



U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

1200 New Jersey Avenue SE
Washington DC 20590

APR 03 2019

Mr. Wouter van Kempen
Chairman and Chief Executive Officer
DCP Midstream, LP
370 17th Street, Suite 2500
Denver, CO 80202

Re: CPF No. 4-2018-5004

Dear Mr. van Kempen:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and assesses a civil penalty of \$44,200. This is to acknowledge receipt of payment of the full penalty amount, by wire transfer dated March 28, 2018. This enforcement action is now closed. Service of the Final Order by certified mail is effective upon the date of mailing, as provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosure

cc: Ms. Mary McDaniel, Director, Southwest Region, Office of Pipeline Safety, PHMSA
Mr. Brent Backes, Group Vice President and General Counsel, DCP Midstream, LP

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

In the Matter of

DCP Midstream, LP,

Respondent.

CPF No. 4-2018-5004

FINAL ORDER

On multiple dates between June 25 and August 25, 2016, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of DCP Midstream, LP's (DCP or Respondent), Black Lake highly volatile liquid (HVL) pipeline system in Texas and Louisiana. DCP is a master limited partnership owned by Phillips 66 and Enbridge, Inc., that operates more than 64,000 miles of natural gas liquid pipeline and 12 natural gas processing facilities in approximately 16 states.¹

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated February 9, 2018, a Notice of Probable Violation and Proposed Civil Penalty (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that DCP had violated 49 C.F.R. §§ 195.561(a) and 195.579(c) and proposed assessing a civil penalty of \$44,200 for the alleged violations.

DCP responded to the Notice by letter dated March 21, 2018 (Response). The company did not contest the allegations of violation and paid the proposed civil penalty of \$44,200. In accordance with 49 C.F.R. § 190.208(a)(1), such payment authorizes the Associate Administrator to make findings of violation and to issue this final order without further proceedings.

FINDINGS OF VIOLATION

In its Response, DCP did not contest the allegations in the Notice that it violated 49 C.F.R. Part 195, as follows:

¹ DCP website, available at http://www.dcpmidstream.com/getattachment/Utility-Pages/Explore-Footprint/DCP_Mid_Corp_Glance_Fact_Sheet_Q32016_Enbridge_Consolidation.pdf.aspx (last accessed December 11, 2018).

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.561(a), which states:

§ 195.561 When must I inspect pipe coating used for external corrosion control?

(a) You must inspect all external pipe coating required by § 195.557 just prior to lowering the pipe into the ditch or submerging the pipe.

The Notice alleged that Respondent violated 49 C.F.R. § 195.561(a) by failing to inspect the external pipeline coating prior to lowering the pipe into the ditch. Specifically, the construction field report for the CrossTex Lateral, which was constructed on June 24, 2013, only noted that a pipe-inspection “jeep” was at the job site,² but did not indicate whether the pipe had actually been inspected prior to lowering it into the ditch. Additionally, DCP failed to follow its own corrosion-control procedure (*Procedure CORR-2160*), dated April 17, 2013. Sections 3.1, 3.4, and 3.5 of *CORR-2160* require DCP representatives to inspect the pipeline coating visually and 100 percent electrically using the conductive contact with the holiday detector. Section 3.7 also specifies that the coating inspections and repairs should be documented on *DCP Form 13 – exposed Pipeline Inspection Report* or a similar form demonstrating compliance with the procedure.

Respondent did not contest this allegation of violation. In its Response, DCP stated that no inspection report or other documentation was found to demonstrate that the pipeline coating had been inspected prior to lowering the pipe into the ditch.³ Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.561(a) by failing to inspect the external pipeline coating prior to lowering the pipe into the ditch.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.579(c), which states:

§ 195.579 What must I do to mitigate internal corrosion?

(a) ...

(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.

The Notice alleged that Respondent violated 49 C.F.R. § 195.579(c) by failing to inspect the internal surface of pipe for evidence of corrosion when the pipe was removed from the pipeline system. Specifically, the Notice alleged that DCP failed to provide documentation to support that an internal inspection was performed when hot tap coupons were removed from the pipeline. DCP made four hot taps to connect the Hull Lateral, the Ada Lateral, the CrossTex Lateral, and

² Pipelines are coated and/or wrapped with special materials to prevent corrosion. Coating integrity is confirmed through detection of bare spots with special detectors known as “jeeps.”

³ Response, at 1.

the Goldonna Lateral, which were all connected to meter stations. The four meter station receipts were installed in 2013, 2014, and 2015. Furthermore, according to DCP Corrosion and Compliance representatives, inspection reports were not available since the internal surface of the pipe had not been inspected for evidence of corrosion during these projects. DCP also failed to follow its corrosion-control procedure (*Procedure CORR-3010*). Sections 3, 4, and 8 of *CORR-3010* indicate that when the pipe is cut, including hot taps coupons, the internal surface must be inspected.

Respondent did not contest this allegation of violation. In its Response, DCP stated that no inspection reports for the hot taps conducted in 2013, 2014, and 2015, were found for the Hull Lateral, the Ada Lateral, the CrossTex Lateral, and the Goldonna Lateral.⁴ Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.579(c) by failing to inspect the internal surface of pipe for evidence of corrosion when the pipe was removed from the pipeline system.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed \$200,000 per violation for each day of the violation, up to a maximum of \$2,000,000 for any related series of violations.⁵ In determining the amount of a civil penalty under 49 U.S.C. § 60122 and 49 C.F.R. § 190.225, I must consider the following criteria: the nature, circumstances, and gravity of the violation, including adverse impact on the environment; the degree of Respondent's culpability; the history of Respondent's prior offenses; any effect that the penalty may have on its ability to continue doing business; and the good faith of Respondent in attempting to comply with the pipeline safety regulations. In addition, I may consider the economic benefit gained from the violation without any reduction because of subsequent damages, and such other matters as justice may require. The Notice proposed a total civil penalty of \$44,200 for the violations cited above.

Item 1: The Notice proposed a civil penalty of \$21,600 for Respondent's violation of 49 C.F.R. § 195.561(a), for failing to inspect the external pipeline coating prior to lowering the pipe into the ditch. DCP neither contested the allegation nor presented any evidence or argument justifying a reduction in or elimination of the proposed penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$21,600 for violation of 49 C.F.R. § 195.561(a).

Item 2: The Notice proposed a civil penalty of \$22,600 for Respondent's violation of 49 C.F.R. § 195.579(c), for failing to inspect the internal surface of pipe for evidence of corrosion

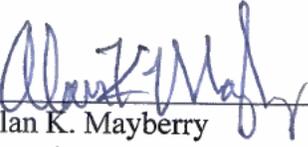
⁴ Response, at 1.

⁵ These amounts are adjusted annually for inflation. See, 49 C.F.R. § 190.223; Revisions to Civil Penalty Amounts, 83 Fed. Reg. 60732, 60744 (Nov. 27, 2018).

when pipe was removed from the pipeline system. DCP neither contested the allegation nor presented any evidence or argument justifying a reduction in or elimination of the proposed penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$22,600 for violation of 49 C.F.R. § 195.579(c).

In summary, having reviewed the record and considered the assessment criteria for each of the Items cited above, I assess Respondent a total civil penalty of **\$44,200**, which was paid in full by wire transfer on March 23, 2018.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.



Alan K. Mayberry
Associate Administrator
for Pipeline Safety

APR 03 2019

Date Issued