

## NOTICE OF AMENDMENT

### OVERNIGHT EXPRESS DELIVERY

August 12, 2019

Mr. Greg Bell  
General Manager  
Citizens Gas Utility District  
12519 Scott Hwy, PO Box 320  
Helenwood TN, 37755

**CPF 1-2019-0012M**

Dear Mr. Bell:

From December 11 through 13, 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 Citizens Gas Utility District's (CGUD) Indian Creek Underground Natural Gas Storage Field in Morgan County, TN.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within CGUD'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.**

CGUD's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1171 were inadequate. Specifically, CGUD's had not established procedures that used the risk assessment process to determine the frequency requirements for integrity demonstration, verification, and monitoring tasks or activities as required in API RP 1171, Section 9.2.2.

API RP 1171, Section 9.2.2 states, in part:

Risk assessments shall be used as a basis for developing the integrity demonstration, verification, and monitoring tasks and evaluating their frequency requirements.

At the time of inspection, CGUD's procedures failed to address this requirement of API RP 1171, Section 9.2.2.

**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.**

CGUD's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1171 were inadequate. Specifically, CGUD did not detail how, and how frequently, it would request well integrity evaluation data from third-party well owners/operators as required in API RP 1171, Section 9.3.1.

API RP 1171, Section 9.3.1 states, in part:

The operator shall evaluate the mechanical integrity of each active well, including each third-party well, that penetrates the storage reservoir and buffer zone or areas influenced by storage operations.

The operator shall request well integrity evaluation data from third-party well owner/operators following the frequency established using conclusions from the risk assessment.

At the time of the inspection, CGUD's procedures failed to address these specific requirements of API RP 1171, Section 9.3.1.

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.**

CGUD's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1171 were inadequate. Specifically, CGUD did not have a process to integrate the well integrity evaluations into the risk management program as required in API RP 1171, Section 9.3.1.

API RP 1171, Section 9.3.1 states, in part:

Active well mechanical integrity evaluations shall include initial and subsequent evaluations as determined using the risk assessment and the information derived from the initial evaluation.

At the time of the inspection, CGUD's procedures failed to address this requirement of API RP 1171, Section 9.3.1.

4. **§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.**

CGUD's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1171 were inadequate. Specifically, CGUD had not established procedures to monitor for the presence of annular gas between the surface casing and production casing and did not define a threshold or limit for that annular pressure and/or gas flow as required in API RP 1171, Section 9.3.2.

API RP 1171, Section 9.3.2 states, in part:

The operator shall monitor for presence of annular gas by measuring and recording annular pressure and/or annular gas flow.

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.

At the time of the inspection, CGUD's procedures failed to address these requirements of API RP 1171, Section 9.3.2.

**5. §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.**

CGUD's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1171 were inadequate. Specifically, CGUD's procedures did not describe how to annually test the operation of the master valve and wellhead pipeline isolation valve for proper function and ability to isolate the well, and did not have a valve maintenance program for maintaining, repairing, and replacing isolation valves as required in API RP 1171, Section 9.3.2.

API RP 1171, Section 9.3.2 states, in part:

The operator shall test the operation of the master valve and wellhead pipeline isolation valve at least annually for proper function and ability to isolate the well.

The valves shall be maintained, repaired, or replaced in accordance with the operator's valve maintenance program for isolation valves.

At the time of the inspection, CGUD's procedures failed to address these requirements of API RP 1171, Section 9.3.2.

**6. §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.**

CGUD's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1171 were inadequate. Specifically, CGUD's procedures in UGS-01, Section 6.2 did not specify the types of integrity-related inspections, tests, patrols and analyses that are to be documented as required in API RP 1171, Section 9.8.1.

API RP 1171, Section 9.8.1 states, in part:

Inspections, tests, patrols, or analyses shall be documented according to the operator's procedures.

At the time of the inspection, CGUD's procedures failed to address this requirement of API RP 1171, Section 9.8.1.

**7. §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.**

CGUD's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1171 were inadequate. Specifically, CGUD's procedures in UGS-03, Section 5.1.2 did not specify that well information be provided on the well signs as required in API RP 1171, Section 10.4.1.

API RP 1171, Section 10.4.1 states, in part:

Permanent weatherproof signage shall be installed at each well site for identification purposes.

At the time of the inspection, CGUD's procedure UGS-03 failed to address this requirement of API RP 1171, Section 10.4.1.

**8. §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.**

CGUD's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1171 were inadequate. Specifically, CGUD's Emergency Response Plan did not include provisions to address equipment failure and 3rd party damage as required 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.

**9. §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.**

CGUD's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1171 were inadequate. Specifically, CGUD did not have a formal Blowout Contingency Plan in place as required by API RP 1171, Section 10.6.3.

API RP 1171, Section 10.6.3 states, in part:

The operator shall have a blowout contingency plan in place.

At the time of the inspection, CGUD did not have a Blowout Contingency Plan in place.

**10. §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.**

CGUD's procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1171 were inadequate. Specifically, CGUD did not have adequate procedures in place to determine that personnel were familiar with emergency plans and procedures, and did not define a frequency for reviewing and updating the Blowout Contingency Plan as required in API RP 1171, Section 11.4.2.

API RP 1171, Section 11.4.2 states, in part:

The operator shall establish a program to determine operator familiarity with emergency plans and procedures and periodic testing of the effectiveness of the plan in accordance with 10.6.

At the time of the inspection, CGUD's procedures failed to address these requirements of API RP 1171, Section 11.4.2.

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 Enforcement 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 Citizens Gas Utility District 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 1-2019-0012M** 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](mailto: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 Enforcement Proceedings*