

WARNING LETTER

OVERNIGHT EXPRESS DELIVERY

February 27, 2024

Mr. Dan Krueger
President and Chief Executive Officer
Bluewater Gas Storage, LLC
231 W. Michigan Street, P468
Milwaukee, Wisconsin 53203

CPF 1-2024-016-WL

Dear Mr. Krueger:

From July 11, 2023 through July 13, 2023 of the on-site inspection, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Bluewater Gas Storage, LLC's (Bluewater Gas Storage) Columbus 3 and Kimball 27 Underground Natural Gas Storage (UNGS) facilities in St. Clair County, Michigan.

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.

Bluewater Gas Storage failed to meet the provisions of API RP 1171, section 8. Specifically, Bluewater Gas Storage failed to demonstrate how the effectiveness of the risk monitoring and risk management was assessed in accordance with API 1171, Section 8.7.1.

API 1171, Section 8.7.1 requires that “The operator shall assess the effectiveness of risk monitoring and risk management programs and maintain a continual review and improvement cycle in risk management activities to provide functional integrity of the storage operation.”

Bluewater Gas Storage’s STANDARD 217 Storage Risk Management Plan Standard in 217.7.2 Frequency, stated, “The operator shall define a review frequency for the risk assessment and perform a review and update of the risk assessment in accordance with the defined frequency. The risk assessment will be reviewed and updated at least every three years.”

During the inspection, Bluewater Gas Storage was unable to provide any records of risk monitoring and risk management reviews. Bluewater Gas Storage stated that a documented meeting is to be scheduled by the end of 3rd quarter in 2023.

Therefore, Bluewater Gas Storage failed to meet the provisions of Section 8.7.1.

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.

Bluewater Gas Storage failed to meet the provisions of API RP 1171, Section 9. Specifically, Bluewater Gas Storage failed to demonstrate that valves are maintained, repaired, or replaced in accordance with the valve maintenance program for isolation valves pursuant to API RP 1171 Sections 9.3.2 and 9.8.1.

API RP 1171, Section 9.3.2 requires that “The valves shall be maintained, repaired, or replaced in accordance with the operator’s valve maintenance program for isolation valves.” API RP 1171, Section 9.8.1 requires that “Inspections, tests, patrols, or analyses shall be documented according to the operator’s procedures.”

During the inspection, Bluewater Gas Storage was unable to provide any records demonstrating that isolation valves had been repaired or replaced in accordance with its valve maintenance program. Bluewater Gas Storage stated that a work management system is to be developed in 2024/2025 with WEC Energy Group, owner of Bluewater Gas Storage.

Therefore, Bluewater Gas Storage failed to comply with § 192.12(b)(2) by failing to meet the provisions of API RP 1171, Sections 9.3.2 and 9.8.1.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$266,015 per violation per day the violation persists, up to a maximum of \$2,660,135 for a related series of violations. For violation occurring on or after January 6, 2023 and before December 28, 2023, the maximum penalty may not 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.

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 Bluewater Gas Storage, LLC 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 1-2024-016-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