

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 25, 2019

Steve Sargeant
President and Senior Executive
Lakes Gas Company
655 South Lake Street
Forest Lake, MN 55025

CPF 3-2019-0006W

Dear Mr. Sargeant:

From September 4-6, 2018, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected your liquid propane systems in Door County, Michigan.

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. **§192.199 Requirements for design of pressure relief and limiting devices.**
 - (a)
 - (e) **Have discharge stacks, vents, or outlet ports designed to prevent accumulation of water, ice, or snow, located where gas can be discharged into the atmosphere without undue hazard;**

Lakes Gas Company (Lakes) failed to design its regulator station with a pressure relief or pressure limiting device that met the requirement of §192.199. Specifically, Lakes' regulator station did not have a relief valve that had a discharge stack located where gas

could be discharged into the atmosphere without undue. During the inspection, PHMSA found the relief valve stack located at the Birch Grove Condos in Fish Creek, WI discharged into an underground container covered dome where the isolation valve was also located. The dome had an approximately 5-inch hole in its lid; therefore, if the relief activated, personnel trying to reach the isolation valve would be placed in a hazardous situation.

2. **§192.479 Atmospheric corrosion control: General.**
(a) Each operator must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

Lakes failed to clean and coat portions of its pipeline exposed to the atmosphere as required by §192.479. During the inspection, PHMSA found the following pipeline locations where the pipeline had not been cleaned and coated to prevent atmospheric corrosion:

- **Hill at Eames Farms in Egg Harbor, WI**
 - Meter settings at Garage Building, 7860 B residence, 7805, 7806, 7808, 7811, 7817, 7818, 7821, and 7822
- **Maxwell Shops in Egg Harbor, WI**
 - Meter set piping

3. **§192.603 General provisions.**
(a)
(b) Each operator shall keep records necessary to administer the procedures established under §192.605.

Lakes did not keep records necessary to administer the procedures established under §192.605. Specifically, Lakes did not keep records documenting its administration of four sections in the manual of written procedures required under §192.605.

First, Lakes did not keep records documenting its periodic reviews of the work done by operator personnel to determine the effectiveness, and adequacy of the procedures.¹ Lakes' staff informed PHMSA during the inspection that no records were kept regarding these reviews.

Second, Lakes did not keep records documenting its training of operating personnel to assure that they are knowledgeable of the emergency procedures and verifying that the

¹ Section 192.605(b)(8) requires operators to prepare and follow written procedures for "periodically reviewing the work done by operator personnel to determine the effectiveness and adequacy of the procedures used in normal operation and maintenance and modifying the procedures when deficiencies were found."

training was effective.² During the inspection, Lakes' staff informed PHMSA that no records were kept regarding this training.

Third, Lakes did not keep records regarding establishing and maintaining liason with appropriate fire, police and other public officials to document the requirements of §192.615(c)(1)-(4). Lakes' staff informed PHMSA during the inspection that no records were kept regarding the administration of this portion of its emergency plan.

4. **§192.743 Pressure limiting and regulating stations: Capacity of relief devices.**
(a) Pressure relief devices at pressure limiting stations and pressure regulating stations must have sufficient capacity to protect the facilities to which they are connected. Except as provided in §192.739(b), the capacity must be consistent with the pressure limits of §192.201(a). This capacity must be determined at intervals not exceeding 15 months, but at least once each calendar year, by testing the devices in place or by review and calculations.

Lakes did not determine their relief valve capacities to be sufficient to protect their facilities at the required intervals not to exceed 15 months, but at least once calendar year, by testing the device in place or reviewing the calculations. Lakes' staff informed PHMSA during the inspection that these annual determinations had not been conducted in 2015 and 2016.

5. **§192.1007 What are the required elements of an integrity management plan?**
A written integrity management plan must contain procedures for developing and implementing the following elements:
(a)
(f) *Periodic Evaluation and Improvement.* An operator must re-evaluate threats and risks on its entire pipeline and consider the relevance of threats in one location to other areas. Each operator must determine the appropriate period for conducting complete program evaluations based on the complexity of its system and changes in factors affecting the risk of failure. An operator must conduct a complete program re-evaluation at least every five years. The operator must consider the results of the performance monitoring in these evaluations.

Lakes did not conduct periodic re-evaluations as required by §192.1007(f). Specifically, Lakes' distribution integrity management plan (DIMP) requires that an annual report and 5-year review be completed. Neither of these re-evaluations were conducted for any of Lakes' seven systems in Wisconsin as stated by their personnel during the inspection by PHMSA.

² Section 192.615(b)(2) requires each operator to "train the appropriate operating personnel to assure that they are knowledgeable of the emergency procedures and verify that the training is effective."

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 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 Lakes Gas Company 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 3-2019-0006W**. 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,

Allan C. Beshore
Director, Central Region, OPS
Pipeline and Hazardous Materials Safety Administration