



U.S. Department
of Transportation

**Pipeline and Hazardous Materials
Safety Administration**

901 Locust Street, Suite 462
Kansas City, Missouri 64106-2641

**NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 28, 2016

Mr. Vern Meier
Vice President, Field Operations
ANR Pipeline Company / TransCanada
717 Texas Avenue
Houston, Texas 77002

CPF 3-2016-1001

Dear Mr. Meier:

On June 24-28, July 15-19, August 5-19, August 26-30, October 22-25, and December 2-6, 2013, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), the Ohio Public Utilities Commission, and the Iowa Utilities Board, pursuant to Chapter 601 of 49 United States Code inspected ANR Pipeline Company's (ANR) records and procedures in Houston, Texas, and ANR facilities in Iowa, Missouri, Kansas, Ohio, Illinois, Indiana, and Wisconsin. The Michigan Public Service Commission (MI PSC) inspected your records and facilities in Michigan during several weeks in 2012.

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

In 2007, ANR Pipeline company became a wholly owned pipeline subsidiary of TransCanada.

1. §191.5 Immediate notice of certain incidents.

(a) At the earliest practicable moment following discovery, each operator shall give notice in accordance with paragraph (b) of this section of each incident as defined in §191.3.

(b) Each notice required by paragraph (a) of this section must be made to the National Response Center either by telephone to 800-424- 8802 (in Washington, D.C., 202-267-2675) or electronically at <http://www.nrc.uscg.mil> and must include the following information:

- (1) Names of operator and person making report and their telephone numbers.**
- (2) The location of the incident.**
- (3) The time of the incident.**
- (4) The number of fatalities and personal injuries, if any.**
- (5) All other significant facts that are known by the operator that are relevant to the cause of the incident or extent of the damages.**

ANR Pipeline Company (ANR) did not give notice to the National Response Center of a 2012 incident as defined in §191.3 that occurred at the compressor station in Sandwich, Illinois.

49 C.F.R. §191.3 defines "incident" as the following:

- (1) An event that involves a release of gas from a pipeline, or of liquefied natural gas, liquefied petroleum gas, refrigerant gas, or gas from an LNG facility, and that results in one or more of the following consequences:
 - (i) A death, or personal injury necessitating in-patient hospitalization;
 - (ii) Estimated property damage of \$50,000 or more, including loss to the operator and others, or both, but excluding cost of gas lost;
 - (iii) Unintentional estimated gas loss of three million cubic feet or more;
- (2) An event that results in an emergency shutdown of an LNG facility. Activation of an emergency shutdown system for reasons other than an actual emergency does not constitute an incident.
- (3) An event that is significant in the judgment of the operator, even though it did not meet the criteria of paragraphs (1) or (2) of this definition.

On July 13, 2012, an incident occurred at the Sandwich compressor station where no notification was made to the National Response Center (NRC). The property damage, excluding cost of any gas lost, was over \$50,000.

The incident involved a release of natural gas from a part of the pipeline system and the resulting ignition of natural gas. Natural gas leaked from a valve in the pipeline system into the silencer, on Compressor Unit 1009. An ignition and uncontrolled burning of the gas occurred following the leak into the silencer, which is not a part of the pipeline system that moves gas in transportation. Released gas ignited at the silencer resulted in an uncontrolled burn that damaged the silencer and exhaust piping, and the silencer fell over and damaged the compressor building as well.

Despite this damage to its pipeline facility caused by a natural gas fire, ANR did not contact the National Response Center as required.

2. §191.5 Immediate notice of certain incidents.

(a) At the earliest practicable moment following discovery, each operator shall give notice in accordance with paragraph (b) of this section of each incident as defined in §191.3.

(b) Each notice required by paragraph (a) of this section must be made to the National Response Center either by telephone to 800-424- 8802 (in Washington, D.C., 202-267-2675) or electronically at <http://www.nrc.uscg.mil> and must include the following information:

- (1) Names of operator and person making report and their telephone numbers.**
- (2) The location of the incident.**
- (3) The time of the incident.**
- (4) The number of fatalities and personal injuries, if any.**
- (5) All other significant facts that are known by the operator that are relevant to the cause of the incident or extent of the damages.**

ANR Pipeline Company (ANR) did not give notice to the National Response Center of a 2013 incident as defined in §191.3 that occurred at the compressor station in Sandwich, Illinois.

On August 9, 2013, at 13:30 MDT, ANR experienced another incident at the Sandwich compressor station where no notification was made to the National Response Center (NRC). The property damage, excluding cost of lost gas, was over \$50,000.

The incident involved a release of natural gas when natural gas leaked past pressure and wiper packing of the compressor unit during maintenance of the unit. After leaking past the compressor packing, the natural gas entered the crankcase of the compressor unit. The leak into the crankcase, which is not a part of the pipeline

system that moves gas in transportation, resulted in the ignition and explosion of the gas. The resultant explosion of released natural gas caused substantial damage to equipment and the compressor building.

Despite the damage to its pipeline facility caused by a natural gas explosion, ANR did not contact the National Response Center as required.

3. §191.15 Transmission systems, gathering systems, and liquefied natural gas facilities; Incident report.

- (a) Transmission or Gathering. Each operator of a transmission or a gathering pipeline system must submit DOT Form PHMSA F 7100.2 as soon as practicable but not more than 30 days after detection of an incident required to be reported under §191.5 of this part.**

ANR did not submit a written report, as soon as practicable but not more than 30 days after detection of an incident that was required to be reported under §191.5, for the Sandwich compressor station incident that occurred on July 13, 2012, as described in Item 1 above.

Based on information provided by ANR during PHMSA's 2013 inspection, the costs of this incident totaled over \$200,000. According to ANR's root cause analysis report provided during PHMSA's 2013 inspection, natural gas released from a valve in the pipeline system into the engine and silencer creating a combustible mixture in the silencer that ignited and resulted in an uncontrolled burning of gas at the silencer.

4. §191.15 Transmission systems, gathering systems, and liquefied natural gas facilities; Incident report.

- (a) Transmission or Gathering. Each operator of a transmission or a gathering pipeline system must submit DOT Form PHMSA F 7100.2 as soon as practicable but not more than 30 days after detection of an incident required to be reported under §191.5 of this part.**

ANR did not submit a written report within 30-days for the Sandwich compressor station explosion that occurred on August 9, 2013, that was required to be reported under §191.5. This incident occurred during maintenance of the compressor unit as described in Item 2 above.

The damage was significant and the total cost of the incident was \$580,205.

According to ANR's root cause analysis report provided during PHMSA's 2013 inspection, this incident involved natural gas that leaked past pressure and wiper packing of the pipeline system compressor into the crankcase. When maintenance personnel applied heat to a seal to facilitate its removal, the leak into the crankcase resulted in an ignition and explosion of the gas. The resultant explosion of released natural gas caused substantial damage to equipment and the compressor building.

5. §192.605 Procedural manual for operations, maintenance, and emergencies

(a) General. Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response.

(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.

(8) Periodically reviewing the work done by operator personnel to determine the effectiveness and adequacy of the procedures used in normal operation and maintenance and modifying the procedure when deficiencies are found.

ANR did not implement and follow its own "walk-along" procedure throughout the company to review the work done by its personnel to determine the effectiveness and adequacy of the procedures being used in normal operation and maintenance.

During PHMSA's review, ANR did not provide sufficient records to demonstrate that the walk-along program was being used throughout the company. The MI-PSC inspections in 2012 also identified the same issue. ANR personnel indicated in 2012 and in 2013 that final procedures were still under development, but a form had been established and was being used during the interim period. ANR provided examples of the form used in 2013 in Michigan and another used in Wisconsin in 2011; however, there were no other records indicating that the "walk along" program and forms were used elsewhere on the ANR system.

6. §192.603 General provisions

(b) Each operator shall keep records necessary to administer the procedures established under §192.605.

This states:

§192.605 Procedural manual for operations, maintenance, and emergencies

(c) Abnormal operation. For transmission lines, 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; and,**
- (v) Any other foreseeable malfunction of a component, deviation from normal operation, or personnel error which may result in a hazard to persons or property.**

ANR did not document the follow-up investigation of multiple abnormal operations that occurred on the pipeline system. A review of the *Incident and Issue Tracking* (ITT) database showed instances when documentation of further investigation and corrective measures did not occur.

Specifically, IIT #237072 was for a leak of lube oil from a broken pressure gauge, and IIT #255422 involved a pressure increase outside normal limits at the Rapid River Compressor station. The IIT entry indicated that procedures were not completely effective in responding to the abnormal operation; however, no further documentation was provided to show what corrections were made.

7. §192.625 Odorization of gas.

a) A combustible gas in a distribution line must contain a natural odorant or be odorized so that at a concentration in air of one-fifth of the lower explosive limit, the gas is readily detectable by a person with a normal sense of smell.

(b) After December 31, 1976, a combustible gas in a transmission line in a Class 3 or Class 4 location must comply with the requirements of paragraph (a) of this section unless:

For odorized transmission line facilities in Wisconsin, ANR's records did not demonstrate that the natural gas was odorized to a concentration in air of one-fifth of the lower explosive limit as described in §192.625(a).

Review of the odorization records identified multiple locations where the readings taken did not meet one-fifth gas-in-air (0.9%) of the lower explosive limit of natural gas (4.5% gas-in-air). On the Green Bay 350 line, the percent gas-in-air readings taken from 11/2012 to 7/2013 were 1.06% to 1.29%. On the Green Bay 350-1 line the readings taken from 1/2013 to 7/2013 varied from 1.11% to 1.28%, and on the Green Bay 350-2 line, the readings were from 0.93% to 1.29% during the same time period. Additionally, on the Oshkosh 1-355 line, the readings were all above 0.9% from 5/2013 to 9/2013.

8. §192.479 Atmospheric corrosion control – General

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

At the Milan Tap and Meter Station in Michigan, ANR did not clean and coat the pipeline at the supports where it was exposed to the atmosphere. The MI-PSC field evaluation found atmospheric corrosion at these supports.

The pipeline supports could not be lowered so ANR can properly inspect and address the pipe on the supports. As a result, actual metal loss from atmospheric corrosion was noted during MI-PSC's field inspection.

9. §192.736 Compressor stations: Gas detection.

- (c) Each gas detection and alarm system required by this section must be maintained to function properly. The maintenance must include performance tests.**

ANR did not maintain the gas detectors at the Bridgeman Compressor station for units 1206 to 1209.

Review of the gas detection records found that the gas detectors for Units 1206 to 1209 were not being inspected. ANR documentation indicated that personnel were unable to access detectors for units 1206 to 1209 for cleaning and malfunction testing.

10. §199.105 Drug tests required.

Each operator shall conduct the following drug tests for the presence of a prohibited drug:

(b) Post-accident testing. As soon as possible but no later than 32 hours after an accident, an operator shall drug test each employee whose performance either contributed to the accident or cannot be completely discounted as a contributing factor to the accident. An operator may decide not to test under this paragraph but such a decision must be based on the best information available immediately after the accident that the employee's performance could not have contributed to the accident or that, because of the time between that performance and the accident, it is not likely that a drug test would reveal whether the performance was affected by drug use.

ANR Pipeline Company (ANR) did not administer post-accident drug tests to three employees involved in the August 2013 crankcase explosion incident that occurred at the compressor station in Sandwich, Illinois.

On August 9, 2013, at 13:30 MDT, compressor unit #1009 in Sandwich, Illinois, experienced an explosion of natural gas in the crankcase that resulted in obviously significant damage to the compressor unit and building. As mentioned above in Item 4, during maintenance of the compressor unit, a torch was utilized by an ANR employee to remove a seal. Based on the best information available immediately after the incident, it was not reasonable for the operator to make a decision that the employee's performance could be completely discounted as a contributing factor. ANR's Root Cause Analysis confirmed that employee performance during the maintenance activity contributed to the incident.

11. §199.225 Alcohol tests required.

Each operator shall conduct the following types of alcohol tests for the presence of alcohol:

(a) Post-accident.

(1) As soon as practicable following an accident, each operator shall test each surviving covered employee for alcohol if that employee's performance of a covered function either contributed to the accident or cannot be completely discounted as a contributing factor to the accident. The decision not to administer a test under this section shall be based on the operator's

determination, using the best available information at the time of the determination, that the covered employee's performance could not have contributed to the accident.

ANR Pipeline Company (ANR) did not administer post-accident alcohol tests to three employees involved in the August 2013 crankcase explosion incident that occurred at the compressor station in Sandwich, Illinois.

On August 9, 2013, at 13:30 MDT, compressor unit #1009 in Sandwich, Illinois, experienced an explosion of natural gas in the crankcase that resulted in obviously significant damage to the compressor unit and building. During maintenance of the compressor unit, a torch was utilized by an ANR employee to remove a seal. Based on the best information available immediately after the incident, it was not reasonable for the operator to make a decision that the employee's performance could be completely discounted as a contributing factor. ANR's Root Cause Analysis confirmed that employee performance during the maintenance activity contributed to the incident.

Proposed Civil Penalty

Under 49 United States Code, §60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of \$220,200 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$47,500
2	\$47,500
3	\$40,300
4	\$40,300
10	\$22,300
11	\$22,300

Warning Items

With respect to item nine (9), 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 promptly correct this item. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to items three (3), four (4), five (5), six (6), seven (7), and eight (8) pursuant to 49 United States Code §60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to ANR Pipeline Company. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

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. All material you submit in response to this enforcement action may be 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.

In your correspondence on this matter, please refer to **CPF 3-2016-1001** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,



Allan C. Beshore
Director, Central Region, OPS
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to ANR Pipeline Company a Compliance Order incorporating the following remedial requirements to ensure the compliance of ANR Pipeline Company with the pipeline safety regulations:

1. In regard to Item Numbers 3 and 4 of the Notice pertaining to not submitting the written reports for the incidents that occurred on July 13, 2012, and August 9, 2013, ANR must submit the required reports through PHMSA's Online Data Entry System (ODES) within 30 days of issuance of the Final Order, and notify the Central Region Director that the reports have been submitted to ODES.
2. In regard to Item Numbers 3 and 4 of the Notice pertaining to not submitting reports for incidents occurring on the ANR pipeline system, ANR must develop a plan to review all sources of data, including but not limited to: the IIT database, root cause analysis reports, unaccounted for gas reports, leak databases, etc. and submit required original and supplemental reports through ODES within 180 days of issuance of the Final Order. The scope of the review shall be for all events occurring on or after January 1, 2010, through the date of issuance of the Final Order. In addition to submitting the reports through ODES, ANR shall provide to the Central Region Director a complete listing of all data and events that were reviewed indicating whether the event met the criteria for reporting (and why certain events did not meet criteria for reporting) including the date when the required reports were submitted to ODES.
3. In regard to Item Number 5 of the Notice pertaining to not implementing the "walk-along" program to meet the requirements of 192.605(b)(8), ANR must complete development of the program and procedures as needed, and begin implementation of the program throughout the ANR system. The written program must be submitted to the Central Region Director within 60 days of issuance of the Final Order, the implementation begun within 90 days of the Final Order, and a documentation of the program results submitted within 180 days of the Final Order.
4. In regard to Item Number 6 of the notice pertaining to not documenting the results and follow-up of the abnormal operations in the IIT database, ANR must conduct a comprehensive review of the IIT database to identify deficient documentation and update the reports with all pertinent information. The review and update of the IIT database must be completed no later than 180 days after issuance of the Final Order, and written documentation demonstrating compliance submitted to the Central Region Director within 30 days of completing the review and update.
5. In regard to Item Number 7 of the Notice pertaining to deficient odorant readings, ANR must re-train personnel taking the readings and submit a copy of the training records to the Central Region Director within 180 days of issuance of the Final Order.

6. In regard to Item Number 8 of the Notice pertaining to atmospheric corrosion of the pipe at the Milan Tap and Meter Station, ANR must complete remedial action and submit documentation to the Central Region Director within 30 days of issuance of the Final Order. Additionally, within 90 days of issuance of the Final Order ANR must conduct an atmospheric inspection of all meter stations in the Michigan operating area that have similar supports, and submit a remedial action plan with a schedule and listing of facilities requiring remediation to the Central Region Director for approval no later than 120 days after issuance of the Final Order.
7. For Items 1 through 6 of this compliance order, all required written submissions shall be sent to the attention of Allan C. Beshore, Director, Central Region, at 901 Locust Street, Room 462, Kansas City, MO 64106.
8. It is requested (not mandated) that ANR Pipeline Company maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Allan C. Beshore, Director, Central Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.