



February 19, 2026

Mr. Dustin Hubbard
Director, Western Region
U.S. Department of Transportation
Pipeline and Hazardous Materials Safety Administration
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[Via Email]

RE: Response to Notice of Probable Violation, Request for Hearing, and Request for Informal Settlement Meeting (CPF 5-2025-033-NOPV)

Director Hubbard,

On November 21, 2025, the Pipeline and Hazardous Materials Safety Administration (PHMSA or the Agency) issued a Notice of Probable Violation (NOPV) and Proposed Compliance Order (PCO) to CPN Pipeline Company (CPN or the Company) following a five (5) day inspection of CPN's Northern CA Gas System from September 9 to September 13, 2024. As a result of the inspection, PHMSA issued the NOPV, alleging three (3) probable violations and PCO requirements associated with each probable violation.¹ With this letter, CPN respectfully requests that PHMSA (1) reconsider NOPV Items 1 and 3, and the respective PCO requirements associated with those alleged violations, and (2) modify the PCO requirement associated with NOPV Item 2.

CPN believes that the allegations under NOPV Items 1 and 3 should be reconsidered in light of the facts at issue (including clarification of CPN's procedures, processes, and related documentation), applicable law, and PHMSA's enforcement policy and procedures. With regard to NOPV Item 2, CPN without admission does not contest the allegation, but requests modification of the associated PCO requirement in light of how CPN operates the system, while also clarifying the Company's management of the Montezuma gathering pipeline.

Given the nature of the allegations, CPN is hopeful that these issues are capable of resolution without the need for a hearing and respectfully requests the opportunity to have an informal settlement meeting with the PHMSA Western Region to discuss the Company's response to the NOPV. In the event the parties are unable to resolve this matter via informal settlement, the Company is filing this response pursuant to 49 C.F.R. §§ 190.208 and 190.211 to preserve its right to a hearing. CPN requests that the scheduling of a hearing be postponed to allow for the Company and PHMSA to engage in settlement discussions.²

¹ On the same day, PHMSA also issued a Notice of Amendment (NOA) (CPF 5-2025-027-NOA) to CPN arising out of the same inspection. In the interest of cooperation, CPN elected – without admission – not to contest the allegations set forth in the NOA.

² In the event the parties proceed to a hearing, CPN will be represented by in-house counsel as well as outside counsel with Bracewell LLP.



I. CPN Response to PHMSA NOPV Allegations

1. Item 1 (49 C.F.R. § 192.8(b))

PHMSA Allegation and Associated Proposed Compliance Order Requirement

CPN failed to determine and maintain for the life of the pipeline records documenting the methodology by which it calculated the beginning and ending points of each onshore gathering pipeline it operates, as required. During the PHMSA inspection, CPN provided records for the determination of its type A and B gathering lines. However, according to CPN's annual reports to PHMSA, CPN has 139.5 miles of Type C and 91.2 miles of Type R gathering lines and was unable to provide any records for the determination of either. Therefore, CPN failed to determine and maintain for the life of the pipeline records documenting the methodology by which it calculated the beginning and end points of each onshore gathering pipeline it operates per § 192.8(b)(1).

PCO Requirement:

In regard to Item 1 of the Notice pertaining to CPN's failure to determine and maintain for the life of the pipeline records documenting the methodology by which it calculated the beginning and end points of each onshore gathering pipeline it operates, CPN must provide onshore gas gathering line determination documentation for type C and R gathering lines as required by § 192.8(b) within 90 days of receipt of the Final Order and submit this documentation to the Director, Western Region.

CPN Response

CPN contests NOPV Item 1 and the associated PCO requirement. CPN's procedures, processes, and associated documentation related to its methodology for calculating the beginning and endpoint of its gathering pipelines warrant further clarification. Additionally, PHMSA's allegation exceeds the plain language of at 49 C.F.R. § 192.8(b) as well as any guidance provided by PHMSA to date. As a result, CPN requests that NOPV Item 1 be withdrawn.

The requirement at 49 C.F.R. § 192.8(b) is new, issued by PHMSA in 2021, with different relevant compliance deadlines extending until May 2023.³ Among other things, the rule established two new categories of gas gathering lines – Type C and Type R – to be determined based on a methodology “by which [the operator] calculated the beginning and end points of each onshore gathering pipeline” and for which records must be maintained for the life of the pipeline per 49 C.F.R. § 192.8(b).⁴ Operators were required to identify these lines by November 2022 and achieve compliance with applicable obligations for Type C pipelines by May 2023.⁵ Outside of the plain regulatory text at 49 C.F.R. § 192.8(b), PHMSA guidance clarifying what must be included in an operator's “records documenting the methodology” required by 49 C.F.R. § 192.8(b) is limited to a single sentence in the rulemaking preamble, which states that “[t]hese records [should] include the API RP 80 definitions and methods used to define the beginning

³ PHMSA Final Rule: *Safety of Gas Gathering Pipelines: Extension of Reporting Requirements, Regulation of Large, High-Pressure Lines, and Other Related Amendments*, 86 Fed. Reg. 63266 (Nov. 15, 2021). The Final Rule became effective on May 16, 2022, but operators were only required to identify newly regulated Type C lines by November 2022 and bring those lines into compliance with Type C requirements by May 2023. *Id.*

⁴ PHMSA regulations in place since 2006 already established regulation of Type A and Type B onshore gas gathering facilities. *See* PHMSA Final Rule, *Gas Gathering Line Definition; Alternative Definition for Onshore Lines and New Safety Standards*, 71 Fed. Reg. 13289 (Mar. 15, 2006).

⁵ 86 Fed. Reg. at 63281.



and endpoints and where those points are located (*e.g.*, mile markers, address, or coordinates).”⁶ To the Company’s knowledge, this NOPV allegation is the first and only enforcement PHMSA has issued under 49 C.F.R. § 192.8(b).

Consistent with the plain language of 49 C.F.R. § 192.8(b) and the only PHMSA guidance on record, CPN maintains sufficient records which document the Company’s methodology for identifying and classifying gas gathering lines. Notably, CPN’s O&M Procedure, Section 13 details the process by which CPN makes “pipeline classification[s],” including (1) how the Company identifies the beginning and endpoints of gathering lines (*see* Section 13A.2, How Are Gathering Lines Determined), and (2) how any identified gathering lines should be classified (*see* Section 13A.3, Gathering Type Classification). The Company’s procedure also directs personnel to determine the beginning and endpoints of gas gathering infrastructure by utilizing a well-established industry standard that is incorporated by reference at 49 C.F.R. § 192.7, American Petroleum Institute Recommend Practice 80 (2000) (API RP 80). *See* O&M Section 13A.2, How Are Gathering Lines Determined.

In practice, CPN’s procedures have been generally implemented in two distinct phases, which track PHMSA’s initial regulation of Type A and B gathering lines in 2006 and later expansion of its regulatory oversight to also include Type C and R gathering lines in 2021. After PHMSA’s gas gathering rulemaking requiring operators to identify newly regulated Type A and Type B gathering lines on their system, CPN conducted a comprehensive review to identify the beginning and endpoints of all of the gathering lines on its system.⁷ After PHMSA expanded its regulations to apply to Type C and Type R classifications, CPN timely conducted an additional review in 2022 to determine whether any previously identified non-regulated gas gathering lines should be classified as Type C or Type R gas gathering pipelines. CPN leveraged its existing analysis of the beginning and endpoints of gas gathering pipelines and supplemented it with the classification factors specific to Type C and Type R lines.⁸

Collectively, CPN’s records documenting its methodology include its procedures, the Company’s initial gas gathering line analyses for purposes of identifying Type A and Type B lines, and a spreadsheet developed in 2022 which memorialized the applicable factors and resulting classification of its Type C and Type R lines. The spreadsheet provides locations marking the beginning and endpoints of gas gathering lines, the classification of the line as Type A, B, C or R, and the regulatory factors that are used to determine how a line should be classified, including: class location, diameter of pipe, and percentage specific minimum yield strength (SMYS) of the line.

⁶ *Id.* at 63287.

⁷ *See, e.g.*, PSVR Exhibits A-1, A-2, A-3 and A-4 (providing example records of the review conducted by CPN to define the beginning and endpoints of its gas gathering pipelines for purposes of identifying Type A and Type B gas gatherings lines).

⁸ As necessary, CPN updates these analyses based on class location changes and other factors that may impact the classification of its gas gathering pipelines.



2. Item 2 (49 C.F.R. § 192.8(b))

PHMSA Allegation and Associated Proposed Compliance Order Requirement

CPN did not have a cathodic protection system designed to protect its Type C gathering lines in accordance with subpart I, as required. According to the CPN's records, in 2022, it discovered deficiencies in the cathodic protection system for its Montezuma Type C gathering line and Steelhead transmission line. The records indicated that in an effort to continue protection of the Steelhead Pipeline, the Montezuma Pipeline was removed from the previously shared cathodic protection system. A review of CPN's mainline timeline and test reports demonstrated that while there have been tests conducted and plans to remediate the issues that were discovered in 2022, the Montezuma Pipeline has been operating without a cathodic protection system since 2022. However, § 192.455(a) requires that, unless the operator has demonstrated by tests, investigations, or experience that a corrosive environment did not exist, each buried or submerged pipeline installed after July 31, 1971 must be protected from external corrosion with an external coating meeting the requirements of § 192.461 and a cathodic protection system. CPN did not provide PHMSA any records during the inspection to show that the Montezuma Pipeline did not need to comply with the requirements of § 192.455(a) based on tests, investigations, or experience demonstrating that the pipeline existed in a non-corrosive environment.

PCO Requirement:

In regard to Item 2 of the Notice pertaining to CPN's failure to comply with the requirements of subpart I, specifically § 192.455(a) for corrosion control of metallic pipelines per § 192.9(e)(1)(ii), CPN must complete and submit documentation of the following to the Director, Western Region within 1 year of receipt of the Final Order. CPN must follow § 192.455(a) in regards to the Montezuma Pipeline including verifying it has a protective coating pursuant to § 192.461(a) through(e) and reinstating the cathodic protection unless the environment is demonstrated to be non-corrosive through tests, investigations or experience.

CPN Response

In the spirit of cooperation and without admission, CPN is not contesting NOPV Item 2. CPN provides this response to NOPV Item 2, however, to correct factual inaccuracies and make clarifications related to the Company's efforts to establish and maintain adequate cathodic protection on the Montezuma gathering pipeline. Contrary to the allegations set forth in the NOPV, CPN has historically maintained cathodic protection on the Montezuma pipeline and implemented measures to address relevant cathodic protection readings after 2022. CPN is contesting the scope of the PCO associated with NOPV Item 2, which would impose requirements on portions of the Montezuma pipeline that are no longer in active service.

The Montezuma pipeline is a newly-regulated Type C gas gathering line that first became regulated by PHMSA in 2022. Prior to PHMSA's regulation of the pipeline, CPN historically maintained cathodic protection on the Montezuma line consistent with the Company's Corrosion Control Manual, and confirmed adequate cathodic protection on the line in January 2022.

Later in 2022, CPN conducted a review of the cathodic protection system of the Montezuma pipeline and identified that the line was impacting the cathodic protection of a nearby line, CPN's Steelhead pipeline. At that time, CPN conducted tests to assess the cathodic protection on the Montezuma pipeline and implemented measures designed to ensure that both the Montezuma and Steelhead pipelines were adequately protected. Ultimately, CPN elected to disconnect the Montezuma pipeline from the Steelhead pipeline in August 2022 to ensure that the Steelhead pipeline continued to meet cathodic protection criteria.



After disconnecting the lines, CPN continued to conduct additional tests and implement measures to support the cathodic protection system on the Montezuma pipeline, including by:

- using a pipe electrical tinker and Rasor Mark 5 short tracer instrument to test for electrical shorts;
- replacing anodes at rectifiers;
- installing new bond stations;
- replacing bond cables;
- increasing the output of rectifiers;
- conducting testing to identify shorted casings;
- installing test leads;
- conducting direct current voltage gradient (DCVG) testing;
- installing additional magnesium anodes;
- conducting pipeline current mapper (PCM) testing on test stations; and
- excavating the pipeline to conduct coating quality inspections.

Based on additional field assessment of the pipeline coating in 2024, the Company elected to permanently disconnect and idle the northern portion of the pipeline (the North Montezuma Mainline) after the inspection, which remains out of service pending formal abandonment. With the installation of additional cathodic protection bonding and magnesium anodes, the Company has since been able to confirm adequate cathodic protection readings on the active southern portion of the line (the South Montezuma Mainline).

As proposed, the scope of the PCO would require CPN to verify that the entire Montezuma pipeline has protective coating and to reinstate cathodic protection on the entirety of the line. CPN requests that PHMSA modify the PCO to account for the following: (1) the North Montezuma Mainline is currently idled and out of service pending formal pipeline abandonment and (2) the South Montezuma Mainline segment is operating consistent with applicable cathodic protection requirements.



3. Item 3 (49 C.F.R. § 192.463; Part 192, Appendix D)

PHMSA Allegation and Associated Proposed Compliance Order Requirement

CPN's cathodic protection system and its Corrosion Control Manual did not comply with the criteria contained in Appendix D as required for its natural gas transmission and gathering pipelines. Specifically, the Corrosion Control Manual's procedures did not require its cathodic protection system to consider voltage (IR) drops across the structure-electrolyte boundary as required, as the manual did not provide for the collection of IR free measurement data while performing Annual Cathodic Protection (CP) Surveys.

During the PHMSA inspection, PHMSA reviewed CPN's records and manuals. PHMSA observed while reviewing the Corrosion Control Manual that Section 4 and Appendix D of the Corrosion Control Manual stated that IR drops other than those across the structure-electrolyte boundary shall be considered. A common method of obtaining "IR free" pipe to soil potential measurement is to use a current interrupter. When the protective current is initially interrupted, an immediate voltage shift, or "instant off" measurement will be obtained. This measurement is reflective of an IR free pipe-to-soil potential measurement. However, Section 6 of CPN's Corrosion Control Manual stated the acceptable pipe-to-soil measurement to be an "on" measured potential which is not an IR free measurement. In lieu of obtaining "instant off" measurements, Section 4 of CPN's Corrosion Control Manual contained a section with several factors that could affect electrical measurement. However, PHMSA observed that the manual did not include a method for quantifying these factors. The manual also did not include a method for considering them by other means when taking measurements for Annual CP Surveys.

Therefore, CPN failed to provide a level of cathodic protection that complies with one or more of the applicable criteria contained in Appendix D of Part 192 by not considering IR drops other than those across the structure-electrolyte boundary as required by § 192.463(a) and Appendix D Section II. 3

PCO Requirement:

In regard to Item 3 of the Notice pertaining to CPN's failure to provide a level of cathodic protection that complies with one or more of the applicable criteria contained in appendix D of this part by not considering voltage (IR) drops other than those across the structure-electrolyte boundary as required by § 192.463(a) and Appendix D Section II, CPN must complete and submit documentation of the following to the Director, Western Region by the date of the next CP annual survey,

- Update its Corrosion Control Manual with procedures for obtaining cathodic protection readings with IR drops other than those across the structure-electrolyte boundary considered, and
- Obtain cathodic protection readings for each system accurately representing voltage (IR) drops.

CPN Response

CPN respectfully requests that NOPV Item 3 be reconsidered and withdrawn, including the associated PCO item. CPN believes that the allegation and the PCO requirement should be revisited based on CPN's existing corrosion control procedures, including CPN's processes for considering IR drop to assess the adequacy of its cathodic protection system.

In relevant part, 49 C.F.R. § 192.463 and Appendix D require operators to obtain "[a] negative (cathodic) voltage of at least 0.85 volt, with reference to a saturated copper-copper sulfate half cell" and "the protective current applied." In taking these measurements, "[v]oltage (IR) drops other than those across the structure-



electrolyte boundary must be considered for valid interpretation of the voltage measurement.”⁹ Although Appendix D requires that operators consider IR drop, PHMSA has acknowledged that Appendix D “does not explicitly define how IR drop ‘must be considered’” in an operator’s analysis.¹⁰ Instead, PHMSA has clarified that when it is “impractical to disconnect all current sources to correct for voltage drop(s), sound engineering practices should be used to ensure that adequate cathodic protection has been achieved.”¹¹

CPN’s process for considering IR drop is consistent with the requirement at 49 C.F.R. § 192.463 and Part 192, Appendix D to “consider IR drop” and the expectation articulated in guidance that operators will use sound engineering principles when it is impractical to disconnect all current sources from the pipeline to capture IR free readings. Based on the location and design of CPN’s system, which includes magnesium anodes, it is not possible for CPN to completely disconnect its system to capture an IR free reading. Instead, CPN has long employed a process for considering IR drop by accounting for a number of factors when taking pipe-to-soil measurements – which have been proven to impact IR drop – including: (1) proximity to impressed current anode, (2) proximity to galvanic cathodic protection anodes, (3) coating type and condition, (4) seasonal soil conditions, (5) natural soil conditions, (6) cathodic interference, (7) electrical isolation, (8) leak history, and (8) pipeline inspection records. These factors are considered by highly trained and qualified corrosion technicians with extensive experience on CPN’s system for purposes of considering IR drop when assessing the adequacy of the Company’s cathodic protection system. In addition to this analysis, CPN also maintains the potentials on its system (1200 to 1900 mV) well above PHMSA’s criteria to ensure that any potential IR drop is accounted for without decreasing the efficacy of CPN’s cathodic protection system.

II. Statement of Issues

1. Whether based on the facts and applicable law, PHMSA has met its burden to prove by a preponderance of the evidence that CPN did not comply with 49 C.F.R. §§ 192.8(b), 192.463(a) or Appendix D to Part 192 as alleged in NOPV Items 1 and 3, respectively.
2. Whether PHMSA’s allegations under NOPV Items 1 and 3 are consistent with the requirements of the Administrative Procedure Act.
3. Whether in issuing the allegations under NOPV Items 1 and 3 PHMSA provided due process and fair notice.
4. Whether PHMSA’s allegations under NOPV Items 1 and 3 and the associated PCO requirements are consistent with Agency guidance, including PHMSA’s procedural requirements for enforcement actions.
5. Whether PHMSA’s allegations under NOPV Items 1 and 3 should have been asserted as warning items or within the context of a Notice of Amendment consistent with PHMSA’s enforcement procedures, prior pattern and practice of issuing enforcement, and enforcement precedent.
6. Whether the PCO requirements associated with NOPV Items 1, 2 and 3 should be reconsidered in light of the applicable facts and law.

⁹ 49 C.F.R. Part 192, Appendix D.

¹⁰ *In re: Panhandle Energy*, Order Directing Amendment, CPF No. 3-2010-1006M (Dec. 31, 2012).

¹¹ PHMSA Corrosion Control Manual at 37 (emphasis added).



III. Summary and Request for Relief

For the reasons set forth above, CPN respectfully requests that PHMSA withdraw NOPV Items 1 and 3 and the associated PCO items and modify the PCO item associated with NOPV Item 2. The Company believes that these items can be resolved and is requesting the opportunity to meet informally to discuss these allegations with the Western Region. In the event that the parties are unable to resolve the issues raised in this response, the Company is preserving its right to a hearing.

CPN is committed to operating its system safely and in compliance with all applicable pipeline safety laws and regulations. If the Western Region is amenable to settlement discussions, the Company looks forward to coordinating with the Region to discuss the NOPV in more detail.

Please let me know if you have any questions.

Sincerely,

Scott Vickers
Manager, Engineering and Compliance

cc: Jill Yung, Calpine LLC
Annie Cook, Bracewell LLP
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