

WARNING LETTER

VIA ELECTRONIC MAIL TO: matt@tallgrass.com ;
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April 12, 2024

Mr. Matt Sheehy
Chief Executive Officer
Tallgrass Energy
4200 W. 115th St., Suite 350
Leawood, KS 66211

CPF 3-2024-033-WL

Dear Mr. Sheehy:

From May 22 to June 8, 2023, representatives 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 Tallgrass Energy's records and procedures for the new gas integrity rule¹ in Lakewood, Colorado.

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

1. § 192.5 Class locations.

(a) This section classifies pipeline locations for purposes of this part. The following criteria apply to classifications under this section.

(1) A "class location unit" is an onshore area that extends 220 yards (200 meters) on either side of the centerline of any continuous 1- mile (1.6 kilometers) length of pipeline.

Tallgrass Energy (Tallgrass) was not meeting the continuous 1-mile length for determining class locations when the analysis encountered an above-ground facility, such

¹Docket No. PHMSA-2011-0023; Amdt. Nos. 191-26; 192-125 Pipeline Safety: Safety of Gas Transmission Pipelines: MAOP Reconfirmation, Expansion of Assessment Requirements, and Other Related Amendments

as compressor stations, meter stations, valve sites, and pig trap sites. Tallgrass' algorithm to determine class location via the sliding mile is based on route by route pipeline segment identifications (IDs). Each route ID appeared to stop at an above-ground location, then a new route ID starts when leaving that facility. As such, the house count for class location ends at that location and a new one begins. This potentially allowed some of the pipe associated with the facility and the inlet or outlet to be under-classed. During the inspection PHMSA personnel noted several examples where the route ID stopped at an above ground location and a different route ID was designated so the house count for the class location started back at zero, which resulted in a lower class location than what it should have been if the continuous sliding mile was applied through that facility. The examples noted were at the following locations:

- REX System – Hamilton Compressor Station, Bypass is classed a Class 1.
- TIGT System – Scraper Trap location – Route ID 6598 is Class 2. However, Route ID 6599 leaving the facility is Class 1.
- TIGT System – Meter Station – Route ID 5362 is Class 2 going into the station; however, Route 38589 is Class 1 leaving the station.
- TIGT System – Meter Station - Route ID 5365 is Class 2 going into the station; however, Route ID 5340 is Class 1 leaving the facility.

2. § 192.5 Class locations.

(a)

(b) Except as provided in paragraph (c) of this section, pipeline locations are classified as follows:

(1)

(3) A Class 3 location is:

(i)

(ii) An area where the pipeline lies within 100 yards (91 meters) of either a building or a small, well defined outside area (such as a playground, recreation area, outdoor theater, or other place of public assembly) that is occupied by 20 or more persons on at least 5 days a week for 10 weeks in any 12-month period. (The days and weeks need not be consecutive.)

Tallgrass did not identify several locations that met the criteria for Class 3 locations. During the inspection, PHMSA personnel found the following locations as Class 3 identified sites; however, Tallgrass had missed these locations and were still treating them as a Class 1 or Class 2 area.

- Colby, KS – Missed Soccer field.
- Stockton, KS – Structure was an HCA, but not classified as a Class 3 structure.
- Grand Island, NE – Gleeson Construction Lateral – Building went up in 2020.
- Phillips, NE – A structure was identified by Tallgrass in 2022; but the structure was present there since 2010.

As a result of a previous enforcement on the REX Pipeline,² Tallgrass was in the process of identifying these Class 3 locations throughout *all* their assets, not just REX. At the time of PHMSA's 2023 inspection, Tallgrass was still evaluating all of their other assets, including the Tallgrass Interstate Gas Transmission system where these examples were found.

3. § 192.624 Maximum allowable operating pressure reconfirmation: Onshore steel transmission pipelines.

(a)

(c) Maximum allowable operating pressure determination. Operators of a pipeline segment meeting a condition in paragraph (a) of this section must reconfirm its MAOP using one of the following methods:

(1)....

(2) Method 2: Pressure Reduction. Reduce pressure, as necessary, and limit MAOP to no greater than the highest actual operating pressure sustained by the pipeline during the 5 years preceding October 1, 2019, divided by the greater of 1.25 or the applicable class location factor in § 192.619(a)(2)(ii). The highest actual sustained pressure must have been reached for a minimum cumulative duration of 8 hours during a continuous 30-day period. The value used as the highest actual sustained operating pressure must account for differences between upstream and downstream pressure on the pipeline by use of either the lowest maximum pressure value for the entire pipeline segment or using the operating pressure gradient along the entire pipeline segment (i.e., the location-specific operating pressure at each location).

(i) Where the pipeline segment has had a class location change in accordance with § 192.611, and records documenting diameter, wall thickness, seam type, grade (minimum yield strength and ultimate tensile strength), and pressure tests are not documented in traceable, verifiable, and complete records, the operator must reduce the pipeline segment MAOP as follows:

(A) For pipeline segments where a class location changed from Class 1 to Class 2, from Class 2 to Class 3, or from Class 3 to Class 4, reduce the pipeline MAOP to no greater than the highest actual operating pressure sustained by the pipeline during the 5 years preceding October 1, 2019, divided by 1.39 for Class 1 to Class 2, 1.67 for Class 2 to Class 3, and 2.00 for Class 3 to Class 4.

On the Hastings North Lateral MAOP reconfirmation, Tallgrass utilized Method 2 to reconfirm the MAOP. However, Tallgrass did not use the correct de-rating factor as required by § 192.624(a)(2)(i). The derating factor used by Tallgrass was for no class location change. Upon further review by PHMSA inspectors, it was found that there was a class location change on this lateral, which meant Tallgrass should have used a larger de-rating factor. However, in this instance, Tallgrass made a previous business decision to reduce the pressure to below what was required, which also happened to be lower than the derate factor that should have been used.

² See *In re Tallgrass Energy, L.P.*, CPF 3-2022-060-NOPV, Consent Order (July 14, 2023).

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 Tallgrass Energy 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 3-2024-033-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,

Gregory A. Ochs
Director, Central Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

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