



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

8701 S. Gessner, Suite 630
Houston, TX 77074

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 24, 2017

DCP Midstream
Mr. Bent Backes
General Counsel and Vice President
370, 17th Street Suite 2500
Denver, CO 80202

CPF 4-2017-5032

Dear Mr. Backes:

On multiple dates between the months of May and December 2016, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code inspected DCP Midstream (DCP) NGL Pipeline systems in Texas and Oklahoma.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

- 1. § 195.64 National Registry of Pipeline and LNG Operators.**
(c) Changes. Each operator must notify PHMSA electronically through the National Registry of Pipeline and LNG Operators at <http://opsweb.phmsa.dot.gov>, of certain events.

(2) An operator must notify PHMSA of any following event not later than 60 days after the event occurs:

(v) The acquisition or divestiture of an existing pipeline facility subject to this part.

DCP Southern Hills sold the Galena Park extension (12.1 miles) of the Southern Hills Pipeline System to Phillips 66 on April 22, 2014. A Type D notification (divestiture of asset) is required to be filed by no later than June 23, 2014.

DCP submitted this notification to PHMSA on June 7, 2016 only after the PHMSA inspector brought this to their attention.

2. §195.579 What must I do to mitigate internal corrosion?

(c) Removing pipe. Whenever you remove pipe from a pipeline, you must inspect the internal surface of the pipe for evidence of corrosion. If you find internal corrosion requiring corrective action under §195.585, you must investigate circumferentially and longitudinally beyond the removed pipe (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the removed pipe.

DCP Southern Hills failed to perform an inspection of the internal surface of a hot tap coupon from their pipeline system for evidence of corrosion.

During the inspection, DCP did not have information or documentation to support that an internal inspection was performed when DCP made a hot tap to connect new Woodford Express Meter Station to the Chitwood lateral pipeline at 2.8 miles southeast from MLV 58C. DCP performed the hot tap January 2015 and a coupon was removed. However, this inspection report was not available, and an internal inspection was not performed during this project.

3. §195.402 Procedural manual for operations, maintenance, and emergencies.

(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

DCP failed to follow their Integrity Manual.

DCP's procedure, IP-002: Integrity Assessment Method Selection states,

To select appropriate assessment method, PIPELINE SERVICES DEPARTMENT will:

- Conduct a risk assessment and perform information analysis (review leak and repair history, results of previous assessments, exposed pipe reports, and other pertinent information). See *Integrity Management Plan – Hazardous Liquids* and *Integrity Management Plan – Gas Transmission, Section 5 Continual Assessment Process*.
- Identify risk drivers and applicable threats.
- Complete *DCP Form 55: Integrity Assessment Method*.
- Use the decision flow in the flowcharts presented as Figures 1 through 6 in *DCP Form 55: Integrity Assessment Method* to make a selection. When selecting a specific ILI technology, or when both pressure test and ILI are acceptable as assessment methods, use Tables 1 and 2 as further guidance in making the determination.
- Justify and document the reason if different method is chosen than indicated by the flowcharts. Obtain an approval from the DIRECTOR, PIPELINE COMPLIANCE & INTEGRITY.
- Document the final assessment method and schedule in the BAP and the IAP.
- Inform PIPELINE INSPECTION MANAGER about selected method(s) and proposed assessment schedule.

Document results in *DCP Midstream Form 55: Integrity Assessment Method*.

While reviewing DCP's Integrity Assessment Method, Form 55 dated February 28, 2014, for Southern Hills pipeline, Segment SOH-1 – Jacksboro to Teague, the PHMSA inspector learned that DCP scheduled the next assessment for June 2014. DCP documented the rationale indicating this line is susceptible to SCC, External Corrosion and Third Party Damage. When the PHMSA inspector reviewed the assessment for this pipeline, it was found that it was not assessed until December 2015. As a result, this assessment was late by 18 months.

4. § 195.452 Pipeline integrity management in high consequence areas.

(i) What preventative and mitigative measures must an operator take to protect the high consequence area?

(4) Emergency Flow Restricting Devices (EFRD). If an operator determines that an EFRD is needed on a pipeline segment to protect a high consequence area in the event of a hazardous liquid pipeline release, an operator must install the EFRD. In making this determination, an operator must, at least, consider the following factors-the swiftness of leak detection and pipeline shutdown capabilities, the type of commodity carried, the rate of potential leakage, the volume that can be released, topography or pipeline profile, the potential for ignition, proximity to power sources, location of nearest response personnel, specific terrain between the pipeline segment and the high consequence area, and benefits expected by reducing the spill size.

DCP delayed its process to determine if EFRDs were needed on certain pipeline segments to protect high consequence areas in the event of a hazardous liquid pipeline release.

DCP's Integrity Procedure, IP 008 (version 3.1 dated December 2012) states preventative and mitigative measures should include consideration of Emergency Flow Restricting Devices (EFRD) or Emergency Flow Valves (EFVs). In general, EFRDs and EFVs are an added optional safety device that has no effect on the flow resulting from a small leak, such as a leak caused by corrosion or a small crack. These valves do not prevent accidents; instead, they help mitigate the consequences of accidents where there has been a substantial or catastrophic line break. Where installed, they are complementary to damage prevention programs, one-call systems, and other pipeline safety efforts that focus on preventing accidents caused by outside forces.

In reviewing potential mitigation options, DCP Midstream should consider if automatic shut-off valves or remote control valves represent an efficient means of adding protection to potentially affected high consequence areas.

During the inspection, the PHMSA inspector learned that DCP failed to perform the initial EFRD evaluation on the following pipelines:

Panova to Red River

Red River to Mount Belvieu.

5. §195.581 Which pipelines must I protect against atmospheric corrosion and what coating material may I use?

(a) You must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

DCP did not adequately clean and coat portions of pipeline that were exposed to the atmosphere and at soil-to-air interfaces (transition zone) to protect against atmospheric corrosion.

DCP's standard operating procedure, CORR-5020: Atmospheric Pipe Inspection (dated 10/31/2014), Section 1.1.3 Soil-to-Air Interface states:

1.1.3.1 Inspect all piping that is located at the soil-to-air interface.

1.1.3.1.1 Piping that is located in the soil-to-air interface is especially prone to coating damage.

1.1.3.1.2 If visual examination of the piping at the soil-to-air interface shows evidence of corrosion or coating damage, excavation of the interface may be necessary to complete the inspection.

Section 2.2.3 Poor states:

Extensive visible deterioration of coating. (21 – 99% deterioration)

2.2.3.1: If left unremediated, pitting corrosion may develop which affect the safe operation of the pipeline before the next scheduled inspection.

While reviewing records associated with the DCP's atmospheric corrosion inspection, the PHMSA inspector noted that, at the following locations, DCP failed to remediate poor coating condition prior to the next inspection cycle as noted below:

- 1) Panova to Cushing, 18" idle pipe, MP 0.449 had poor coating on 9/10/2012. It was not checked again until the time of the inspection. DCP also failed to document the condition of corrosion at this location
- 2) Panova to Cushing, 18" idle pipe, MP 0.730, had poor coating on 11/14/2013 and 7/14/2016
- 3) Panova to Cushing, 18" idle pipe, MP 6.147, had poor transition zone on 11/14/2013 and 7/14/2016
- 4) Panova to Cushing, 18" idle pipe, MP 6.147, had poor coating on 11/14/2013 and 7/14/2016
- 5) Panova to Cushing, 18" idle pipe, MP 11.632, had poor coating on 9/11/2012 and 7/19/2016
- 6) Panova to Cushing, 18" idle pipe, MP 11.632, had poor transition zone on 9/11/2012 and 7/19/2016
- 7) Panova to Cushing, 18" idle pipe, MP 11.632, was rated as "poor" in corrosion category on 9/11/2012 and 7/19/2016
- 8) Panova to Cushing, 18" idle pipe, MP 13.480, had poor coating on 11/15/2013 and 7/19/2016
- 9) Panova to Cushing, 18" idle pipe, MP 13.480, had poor transition zone on 11/15/2013 and 7/19/2016
- 10) Panova to Cushing, 18" idle pipe, MP 16.999, had poor coating on 9/12/2012 and 7/19/2016
- 11) Panova to Cushing, 18" idle pipe, MP 16.999, had poor transition zone on 11/14/2013 and 7/19/2016
- 12) Panova to Cushing, 18" idle pipe, MP 17.559, had poor coating on 9/12/2012 and 7/19/2016
- 13) Panova to Cushing, 18" idle pipe, MP 17.559, had poor transition zone on 11/14/2013 and 7/19/2016
- 14) Panova to Cushing, 18" idle pipe, MP 18.265, had poor coating on 11/14/2013 and 7/20/2016
- 15) Panova to Cushing, 18" idle pipe, MP 18.265, had poor transition zone on 9/12/2012 and 7/20/2016
- 16) Panova to Cushing, 18" idle pipe, MP 19.290, had poor coating on 9/13/2012 and 8/27/2016
- 17) Panova to Cushing, 18" idle pipe, MP 19.290, had poor transition zone on 11/14/2013 and 8/27/2016
- 18) Panova to Cushing, 18" idle pipe, MP 20.517, had poor coating on 9/13/2012 and 7/20/2016
- 19) Panova to Cushing, 18" idle pipe, MP 20.517, had poor transition zone on 11/14/2013 and 7/20/2016
- 20) Panova to Cushing, 18" idle pipe, MP 23.383, had poor transition zone on 11/15/2013 and 7/22/2016
- 21) Panova to Cushing, 18" idle pipe, MP 24.894, had poor coating on 9/14/2012 and 7/22/2016
- 22) Panova to Cushing, 18" idle pipe, MP 24.894, had poor transition zone on 9/14/2012 and 7/22/2016
- 23) Panova to Cushing, 18" idle pipe, MP 24.894, was rated as "poor" in corrosion category on 9/14/2012 and 7/22/2016
- 24) Panova to Cushing, 18" idle pipe, MP 24.894, was rated as "poor" in corrosion category on 9/14/2012 and 7/22/2016
- 25) Panova to Cushing, 18" idle pipe, MP 28.058, had poor coating on 9/18/2012 and 7/22/2016

- 26) Panova to Cushing, 18" idle pipe, MP 28.058, had poor transition zone on 11/14/2013 and 7/22/2016
- 27) Panova to Cushing, 18" idle pipe, MP 31.730, had poor coating on 11/15/2013 and 7/25/2016
- 28) Panova to Cushing, 18" idle pipe, MP 31.730, had poor transition zone on 11/15/2013 and 7/25/2016
- 29) Panova to Cushing, 18" idle pipe, MP 32.206, had poor coating on 9/19/2012 and 7/25/2016
- 30) Panova to Cushing, 18" idle pipe, MP 32.206, had poor transition zone on 9/19/2012 and 7/25/2016
- 31) Panova to Cushing, 18" idle pipe, MP 35.675, had poor coating on 11/14/2013 and 7/27/2016
- 32) Panova to Cushing, 18" idle pipe, MP 35.975, had poor transition zone on 11/14/2013 and 7/27/2016
- 33) Panova to Cushing, 18" idle pipe, MP 35.770, had poor coating on 9/19/2012 and 7/27/2016
- 34) Panova to Cushing, 18" idle pipe, MP 35.770, had poor transition zone on 11/14/2013 and 7/27/2016
- 35) Panova to Cushing, 18" idle pipe, MP 44.410, had poor coating on 11/15/2013 and 7/28/2016
- 36) Panova to Cushing, 18" idle pipe, MP 44.410, had poor transition zone on 11/15/2013 and 7/28/2016
- 37) Panova to Cushing, 18" idle pipe, MP 44.504, had poor coating on 9/19/2012 and 7/28/2016
- 38) Panova to Cushing, 18" idle pipe, MP 44.523, had poor coating on 9/19/2012 and 7/28/2016
- 39) Panova to Cushing, 18" idle pipe, MP 44.523, was rated as "poor" in corrosion category on 9/19/2012 and 7/28/2016
- 40) Panova to Cushing, 18" idle pipe, MP 44.523, had poor transition zone on 9/19/2012 and 7/28/2016

6. §195. 402 Procedural manual for operations, maintenance, and emergencies.

(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

DCP did not follow their Integrity Manual.

DCP's Integrity Management Manual, Section 4 – Risk Management Manual, Sub Section 4.4.5: Pipeline Facilities Risk Assessment, states:

The comprehensive risk assessment process for the pipeline stations includes a thorough review of the incident history of the pipeline stations. One example of the difference between the line pipe and facilities

is that for the line pipe, the primary cause for a release is corrosion, while for a station the primary cause of a release is equipment leaks at pumps, valves and fittings. The checklist in DCP Form 50: Pipeline Facilities Checklist assists in determining the most credible release scenario and impact on any affected HCAs.

During the inspection, the PHMSA inspector noted DCP has facilities located at Teague, Lockwood and Panova, all in HCA or in HCA could-affect zones. When the PHMSA inspector requested Form 50: Pipeline Facilities Checklist, DCP was not able to provide it.

7. **§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.

DCP failed to maintain all CP test leads in a condition that enabled it to obtain electrical measurements to determine whether cathodic protection complies with §195.571.

The December 2013 and September 2014 annual CP surveys at mile post (MP) 42.080 along the 16-inch Jacksboro Station to Teague Station pipeline showed p/s readings of 0.000mV and 0.000mV, respectively. These p/s readings were indicative of a broken test lead. DCP corrected this and determined there was adequate cathodic protection during July 2015 annual survey.

8. **§195.573 What must I do to monitor external corrosion control?**
(a) Protected pipelines. You must do the following to determine whether cathodic protection required by this subpart complies with §195.571:
(1) Conduct tests on the protected pipeline at least once each calendar year, but with intervals not exceeding 15 months. However, if tests at those intervals are impractical for separately protected short sections of bare or ineffectively coated pipelines, testing may be done at least once every 3 calendar years, but with intervals not exceeding 39 months.

DCP did not conduct tests on the cathodically protected pipeline segments to monitor external corrosion control, at least once each calendar year, but with intervals not exceeding 15 months.

During the inspection, DCP provided records that demonstrated that the 16" Lockwood Station to Teague Station pipeline at MP 31.330, 65.840, 88.990, 90.760 and 97.840 were not tested as required by §195.573(a)(1) to demonstrate adequate levels of cathodic protection.

MP 31.330 was last surveyed on 12/13/2014 and was not surveyed again until 1/22/2016

MP 65.840 was last surveyed on 12/12/2013 and was not surveyed again until 1/25/2016

MP 88.990 was last surveyed on 12/12/2013 (no access) and was not surveyed again until 7/28/2015
MP 90.760 was last surveyed on 12/12/2013 and was not surveyed again until 7/28/2015
MP 97.840 was last surveyed on 12/12/2013 and was not surveyed again until 7/28/2015

Proposed Civil Penalty

As of April 27, 2017, under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$209,002 per violation per day the violation persists up to a maximum of \$2,090,022 for a related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of \$27,600 as follows:

<u>Item number</u>	<u>PENALTY</u>
8	\$ 27,600

Warning Items

With respect to items 1, 2, 3, and 7 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 promptly correct these item(s). Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to item 4, 5 and 6 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to DCP Southern Hills. 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). 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.

In your correspondence on this matter, please refer to **CPF 4-2017-5032** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

A handwritten signature in black ink that reads "Frank Causey". The signature is written in a cursive, flowing style.

Frank Causey
Acting Director, SW 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 DCP Southern Hills (DCP) a Compliance Order incorporating the following remedial requirements to ensure the compliance of DCP with the pipeline safety regulations:

1. In regard to Item Number 4 of the Notice pertaining to DCP failure to determine if EFRDs were needed on pipeline segments to protect high consequence areas in the event of a hazardous liquid pipeline release, DCP must perform a study based on a current high consequence area list to determine that an EFRD is needed on a pipeline segment to protect a high consequence area in the event of a hazardous liquid pipeline release to enhance public safety.
2. In regard to Item Number 5 of the Notice pertaining to inadequately cleaned and coated soil-to-air interfaces on the portions of Panova to Cushing, 18" idle pipeline which is identified in DCP's atmospheric inspection records (2012 to 2016). DCP must provide evidence when the coating at these locations have been completed to verify that DCP has complied with this compliance order item.
3. In regard to Item Number 6 of the Notice pertaining to DCP's failure to perform the comprehensive risk assessment process for the pipeline stations that includes a thorough review using the checklist provided in DCP's Form 50, DCP must determine the most credible release scenario and impact on HCAs to enhance public safety
4. DCP must complete item 1 and 3 in 90 days and item 2 in 180 days.
5. It is requested (not mandated) that DCP maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Acting Director, Southwest, 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.