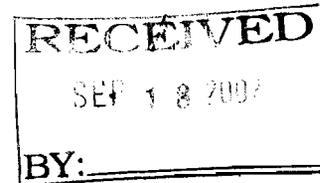




Panhandle Eastern Pipe Line
Trunkline Gas
Trunkline LNG
Sea Robin Pipeline
Transwestern Pipeline
Florida Gas Transmission

5444 Westheimer Road
Houston, TX 77056-5306
P.O. Box 4967
Houston, TX 77210-4967
713.989.7000

September 19, 2007



R.M. Seeley
Director, Southwest Region
Department of Transportation
Pipeline and Hazardous Materials Safety Administration (PHMSA)
Office of Pipeline Safety
8701 South Gessner, Suite 1110
Houston, TX, 77074

**RE: CPF 4-2007-2005 (August 16, 2007 PHMSA Letter) (Attached)
Response and Request for In-Person Hearing per 49 C.F.R §190.211**

Dear Mr. Seeley:

In correspondence dated August 16, 2007 and received in our office on August 20, 2007, PHMSA alleged that Trunkline Gas Company (“Trunkline”) committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. As noted by PHMSA, these allegations stem from an inspection of our Trunkline Gas Company in Centerville and Erath, LA., between the dates of August 21 through 25 and on October 30, 2006.

Trunkline contests the alleged violations for Item #2, Item #4 and Item #6 as detailed herein and requests PHMSA to rescind these allegations and terminate this proceeding relative to those items. Moreover, Trunkline requests clarification of the alleged violation for Item #3 and contests said item pending further review. In allegation 2, PHMSA is citing Trunkline for not maintaining a coupon that monitors a pipeline that Trunkline neither owns nor operates. In allegation 4, PHMSA has misinterpreted the regulations and has confused the definitions of AO and AOC as used in those regulations. In allegation 6, PHMSA misread the schedules provided and also incorrectly cited and arbitrarily relied upon an out-of-context reference to “resources” rather than the correct and relevant reference to “survey resources.”

Trunkline requests clarification on the alleged violation for Item #3. The allegation states that atmospheric corrosion was evident at South Timbalier 151 and South Timbalier 63, without giving details as to the what piping is involved and why. Detailed information regarding the allegation is required to properly respond to this allegation and compliance order.

Accordingly, Trunkline requests an in-person hearing on these issues, the elements of the proposed compliance order and the proposed civil penalties. Trunkline reserves its right to be represented by Counsel at a hearing and would plan to have a court reporter record the proceedings. Additional details follow.

Trunkline Response to Item #2

The internal corrosion coupon holder specified in PHMSA's allegation is installed at an offshore production platform in Ship Shoal 139, which is owned and operated by the Producer. This coupon monitors a departing 6 inch pipeline that is also owned and operated by the Producer. Trunkline is not required by §192.477 to operate coupons which monitor Producer's pipelines.

Trunkline does not own the coupon holder, which resides on a Producer's pipeline, nor does Trunkline own or operate the pipeline that the coupon, in question, monitors. Trunkline has another coupon, not mentioned in the allegation, on Trunkline's T-25 Platform in Ship Shoal 139 immediately downstream of Newfield's input into Trunkline's system, which is adequate to comply with §192.477.

Trunkline Response to Item #3

The allegation is so broad as to not allow Trunkline Gas Company to adequately respond to it. Trunkline requires more specific information as to the corrosion's location in order to determine if the alleged corrosion is detrimental to the continued safe operation of the pipeline on either Platform and if found to be so, to comply with PHMSA's Compliance Order. Specific lines or areas are not included in the allegation

Trunkline Response for Item # 4

Trunkline was cited for allegedly not keeping records necessary to administer the procedures established under §192.605. Specifically, the alleged violation stated was:

§192.605 and Trunkline procedures call for an abnormal operating condition when normal operating limits are exceeded, however in practice, Trunkline personnel only document conditions that exceed design limits.

Trunkline asserts that the alleged violation as stated is not a violation but rather is exactly what is required by the regulations. There appears to be some confusion in differentiating "Abnormal Operations (AO)" and "Abnormal Operating Conditions (AOC)." Although these terms sound similar, they are not the same, and are defined and used in different subparts of the regulations.

§192.605 (c.) refers to "Abnormal Operation", not the "Abnormal Operating Condition" which is referred to in this allegation. These are two separate and distinct definitions.

"Abnormal Operating Condition" is defined under Subpart N – Qualification of Pipeline Personnel; in §192.803 Definitions, as "...a condition identified by the operator that *may* indicate a malfunction of a component or *deviation from normal operations* that *may*:"

- (a) Indicate a condition exceeding design limits, or
 - (b) Result in a hazard(s) to persons, property, or the environment.
- (Emphasis added)

“Abnormal Operation” is defined in Subpart L, in §190.605 (c) in language indicating “the manual required by paragraph (a) of this section must include procedures for the following to provide safety *when operating design limits have been exceeded;*”

(Emphasis added)

Trunkline’s procedure correctly differentiates between these two. Trunkline’s Operator Qualification Program, recently reviewed, requires qualified personnel to be able to recognize and respond to AOC’s. This is proper for a qualified Operator to be able to recognize and react to the precursor events, so that it does not escalate to an Abnormal Operation or worse.

Not all AOC’s, however, rise to the threshold of an AO, which is the exceeding of design limits. Trunkline’s procedure clearly and correctly requires those events, conditions or occurrences that do rise to this level to be documented.

Trunkline Response to Item #5

PHMSA’s allegation that Trunkline has no Emergency Plan is incorrect. Offshore Platforms have “Station Bills” which define what steps must be taken during an Emergency. “Station Bills” are used offshore as an Offshore Emergency Plan.

Trunkline Response for Item #6

PHMSA incorrectly states that Trunkline’s Procedures stipulate specific dates for Inspections. §192.612 does not have any stipulated dates for compliance, but allows risk based decision making and Operator informed decisions based upon risk. PHMSA misstates the dates for inspections including pipeline systems other than Trunkline’s in their allegation.

The Standard Operating Procedure (SOP) in effect at the time was SOP 1-6110. SOP 1-6110 “Offshore Facilities and Shallow Cover Inspections”, dated 3/9/2006 was previously revised at PHMSA’s request, in early 2006. SOP 1-6110 “Offshore Facilities and Shallow Cover Inspections”, dated 3/9/2006 does not identify specific systems or lines, nor does it give specific dates that any individual inspection is to start.

PHMSA’s allegation is based upon an Inspection plan (Excel spreadsheet), with dates which tentatively established a date of November 1, 2006 for the inspection of the Terrebonne System and November 1, 2007 for the Vermillion System. PHMSA’s Allegation is incorrect regarding the November 1, 2008 inspection, since the only pipeline listed with a November 1, 2008 is not a Trunkline Pipeline. PHMSA’s Allegation regarding the Terrebonne System is also flawed in that only one of the lines comprising the Terrebonne System was delayed until November 1, 2009.

Trunkline’s decision to postpone inspections from the tentative dates established on the spread sheet shown the inspector was based upon knowledge of the bottom tendencies in this area of the Gulf to move more cover over pipelines as opposed to scouring and exposing pipelines. This knowledge weighed in Trunkline’s initial decision date setting as well as the decision for postponement, since in Trunkline’s estimation; there was no threat public safety.

§192.612 allows risk based decision making and Operator informed decisions based upon risk. Despite PHMSA’s allegation that lack of resources should not be a factor in the decision making process for Operators, other rules, including Subpart “O”, clearly recognize that resources

required to accomplish specific tasks or inspections may be limited and make provisions to delay specific Code required deadlines. Since PHMSA allows deviation even from specifically mandated deadlines, Trunkline asserts it did not violate the regulations, in an instance in which it made provisions to accommodate the impact of Force Majeure events on a schedule determined by Trunkline and entailing no public risk.

Trunkline planned the tentative dates with full allocation of Company resources. Trunkline had an executed contract with a survey contractor in an attempt to perform these inspections, but the contractor was unable to provide a crew. When available resources become limited or required work increases to the extent that all planned work cannot be completed within the originally scheduled time, priorities and schedules must be adjusted. Contractors were still responding to 2004 Hurricane Ivan when Hurricane Katrina and Rita made landfall in 2005. With contract boats and crews fully occupied with repair of hurricane damage from Hurricanes Ivan, Katrina and Rita, Trunkline decided that a postponement of this inspection was appropriate due to the higher priority demands and low to non-existent pipeline safety threat.

Trunkline Response to the Proposed Compliance Order

Regarding Item 1 of the Proposed Compliance Order ("Order"), Trunkline maintains that no violation exists, making this item moot. Trunkline reserves the right to discuss additional necessity, benefit, risk, practicality and practicability issues at hearing if the underlying alleged violation is not rescinded.

Trunkline will address Item 2 of the Order, after PHMSA provides clarification by identifying the specific area of concern and it is determined to be detrimental to the pipeline. Trunkline reserves the right to contest the underlying alleged violation after it has been clarified.

Regarding Item 3 of the Order, Trunkline maintains that the intent of the requirement was met by the Station Bill and that no violation existed, it will nonetheless place a clearly identifiable site specific emergency plan, including abnormal operations, at the Ship Shoal 139 Compressor Platform.

Regarding Item 4 of the Order, Trunkline has performed or intends to perform the inspections per its revised schedule and consistent with the availability of inspection resources.

Regarding Item 5 of the Order, it is not clear to Trunkline what exactly is required to be submitted to Mr. Seeley. Please clarify.

Regarding Item 6 in the Compliance Order, for the activities required by the Order that were completed some time ago, the costs associated with those activities would not have been typically tracked separately from other operations and maintenance costs. However, before providing such costs to the extent they are available, Trunkline would like specific information as to the purpose of such a collection and the use to which this information will be put. Additionally, as some of this cost information may reveal business-confidential contract and preferred supplier terms of a competitive nature, Trunkline also requests information regarding who will have access to this information, and specifically whether it may be provided to others pursuant to a Freedom of Information Act request. Finally, Trunkline requests information and specific citations providing the statutory and/or regulatory authority mandating the provision of such data.

Trunkline Response to the Proposed Penalties

Trunkline disagrees with and contests all penalties proposed.

Trunkline Request for Hearing

As noted above regarding NOPV Items #2, #4 and #6, Trunkline contests all allegations, compliance orders and proposed penalties, and accordingly requests a Hearing as stipulated in 49 C.F.R §190.211 addressing all matters presented in the PHMSA August 16, 2007 letter referenced above. Trunkline additionally requires clarification as to the specific areas of concern regarding Item #3. The principal issues to be raised at hearing are listed in this letter and in more detail under each item discussed above. Trunkline reserves the right to be represented by counsel during the hearing and plans to have a court reporter present to document the proceedings.

Sincerely,



Eric Amundsen
V.P. of Technical Services

Attachment:

August 16, 2007 PHMSA Letter (CPF 4-2007-2005)