

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 26, 2014

Mr. Ryan Coffey
Executive VP Operations
Energy Transfer Partners
800 E. Sonterra Boulevard, #400
San Antonio, Texas 78258

CPF 3-2014-1006W

Dear Mr. Coffey:

On September 16-20, and September 30 – October 2, 2013, representatives of the Michigan Public Service Commission acting as an interstate agent for the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your records and facilities in Howell, Michigan.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

1. §192.225 Welding Procedures

(a) Welding must be performed by a qualified welder in accordance with welding procedures qualified under section 5 of API 1104 (incorporated by reference, see §192.7) or section IX of the ASME Boiler and Pressure Vessel Code "Welding and Brazing Qualifications" (incorporated by reference, see §192.7) to produce welds meeting the requirements of this subpart. The quality of the test welds used to qualify welding procedures shall be determined by destructive testing in accordance with the applicable welding standard(s).

Panhandle did not properly qualify welding procedure specification (WPS) BSC-225 under API 1104 Section 5. Inspection of the procedure qualification records (PQR) BSC-223 and BSC-224, used to qualify WPS BSC-225, found that the tensile strength

of the coupons pulled did not meet the minimum tensile strength list in API 5L Specification Table 7. This welding procedure was utilized during the construction of Panhandle's Ontario Line 100 construction project in 2012.

PQR BSC-223 is a butt-weld procedure for X-65 pipe. PQR BSC-224 is a butt-weld procedure for X-70 pipe. The straps pulled for PQR BSC-223 found that the tensile specimens broke at 72,538 psi, 74,424 psi, 73,523 psi, and 75,947 psi. Table 7 of API 5L indicates that the minimum tensile strength is 77,600 psi for X-65 pipe. The straps pulled for BSC-224 found that the tensile specimens broke at 85,000 psi, 73,818 psi, 79,960 psi, and 73,934 psi. Table 7 of API 5L indicated that the minimum tensile strength is 82,700 psi for X-70 pipe.

Further, API 1104, Section 5.6.2.3 indicates that *"If the specimen breaks below the specified minimum tensile strength of the pipe material, the weld shall be set aside and a new test weld shall be made."* No new test weld was done at the time of this procedure qualification. A new test weld made later which proved satisfactory when tested. Panhandle is not currently using WPS BSC-225.

2. §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 one 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.

and

§192.905 How does an operator identify a high consequence area?

(b)(1) Identified sites. An operator must identify an identified site, for purposes of this subpart, from information the operator has obtained from routine operation and maintenance activities and from public officials with safety or emergency response or planning responsibilities who indicate to the operator that they know of locations that meet the identified site criteria. These public officials could include officials on a local emergency planning commission or relevant Native American tribal officials.

Panhandle did not follow their procedures for documenting potential identified sites to verify and confirm if those sites did not meet the requirements of becoming a high consequence area. During the records review of the integrity management program, several business locations were noted as having an occupancy of one. When Panhandle was asked for the documentation that verified the occupancy count, Panhandle was unable to produce the documentation.

Panhandle's procedure B.13 – *Surveillance for Class Location and HCA Determination* specifically addresses this in section 7.3, which requires personnel to record any new or previously un-recorded buildings and/or well-defined outside areas using the applicable form(s) for Encroachment, Facility Crossing & Class Location/HCA report. Section 8.0 identifies the form as the 7T-69 Structure Location Form. Panhandle could not produce any 7T-69 forms for the businesses reviewed by our inspectors during the inspection.

In a subsequent follow-up request, PHMSA requested that Panhandle provide a list of structures with less than twenty people for the state of Michigan. In addition to the list, PHMSA requested that Panhandle provide the 7T-69 form for each identified structure. Panhandle was able to provide the list of structures, but admitted that a 7T-69 form was not completed for all of the structures in the list. Furthermore, Panhandle indicated that they had discovered that some of the structures should have had a higher occupancy and that they were in the process of verifying the actual occupancy.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 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 item(s) identified in this letter. Failure to do so will result in Energy Transfer Partners 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 3-2014-1006W**. 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,

Linda Daugherty
Director, Central Region
Pipeline and Hazardous Materials Safety Administration