U.S. Department
of Transportation
**Pipeline and Hazardous
Materials Safety**

901 Locust Street, Suite 480
Kansas City, MO 64106

WARNING LETTER

VIA ELECTRONIC MAIL TO: hfaulkner@lambdaoil.com; jmcgrath@lambdaenergyllc.com; bberthelot@lambdaenergyllc.com

October 10, 2025

Mr. Harry Faulkner
President and CEO
Lambda Energy Gathering, LLC
12012 Wickchester Lane, Suite 300
Houston, TX 77079

CPF 3-2025-009-WL

Dear Mr. Faulkner:

From June 11 to July 25, 2024, 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.), conducted an onsite inspection of the Control Room Management procedures and records of Lambda Energy Gathering, LLC (Lambda), in Kalkaska, Michigan.

As a result of the inspection, it is alleged that Lambda 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. § 195.444 Leak detection.

(a) . . . .
(b) *General.* A pipeline must have an effective system for detecting leaks in accordance with §§ 195.134 or 195.452, as appropriate. An operator must evaluate the capability of its leak detection system to protect the public, property, and the environment and modify it as necessary to do so. At a minimum, an operator's evaluation must consider the following factors – length and size of the pipeline, type of product carried, the swiftness of leak detection, location of nearest response personnel, and leak history.

Lambda failed to have an effective system for detecting leaks in accordance with § 195.452.[1] Procedure "IM-011 Leak Detection and EFRD Analysis" (rev. Sept. 28, 2023) (Procedure IM-011) included "testing" as a method to determine whether modifications to Lambda's leak detection means are needed to improve its ability to respond to a pipeline failure. A section of Lambda's "Leak Detection Analysis template" included a section for "Leak Detection System Testing." However, Procedure IM-011 did not contain any information for how to conduct the testing and no records of any type of testing was provided. Lambda did provide modeled scenarios[2] developed by the previous pipeline operator and adopted by Lambda supporting Emergency Flow Restricting Device (EFRD) placement. These modeled scenarios were not related to the control room leak detection capabilities as described and required in Procedure IM-011. Therefore, Lambda could not demonstrate it had an effective system for detecting leaks, in violation of § 195.444(b).

2. § 195.446 Control room management.

> **(a) *General*. This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section. The procedures required by this section must be integrated, as appropriate, with the operator's written procedures required by § 195.402. An operator must develop the procedures no later than August 1, 2011, and must implement the procedures according to the following schedule. The procedures required by paragraphs (b), (c)(5), (d)(2) and (d)(3), (f) and (g) of this section must be implemented no later than October 1, 2011. The procedures required by paragraphs (c)(1) through (4), (d)(1), (d)(4), and (e) must be implemented no later than August 1, 2012. The training procedures required by paragraph (h) must be implemented no later than August 1, 2012, except that any training required by another paragraph of this section must be implemented no later than the deadline for that paragraph.**

Lambda failed to have and follow a Control Room Management Plan (ver. 1.0, effective April 18, 2022) (CRM Plan), as required by § 195.446(a). While Lambda did have a document it called a CRM Plan, in many sections the language either simply paraphrased the regulation or only provided guidance on how a process may be developed to demonstrate compliance with the regulation, rather than providing a written process. In addition, during PHMSA's inspection, Lambda presented for review forms that were different than the forms referenced in the CRM Plan, described practices that were not formalized in the CRM Plan, and described procedures in the CRM Plan that were not matched by the practice in place. Thus, Lambda did not follow its written procedures. Therefore, Lambda failed to comply with § 195.446(a).

[1] Because the pipeline was in a high consequence area, § 195.452 is applicable.

[2] "Modeled scenarios," in this context, are models of different leak conditions that are used to determine where to put remotely operated valves or valves that can automatically close, based on certain conditions monitored at the valve.

3. **§ 195.446 Control room management.**

> **(a) *General*. This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section. . . .**
> **(b) *Roles and responsibilities.* Each operator must define the roles and responsibilities of a controller during normal, abnormal, and emergency operating conditions. To provide for a controller's prompt and appropriate response to operating conditions, an operator must define each of the following:**
> **(1) . . . .**
> **(4) A method of recording controller shift changes and any hand-over of responsibility between controllers;**

Lambda failed to follow its CRM Plan, section C, subsection 3.2 for shift change documentation. Subsection 3.2 required the shift change to be documented on Lambda's Form CR-05. However, when shift change records were reviewed by PHMSA, all of the shift-changes were recorded on a different form. The provided shift change records consisted of separate Excel spreadsheets. Therefore, Lambda failed to follow its CRM Plan, section C, subsection 3.2 for shift change documentation, per the requirements of § 195.446(b)(4). In addition, CRM Plan, section B, subsection 12.0, stated, "[s]pecific information communicated to arriving Controllers is documented by the departing Controller in the electronic log." It is unclear whether subsections 3.2 and 12.0 referred to Form CR-05 or different documents; therefore, the method of recording shift changes and hand-over of responsibility between controllers was not defined. Therefore, Lambda failed to comply with § 195.446(b)(4).

4. **§ 195.446 Control room management.**

> **(a) *General*. This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section. . . .**
> **(b) . . . .**
> **(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) . . . .**
> **(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.**

Lambda failed to have and follow written control room management procedures that implement the requirements for conducting a point-to-point (P2P) verification. Specifically, Lambda failed to provide details in its CRM Plan, section C, subsection 5.2, to define when P2P verifications needed to be completed. In addition, CRM Plan, section C, subsection 5.3, did not require certain details

necessary to carry out verification of the points between SCADA displays and related field equipment. While the procedure required P2P documentation to include physical location of the device, data value or status of the device, alarm set-point values, and date and names of individuals involved in the verification process, it did not require documentation of whether the point was tested live or simulated, or the sequence of the point on the pipeline (for example, whether the transmitter upstream or downstream of the valve matched the SCADA display configuration).

Moreover, Lambda's CRM plan, section C, subsection 5.3, referenced Form CRM-7 to document the P2P verification. However, Form CRM-7 did not require all the information required by the procedure to be documented. For these reasons, Lambda failed to comply with § 195.446(c)(2).

In addition, Lambda failed to demonstrate it performed the P2P verification that should have been done when the crude oil system was purchased from Markwest Michigan Pipeline Company, LLC, and added to Lambda's SCADA system in 2019. Documentation of the verification expected, based on Lambda's procedures, and records were required to be maintained pursuant to § 195.446(j)(1). The lack of records indicates no verification was performed. Therefore, Lambda failed to meet the requirements of § 195.446(c)(2) by not following its procedure.

5. § 195.446 Control room management.

> **(a) *General*. This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section. . . .**
> **(b) . . . .**
> **(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) . . . .**
> **(3) Test and verify an internal communication plan to provide adequate means for manual operation of the pipeline safely, at least once each calendar year, but at intervals not to exceed 15 months;**

Lambda failed to have and follow written control room management procedures that implement the requirements to have and test an internal communication plan for the manual operation of the pipeline safely to demonstrate compliance per the requirements of § 195.446(c)(3). Specifically, CRM Plan, section C, subsections 6 and 7, provided considerations to be included in a plan, rather than instruction and direction on how to manage the pipeline in the event SCADA or communications failed. The lack of an internal communication plan to provide sufficient means for safe manual operation of the pipeline resulted in tests of the procedure being inadequate to demonstrate compliance. In addition, forms CRM - 26A and CRM - 26B were intended to document the date and test or actual event of SCADA failure. The forms included documentation of the SCADA failure notification procedure. However, a test and verification need to incorporate all elements of the plan to provide for adequate means for manual operation of the pipeline safely, which the forms did not do. The forms did not provide a method to manually document operating

conditions of the pipeline, such as pipeline pressures, flows, tank levels, abnormal or emergency operations that might occur or any leaks detected. Consequently, Lambda failed to comply with § 195.446(c)(3).

6. § 195.446 Control room management.

> **(a) *General*. This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section. . . .**
> **(b) . . . .**
> **(e) *Alarm management.* Each operator using a SCADA system must have a written alarm management plan to provide for effective controller response to alarms. An operator's plan must include provisions to:**
> **(1) Review SCADA safety-related alarm operations using a process that ensures alarms are accurate and support safe pipeline operations;**

Lambda failed to have and follow written control room management procedures that implement the requirements of § 195.446(e)(1). Specifically, a review of CRM Plan, section E, "Alarm Management," identified basic paraphrasing of the regulation and excerpts from API RP 1167. Rather than providing procedures to support sound Alarm Management principles to implement in the control room, section E offered guidance on how an operator might consider implementing topics within an Alarm Management Plan.

CRM Plan, section E failed to provide a process to consistently document and rationalize (D&R) alarms to determine if alarms were valid, assigned meaningful priority, and given accurate setpoint values to support adequate safety responses. The procedure did not provide any alarm priorities. Section C, subsection 4.5.4.1.2, offered no definition for priorities that were assigned in Lambda's SCADA system.

A review of the SCADA master alarm database identified two priorities: critical and not critical. Lambda had not implemented other priorities. The critical alarms were generally considered safety-related alarms. It was suggested by Lambda staff that controllers were allowed to interpret the priority and response to the not-critical-priority alarms based on their experience and understanding of operations. The lack of set priorities and alarm handling procedures encourages ineffective controller response to alarms and does not promote pipeline safety.

In addition, section E, subsection 4.4, characterized five safety related alarms as: (1) pressures exceeding the maximum established limit, (2) pressure beneath minimum safe operating pressure, (3) indications an overfill, or leak of hazardous liquid, (4) fire, and (5) hazardous atmosphere. A review of the SCADA master alarm database identified a great deal of inconsistency between procedure and implementation of safety related alarms and alarm priorities.

Lambda failed to demonstrate it conducted a D&R or implemented alarm priorities and safety-related alarm operations using a process that ensured alarms were accurate and support safe pipeline operations, as required by § 195.446(e)(1).

7. § 195.446 Control room management.

> **(a) *General.* This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section. . . .**
> **(b) . . . .**
> **(e) *Alarm management.* Each operator using a SCADA system must have a written alarm management plan to provide for effective controller response to alarms. An operator's plan must include provisions to:**
> **(1) . . . .**
> **(2) Identify at least once each calendar month points affecting safety that have been taken off scan in the SCADA host, have had alarms inhibited, generated false alarms, or that have had forced or manual values for periods of time exceeding that required for associated maintenance or operating activities**

Lambda failed to have and follow written control room management procedures that implement the requirements of § 195.446(e)(2) for conducting the monthly identification, recording, review, and analysis of points that have been taken off scan, have had alarms inhibited, generated false alarms, or that have had forced or manual values for periods of time exceeding that required for associated maintenance or operating activities. Specifically, CRM Plan, section E, subsection 3.3, simply restated the regulation of § 195.446(e)(2). In addition, Lambda did not conduct any monthly reviews as required. Nor did the CRM Plan address steps for identifying, categorizing and documenting false alarms. False alarms cannot be identified by a SCADA event log. This is a manual process of identification and documentation.

In addition, section E, subsection 3.3, referenced Lambda's Form CRM-15, "Monthly Safety Alarm Review," and required Lambda to document the findings of the review. Instructions on the form were not adequate to carry out a monthly safety alarm review. Form CRM-15 did not require the date the point was originally taken out of service through the action of off scan, inhibit/disable, or forced/manual. Form CRM-15 did not identify the reason for the action, such as end device repair or field maintenance work, that caused the point to be out of service, nor did it have a comparison of the duration of the condition to ensure it did not exceed that required for associated maintenance or operating activities.

Therefore, Lambda failed to have and follow written control room management procedures that implemented the requirements to identify at least once each calendar month points affecting safety that have been taken off scan in the SCADA host, have had alarms inhibited, generated false alarms, or that have had forced or manual values for periods of time exceeding that required for associated maintenance or operating activities, and Lambda did not complete the requisite monthly reviews and analysis required by § 195.446(e)(2).

8. § 195.446 Control room management.

> **(a) *General.* This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section. . . .**
> **(b) . . . .**
> **(e) *Alarm management.* Each operator using a SCADA system must have a written alarm management plan to provide for effective controller response to alarms. An operator's plan must include provisions to:**
> **(1) . . . .**
> **(4) Review the alarm management plan required by this paragraph at least once each calendar year, but at intervals not exceeding 15 months, to determine the effectiveness of the plan.**

Lambda failed to have and follow written control room management procedures that implement the requirements to ensure that Lambda reviewed its alarm management plan to evaluate its effectiveness, and review its plan at least once each calendar year, at intervals not exceeding 15 months, per the requirements of § 195.446(e)(4). Specifically, Lambda's CRM Plan simply restated the regulation with no instruction on how to complete the task required by § 195.446(e)(4). In addition, Lambda did not complete a review of the Alarm Management Plan to determine effectiveness for the years 2021, 2022, 2023. Therefore, Lambda did not meet the requirements of § 195.446(e)(4).

9. § 195.446 Control room management.

> **(a) *General.* This section applies to each operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. Each operator must have and follow written control room management procedures that implement the requirements of this section. . . .**

Lambda failed to follow its procedures for electronic records storage as required by Lambda's CRM Plan, section J, subsection 3.2.2. Lambda's CRM Plan contained different methods of acceptable record retention systems. Some electronic records were saved on personal computers rather than a central repository with file folder and filename conventions, contrary to the procedures. The storage on personal computers were not backed up as the procedure required and made records difficult to find or not available at the time of PHMSA's inspection. Therefore, Lambda failed to follow its procedure for electronic records storage and management as required by Lambda's CRM Plan.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed $272,926 per violation per day the violation persists, up to a maximum of $2,729,245 for a related series of violations. For violation occurring on or after December 28, 2023 and before December 30, 2024 the maximum penalty may not 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 $2,391,412 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.

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 Lambada Energy Gathering, 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 3-2025-009-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,

DAVID A BARRETT Digitally signed by DAVID A BARRETT
Date: 2025.10.10 09:42:10 -05'00'

David Barrett
Acting Director, Central Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

cc: James McGrath, Plant and Pipeline Manager, Lambda, jmcgrath@lambdaenergyllc.com
Ben Berthelot, Regulatory Compliance Manager, Lambda, bberthelot@lambdaenergyllc.com