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DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
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TO: Underground Natural Gas Storage Operator

FROM: David J. Chislea, Director
Gas Safety & Operations Division

DATE: February 1, 2024

SUBJECT: 2024 Underground Natural Gas Storage Inspections and Program Updates

As an operator of an intrastate underground natural gas storage (UNGS) facility in Michigan, you are receiving this letter on behalf of the Michigan Public Service Commission (MPSC) under direction of the Pipeline and Hazardous Materials Safety Administration's (PHMSA) UNGS State Program. The MPSC and the Michigan Department of Environment, Great Lakes, and Energy's (EGLE) Oil, Gas, and Minerals Division (OGMD) conduct joint inspections to ensure safe operations of facilities and to enforce pipeline safety regulations in accordance with 49 CFR Part 192 for UNGS facilities.

This letter is written to convey important information regarding the UNGS program, including its requirements for inspections and report filing. In addition, incident information and relevant regulatory requirements pursuant to the Administrative Rules of Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act (NREPA) are provided below. An updated MPSC/EGLE Staff contact list is enclosed for your convenience.

2024 Planned UNGS Inspections

The MPSC/EGLE will conduct inspections throughout 2024 to continue to ensure safe operations of UNGS facilities and to enforce pipeline safety regulations in 49 CFR Part 192 for underground natural gas storage facilities. The following are the types of inspections that are conducted along with a brief description of each inspection type:

1. **Standard Inspections**: Standard inspections include an evaluation of the UNGS Program and Records for each storage field and onsite inspections of select wellheads/well sites at the associated field. Currently, Standard inspections are conducted on a four-year cycle for each UNGS field and Storage Integrity Management Program (SIMP). Operators are expected to reserve a full week to accommodate these inspections. The Standard inspection may be conducted in-person at the operator's locality, virtually, or a combination thereof.

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- i. **Procedure Inspection:** This is a review and assessment of the operator's written SIMP and associated procedural documentation. Procedure inspections include questions relevant to construction and operational procedures.
- ii. **Records Inspection:** This is a review and assessment of the operator's records and retention associated with their UNGS Program. Each field/asset requires pertinent records to be demonstrated and retained.
- iii. **Observation Inspection:** This is an onsite review and assessment of wellheads and well sites that includes, but is not limited to, observations for leaks, overpressure protection and pressure regulating equipment, corrosion, emergency response, observance of operator's well maintenance/inspection procedures, signage, and barriers.

For any standard inspection that is due for re-inspection during the four-year inspection cycle, the UNGS Operator will be contacted by MPSC/EGLE in advance to schedule a mutually convenient week to conduct the inspection. UNGS Operator is (OR) is not due for a standard inspection in 2024.

2. **Specialized Inspections:** Specialized inspections include the observation of UNGS related tabletop exercises and a combination of construction and integrity activities including, but not limited to, the drilling of new wells, conversion and well workover activities, maintenance/repair activities, logging, well remediation, plugging and well abandonment activities. Operators are required to file notifications for these specialized activities as indicated below per R 460.20504 Reports. Planned well activities that will result in downhole changes are also required to be submitted to EGLE for review/approval on Form EQP 7200-06 Application to Change Well Status. This Form is required for both Intrastate and Interstate wells. Further EGLE requirements are indicated below under Report Filing for Administrative Rules of Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act (NREPA). In addition, MPSC/EGLE requests to be notified of construction/integrity activity that does not rise to a PHMSA notification level. These additional notifications will allow further opportunities to conduct specialized inspections. Please file notifications for these additional specialized activities as indicated below per R 460.20504 Reports. Each UNGS Operator will be notified by MPSC/EGLE in advance of any well activity selected for specialized inspections so that mutually convenient dates/times can be selected for these inspections. Relevant inspection questions will be sent prior to the inspection date.¹ Other specialized inspections, such as Drug and Alcohol inspections, will be conducted by MPSC Pipeline Safety on the appropriate inspection cycle with participation from MPSC/EGLE UNGS Staff.
3. **Wellhead Inspections:** Wellhead inspections include items as indicated under Observation Inspection above. These inspections are conducted by MPSC/EGLE Staff independent of the UNGS operator participation or notification. Operators will be notified of concerns and/or unsatisfactory findings.

¹ The rules/questions which will be sent are the minimum to be inspected. Additional inspections may be necessary as findings or concerns arise.

Data/Report Submittals

Submission Addresses

The Michigan Gas Safety Standards (MGSS) require that any report filed with PHMSA must be concurrently filed with the MPSC. Per R 460.20504 Reports, the MPSC/EGLE Staff requires paperless submission of all correspondence to our e-mail address: LARA-MPSC-Operations@michigan.gov. If responding to an existing case, please use the same email address (LARA-MPSC-Operations@michigan.gov) and include the case reference number (ref: xxxxxxx:ref) in the email so that your response will be directed to the appropriate case. As noted below, additional reports specific to wellbores are required to be filed pursuant to the Administrative Rules of Part 615, Supervisor of Wells, EGLE OGMD. If you have questions regarding report filing, please contact Mr. Kevin Spence (MPSC) by email at spencek@michigan.gov or by phone at 517-643-7795 or Mr. Jason Mailloux (EGLE) by email at maillouxj@michigan.gov or by phone at 517-245-2195.

The MPSC offices are located at the following address:

Michigan Public Service Commission
7109 West Saginaw Hwy
Lansing, MI 48917

The EGLE offices are located at the following address:

Michigan Department of Environment, Great Lakes, and Energy
525 W Allegan St.
Lansing, MI 48933

Annual Reports

The annual reports for UNGS operators can be found on PHMSA's website at: <https://www.phmsa.dot.gov/forms/operator-reports-submitted-phmsa-forms-and-instructions>.

The calendar year 2023 annual reports for all regulated operators are due by March 15, 2024. These forms should be electronically submitted to PHMSA at: <http://portal.phmsa.dot.gov/>.

When initially submitting your annual reports for calendar year 2023, please provide them electronically to LARA-MPSC-Operations@michigan.gov. The MPSC/EGLE Staff would like a new case created for each operators' calendar year 2023 reports, so for the initial submission, please send a new email using LARA-MPSC-Operations@michigan.gov without any reference numbers or responding to any previous emails (no further action is required if UNGS annual reports are provided along with the other annual reports referenced in the 2024 Gas Safety Pipeline Inspections and Program Updates letter). Supplemental or corrected filings should be submitted using the reference number generated from the initial submittal so the information is directed into the appropriate case.

Contact List

Please provide the MPSC/EGLE Staff with an updated contact list for your company (no further action is required if UNGS contacts have already been provided in response to the 2024 Gas Safety Pipeline Inspections and Program Updates letter). You can provide this electronically to LARA-MPSC-Operations@michigan.gov or mail it to the attention of the Gas Safety & Operations Division at the Lansing office address.

UNGS State Partnership Update

Beginning in calendar-year 2024, PHMSA has changed the MPSC/EGLE joint UNGS Program from a Certification to an Agreement Partnership due to insufficient penalties the MPSC currently is authorized to assess.² Although Intrastate UNGS inspections will continue to be conducted by MPSC/EGLE Staff, all identified probable non-compliances will no longer be enforced by the MPSC. Instead, all enforcement actions will now be addressed by PHMSA and assessed penalties subject to their regulatory authority.³

Updated Pipeline Safety Regulations

On November 30, 2023, the 26th Edition of the MGSS became effective adopting PHMSA standards 49 CFR Part 40, 49 CFR Part 191, 49 CFR Part 192, and 49 CFR Part 199 as published on October 1, 2023. The Guide for the 26th Edition of the MGSS is under development and will be published soon. The final rules contained in the 26th Edition of the MGSS can be found on the MPSC website and the federal rules can be found on the eCFR.gov website.⁴

Report Filing for Administrative Rules of Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act (NREPA)

MCL 324.61506 empowers the Supervisor of Wells to require specified wellbore operating reports to be submitted for Interstate and Intrastate UNGS wells existing in the State of Michigan.

As of the date of this letter, and thereafter, for any well located within an UNGS storage facility where a bridge plug or other isolation device is set for the purpose of isolating the wellbore due to a safety related condition, the operator shall submit a Record of Change of Well Status (RCOWS) (EGLE Form 7200-08). The RCOWS is due within 60 days of setting the device and shall include the date, depth, and purpose for setting the bridge plug or other isolation device.

² The MPSC is granted authority to assess penalties for violations of pipeline safety regulations under Michigan's Public Act 165 of 1969, which contains the maximum civil penalty value of \$10,000 for each violation, not to exceed \$500,000 for any related series of violations.

³ As of January 6, 2023, under 49 U.S.C. § 60122 and 49 CFR § 190.223, operators are subject to a civil penalty not to exceed \$257,664 per violation per day the violation persists up to a maximum of \$2,576,627 for a related series of violations pursuant to the requirements of Section 701 of the "Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015" (Pub. L. 114-72), which amended the "Federal Civil Penalties Inflation Adjustment Act of 1990" (Pub. L. 101-410) (Inflation Adjustment Act).

⁴ <https://www.michigan.gov/mpsc/regulatory/natural-gas/michigan-gas-safety-standards> and <https://www.ecfr.gov/current/title-49>.

As of the date of this annual letter, for any well located within an UNGS storage facility that has an existing bridge plug or other isolation device remaining set within the wellbore, the operator shall submit a RCOWS within 90 days of the date of this annual letter. The RCOWS shall include the date, depth, and purpose for setting the bridge plug or other isolation device.

For any well not utilized for its intended purpose for greater than 12 consecutive months, the operator shall submit an ACOWS requesting temporary abandonment status. A RCOWS is not required to be submitted for temporary abandonment status.

UNGS operators are required to submit Form EQP 7141, Gas Storage Operations Annual Well Fee Assessment Report, on an annual basis by January 31 of each year. This Form requires reporting of each well status during the year.

Electric and Radiation Logs run on UNGS wells are to be submitted within 30 days of the logging run.

The logs shall be submitted as digital copies by email to EGLE-GeologicalRecords@Michigan.gov; if size limitations prohibit submission by email (generally if cumulative file size is greater than 20 MB), digital copies shall be submitted by mail on a USB flash drive or CDR/DVDR to the following address:

Oil, Gas, and Minerals Division
P.O. Box 30256
Lansing, MI 48909-7756

All log files shall be submitted in Log ASCII Standard (LAS) and Tag Image File (TIF) format. PDF files and paper copies may be accepted with prior approval by EGLE OGMD. Files shall be named using the well permit number, well name, and log type. All files are to be submitted as single page TIF and/or single page PDF.

The reports indicated above are required to be exclusively sent to: EGLE-GeologicalRecords@michigan.gov. Instructions for filing requirements and the applicable Forms are available from EGLE's website: <https://www.michigan.gov/egle/about/organization/oil-gas-and-minerals/oil-and-gas/oil-and-gas-forms>. If you have questions regarding report filing, please contact Mr. Jason Mailloux (EGLE) by email at maillouxj@michigan.gov or by phone at 517-245-2195.

Attachments

An updated MPSC/EGLE UNGS Staff Contact List dated February 14, 2023. Please exclusively use the incident notification phone number (517-284-8230) for reporting incidents.

This information has been provided to facilitate inspections. If you have any questions regarding this letter, please contact Mr. Jason Mailloux (maillouxj@michigan.gov) or Mr. Kevin Spence (spencek@michigan.gov).

Enclosures:

Contact list for MPSC/EGLE Staff

cc: MPSC/EGLE UNGS team



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