



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials
Safety Administration**

840 Bear Tavern Road, Suite 300
West Trenton, NJ 08628
609.771.7800

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

OVERNIGHT EXPRESS DELIVERY

May 6, 2019

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

CPF 1-2019-6004

Dear Mr. Hess:

On January 22 and January 29 of 2018, a representative from the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code (U.S.C.), performed an inspection of Hess Corporation's (Hess) North Jersey Pipeline system located in New Jersey.

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 violation(s) are:

- 1. § 195.567 Which pipelines must have test leads and what must I do to install and maintain the leads?**

(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.

Hess failed 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.

During the inspection, the PHMSA inspector reviewed cathodic protection annual survey records for 2016 and 2017, including summaries of the results provided by Hess' contractor that performed the surveys. These records indicated that in 2016 and 2017 about 9% and 13%, respectively, of the test points could not be tested as they could not be located, were damaged or had missing test wires.

Therefore, Hess failed to maintain test lead wires in accordance with § 195.567(c).

2. § 195.573 What must I do to monitor external corrosion control?

(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).

Hess Corporation failed to correct corrosion control deficiencies for its North Jersey Pipeline that were identified in its 2016 and 2017 cathodic protection system annual survey reports. During the inspection, the PHMSA inspector 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 its Rectifier #1 and associated ground bed in proper working order.

The 2016 and 2017 annual survey reports indicated about 26% and 31%, respectively, of total test points had pipe to soil potentials less negative than - 0.850 volts. 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.

Therefore, Hess failed to correct corrosion control deficiencies indicated by its cathodic protection system monitoring as required by § 195.573(e).

3. § 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

Hess failed to inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion at least once every 3 calendar years, but with intervals not exceeding 39 months. Specifically, Hess exceeded the 3 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' 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, "...the condition of the pipes appear to be unchanged from Corpro's last inspection 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) for inspection of onshore pipelines at least every 3 calendar years.

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 noted a "severely oxidized joint over Little Ferry Terminal" 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.

Therefore, Hess failed to inspect the portions of its North Jersey Pipeline system exposed to the atmosphere for evidence of atmospheric corrosion at least once every 3 calendar years, but with intervals not exceeding 39 months.

Proposed Compliance Order

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 propose a civil penalty assessment at this time.

With respect to items 1, 2, and 3, pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Hess Corporation. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

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. All

material you submit in response to this enforcement action may be 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, or request a hearing under 49 CFR § 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 a Final Order. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

Please submit all correspondence in this matter to Robert Burrough, Director, PHMSA Eastern Region, 840 Bear Tavern Road, Suite 300, West Trenton, New Jersey 08628. Please refer to **CPF 1-2019-6004** 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 a CD 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

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Hess Corporation (Hess) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Hess with the pipeline safety regulations:

1. With regard to Item 1 of the Notice pertaining to Hess's failure to maintain test leads 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, Hess shall take the following action:
 - a. Complete the repair or replacement of all damaged or missing electrical test leads for external corrosion control along its North Jersey Pipeline.
 - b. This action must be completed within 180 days of issuance of the Final Order.
2. With regard to Item 2 of the Notice pertaining to Hess's failure to correct corrosion control deficiencies for its North Jersey Pipeline that were identified in its 2016 and 2017 cathodic protection system annual survey reports, Hess shall take the following actions:
 - 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 regard to Item 3 of the Notice pertaining to Hess's failure to perform an adequate inspection of portions of its North Jersey Pipeline that are exposed to the atmosphere for evidence of atmospheric corrosion during its 2012 and 2016 atmospheric corrosion inspections, Hess shall take the following action:
 - 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. It is requested (not mandated) that Hess maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Robert Burrough, Director, Eastern Region, Pipeline and Hazardous Materials Safety Administration. 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.