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
and
PROPOSED CIVIL PENALTY

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 11, 2019

Mr. Saul Flota
President
Wolverine Pipe Line Company
8075 Creekside Drive
Suite 210
Portage, Michigan 49024

CPF 3-2019-5016

Dear Mr. Flota:

From May 22 26, June 12- 16, June 26 30, and July 17 – 21, 2017, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected your procedures, records, and pipeline facilities in Illinois, Indiana, and 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. **§195.420 Valve maintenance.**

(a) Each operator shall maintain each valve that is necessary for the safe operation of its pipeline systems in good working order at all times.

Wolverine failed to maintain valves that were necessary for the safe operation of the pipeline system in good working order. Five of Wolverine Pipe Line Company's ("Wolverine") valves either lacked valve position indicators, the valve position indicators were inoperable, or the valve position indicator was located in a painted cover. These valves included: 1) Valve V18 in the Albion Pump Station, 2) Valve V14 in the Marathon Bay City Terminal, 3) valves in Lockport Station, 4) valve at Olive Road, and 5) valve at Wilder Road.

2. **§195.424 Pipe movement.**

(a) No operator may move any line pipe, unless the pressure in the line section involved is reduced to not more than 50 percent of the maximum operating pressure.

Wolverine failed to reduce pressure to not more than 50% of the MOP in a line pipe that was moved. Wolverine could not provide records of the pressure reduction for the lowering of the Niles to Vicksburg pipeline segment near Sheldon Creek on November 25, 2014.

3. **§195.446 Control Room Management.**

(c) Provide adequate information. Each operator must provide its controllers with the information, tools, processes and procedures necessary for the controllers to carry out the roles and responsibilities the operator has defined by performing each of the following:
(1) Implement API RP 1165 (incorporated by reference, see § 195.3) whenever a SCADA system is added, expanded or replaced, unless the operator demonstrates that certain provisions of API RP 1165 are not practical for the SCADA system used;
(2) Conduct a point-to-point verification between SCADA displays and related field equipment when field equipment is added or moved and when other changes that affect pipeline safety are made to field equipment or SCADA displays;

Wolverine failed to provide its controllers with the information necessary to conduct an adequate point-to-point verification between SCADA displays and related field equipment when field equipment was added to the new Detroit Metro Access pipeline segment. Specifically, Wolverine failed to record the point description and the SCADA ID fields on the Point Change Request Form for the Woodhaven Station on the Detroit Metro Access pipeline segment. Wolverine also failed to conduct a point-to-point verification process of the setpoint and alarm values. Wolverine conducted a point-to-point verification process between field

equipment and the Programmable Logic Controller (PLC), waited three weeks, then conducted a point-to-point verification between the PLC and the SCADA displays. Also, Wolverine only conducted spot checks of points from the field to the SCADA system rather than checking all of the added points on the new pipeline segment.

4. **§195.446 Control Room Management.**

(c) Provide adequate information. Each operator must provide its controllers with the information, tools, processes and procedures necessary for the controllers to carry out the roles and responsibilities the operator has defined by performing each of the following:
(1) Implement API RP 1165 (incorporated by reference, see § 195.3) whenever a SCADA system is added, expanded or replaced, unless the operator demonstrates that certain provisions of API RP 1165 are not practical for the SCADA system used;
(2) Conduct a point-to-point verification between SCADA displays and related field equipment when field equipment is added or moved and when other changes that affect pipeline safety are made to field equipment or SCADA displays;

Wolverine failed to conduct point-to-point verifications between added field equipment and SCADA displays of the valve and the pressure transmitters in the South Metro Parkway valve site prior to starting the pipeline segment. The South Metro Parkway valve site was constructed as part of the Detroit Metro Access Project that was completed prior to July of 2017. The pressure transmitter and valves were added as SCADA points in November of 2017.
During the inspection, it was observed by PHMSA that the valve at the South Metro Site was open and the pipeline contained product. However, Wolverine could not provide evidence that point-to-point verifications were conducted for the valve and the pressure transmitters prior to operating this new pipeline segment in March of 2017.

5. **§195.452 Pipeline integrity management in high consequence areas.**

(h) What actions must an operator take to address integrity issues?

(4) Special requirements for scheduling remediation—

(i) Immediate repair conditions. An operator's evaluation and remediation schedule must provide for immediate repair conditions. To maintain safety, an operator must temporarily reduce the operating pressure or shut down the pipeline until the operator completes the repair of these conditions. An operator must calculate the temporary reduction in operating pressure using the formulas referenced in paragraph (h)(4)(i)(B) of this section. If no suitable remaining strength calculation method can be identified, an operator must implement a minimum 20 percent or greater operating pressure reduction, based on actual operating pressure for two months prior to the date of inspection, until the

anomaly is repaired. An operator must treat the following conditions as immediate repair conditions:

(C) A dent located on the top of the pipeline (above the 4 and 8 o'clock positions) that has any indication of metal loss, cracking or a stress riser.

Wolverine failed to temporarily reduce the operating pressure when it discovered a dent located on the top of the pipeline that had an indication of metal loss, cracking or a stress riser. Wolverine received a final ILI report on June 10, 2015, that identified a dent with metal loss on the topside on the Niles to Ferrysburg pipeline segment. Wolverine claimed a discovery date of June 26, 2015 and completed repairs on the pipeline segment on June 30, 2015. However, Wolverine could not provide a record that a temporary pressure reduction was taken for an integrity "immediate repair condition" on the pipeline segment.

6. **§195.452 Pipeline integrity management in high consequence areas.**

(h) What actions must an operator take to address integrity issues?

(4) Special requirements for scheduling remediation—

(iii) 180-day conditions. Except for conditions listed in paragraph (h)(4)(i) or (ii) of this section, an operator must schedule evaluation and remediation of the following within 180 days of discovery of the condition:

(D) A calculation of the remaining strength of the pipe shows an operating pressure that is less than the current established maximum operating pressure at the location of the anomaly. Suitable remaining strength calculation methods include, but are not limited to, ASME/ANSI B31G and PRCI PR-3-805 (R-STRENG).

Wolverine failed to schedule the evaluation and remediation of four (4) - 180-day conditions on the 18" Joliet to Kennedy Ave pipeline segment within 180 days of discovery of the anomalies. The integrity assessment of the 18" Joliet to Kennedy Ave pipeline segment was completed on April 22, 2015. Wolverine received the final ILI report on June 12, 2015. The anomalies identified as Digs 7, 31, 31.5, and 34.5 were classified as "180-day conditions" because the calculated operating pressures based on the remaining strength of the pipeline segment were less than the maximum operating pressure of 1431 psi.

Wolverine's records showed that the last anomaly for Dig 7 was repaired on May 26, 2016, 400 days after the completed integrity assessment and 349 days after Wolverine received the final ILI report.

Wolverine's records showed that Dig 31 anomaly condition was evaluated on October 18, 2016 - 545 days after the completed integrity assessment and 494 days after Wolverine received the final ILI report. After Wolverine completed the field inspection on October 18,

2016, it determined that a welded repair was not needed because the safe operating pressure based on the actual pit dimensions was greater than the maximum operating pressure.

Wolverine's records show Dig 31.5 anomaly condition was evaluated on February 18, 2016 – 302 days after the completed integrity assessment and 251 days after Wolverine received the final ILI report. After Wolverine completed the field inspection on February 15, 2016, it determined that the remaining strength based on field dimensions was less than the MOP. The repair was completed on February 22, 2016, 306 days after the completed integrity assessment and 255 days after Wolverine received the final ILI report.

Wolverine's records also showed that Dig 34.5 anomaly condition was evaluated on June 3, 2016 – 408 days after the completed integrity assessment and 357 days after Wolverine received the final ILI report. After Wolverine completed the field inspection on June 3, 2016, it determined that the remaining strength based on field dimensions was less than the MOP. The repair was completed on June 8, 2016, 413 days after the competed integrity assessment and 362 days after Wolverine received the final ILI report.

Therefore, Wolverine did not complete evaluation and remediation of the 180-day conditions in the proper time frame.

7. §195.452 Pipeline integrity management in high consequence areas.

(l) What records must an operator keep to demonstrate compliance?

(1) An operator must maintain, for the useful life of the pipeline, records that demonstrate compliance with the requirements of this subpart. At a minimum, an operator must maintain the following records for review during an inspection:

(ii) Documents to support the decisions and analyses, including any modifications, justifications, deviations and determinations made, variances, and actions taken, to implement and evaluate each element of the integrity management program listed in paragraph (f) of this section.

Wolverine failed to maintain records that supported the decisions and analyses for the remedial action to address integrity issues (*see* 195.452(f)(4)). Specifically, Wolverine failed to maintain records of an integrity verification dig on the Joliet to Kennedy Ave pipeline segment. Wolverine's PL-0751 Form, Pipe Inspection and Remedial Action Report, for Dig 31, was missing several data fields including the coating and soil conditions and coating repair type and method.

8. §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.

Wolverine failed to investigate the corrosive effect of the hazardous liquid or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion. During the inspection, Wolverine could not produce records of the investigations of the buried surge relief piping in Jackson Meter Station and the surge relief line to the surge tank in Stockbridge Station for corrosive effects.

9. §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.

(b) Coating material must be suitable for the prevention of atmospheric corrosion.

Wolverine failed to properly coat the pipeline system to prevent atmospheric corrosion. During the PHMSA inspection, the inspector observed piping at the following locations needed to be cleaned and coated:

1. FBE coating not feathered near the flange girth welds at N 1150 W and the Michigan City Pump Station.

2. Coating degradation at the soil-to-air interfaces at XY Ave, 25 1/2 Mile Road, Albion Pump Station, and Freedom Station.

3. Sagging pipe coating at the soil-to-air interface from ice heaving at Freedom Station.

4. Exposed FBE at the soil-to-air interface coating at Black Oak Meter/Valve Station and 8 1/2 Mile Road.

5. Observed inadequate surface preparation for atmospheric coating at several locations (LaPaugh Station, 8 1/2 Mile, Marshall Station, 23 Mile Road, 25 1/2 Mile Road, and Mt. Hope Road). Specific observations included on a freshly painted valve there was loose paint from original coat that was painted over, painters painted over absorbant pad, and chipped painting that was painted over.

6. Wax tape outercoat was wrapped so that the seam was on the upper side which would allow water to infiltrate through the seam at the Black Oak Meter/Valve Station, Hwy 149, and Niles Meter Station.

7. Cracked epoxy support pads between the pipeline and the pipe support and cracked wax tape wrap painted with rustoleum at Kennedy Ave Station.

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed $209,002 per violation per day the violation persists, up to a maximum of $2,090,022 for a related series of violations. For violations occurring prior to November 2, 2015, the maximum penalty may not exceed $200,000 per violation per day, with a maximum penalty not to exceed $2,000,000 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 $121,800 as follows:

Item number	PENALTY
Item #4	$ 46,600
Item #5	$ 36,000
Item #6	$ 39,200

Warning Items

With respect to item(s) #1, #2, #3, #7, #8, and #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 these item(s). Failure to do so may result in additional enforcement action.

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 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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 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 a Final Order. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from the receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 3-2019-5016** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

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