



U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

DEC 02 2019

1200 New Jersey Ave., SE
Washington, DC 20590

Mr. John B. Hess
Chief Executive Officer
Hess Corporation
1185 Avenue of the Americas
New York, New York 10036

Re: CPF No. 1-2019-6004

Dear Mr. Hess:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and specifies actions that need to be taken by Hess Corporation to comply with the pipeline safety regulations. When the terms of the compliance order have been completed, as determined by the Director, Eastern Region, this enforcement action will be closed. Service of the Final Order by certified mail is effective upon the date of mailing, as provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Robert Burrough, Director, Eastern Region, Office of Pipeline Safety, PHMSA
Mr. Alan Lindsey, Senior Legal Counsel, Hess Corporation, 1501 McKinney Street,
Houston, Texas 77010

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

_____)
In the Matter of)

Hess Corporation,)

Respondent.)
_____)

CPF No. 1-2019-6004

FINAL ORDER

On January 22 and 29, 2018, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Hess Corporation's (Hess or Respondent), North Jersey Pipeline system located in New Jersey. Hess operates 23.49 miles of 10-inch and 14-inch pipe from Bayonne, New Jersey to Bogota and Edgewater, in Bergen and Essex counties, New Jersey. The pipeline transports oil to four receiving locations, including two Public Service Enterprise Group power plants and two Hess terminal facilities. The pipeline was constructed in the early 1970s, and has been out of service since August 2005. The line has been purged, cleaned and filled with nitrogen, but Hess continues to maintain the line for potential future use.¹

As a result of the inspection, the Director, Eastern Region, OPS (Director), issued to Respondent, by letter dated May 6, 2019, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Hess had committed three violations of 49 C.F.R. Part 195 and proposed ordering Respondent to take certain measures to correct the alleged violations.

After requesting and receiving an extension of time to respond, Hess responded to the Notice by letter dated August 5, 2019 (Response). The company did not contest the allegations of violation, but provided information concerning the corrective actions it had taken and agreed to complete the proposed compliance actions. Respondent also requested modification to the proposed compliance actions. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

In its Response, Hess did not contest the allegations in the Notice that it violated 49 C.F.R. Part 195, as follows:

¹ Pipeline Safety Violation Report (Violation Report), (May 6, 2019) (on file with PHMSA), at 1.

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.567(c), which states:

§ 195.567 Which pipelines must have test leads and what must I do to install and maintain the leads?

(a) ...

(c) *Maintenance.* You must maintain the test lead wires in a condition that enables you to obtain electrical measurements to determine whether cathodic protection complies with § 195.571.

The Notice alleged that Respondent violated 49 C.F.R. § 195.567(c) by failing to maintain test lead wires on its North Jersey Pipeline in a condition that could allow electrical measurements to be taken to determine whether cathodic protection complies with § 195.571. Specifically, the Notice alleged that PHMSA reviewed cathodic protection annual survey records for 2016 and 2017. These records indicated that in 2016 and 2017 about 9 percent and 13 percent of the test points, respectively, could not be tested as they could not be located, were damaged, or had missing test wires.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.567(c) by failing to maintain test lead wires on its North Jersey Pipeline in a condition that could allow electrical measurements to be taken to determine whether cathodic protection complies with § 195.571.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.573(e), which states:

§ 195.573 What must I do to monitor external corrosion control?

(a) ...

(e) *Corrective Action.* You must correct any identified deficiency in corrosion control as required by § 195.401(b). However, if the deficiency involves a pipeline in an integrity management program under § 195.452, you must correct the deficiency as required by § 195.452(h).

The Notice alleged that Respondent violated 49 C.F.R. § 195.573(e) by failing to correct corrosion control deficiencies for its North Jersey Pipeline that were identified in its 2016 and 2017 cathodic protection system annual survey reports. Specifically, the Notice alleged that when PHMSA reviewed records of 2016 and 2017 cathodic protection annual surveys and rectifier inspections, the records demonstrated numerous deficiencies in corrosion control. These deficiencies included failure to meet the -850 mV criteria for cathodic protection, and failure to maintain Rectifier #1 and the associated ground bed in proper working order.

The 2016 and 2017 annual survey reports indicated about 26 percent and 31 percent of total test points, respectively, had pipe-to-soil potentials less negative than -850 mV. The reports also demonstrated that the ground bed at Rectifier #1 was depleted, with indications of inadequate performance since April 21, 2015. The rectifier was turned off in May of 2016, and repairs had not been completed as of the November 2017 annual survey report.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.573(e) by failing to correct

corrosion control deficiencies for its North Jersey Pipeline that were identified in its 2016 and 2017 cathodic protection system annual survey reports.

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 195.583(a), which states:

§ 195.583 What must I do to monitor atmospheric corrosion control?

(a) You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

If the pipeline is located:	Then the frequency of inspection is:
Onshore.....	At least once every 3 calendar years, but with intervals not exceeding 39 months

The Notice alleged that Respondent violated 49 C.F.R. § 195.583(a) by failing to inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion at least once every three calendar years, but with intervals not exceeding 39 months. Specifically, Hess exceeded the three calendar year interval requirement between 2012 and 2016, and failed to perform an adequate atmospheric corrosion inspection during its 2016 atmospheric corrosion inspection of its North Jersey Pipeline.

During the inspection, the PHMSA inspector reviewed Hess’s 2016 atmospheric corrosion inspection report from its third-party consultant, dated August 12, 2016. The report stated that a visual inspection of the aboveground piping in the North Jersey Pipeline system was performed on April 19, 2016. The report also stated that the last inspection had been performed on December 11, 2012. Based on this information, atmospheric corrosion inspections were conducted during the 2012 and 2016 calendar years, which fails to meet the requirement of § 195.583(a) by over three months.

In addition to exceeding the interval requirement, Hess failed to perform an adequate atmospheric corrosion inspection during 2016. The 2016 report noted locations where piping underneath failed coating still needed to be inspected for corrosion damage, as the visual inspection performed did not include any removal of inspection barriers or up-close examinations. The report also identified a pipeline joint that needed corrosion product removal and investigation to determine remaining wall thickness and service life. Overall, the visual inspection performed failed to adequately assess the presence and extent of atmospheric corrosion on these pipeline segments.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.583(a) by failing to inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion at least once every three calendar years, but with intervals not exceeding 39 months.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Items 1, 2, and 3 in the Notice for violations of 49 C.F.R. §§ 195.567(c), 195.573(e), and 195.583(a), respectively. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601.

Regarding the Proposed Compliance Order generally, Hess stated that it is considering abandoning the system, and therefore requested that the proposed compliance order be modified “i) to allow for abandonment as a remedy for the alleged compliance issues; and ii) to trigger the 180-day compliance periods from a decision to reopen by Hess or any successor in interest to the system.”

If Hess permanently abandons the system pursuant to § 195.402(c)(10), the proposed compliance items would no longer be necessary to comply with the pipeline safety regulations. I therefore find it appropriate to amend the Compliance Order to allow Hess to abandon the system in lieu of completing the compliance actions. Hess must notify PHMSA of its decision to abandon within 60 days from issuance of the Final Order, and the abandonment must be completed 30 days later. Absent abandonment, however, I do not agree that the terms of the Compliance Order should be amended to apply only after Hess or any successor decides to restart the currently idled system. Such a modification would permit Respondent’s pipeline system to remain out of compliance for an indefinite period of time. Therefore, the second modification requested by Hess is denied. Respondent must promptly remediate the identified violations unless it abandons the pipeline.

With regard to the violation of § 195.567(c) (Item 1), Respondent stated that it had conducted cathodic protection surveys of the system between February 12 and 14, 2019. It admitted, however, that several test points could not be tested because they could not be accessed, could not be located, were damaged or demolished, or had missing test wires.

Hess has not demonstrated that it has repaired or replaced all damaged or missing test stations/leads, nor did it provide adequate justification as to why such repair or replacement would not be necessary for determining the cathodic protection's compliance with § 195.571. I therefore find that Hess has not satisfied the compliance terms for Item 1, which are included below.

With regard to the violation of § 195.573(e) (Item 2), Hess indicated repairs of the Rectifier # 1 ground bed had been completed. It also stated that it had not brought all cathodic protection pipe-to-soil potentials along its North Jersey Pipeline into compliance with the applicable cathodic protection criteria, with approximately 10 percent of the valid test points having “structure-electrolyte potentials less negative than -0.850 volts with respect to a copper/copper sulfate reference electrode.”

While Hess states that it has completed the repairs on Rectifier #1, it must provide documentation to the Region demonstrating that the repairs are complete. It must also complete an electrical survey of the entire North Jersey Pipeline to determine that the cathodic protection

system complies with § 195.571. I therefore find that Hess has not satisfied the compliance actions for Item 2, which are included below.

With regard to the violation of § 195.583(a) (Item 3), Hess did not provide any additional information regarding actions performed relevant to the proposed compliance order. Therefore, I find that Hess has not satisfied the compliance actions for Item 3, which are included below.

For the above reasons, the Compliance Order is modified as set forth below.

Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 195.567(c) (**Item 1**), Respondent must:
 - a. Complete the repair or replacement of all damaged or missing electrical test leads for external corrosion control along its North Jersey Pipeline.
 - b. Alternatively, if the test lead is not needed for external corrosion control monitoring, Hess must provide justification for removing the test lead in accordance with § 195.567.
 - c. This action must be completed within 180 days of issuance of the Final Order.
2. With respect to the violation of § 195.573(e) (**Item 2**), Respondent must:
 - a. Complete the repair of its Rectifier # 1 ground bed and bring all cathodic protection pipe-to-soil potentials along its North Jersey Pipeline into compliance with the applicable criteria for cathodic protection.
 - b. Conduct an electrical survey of the entire North Jersey Pipeline to determine that the cathodic protection system complies with § 195.571.
 - c. These actions must be completed within 180 days of issuance of the Final Order.
3. With respect to the violation of § 195.583(a) (**Item 3**), Respondent must:
 - a. Conduct an adequate atmospheric corrosion inspection of the entire North Jersey Pipeline system and mitigate any atmospheric corrosion found as required by § 195.583(c).
 - b. This action must be completed within 90 days of issuance of the Final Order.
4. Documentation demonstrating compliance with Items 1-3 above must be submitted to Robert Burrough, Director, Eastern Region, Pipeline and Hazardous Materials Safety Administration, 840 Bear Tavern Road, Suite 300, West Trenton, NJ 08628 for review within 210 days of issuance of the Final Order.
5. In lieu of completing the above requirements in Items 1 through 4, Hess may elect to abandon the pipeline system in its entirety. This abandonment of the system must be completed within 90 days from issuance of the Final Order. Hess must notify PHMSA of its intention to abandon the system within 60 days from issuance of the Final Order.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an extension.

It is requested (not mandated) that Respondent maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director. It is requested 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.

Failure to comply with this Order may result in the administrative assessment of civil penalties not to exceed \$200,000, as adjusted for inflation (49 C.F.R. § 190.223), for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

Under 49 C.F.R. § 190.243, Respondent may submit a Petition for Reconsideration of this Final Order to the Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address, no later than 20 days after receipt of service of this Final Order by Respondent. Any petition submitted must contain a statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.243. The terms of the order, including corrective action, remain in effect unless the Associate Administrator, upon request, grants a stay.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.



Alan K. Mayberry
Associate Administrator
for Pipeline Safety

DEC 02 2019

Date Issued