

## WARNING LETTER

### OVERNIGHT EXPRESS DELIVERY

January 2, 2020

Mr. Stan Chapman  
Senior Vice President  
ANR Pipeline Co.  
700 Louisiana St.  
Houston, TX. 77002

CPF 1-2020-1004W

Dear Mr. Chapman:

During the weeks of March 11 – March 15 and August 19 – August 22, 2019, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected ANR Pipeline Co's (ANR) Reed City, Austin and Loreed Underground Natural Gas facilities in Michigan.

As a result of the inspections, 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.**

ANR failed to meet the monitoring requirements of API RP 1171, Section 9. Specifically, ANR failed to evaluate each annular gas occurrence that exceeded operator-defined threshold levels determined from well integrity evaluation and from risk assessment, as directed by API RP 1171, Section 9.3.2.

Section 9.3.2 of API RP 1171, Well Integrity Monitoring, 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.

ANR's procedure TEP-PR-REST-G, Well Annulus Pressure Analysis Section 2.1, states that every well shall have a calculated Maximum Allowable Annulus Surface Pressure (MAASP).

During the inspection, the PHMSA inspector reviewed records for MAASP calculations. The records demonstrated that not all wells had MAASP calculations completed, and therefore not all annular gas occurrences were evaluated based on an operator-defined threshold.

**2. § 192.12 Underground natural gas storage facilities.**

(a) ...

**(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.**

ANR failed to follow its written procedures for operations, maintenance, and emergencies implementing the requirements of API RP 1170 and API RP 1171. Specifically, ANR failed to inspect the master valves on an annual basis as required in its procedure TEP-PR-WESTS-G, Wellheads and Wellhead Valves Monitoring, Testing, and Maintenance.

ANR's procedure TEP-PR-WESTS-G, Wellheads and Wellhead Valves Monitoring, Testing, and Maintenance states that master valves will be inspected and tested annually.

During the field inspection at Loreed, the PHMSA inspectors reviewed valve inspection records for the wells at the Loreed storage facilities. Records indicated that in 2018, not all wells had been function tested. The records indicated approximately 107 of the 198 wells had been inspected during 2018.

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 ANR Pipeline Co. 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 1-2020-1004W** 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 a 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