

WARNING LETTER

OVERNIGHT EXPRESS DELIVERY

October 23, 2020

Paul Bieniawski
CEO
Katy Storage & Transportation LP
10375 Richmond Avenue, Suite 1900
Houston, TX 77042

CPF 1-2020-010-WL

Dear Mr. Bieniawski,

From February 25 – 27, 2020, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Katy Storage & Transportation LP's (KST) Enstor Katy underground natural gas storage facility in Katy, TX.

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.**
 - (a)...
 - (d) **Each underground natural gas storage facility that uses a depleted hydrocarbon reservoir or an aquifer reservoir for gas storage, including those constructed not later than July 18, 2017 must meet the operations, maintenance, integrity demonstration and verification, monitoring, threat and hazard identification, assessment, remediation, site security, emergency response and preparedness, and recordkeeping requirements and recommendations of API RP 1171,**

sections 8, 9, 10, and 11 (incorporated by reference, see§ 192.7) by January 18, 2018.¹

KST failed to meet the requirements of API RP 1171, Section 8. Specifically, KST failed to use available information to determine susceptibility to threat and hazard-related events as required by API RP 1171, Section 8.3.2 Data Sources (Section 8.3.2).

Section 8.3.2 states in part:

The operator shall use available information such as performance data collected through the field history, operations and maintenance (O&M) activities, geotechnical data such as well logs, engineering data, and completion reports to determine susceptibility to threat and hazard-related events and to assess threat and hazard interaction.

At the time of the inspection, KST reported that the data gathered to calculate the well risk scores at the Enstor Katy Facility had not been entered into KST's risk model. KST also reported that well and reservoir data was never entered into the previous risk model that was used by KST in 2018 and 2019. Therefore, KST failed to meet the requirements of Section 8.3.2.

2. § 192.12 Underground natural gas storage facilities.

(a)...

(d) Each underground natural gas storage facility that uses a depleted hydrocarbon reservoir or an aquifer reservoir for gas storage, including those constructed not later than July 18, 2017 must meet the operations, maintenance, integrity demonstration and verification, monitoring, threat and hazard identification, assessment, remediation, site security, emergency response and preparedness, and recordkeeping requirements and recommendations of API RP 1171, sections 8, 9, 10, and 11 (incorporated by reference, see§ 192.7) by January 18, 2018.

KST failed to meet the requirements of API RP 1171, Section 8. Specifically, KST failed to evaluate the potential threats and hazards impacting the storage reservoir as required by API RP 1171, Section 8.4.2 Methodology (Section 8.4.2).

Section 8.4.2 states in part:

The operator shall evaluate the potential threats and hazards impacting storage wells and reservoirs.

¹ The final rule, Pipeline Safety: Safety of Underground Natural Gas Storage Facilities, 85 FR 8104 (February 12, 2020), revised § 192.12. The requirement cited in this Warning Letter is still present but is now codified in § 192.12(b)(2).

At the time of the inspection, KST reported that the presence of plugged and abandoned wells within the storage reservoir had not been included as a threat or hazard impacting the storage reservoir. Therefore, KST failed to evaluate a potential threat or hazard impacting the storage reservoir in accordance with Section 8.4.2.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. 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 Katy Storage & Transportation LP being subject to additional enforcement action.

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 1-2020-010-WL** 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

CC: Todd Cash; Director, Compliance (via email)