

WARNING LETTER

VIA ELECTRONIC MAIL TO: kenneth_grubb@kindermorgan.com

March 16, 2022

Mr. Kenneth Grubb
Chief Executive Officer
Stagecoach Gas Services, LLC
1001 Louisiana Street, Suite 1000
Houston, Texas 77002

CPF 1-2022-034-WL

Dear Mr. Grubb:

From June 21st to 25th, 2021, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Crestwood Midstream Partners, LP's (CMP) Thomas Corners, Steuben, and Seneca Underground Gas Storages in Corning, New York. Effective July 9, 2021, CMP was acquired by Stagecoach Gas Services, LLC (SGS).

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) *Salt cavern UNGSFs.*
 - (1) ...
 - (3) **Each UNGSF that uses a solution-mined salt cavern for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1170 (incorporated by reference, *see* §192.7), sections 9, 10, and 11, and paragraph (c) of this section, by January 18, 2018, and must meet all provisions of section 8 of API RP 1171 (incorporated by reference, *see* §192.7) that are applicable to the physical characteristics and operations of a solution-mined salt cavern UNGSF, and paragraph (d) of this section, by March 13, 2021.**

SGS failed to meet the provisions of API RP 1171, Section 9. Specifically, SGS failed to test and calibrate the pressure gauges and transmitters for the Seneca Lake storage cavern annually in

accordance with API RP 1170, Section 9.4.1¹.

During the inspection, SGS's records for Seneca Lake showed three pressure gauges were installed, tested, and calibrated on January 2017. SGS was not able to provide any records of testing and calibration of these pressure gauges in 2018, 2019 and 2020.

Therefore, SGS failed to meet the provisions of Section 9.4.1 (Section 9.4.1).

2. § 192.12 Underground natural gas storage facilities.

(a) ...

(b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*

(1) ...

(2) Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1171 (incorporated by reference, see §192.7), sections 8, 9, 10, and 11, and paragraph (c) of this section, by January 18, 2018, and must meet all provisions of paragraph (d) of this section by March 13, 2021.

SGS failed to meet the provisions of API RP 1171, Section 9. Specifically, SGS's records did not demonstrate that functional integrity of reservoirs were maintained in an ongoing basis in accordance with API RP 1171, Section 9.2.1².

During the inspection, SGS records were not able to demonstrate the stability of the reservoir gas inventory at Steuben and Thomas Corners storage fields. The storages did not have a long enough shut-in period to establish a stabilized pressure. Due to the lack of stabilization during shut-ins for the storage fields, SGS could not demonstrate functional integrity.

Therefore, SGS failed to meet the provisions of API RP 1171, Section 9.2.1.

3. § 192.12 Underground natural gas storage facilities.

(a) ...

(b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*

(1) ...

(2) Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1171 (incorporated by reference, see §192.7), sections 8, 9, 10, and 11, and

¹ API RP 1170, Section 9.4.1 General

Wellhead gauges, transmitters, and safety devices should be tested and calibrated at least annually to ensure they are properly calibrated and function as intended. Any malfunctioning equipment shall be repaired or replaced. If the devices cannot be calibrated to within manufacturer's specifications they shall be replaced.

² API RP 1171, Section 9.2.1 Integrity Maintenance

The operator shall maintain functional integrity of storage wells and reservoirs. Storage wells and reservoirs can have different characteristics resulting in unique requirements in approaching integrity demonstration, verification, and monitoring.

paragraph (c) of this section, by January 18, 2018, and must meet all provisions of paragraph (d) of this section by March 13, 2021.

SGS failed to meet the provisions of API RP 1171, Section 9. Specifically, SGS failed to maintain records demonstrating how it had established its threshold level for annular gas determined from well integrity evaluation and from risk assessment, in accordance with API RP1171, Section 9.3.2³ (Section 9.3.2).

During the inspection, SGS reported their threshold for annular gas was 100 psi less than injection or withdrawal pressure plus tracking synchronously with storage gas pressure movement. SGS was unable to demonstrate how this threshold was determined from well integrity evaluation and from risk assessment.

Therefore, SGS failed to meet the provisions of API RP 1171, Section 9.3.2.

4. § 192.12 Underground natural gas storage facilities.

(a) ...

(d) *Integrity management program—*

(1) ...

(4) *Integrity management procedures and recordkeeping.* Each UNGSF operator must establish and follow written procedures to carry out its integrity management program under API RP 1171 (incorporated by reference, see § 192.7), section 8 ("Risk Management for Gas Storage Operations"), and this paragraph (d). The operator must also maintain, for the useful life of the UNGSF, records that demonstrate compliance with the requirements of this paragraph (d). This includes records developed and used in support of any identification, calculation, amendment, modification, justification, deviation, and determination made, and any action taken to implement and evaluate any integrity management program element.

SGS failed to follow its written procedures to carry out its integrity management program under API RP 1171, Section 8. Specifically, SGS failed to perform an annual review of its 2020 risk assessments in accordance with its SIMP, section 2.2.1 procedural requirement, developed pursuant to API RP 1171, Section 8.5.2⁴.

During the inspection, SGS was not able to provide records of the annual review of the 2020 risk assessments for the Steuben and Thomas Corners depleted hydrocarbon reservoir storage fields. SGS was also unable to provide the same 2020 risk assessment annual review records for its Seneca Lake salt cavern storage field. SGS's SIMP section 2.2.1 specified a requirement of an annual risk

³ API RP 1171, Section 9.3.2 Well Integrity Monitoring

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.

⁴ API RP 1171, Section 8.5.2 Methodology

The operator shall review the results of the risk assessment to determine whether the risk assessment, resulting prioritization, or ranking represents its facilities and characterizes the risks.

assessment review. Additionally, SGS was not able to provide the 2020 risk assessment records of Raish 2A well from Steuben field and Mullins 4 from Thomas Corners field.

Therefore, SGS failed to follow its SIMP, Section 2.2.1 requirement as required by § 192.12(d)(4).

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not 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.

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 items identified in this letter. Failure to do so will result in Stagecoach Gas Services, LLC being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 1-2022-034-WL**. 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).

Sincerely,

Robert Burrough
Director, Eastern Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration