

WARNING LETTER

OVERNIGHT EXPRESS DELIVERY

November 14, 2023

Mr. Darin Carroll
President and Chief Executive Officer
Southern Indiana Gas & Electric Co
1111 Louisiana Street
Houston, Texas 77002

CPF 1-2023-063-WL

Dear Mr. Carroll:

From October 18 to 21, 2022, in an onsite inspection, the Indiana Department of Natural Resources (IDNR) acting as a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Southern Indiana Gas & Electric Co's (Southern Indiana) Monroe, Midway, and Oliver storage facilities in Knox, Spencer, and Posey Counties, Indiana.

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

1. § 192.12 Underground natural gas storage facilities.

(a) . . .

(b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*

(1) . . .

(2) Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1171 (incorporated by reference, *see* §192.7), sections 8, 9, 10, and 11, and paragraph (c) of this section, by January 18, 2018, and must meet all provisions of paragraph (d) of this section by March 13, 2021.

Southern Indiana failed to meet the provisions of API RP 1171, Section 9.3.1. Specifically, Southern Indiana failed to demonstrate that third party mechanical well integrity was evaluated for 313 wells in multiple UNGSFs.

API RP 1171, Section 9.3.1 Well Integrity Evaluation states:

The operator shall evaluate the mechanical integrity of each active well, including each third-party well, that penetrates the storage reservoir and buffer zone or areas influenced by storage operations.

Well integrity evaluation methods typically used by operators include but are not limited to review of design, completion, and well work records, wellhead and downhole inspection, well pressure monitoring and testing, and gas sampling.

The operator shall request well integrity evaluation data from third-party well owner/operators following the frequency established using conclusions from the risk assessment.

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 the inspection, Southern Indiana was unable to provide documentation where it had evaluated the mechanical integrity of any of the third-party wells within its storage facilities.

Therefore, Southern Indiana failed to meet the provisions of API RP 1171, Section 9.3.1 by failing to demonstrate that it implemented a process to evaluate mechanical integrity of third-party wells.

2. § 192.12 Underground natural gas storage facilities.

(a) . . .

(b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*

(1) . . .

(2) Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1171 (incorporated by reference, see §192.7), sections 8, 9, 10, and 11, and paragraph (c) of this section, by January 18, 2018, and must meet all provisions of paragraph (d) of this section by March 13, 2021.

Southern Indiana failed to meet the provisions of API RP 1171, Section 9.3.2. Specifically, Southern Indiana failed to test the master valves for proper function and the ability to isolate for 81 wells in the Oliver and Midway storage fields.

API RP 1171, Section 9.3.2 Well Integrity Monitoring states in part: “The operator shall test the operation of the master valve and wellhead pipeline isolation valve at least annually for proper function and ability to isolate the well. The valves shall be maintained, repaired, or replaced in accordance with the operator’s valve maintenance program for isolation valves.”

During the inspection, Southern Indiana was unable to provide documentation that the master valves were tested for operation and isolation for 81 wells in its Oliver and Midway storage fields. Southern Indiana indicated that these 81 wells have velocity strings that prevent full operation of the master valves.

Therefore, Southern Indiana failed meet the provisions of API RP 1171 Section 9.3.2 by failing to test its well master valves.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$257,664 per violation per day the violation persists, up to a maximum of \$2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022, and before January 6, 2023, the maximum penalty may not exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,142 for a related series of violations. For violation occurring on or after May 3, 2021, and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021, and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019, and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018, and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015, and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022.

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 correct the items identified in this letter. Failure to do so will result in Southern Indiana Gas & Electric Co being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 1-2023-063-WL**. 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).

Sincerely,

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