



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

233 Peachtree Street Ste. 600
Atlanta, GA 30303

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

February 20, 2014

Mr. Mark Fullerton
Chief Executive Officer
Leaf River Energy Center, LLC
17350 State Highway 249, Suite 220
Houston, TX 77064

CPF 2-2014-1002

Dear Mr. Fullerton:

From October 14-17, 2013, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Southern Region, Office of Pipeline Safety, pursuant to Chapter 601 of 49 United States Code, inspected the Leaf River Energy Center, LLC (LREC) natural gas pipeline facilities in Taylorsville, Mississippi.

As a result of the inspection, it appears that LREC has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are as follows:

1. **§192.465 External corrosion control: Monitoring.**
 - (a) **Each pipeline that is under cathodic protection must be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of § 192.463. However, if tests at those intervals are impractical for separately protected short sections of mains or transmission lines, not in excess of 100 feet (30 meters), or separately protected service lines, these pipelines may be surveyed on a sampling basis. At least 10 percent of these protected structures, distributed over the entire system must be surveyed each calendar year, with a different 10 percent checked each subsequent year, so that the entire system is tested in each 10-year period.**

LREC did not test its pipeline under cathodic protection at least once each calendar year, but with intervals not exceeding 15 months.

LREC conducted a cathodic protection (CP) commissioning survey in February 2011, followed by a cathodic protection survey in September 2012. The time span between the commissioning survey and the follow-on CP survey was 19 months, which exceeded the testing requirements of at least once each calendar year, but with intervals not exceeding 15 months.

2. §192.465 External corrosion control: Monitoring.

... (b) Each cathodic protection rectifier or other impressed current power source must be inspected six times each calendar year, but with intervals not exceeding 2½ months, to insure that it is operating.

LREC did not inspect each rectifier at least six times each calendar year, but with intervals not exceeding 2½ months, to insure that it is operating.

At the time of the PHMSA inspection, LREC did not provide inspection records or any other documentation to demonstrate that it had conducted rectifier inspections in calendar year 2012.

3. §192.475 Internal corrosion control: General.

(a) Corrosive gas may not be transported by pipeline, unless the corrosive effect of the gas on the pipeline has been investigated and steps have been taken to minimize internal corrosion.

LREC transported gas in its storage field pipeline but did not investigate the corrosive effects of the gas it transported nor did LREC determine if steps were necessary to minimize internal corrosion.

LREC operates a natural gas storage field and pipelines. LREC investigated the corrosive effects of the pipeline quality gas it transports between its compressor station and pipeline interconnects with other natural gas transmission pipelines, but LREC did not investigate the corrosive effects of the gas for the pipelines between the compressor station and the storage caverns or on storage field piping nor did it determine if steps needed to be taken to minimize internal corrosion.

4. §192.605 Procedural manual for operations, maintenance, and emergencies.

(a) General. Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.

LREC did not follow its procedures because it did not maintain records for emergency response training it conducted.

LREC's Emergency Response Manual (ERM), Section 6 Training and Evaluation, requires LREC to maintain records of emergency response training and evaluations for every LREC employee and contractor for a period of 5 years. However, LREC did not

follow its procedures and did not maintain records of emergency response training conducted for its operating personnel and contractors.

5. **§192.605 Procedural manual for operations, maintenance, and emergencies.**
... (b) *Maintenance and normal operations.* **The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.**
... (5) **Starting up and shutting down any part of the pipeline in a manner designed to assure operation within the MAOP limits prescribed by this part, plus the build-up allowed for operation of pressure-limiting and control devices.**

LREC's O&M manual and local procedures did not include procedures for starting up and shutting down its pipeline system.

LREC did not have procedures for starting up and shutting down its pipeline in a manner to assure operation within the MAOP (maximum allowable operating pressure) limits, plus the build-up allowed for operation of pressure-limiting and control devices. LREC's O&M manual, Section 2.9 Pipeline Shutdown/Startup Procedures only stated that "*Procedures will be developed by local supervisory personnel and followed for critical operations of the pipeline.*" Local procedures were not available.

6. **§192.709 Transmission lines: Record keeping.**
Each operator shall maintain the following records for transmission lines for the periods specified:
... (c) **A record of each patrol, survey, inspection, and test required by subparts L and M of this part must be retained for at least 5 years or until the next patrol, survey, inspection, or test is completed, whichever is longer.**

LREC did not maintain a record of each inspection and test required by subparts L and M of Part 192 for at least 5 years or until the next inspection or test was completed, whichever was longer.

LREC did not prepare and maintain a record for the inspection and testing of its compressor station overpressure protection system. At the time of the inspection, LREC did not provide records for the inspection and testing in 2012 of its PLC overpressure protection system.

7. **§192.743 Pressure limiting and regulating stations: Capacity of relief devices.**
(a) Pressure relief devices at pressure limiting stations and pressure regulating stations must have sufficient capacity to protect the facilities to which they are connected. Except as provided in § 192.739(b), the capacity must be consistent with the pressure limits of § 192.201(a). This capacity must be determined at intervals not exceeding 15 months, but at least once each calendar year, by testing the devices in place or by review and calculations.

LREC did not adequately demonstrate that the relief devices on its pipeline system met capacity requirements.

LREC's 2012 and 2013 inspection records documented relief valve capacities less than LREC's required capacity. LREC's construction job books contain the required relief

valve capacity determined for each relief valve, and the designed relief valves capacity, for natural gas. The relief capacity (determined for air) for LREC’s relief valves on the 2012 and 2013 are less than the required capacity for the following two valves:

Relief Valve	Capacity (SCFM)			
	Required	Design	2012 Determination	2013 Determination
PSV-0101C	555,556	568,580.5	494,258	494,258
PSV-338	555,556	568.560.5	160	494,258

8. §192.805 Qualification program.

Each operator shall have and follow a written qualification program. The program shall include provisions to:

(a) Identify covered tasks;

(b) Ensure through evaluation that individuals performing covered tasks are qualified;

LREC did not identify certain Operator Qualifications (OQ) covered tasks and did not ensure that individuals performing OQ covered tasks were qualified.

LREC’s pipeline system has interconnects with Tennessee Gas Pipeline, Destin Pipeline Company, Transcontinental Gas Pipeline Company, Southern Natural Gas Company, Midcontinent Express Pipeline, and Gulf South Pipeline Company where the other pipeline companies may operate and maintain equipment that affects the operation or integrity of LREC’s pipeline.

LREC had not determined what OQ covered tasks performed by other pipeline company personnel affect the operation or integrity of its pipeline system, and had not determined that the individuals performing covered tasks were qualified.

Warning Items

With respect to Items 1, 2, 4, and 6 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 promptly correct these items. Be advised that failure to do so may result in LREC being subject to additional enforcement action.

Proposed Compliance Order

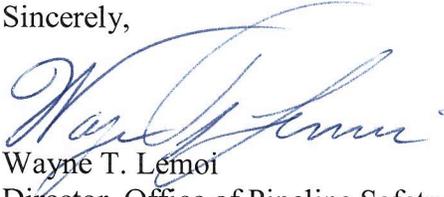
With respect to Items 3, 5, 7 and 8, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to LREC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. 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). 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.

In your correspondence on this matter, please refer to **CPF 2-2014-1002** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,



Wayne T. Lemoie
Director, Office of Pipeline Safety
PHMSA Southern Region

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

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Leaf River Energy Center, LLC (LREC) a Compliance Order incorporating the following remedial requirements to ensure the compliance of LREC with the pipeline safety regulations:

1. In regard to Item 3 of the Notice pertaining to LREC's failure to investigate the corrosive effects of gas on its pipeline and determine steps necessary to minimize internal corrosion,
 - a. LREC must investigate the corrosive effects of gas on the pipelines between the compressor station and the storage caverns or storage field piping.
 - b. LREC must determine what steps are necessary, if any, to minimize internal corrosion on the pipelines between the compressor station and the storage caverns or storage field piping based on its investigation of the corrosive effects of the gas in Item 1a above.
 - c. LREC must implement the steps that are determined to be necessary, if any, to minimize internal corrosion on the pipelines between the compressor station and the caverns or storage field piping determined in Item 1b.
2. In regard to Item 5 of the Notice pertaining to LREC's failure to develop and maintain procedures for starting up and shutting down its pipeline system, LREC must develop and maintain written procedures for starting up and shutting down its pipeline to assure operation within the Maximum Allowable Operating Pressure limits, plus build-up allowed for operation of pressure-limiting and control devices.
3. In regard to Item 7 of the Notice pertaining to LREC's failure to demonstrate that installed relief devices met capacity requirements, LREC must perform capacity calculations for each installed pressure relief device to demonstrate that the relief device meets the capacity requirements for the conditions under which it operates.
4. In regard to Item 8 of the Notice pertaining to LREC's failure identify Operator Qualifications (OQ) covered tasks and ensure individuals performing covered tasks were qualified,
 - a. LREC must determine the OQ covered tasks performed by other pipeline company personnel that affect the operation or integrity of LREC's pipeline.
 - b. LREC must ensure that all personnel performing OQ covered tasks that affect the operation or integrity of LREC's pipeline are qualified or directed and observed by an individual that is qualified.
5. LREC must complete the above Items within the following time requirements.
 - a. Within 30 days of receipt of the Final Order LREC must complete the requirements of Items 1a, 2, 3, and 4 above.
 - b. Within 60 days of receipt of the Final Order LREC must complete the requirements of Item 1b above.

- c. Within 120 days of receipt of the Final Order LREC must complete the requirements of Item 1c above.
 - d. Within 150 days of receipt of the Final Order LREC must provide written documentation confirming the completion of Items 1 – 4 above to the Director, Office of Pipeline Safety, PHMSA Southern Region.
6. It is requested (not mandated) that LREC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director, Office of Pipeline Safety, PHMSA Southern Region. 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.