NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 26, 2014

Mr. George Grau
Vice President, Operations Crude and NGL
Crestwood Dakota Pipeline LLC
801 Cherry Street
Suite 3800, Unit 20
Fort Worth, Texas 76102

CPF 3-2014-5006M

Dear Mr. Grau:

On October 28th – November 1, 2013, representatives of the Central Region office of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected the operation and maintenance procedures for Crestwood Dakota Pipeline LLC at your offices in Epping, ND.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Crestwood Dakota Pipeline LLC's (Crestwood) plans or procedures, as described below:

1. **§195.402 Procedural Manual for Operations, Maintenance and Emergencies.**

   §195.402(a) - Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies.

   §195.52(c) Immediate notice of certain accidents. - Calculation. A pipeline operator must have a written procedure to calculate and provide a reasonable initial estimate of the amount of released product.

The procedure was inadequate because it referenced a spill calculation, but the spill calculation could not be found in Procedure 1.01. The procedure should include the initial spill calculation for use when reporting accidents to the NRC.

2. **§195.402(a) – See Above**

   §195.64 National Registry of Pipeline and LNG Operators. (1) An operator must notify PHMSA of any of the following events not later than 60 days before the event occurs:

   (i) Construction or any planned rehabilitation, replacement, modification, upgrade, uprate, or update of a facility, other than a section of line pipe, that costs $10 million or more. If 60 day notice is not feasible because of an emergency, an operator must notify PHMSA as soon as practicable;
   (ii) Construction of 10 or more miles of a new hazardous liquid pipeline; or
   (iii) Construction of a new pipeline facility.

   The procedure was inadequate because it was missing the requirement for notification for construction from Procedure 1.08.

3. **§195.402(a) – See Above**

   §195.64 National Registry of Pipeline and LNG Operators. (2) An operator must notify PHMSA of any following event not later than 60 days after the event occurs:

   (iv) The acquisition or divestiture of 50 or more miles of pipeline or pipeline system subject to this part; or

   (v) The acquisition or divestiture of an existing pipeline facility subject to this part.

   The procedure was inadequate because it was missing the requirement for notification of divesture from Procedure 1.08.

4. **§195.402 Procedural Manual for Operations, Maintenance and Emergencies.**

   §195.402(a) requires that each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies.

   §195.402(c) indicates that the manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:
   (1) Making construction records, maps, and operating history available as necessary for safe operation and maintenance.

   The procedures are inadequate as they did not describe how construction records, maps, and operating history are made available as necessary for safe operation and maintenance.

5. **§195.402 (See above)**

§195.402(c) indicates that the manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

§195.422 Pipeline Repairs. (a) Each operator shall, in repairing its pipeline systems, insure that the repairs are made in a safe manner and are made so as to prevent damage to persons or property.

§195.234 Welds: Nondestructive testing. (b) Any nondestructive testing of welds must be performed-
(2) With personnel that have been trained in the established procedures and in the use of the equipment employed in the testing

Crestwood utilizes third parties for non-destructive testing (NDT); however, the procedure is inadequate because it did not indicate that the company will get qualified NDT personnel records and qualified NDT procedures from the third party, and that those records will be reviewed and approved by company personnel.

6. **195.402 (see above)**

(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:

(5) Analyzing pipeline accidents to determine their causes.

The procedure for this requirement was inadequate because it lacked referenced documents such as Form 2055 and a root cause analysis procedure. Crestwood's procedures should also include measures to preserve failed components, a chain-of-custody form with procedures, and guidance relating to metallurgical testing by third party vendors when needed to determine the cause of a pipeline accident.

7. **195.402 (see above)**

(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:

(9) In the case of facilities not equipped to fail safe that are identified under §195.402(c)(4) or that control receipt and delivery of the hazardous liquid or carbon dioxide, detecting abnormal operating conditions by monitoring pressure, temperature, flow or other appropriate operational data and transmitting this data to an attended location.

The procedure Section 17 was inadequate because it did not address facilities that are unmanned that receive or deliver product. Procedures must be in place to ensure that operating parameters are monitored from an attended location.

8. 195.402 (see above)

(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:

(10) Abandoning pipeline facilities, including safe disconnection from an operating pipeline system, purging of combustibles, and sealing abandoned facilities left in place to minimize safety and environmental hazards. For each abandoned offshore pipeline facility or each abandoned onshore pipeline facility that crosses over, under or through commercially navigable waterways the last operator of that facility must file a report upon abandonment of that facility in accordance with §195.59 of this part.

The procedure was inadequate because it referred to natural gas and not hazardous liquids for abandonment. Additionally, the procedure then refers to the code on how to report the abandonment of a navigable waterway. The procedure must include steps for company personnel to follow to report the abandonment to PHMSA.

9. §195.402 (See above)

(e) Emergencies. The manual required by paragraph (a) of this section must include procedures for the following to provide safety when an emergency condition occurs;

(1) Receiving, identifying, and classifying notices of events which need immediate response by the operator or notice to fire, police, or other appropriate public officials and communicating this information to appropriate operator personnel for corrective action.
(2) Prompt and effective response to a notice of each type emergency, including fire or explosion occurring near or directly involving a pipeline facility, accidental release of hazardous liquid or carbon dioxide from a pipeline facility, operational failure causing a hazardous condition, and natural disaster affecting pipeline facilities.
(3) Having personnel, equipment, instruments, tools, and material available as needed at the scene of an emergency.
(4) Taking necessary action, such as emergency shutdown or pressure reduction, to minimize the volume of hazardous liquid or carbon dioxide that is released from any section of a pipeline in the event of a failure.
(5) Control of released hazardous liquid or carbon dioxide at an accident scene to minimize the hazards, including possible intentional ignition in the cases of flammable highly volatile liquid.
(6) Minimization of public exposure to injury and probability of accidental ignition by assisting with evacuation of residents and assisting with halting traffic on roads and railroads in the affected area, or taking other appropriate action.

(7) Notifying fire, police, and other appropriate public officials of hazardous liquid or carbon dioxide pipeline emergencies and coordinating with them preplanned and actual responses during an emergency, including additional precautions necessary for an emergency involving a pipeline transporting a highly volatile liquid.
(8) In the case of failure of a pipeline transporting a highly volatile liquid, use of appropriate instruments to assess the extent and coverage of the vapor cloud and determine the hazardous areas.
(9) Providing for a post accident review of employee activities to determine whether the procedures were effective in each emergency and taking corrective action where deficiencies are found.
(10) Actions required to be taken by a controller during an emergency, in accordance with § 195.446.

The O&M Procedures 3.04 were inadequate because they were simply a restatement of the regulations. The title of this section is "Preparation of the Emergency Manual" which listed what is needed to create the Emergency Manual. However, there were no details on what company personnel do to provide safety during an emergency condition to satisfy the requirements of the regulations in this section.

10. §195.402 (See above)

§195.403 Emergency Response Training.

(a) Each operator shall establish and conduct a continuing training program to instruct emergency response personnel to:

(1) Carry out the emergency procedures established under 195.402 that relate to their assignments;
(2) Know the characteristics and hazards of the hazardous liquids or carbon dioxide transported, including, in case of flammable HVL, flammability of mixtures with air, odorless vapors, and water reactions;
(3) Recognize conditions that are likely to cause emergencies, predict the consequences of facility malfunctions or failures and hazardous liquids or carbon dioxide spills, and take appropriate corrective action;
(4) Take steps necessary to control any accidental release of hazardous liquid or carbon dioxide and to minimize the potential for fire, explosion, toxicity, or environmental damage; and
(5) Learn the potential causes, types, sizes, and consequences of fire and the appropriate use of portable fire extinguishers and other on-site fire control equipment, involving, where feasible, a simulated pipeline emergency condition.

(b) At the intervals not exceeding 15 months, but at least once each calendar year, each operator shall:

(1) Review with personnel their performance in meeting the objectives of the emergency response training program set forth in paragraph (a) of this section; and
(2) Make appropriate changes to the emergency response training program as necessary to ensure that it is effective.

(c) Each operator shall require and verify that its supervisors maintain a thorough knowledge of that portion of the emergency response procedures established under 195.402 for which they are responsible to ensure compliance.

The procedures were inadequate because they were a restatement of the regulations. Procedures must be detailed so that company personnel know what they need to do to conduct an emergency response training program that satisfies the requirements of the regulations.

11. §195.402 (See above)

§195.404 Maps and Records.

a) Each operator shall maintain current maps and records of its pipeline systems that include at least the following information;

(2) All crossings of public roads, railroads, rivers, buried utilities, and foreign pipelines.

The procedures were inadequate because they do not provide any guidance on how to ensure that all public roads, railroads, rivers, buried utilities, and foreign pipelines are documented in Crestwood's maps and records. Specifically, the procedure 2.01 did not contain a process to ensure that any utilities or pipeline crossings identified during maintenance activities are recorded and mapped. A process should define what needs to be recorded, where and when the information gets transferred too within the company, and timeframes when the updated maps and records are available to field personnel.

12. §195.402 (See above)

§195.408 Communications.

(b) The communication system required by paragraph (a) of this section must, as a minimum, include means for:

(1) Monitoring operational data as required by §195.402(c)(9);
(2) Receiving notices from operator personnel, the public, and public authorities of abnormal or emergency conditions and sending this information to appropriate personnel or government agencies for corrective action;
(3) Conducting two-way vocal communication between a control center and the scene of abnormal operations and emergencies; and,
(4) Providing communication with fire, police, and other public officials during emergency conditions, including a natural disaster.

The procedure for communication systems was inadequate because it lacked guidance on how personnel were required to meet this regulation.

13. §195.402 (See above)

§195.428 Overpressure safety devices and overfill protection systems

(a) Except as provided in paragraph (b) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7½ months, but at least twice each calendar year, inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.

The procedure was inadequate because it did not detail what the Company does to ensure that the pressure control equipment and overpressure protection devices operate reliably on an annual basis. The procedure does not include step by step guidance on how to inspect and test the regulating and over-pressure protection for the system. For instance, Crestwood utilizes transmitters and PLCs for over-pressure protection. There is a method that is utilized to ensure that all devices are working and the communication lines between them are intact; however, this method is not detailed in the procedures.

14. §195.402 (See above)

§195.428 Overpressure safety devices and overfill protection systems

(d) After October 2, 2000, the requirements of paragraphs (a) and (b) of this section for inspection and testing of pressure control equipment apply to the inspection and testing of overfill protection systems.

The procedure for checking the overfill protection device for the breakout tank was inadequate because there was no step by step detail on what needed to be performed and documented.

15. §195.402 (See above)

§195.432 Inspection of in-service breakout tanks.

(b) Each operator must inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to API Standard 653 (incorporated by reference, see § 195.3). However, if structural conditions prevent access to the tank bottom, the bottom integrity may be assessed according to a plan included in the operations and maintenance manual under § 195.402(c)(3).

The procedure was inadequate because it did not address the breakout tank inspection criteria or intervals per API 653. The one breakout tank falls under Section (b) and (c) of the code which requires inspection and maintenance per API 653.

16. §195.402 (See above)

§195.436 Security of facilities.

Each operator shall provide protection for each pumping station and breakout tank area and other exposed facility (such as scraper traps) from vandalism and unauthorized entry.

The procedure for security of pump stations is inadequate because it does not provide guidance on how to meet the requirement. Procedure 4.03 addresses the security of pumping stations, but just repeats the code requirement. In contrast, Procedure 4.02 addresses the security of the breakout tank facilities and provides direction on what should be done to meet the requirements.

17. §195.402 (See above)

§195.440 Public awareness

(a) Each pipeline operator must develop and implement a written continuing public education program that follows the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162 (IBR, see § 195.3).

The procedures in the Public Awareness Plan (PAP) were inadequate because the charter in Appendix 18.03 must have stronger language to ensure that necessary monetary resources and manpower is available for the program.

18. §195.402 (See above)

§195.440 Public awareness

(b) The operator's program must follow the general program recommendations of API RP 1162 and assess the unique attributes and characteristics of the operator's pipeline and facilities.

The procedures in the PAP were inadequate because the company needs to add that they have one breakout tank and HCAs in the description on page 2 of Section 18.01.2.

19. §195.402 (See above)

§195.442(c) Damage Prevention Program – The damage prevention program required by paragraph (a) of this section must, at a minimum:

(1) Include the identity, on a current basis of persons who normally engage in excavation activities in the area in which the pipeline is located.

The procedures in the O&M manual (which refers to the PAP plan) should be expanded to include excavators found during patrols.

20. §195.402 (See above)

§195.442(c) Damage Prevention Program – The damage prevention program required by paragraph (a) of this section must, at a minimum:

(3) Provide a means of receiving and recording notification of planned excavation activities.
(4) If the operator has buried pipelines in the area of excavation activity, provide for actual notification of persons who give notice of their intent to excavate of the type of temporary markings to be provided and how to identify the markings.

In sections 5.4, and 5.5 of Procedure 3.01, the procedures for these requirements were incorrect because the procedures state that being a member of OneCall meets the code section requirement. Being a member of OneCall still requires procedures for what the company will do to provide means for receiving and recording notifications, and how and when they will notify potential excavators of the type of markings.

21. §195.402 (See above)

§195.442(c) Damage Prevention Program – The damage prevention program required by paragraph (a) of this section must, at a minimum:

(6) Provide as follows for inspection of pipelines that an operator has reason to believe could be damaged by excavation activities:

(i) The inspection must be done as frequently as necessary during and after the activities to verify the integrity of the pipeline; and
(ii) In the case of blasting, any inspection must include leakage surveys.

The procedures in the O&M manual for this requirement were inadequate because it just restated the code. More guidance is needed to reflect what the company will do to meet this requirement. The procedure should identify how they will leak survey the line after blasting and what equipment is to be used.

22. §195.402 (See above)

§195.444 CPM leak detection.

Each computational pipeline monitoring (CPM) leak detection system installed on a hazardous liquid pipeline transporting liquid in single phase (without gas in the liquid) must comply with API 1130 in operating, maintaining, testing, record keeping, and dispatcher training of the system.

The O&M manual did not contain any procedures for this requirement. When a computational pipeline monitoring leak detection system is utilized, then procedures must be included in the manual to meet the requirements of API 1130.

23. §195.402 (See above)

§195.573 What must I do to monitor external corrosion control?

(d) Breakout tanks. You must inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank to ensure that operation and maintenance of the system are in accordance with API Recommended Practice 651. However, this inspection is not required if you note in the corrosion control procedures established under Sec. 195.402(c)(3) why compliance with all or certain operation and maintenance provisions of API Recommended Practice 651 is not necessary for the safety of the tank.

The corrosion procedures are inadequate because they did not contain sufficient guidance on how to inspect the cathodic protection of the tank bottoms. Procedure 6.05 restates the regulations but does not provide any procedure as to how they will meet the requirement for monitoring the cathodic protection of tank bottoms.

24. §195.402 (See above)

§195.573 What must I do to monitor external corrosion control?

(e) Corrective action. You must correct any identified deficiency in corrosion control as required by Sec. 195.401(b). However, if the deficiency involves a pipeline in an integrity management program under Sec. 195.452, you must correct the deficiency as required by Sec. 195.452(h).

The procedure for corrective action was inadequate because it does not define the remedial action time. Procedure 6.05 should define how long personnel have to remediate low potential readings or down rectifiers. Additionally, Procedure 6.01 for atmospheric corrosion control did not contain any detailed guidance on when the remedial actions should be completed.

25. §195.402 (See above)

§195.575 Which facilities must I electrically isolate and what inspections, tests, and safeguards are required?
a) You must electrically isolate each buried or submerged pipeline from other metallic structures, unless you electrically interconnect and cathodically protect the pipeline and the other structures as a single unit.
(b) You must install one or more insulating devices where electrical isolation of a portion of a pipeline is necessary to facilitate the application of corrosion control.
(c) You must inspect and electrically test each electrical isolation to assure the isolation is adequate.

Procedure 6.05 is inadequate because it does not provide any guidance or steps to address electrical isolation and how to test for it.

26. §195.402 (See above)

§195.577 What must I do to alleviate interference currents?

(b) You must design and install each impressed current or galvanic anode system to minimize any adverse effects on existing adjacent metallic structures.

The procedure 6.02 Section 4.8 was inadequate because there is no detail on how Crestwood will isolate their facilities to ensure that there are no adverse effects to adjacent metallic structures.

27. §195.402 (See above)

§195.579 What must I do to mitigate internal corrosion?

(a) General. If you transport any hazardous liquid or carbon dioxide that would corrode the pipeline, you must investigate the corrosive effect of the hazardous liquid or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion.

The procedures for addressing internal corrosion were inadequate because there was no process to give adequate guidance for determining and investigating the corrosive effects of the product that is being transported. The procedure should include provisions for a corrosive study of the product and the methods Crestwood will use to check for internal corrosion, such as UT examination of dead legs or inspection of hot tap coupons.

28. §195.402 (See above)

b) Inhibitors. If you use corrosion inhibitors to mitigate internal corrosion, you must--

(3) Examine the coupons or other monitoring equipment at least twice each calendar year, but with intervals not exceeding 7 1/2 months.

The procedure for examining coupons was inadequate because it was just a restatement of the regulations. Procedure 6.02, Section 5.2.4 contained no step by step procedure for pulling the coupons.

29. §195.402 (See above)

§195.581 Which pipelines must I protect against atmospheric corrosion and what coating material may I use?

(a) You must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

Procedure 6.01 was inadequate because there was no guidance or step by step procedures to clean and coat each pipeline exposed to the atmosphere.

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 90 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 Crestwood Dakota Pipeline LP maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Linda Daugherty, Director, Central Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 3-2014-5006M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Linda Daugherty
Director, Central Region
Pipeline and Hazardous Materials Safety Administration

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