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October 27, 2017

**VIA UPS OVERNIGHT**

Mr. Frank Causey  
Acting Director, SW Region  
8701 S. Gessner, Suite 630  
Houston, TX 77074

**Re: Notice of Probable Violation (NOPV) Proposed Civil Penalty and Proposed Compliance Order (CPF-4-2017-5032)**

Dear Mr. Causey:

DCP Midstream (DCP) received the August 24, 2017 Notice of Probable Violation of Regulatory Rules as a result of the PHMSA inspections in May and December 2016 of the Southern Hills Pipeline. DCP's request for a time extension to respond to this matter was granted by PHMSA on October 6, 2017. The extension was granted until October 27, 2017.

DCP does not contest the findings, and agrees to enter into a compliance order incorporating the remedial requirements as described in the August 24, 2017 correspondence. DCP's response to the individual findings as set forth in the Notice and DCP's corrective action plan are described in **Attachment A** to this letter. DCP will transmit the civil penalty assessed for Item No. 8, in the amount of \$27,600.00, upon receipt of the final Compliance Order.

Please do not hesitate to contact me or Barbara Palmer, at 303-605-1737, if you have any questions or require further information.

Sincerely,  
DCP Midstream

Alison E. Barry  
Assistant General Counsel

Attachment

## ATTACHMENT A

The following discussion provides a description of actions DCP has taken or will take to address each finding identified by PHMSA in the Notice. For reference purposes a copy of the PHMSA Notice of Probable Violation (CPF 4-2017-5032) dated August 24, 2017 is attached as Attachment B.

**1. 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 no later than June 23, 2014. (195.64)**

### Response

DCP submitted the notification to PHMSA on June 7, 2016 when it was identified by the PHMSA Inspector on June 7, 2016. It was DCP's previous understanding that no notification was required for divestitures less than 50 miles in length, as set forth in section 195.64(c)(2)(iv).

### Action to be Completed

DCP will revise the current Liquid O&M Procedure, Admin-09 OPID and PHMSA Construction Notifications, to clarify that if there is any change in entity responsible for operating an existing pipeline, a notification to PHMSA is required pursuant to Section 195.64(c)(2)(iii), regardless of the mileage involved.

This revision will be completed by December 31, 2017.

**2. DCP Southern Hills failed to perform an inspection of the internal surface of a hot tap coupon from their pipelines system for evidence of corrosion. 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 inspection. (195.579)**

### Response

No inspection report for the hot tap conducted in January 2015 was found.

### Action to be Completed

DCP will conduct additional training on O&M Procedure H-07, "Examination of Buried Pipelines," with special emphasis regarding Section 1.4, which directs personnel to "(i)nspect the internal surfaces of any pipe which has been removed from a pipeline as well as the adjacent pipe." Operations and Corrosion staff will be trained by December 31, 2017.

**3. DCP failed to follow their Integrity Manual. 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. (195.402)**

#### **Response**

DCP recognizes the discrepancy between the initial planned date of the assessment in June 2014 and the actual date on which it was performed in December 2015, but notes that the delay was the result of the incompatibility of the DCP NGL product with Ultrasonic Technology (UT) assessment tools. DCP did not revise the Form 55 or otherwise clearly document the rationale for the change in schedule, and did not document consideration of any mitigation measures.

#### **Action to be Completed**

In the future, DCP will revise and correct the Form 55 if there are any changes to the scheduled assessment. Additionally, a new integrity procedure outlining the review and analysis that has to be completed and approved to change an assessment date will be developed. The procedure will document DCP's determination that a proposed delay will not impact the safe operation of the pipeline, and will describe the consideration of any relevant Preventive and Mitigative Measures that will need to be implemented to ensure such safe operation.

This new procedure will be developed by December 31, 2017.

**4. During the inspection, the PHMSA inspector learned that DCP failed to perform the initial EFRD evaluation of the following pipelines: Panova to Red River and Red River to Mont Belvieu. (195.452)**

#### **Response**

No documentation of initial EFRD studies on the identified pipeline segments were found during the inspection.

#### **Action to be Completed**

DCP will prepare five EFRD Studies by following the Liquid IMP and Form 58 – EFRD Evaluation. The five segments will cover Southern Hills from Panova to Mont Belvieu. The EFRD segments will be as follows: Panova to Ringling, Ringling to Jacksboro, Jacksboro to Teague, Teague to Lockwood and Lockwood to MBS. DCP will also revise *DCP's Liquid Integrity Management Plan Section 4 – Risk Management Process* to clarify that the initial EFRD study must be completed prior to a pipeline being put into service.

DCP will complete the five EFRD studies and the revision to Section 4 of the Liquid IMP within 90 days of the signed Compliance Order.

**5. DCP did not adequately clean and coat portions of pipeline that were exposed to the atmosphere and at soil-to-water interfaces (transition zone) to protect against atmospheric corrosion. (195.581)**

**Response**

As described in the Notice, DCP had documented forty locations on a segment of the southern Hills pipeline system, Panova to Cushing, where poor coating conditions required remediation, but had not addressed such that were not addressed prior to the next inspection cycle. DCP acknowledges these findings.

**Actions Completed**

In an effort to address this type of problem from occurring in the future, DCP's process for documenting and following through on these repairs has changed dramatically in the past year. A new Maintenance Work Process (MWP) has been rolled out across the company along with technology through which preventive maintenance work must be entered, assigned and completed. In order to change the way in which poor atmospheric inspection conditions requiring remedial action are communicated to DCP Operations, the latest draft of CORR-5020 was amended to include the MWP on November 11, 2016.

All corrosion technicians and corrosion supervisors will be set up with iPhone-compatible technology by March 31, 2018 for documenting required remedial action and assigning it to the appropriate field operations supervisor. This process will result in a unique work order assigned for each identified remedial task. The corrosion technician can identify the date by which the work must be completed. When the work is completed, the corrosion technician will be notified so that the location can be revisited and the latest coating condition documented. Work orders that are not completed on time get escalated through our Operations leadership via exception reports so that visibility is provided to everyone in the Operations organization and action can be taken to correct gaps or delays.

**Actions to be Completed**

DCP will investigate and document conditions previously identified as areas of poor coating, poor transition zones, or areas rated as poor in terms of corrosion categories, and remediate all locations as needed.

These actions will be completed within 180 days of the effective date of the final compliance order, and a summary report of actions taken will be submitted to PHMSA.

**6. DCP did not follow their Integrity Manual. 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. (195.402)**

**Response**

DCP acknowledges this finding. No Form 50 - Pipeline Facilities Checklist were found for these

facilities.

**Actions to be Completed**

DCP will evaluate and revise the Liquid IMP to best address risk assessment of facilities such as pump stations.

DCP will complete Form 50s or an equivalent revised procedure for evaluating risk at the Teague, Lockwood and Panova Pump Stations within 90 days of the effective date of the final compliance order.

**7. 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 pipelines 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 (CP) during the July 2015 annual survey. (195.567).**

**Response**

The test leads at MP 42.080 on the 16" Jacksboro Station to Teague Station pipeline reported as reading 0.000mV and 0.000mV, respectively in 2013 and 2014. Looking at this location, survey data for 2013 and 2014 are available for test stations on either side of the broken test lead.

Milepost	Location Description	Inspection Date	Structure P/S (Volts)	Casing P/S (Volts)	AC P/S (Volts)	Facility ID	Rectifier Output Volts Left (Volts)	Rectifier Output Current Left (Amps)	Inspection Remarks	Latitude	Longitude
40.500	CPL 1694: Weatherford Sta: GPS# N-32: 41' 45.6"; W-097 40' 21.8"	12/12/2013	-1.844							32.69588470	-97.67268208
		9/30/2014	-1.782								
		7/28/2015	-1.997						taken by jj hughes		
		1/28/2016	-2.109								
		4/7/2017	-2.139			0.543					
42.080	Weatherford Sta. go S on old Annetta Rd (east) left on old rd before tower & hill	12/12/2013	0.000						NTL	32.75661850	-97.74645233
		9/30/2014	0.000						no test lead		
		7/28/2015	-1.411								
		6/16/2016	-1.359								
		7/7/2017	-1.365			0.400					
42.600	Go S on Hwy 5 left on Thunderhead, rt. on Lakeview left on Foxrun to bottom of hill: ILS: near driveway (old Aledo Site) Old Annetta Rd to Deer Creek Rd: GPS# N-32 40' 52.4"; W-097 39' 09.1" (Deer Creek Plantation off Old Annetta Rd - left on Dee	12/12/2013	-1.291							32.68163300	-97.65249634
		9/30/2014	-1.371								
		7/28/2015	-1.276								
		1/29/2016	-1.613								

The test lead upstream of 42.080 shows adequate cathodic protection in both 2013 and 2014. In addition, the test lead immediately downstream of 42.080 at MP 42.600 is only 520' from test lead 42.080 with the broken test leads. It shows adequate cathodic protection levels for both 2013 and 2014. Finally, there are no foreign line crossings in the area of 42.080. Although DCP agrees that the test leads should have been repaired, DCP believes that these facts support a high degree of confidence that there was adequate cathodic protection at MP 42.080 during 2013 and 2014.

### **Actions to be Completed**

As discussed with the field inspector and further described in the following section, DCP has reorganized its pipeline corrosion program so that it now reports through the corporate environmental, health and safety department, rather than through field operations. This reorganization allows prioritization of funding at the corporate level for corrosion remediation work such as broken test leads or repair of rectifiers, and improves accountability for ensuring such work is completed. DCP will continue to build upon this model going forward.

***8. 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. (195.573) (195.402)***

### **Response**

As noted in the list of probable violations, DCP is missing records to demonstrate adequate levels of cathodic protection at five locations for the period 2013 – 2014. In all cases, readings have been taken since this period in order to confirm adequate cathodic protection, but documentation is not available for the time frame specified in Section 195.573(a)(1).

### **Actions Completed**

Although DCP is unable to correct past violations of this type, DCP has made efforts to drive continuous improvement in DCP's corrosion program, including significant changes in the management of its corrosion program, in order to prevent future occurrences of such deficiencies, among other goals. In April 2015, DCP transformed the pipeline corrosion program into a centralized business function with a focus on continuity, compliance and execution of strategic initiatives that address efficiency, risk management and reliability.

All Corrosion Technicians now report through regional Corrosion Supervisors and up through the Corrosion Manager and ultimately the head of DCP's Integrity program, and finally to the Vice President for Environment, Health and Safety. Centralization has led to cross-functional collaboration, and management of performance through key performance indicators that give DCP's executive management notice of compliance issues. There has also been a commitment to investing in continuing education across the entire team. Standard expectations have been

set across the company and quarterly meetings are held to reinforce DCP's Operation and Maintenance and Standard Operating Procedures for compliance with all regulatory requirements.