

## NOTICE OF AMENDMENT

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 30, 2011

Mr. Daniel Knepper  
President and Chief Operating Officer  
Cenex Pipeline Company  
803 Highway 212 South  
Laurel, MT 59044

**CPF 5-2011-5016M**

Dear Mr. Knepper:

On August 16 through September 3, 2010, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Cenex Pipeline Company's (Cenex) operation and maintenance procedures in Laurel, Montana.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Cenex's plans or procedures, as described below:

- 1. §195.58 Report submission requirements**
  - (a) General. Except as provided in paragraph (b) of this section, an operator must submit each report required by this part electronically to PHMSA at <http://opsweb.phmsa.dot.gov> unless an alternative reporting method is authorized in accordance with paragraph (d) of this section.**

Cenex's Operations and Maintenance Procedures did not reference the updated PHMSA web site on page F-4 of their Accident Reporting Procedures. The PHMSA web site where additional accident reporting forms are available is currently listed under Part 195.58(a) as [www.ops.dot.gov](http://www.ops.dot.gov). Cenex needs to amend their procedure to include a correct Uniform

Resource Locator (URL) as required by Part 195.58(a).

2. **§195.402 Procedural manual for operations, maintenance, and emergencies**
  - (c) **Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:**
    - (3) **Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart [subpart F] and subpart H of this part.**

Neither Cenex's O&M manual nor Cenex's IMP provided explicit instructions for the remediation of anomalies discovered during pipeline assessments that could not affect an HCA. It appears to be incomplete processes that are cross referenced between the Cenex IMP and the Cenex O&M manual. Article 6.5 of Cenex's IMP referenced Cenex's O&M manual pertaining to the dig criteria; however, the procedure titled "Correcting Corroded Pipe" on page H-20 of Cenex's O&M manual referred back to the Cenex IMP for additional detail. Cenex needs to amend their procedure to include a prompt action must be taken to investigate and/or repair all anomalies that pose a threat to the integrity of a pipeline as required by Part 195.401(b) (1).

3. **§195.402 Procedural manual for operations, maintenance, and emergencies**
  - (c) **Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:**
    - (3) **Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart [subpart F] and subpart H of this part.**

Cenex's Operations and Maintenance Procedures pertaining to right-of-way patrols did not include instructions on how contractors and company personnel will report right-of-way patrol findings to meet the requirement of Part 195.412(a). Cenex needs to amend their procedure to include the method for reporting right-of-way patrol findings.

4. **§195.402 Procedural manual for operations, maintenance, and emergencies**
  - (c) **Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:**
    - (3) **Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart [subpart F] and subpart H of this part.**

Cenex's Operations and Maintenance Procedures pertaining to the valve inspection did not include a process on how their personnel will follow-up maintenance deficiencies identified during the valve inspection process to meet the requirement of Part 195.420(b). Cenex needs to amend their procedure to include a process for follow-up and documentation of valve deficiencies identified during a valve inspection.

5. **§195.402 Procedural manual for operations, maintenance, and emergencies**
  - (c) **Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:**
    - (3) **Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart [subpart F] and subpart H of this part.**

Cenex's Operations and Maintenance Procedures did not contain detailed procedures and/or instructions for installing tank liners to meet the requirement of Part 195.579(d). Cenex needs to amend their procedure to include specific instructions for installing tank liners.

6. **§195.402 Procedural manual for operations, maintenance, and emergencies**
  - (c) **Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:**
    - (3) **Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart [subpart F] and subpart H of this part.**

Cenex's Operations and Maintenance Procedures pertaining to atmospheric corrosion control procedures did not include adequate detail for inspecting aboveground pipe coatings at pipe-to-soil interfaces, and between pipe and pipe supports. Additionally, this procedure did not specify the repair measures to be taken if deficiencies are identified. Cenex needs to amend their procedure to ensure that the pipe-to-soil interfaces and other aboveground pipe are protected from atmospheric corrosion, and provide a method(s) to ensure the coating will be repaired or replaced as required by Part 195.583(b).

7. **§195.402 Procedural manual for operations, maintenance, and emergencies**
  - (c) **Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:**
    - (3) **Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart [subpart F] and subpart H of this part.**

Cenex's Operations and Maintenance Procedures pertaining to the corrosion control records retention periods was not consistent with the requirement of Part 195.589(c). It appears there is conflicting information pertaining to the retention periods within the Cenex's Corrosion Control Procedures. The retention periods listed on pages H-7 and H-8 indicate the records to be retained until the next scheduled inspection for pipe-to-soil potentials, tank-to-soil potentials, casing-to-soil potentials, insulated flange potentials, foreign structure corrosion bonds, and rectifier inspections. These retention periods do not meet the requirement of Part 195.589(c). Conversely, the retention periods listed on pages H-21 and 22 for corrosion control records or reports were correct. Cenex needs to amend their procedure to include a proper timeframe for records keeping as required by Part 195.589(c).

- 8. §195.402 Procedural manual for operations, maintenance, and emergencies**  
**(d) Abnormal operation. The manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded;**
- (1) Responding to, investigating, and correcting the cause of;**
  - (i) Unintended closure of valves or shutdowns;**
  - (ii) Increase or decrease in pressure or flow rate outside normal operating limits;**
  - (iii) Loss of communications;**
  - (iv) Operation of any safety device;**
  - (v) Any other malfunction of a component, deviation from normal operation, or personnel error which could cause a hazard to persons or property.**

Cenex's Operations and Maintenance Procedures pertaining to Form L-2, which is used to document abnormal operations, did not include a method to document the response to an abnormal operation event. Cenex needs to amend their procedure to ensure there is a method for documenting responses to abnormal operations.

- 9. §195.505 Qualification program.**  
**Each operator shall have and follow a written qualification program. The program shall include provisions to:**
- (b) Ensure through evaluation that individuals performing covered tasks are qualified;**

Cenex's OQ program did not include the requirement for qualified contractors to be evaluated pertaining to the task specific/system specific AOCs. Cenex needs to amend their procedure to ensure all their personnel that are qualified to complete a covered task have been evaluated, and must be able to recognize and react to abnormal operating conditions that can be expected during the specific covered task they are performing.

- 10. §195.505 Qualification program**  
**Each operator shall have and follow a written qualification program. The program shall include provisions to:**
- (i) After December 16, 2004, notify the Administrator or a state agency participating under 49 U.S.C. Chapter 601 if the operator significantly modifies the program after the Administrator or state agency has verified that it complies with this section.**

Cenex's OQ Program did not contain the PHMSA address where notifications will be sent when there are significant changes to Cenex's OQ Program. Page 15 under Section M of Cenex's OQ Program did not contain the PHMSA address but instead refers to 195.505(i). An operator cannot refer to Part 195 for procedural instructions.

## Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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. 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). 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.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 60 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

It is requested (not mandated) that Cenex Pipeline Company maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 5-2011-5016M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Chris Hoidal  
Director, Western Region  
Pipeline and Hazardous Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*

cc: PHP-60 Compliance Registry  
PHP-500 G. Davis (#129363)