



U.S. Department of Transportation

**Pipeline and Hazardous Materials
Safety Administration**

8701 S. Gessner, Suite 630
Houston TX 77074

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

VIA ELECTRONIC MAIL TO: jhouseholder@chpk.com

February 12, 2026

Jeffrey M. Householder
President and Central Executive Officer
Chesapeake Utilities Corporation
500 Energy Lane
Dover, Delaware 19901

CPF 4-2026-023-NOPV

Dear Mr. Householder:

From May 5 to May 8, 2025, 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 Florida City Gas's (FCG) Miami Dade LNG Facility in Homestead, Florida.

As a result of the inspection, it is alleged that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The item inspected and the probable violation is:

1. **§ 193.2625 Corrosion protection.**
 - (a)
 - (b) Components whose integrity or reliability could be adversely affected by corrosion must be either -
 - (1) Protected from corrosion in accordance with § 193.2627 through § 193.2635, as applicable; or
 - (2) Inspected and replaced under a program of scheduled maintenance in accordance with procedures established under § 193.2605.

§ 193.2627 Atmospheric corrosion control.

Each exposed component that is subject to atmospheric corrosive attack must be protected from atmospheric corrosion by—

- (a) Material that has been designed and selected to resist the corrosive atmosphere involved; or**
- (b) Suitable coating or jacketing.**

FCG failed to protect from corrosion components whose integrity or reliability could be adversely affected by corrosion in accordance with § 193.2625(b)(1). Specifically, FCG failed to protect the water glycol piping system at its Miami Dade LNG facility from atmospheric corrosive attack with suitable coating or jacketing. During the inspection, PHMSA personnel using viewing ports observed multiple instances of corrosion underneath the insulation on the water glycol system piping.

The extent and severity of the corrosion observed indicate an aggressive corrosion mechanism because the degradation present is very unlikely to have developed within the approximately two-year period between the commissioning of the Miami Dade LNG facility in April 2023 and the on-site inspection in May 2025 had the system been adequately protected from atmospheric corrosive attack through appropriate coating or jacketing.

Therefore, FCG failed to protect from corrosion components whose integrity or reliability could be adversely affected by corrosion in accordance with § 193.2625(b)(1).

Proposed Civil Penalty

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.

Also, for each violation involving LNG facilities, an additional penalty of not more than \$99,704 occurring on or after December 30, 2024 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$97,179 occurring on or after December 28, 2023 and before December 30, 2024 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$94,128 occurring on or after January 6, 2023 and before December 28, 2023 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$87,362 occurring on or after March 21, 2022 and before January 6, 2023 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$82,245 occurring on or after May 3, 2021 and before March 21, 2022 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$81,284 occurring on or after January 11, 2021 and before May 3, 2021 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$79,875 occurring on or after July 31, 2019 and before January 11, 2021 may be imposed.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

Proposed Compliance Order

With respect to Item 1 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Florida City Gas. 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 Enforcement 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).

Following your receipt of this Notice, you have 30 days to respond as described in the enclosed *Response Options*. 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 receipt of this Notice. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF 4-2026-023-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Bryan Lethcoe
Director, Southwest Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

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

cc: Michael McCarty, Director, Operations Compliance, mmccarty@chpk.com

PROPOSED COMPLIANCE ORDER

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

- A. With respect to Item 1 of the Notice concerning FCG's failure to protect from corrosion components whose integrity or reliability could be adversely affected by corrosion in accordance with § 193.2625(b)(1), FCG must:
 - i. Submit a work plan to the Director, Southwest Region to remove the insulation from the affected piping and apply a protective coating within **30** days of receipt of the Final Order. The work plan must address insulation removal, evaluation and treatment of corroded areas, and application of protective coating. FCG must implement the work plan upon submittal. Any deviations from the work plan must be documented and provided to the Director, Southwest Region upon completion of the work.
 - ii. Remove the insulation from the affected piping and apply a protective coating using procedures and work practices consistent with generally accepted engineering practice within **120** days of receipt of the Final Order.
 - iii. Provide monthly progress reports on the above corrective actions to the Director, Southwest Region. The monthly progress reports must include but are not limited to: progress made during the timeframe covered by that monthly report, progress anticipated in the timeframe of the next monthly report, any ongoing or anticipated delays and the justification for those delays. The first monthly progress report is due to the Director, Southwest Region, within **30** days after receipt of the Final Order.
 - iv. Submit all records related to the work plan detailed in A(i) and (ii), including Work Orders and photography documenting the work, to the Director, Southwest Region within **30** days of the completion of the final work plan.
- B. It is requested (not mandated) that Florida City Gas maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Bryan Lethcoe, Director, Southwest Region, Office of Pipeline Safety, 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.