



U.S. Department
of Transportation

Pipeline and
Hazardous Materials
Safety Administration

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West Trenton, NJ 08628
609.771.7800

NOTICE OF AMENDMENT

VIA ELECTRONIC MAIL TO: Mathieu.Fournier@rockpointgs.com

February 23, 2023

Mr. Mathieu Fournier
Manager, Reservoir Engineering
Engineering & Operations
Lodi Gas Storage, LLC
400 - 607 8th Ave SW
Calgary, AB T2P 0A7

CPF 1-2023-010-NOA

Dear Mr. Fournier:

From August 9, 2021 through August 13, 2022, an inspector from the California Geologic Energy Management Division (CalGEM), acting as an agent for the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Lodi Gas Storage, LLC's (LGS) procedures for the Kirby Hills Storage and Lodi Storage depleted hydrocarbon Underground Natural Gas Storage Facilities (UNGSF) in Solano County and San Joaquin County California, respectively. LGS has been operating these fields since 2001.

As a result of the inspection, PHMSA has identified the apparent inadequacies found within LGS's plans or procedures. The items inspected and the inadequacies are described below:

1. 49 CFR § 192.12 Underground natural gas storage facilities.

(a) ...

(c) ***Procedural manuals.*** Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. Each operator must have written procedures in place before commencing operations

or beginning an activity not yet implemented.

LGS written procedures for conducting maintenance and normal operations were inadequate to ensure safe operation of a pipeline facility. Specifically, LGS's procedures must include the provisions of API RP 1171, Section 9 pursuant to § 192.12(b). However, LGS's manual Risk Management Plan for the Wells and Reservoirs of the Lodi Underground Gas Storage Project (RMP) did not include a process to evaluate the mechanical integrity of active wells in accordance with API RP 1171, Section 9.3.1.

API RP 1171, Section 9.3.1 states, in part, "Active well mechanical integrity evaluations shall include initial and subsequent evaluations as determined using the risk assessment and the information derived from the initial evaluation."

During inspection, PHMSA reviewed the RMP and found RMP, Section 4.3, Mechanical Integrity: Schedule for Verification and Demonstration did not contain a process to evaluate the mechanical integrity of active wells.

Therefore, LGS's written procedures required by § 192.12(c) were inadequate. LGS must revise its written procedures to include a process to evaluate the mechanical integrity of active wells that includes initial and subsequent evaluations as determined by the risk assessment.

2. 49 CFR § 192.12 Underground natural gas storage facilities.

(a) ...

(c) *Procedural manuals.* Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. Each operator must have written procedures in place before commencing operations or beginning an activity not yet implemented.

LGS's written procedures for conducting maintenance and normal operations were inadequate to ensure safe operation of a pipeline facility. As stated above LGS's procedures must include the provisions of API RP 1171, Section 9 pursuant to § 192.12(b). However, LGS's Operations and Maintenance Manual, Procedure 7.01, Inspect and Maintain Emergency Valves (Valve Procedure) did not include a process to maintain, repair, or replace isolation valves in accordance with API RP 1171, Section 9.3.2.

Section 9.3.2, states in part, "The valves shall be maintained, repaired, or replaced in accordance with the operator's valve maintenance program for isolation valves."

During the inspection, PHMSA reviewed the Valve Procedure. The Valve Procedure failed to

include a process for maintaining, repairing, or replacing wellhead isolation valves. The Valve Procedure also failed to include a process detailing the prompt remedial action required to correct any inoperable valves.

Therefore, LGS's written procedures required by § 192.12(c) were inadequate. LGS must revise its written procedures to include a process to maintain, repair, or replace isolation valves.

3. 49 CFR § 192.12 Underground natural gas storage facilities.

(a) ...

(c) *Procedural manuals.* Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. Each operator must have written procedures in place before commencing operations or beginning an activity not yet implemented.

LGS's written procedures for conducting maintenance and normal operations were inadequate to ensure safe operation of a pipeline facility. Specifically, LGS's Emergency Response Plan (ERP) did not include a process for keeping the ERP manuals accessible at locations where UNGSF work is being performed in accordance with § 192.12(c).

During the inspection, PHMSA reviewed the ERP. The ERP failed to include any requirements for maintaining the appropriate parts of the manual accessible at locations where UNGSF work is being performed.

Therefore, LGS's written procedures required by were inadequate. LGS must revise its written procedures to include a process for keeping the ERP manuals accessible at locations where UNGSF work is being performed.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.206. Enclosed as part of this Notice is a document entitled Response Options for Pipeline Operators in Compliance Proceedings.

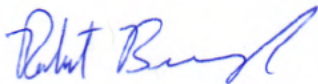
Please refer to this document and note the response options. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. § 552(b), 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).

Following the receipt of this Notice, you have 30 days to submit written comments, revised procedures, or a request for a hearing under §190.211. 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 an Order Directing Amendment. If 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. § 190.206). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 30 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 Lodi Gas Storage, LLC maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Robert Burrough, Director, Eastern Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 1-2023-010-NOA** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert Burrough", is positioned above the typed name.

Robert Burrough
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: Response Options for Pipeline Operators in Enforcement Proceedings