluate each annular gas occurrence that exceeds operator- or regulatory-defined threshold levels determined from well integrity evaluation and from risk assessment.

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's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1170 and API RP 1171 were inadequate. Specifically, BHE's Emergency Response Plan did not address equipment failures, natural disasters, and third-party emergencies as specified in API RP 1171, Section 10.6.1.

API RP 1171, Section 10.6.1 states, in part:

For site security and safety, the operator shall develop and implement a structured emergency preparedness/response plan in order to address accidental releases, equipment failures, natural disasters, and third-party emergencies.

3. § 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's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1170 and API RP 1171 were inadequate. Specifically, BHE had not developed procedures for interaction with the control room as required in BHE's Storage Integrity Management Plan (SIMP), Section 133.6.10.

BHE's SIMP, Section 133.6.10 states, in part:

The Company shall develop procedures for interaction with the control room that cover normal, abnormal, and emergency conditions and include the designation of authority for initiating flow, operating, and shutting in the facilities when necessary to maintain reservoir and well integrity.

BHE did not have procedures available for interaction between storage operations and the control room at the time of the inspection.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.206. 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).

Following the receipt of this Notice, you have 30 days to submit written comments, revised procedures, or a request for a hearing under §190.211. 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 an Order Directing Amendment. If 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. § 190.206). 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 Black Hills Energy maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Robert Burrough, Director, PHMSA Eastern Region, 840 Bear Tavern Road, Suite 300, West Trenton, NJ 08628. Please refer to **CPF 1-2019-0007M** 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.

Additionally, if you choose to respond to this (or any other case), please ensure that any response letter pertains solely to one CPF case number.

Sincerely,

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

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