

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 2, 2013

Mr. Theopolis Holeman
Group Vice President
Spectra Energy Transmission, LLC
5400 Westheimer Court
P.O Box 1642
Houston, Texas 77251-1642

CPF 3-2013-1005

Dear Mr. Holeman:

On August 9-10, 2011, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your records for Scioto County, Ohio Special Permit Segments in Danville, KY.

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

1. §192.469 External corrosion control: Test stations.

Each pipeline under cathodic protection required by this subpart must have sufficient test stations or other contact points for electrical measurement to determine the adequacy of cathodic protection.

It appears that SET is in violation of §192.469 for failing to install sufficient test stations or contact points necessary to determine the adequacy of the cathodic protection on Line 10 and Line 15¹ of its pipeline.

SET does maintain records indicating that it conducted annual tests in an attempt to determine the adequacy of the cathodic protection on Line 10 and Line 15 of its pipeline. A review of SET's annual test records showed no instances of inadequate cathodic protection being detected.

SET performed a close interval survey (CIS) on portions of Line 10 and Line 15, the same portions of the pipeline that it previously tested to determine the adequacy of the cathodic protection on the pipeline. The CIS identified numerous locations where the cathodic protection was inadequate. SET's annual cathodic protection tests did not locate any of these problem areas.

SET's regular cathodic protection tests did not locate these problem areas because it failed to install enough test stations or contact points to assess the adequacy of its cathodic protection system. While SET has made improvements to its testing system it still is not sufficient to properly identify whether the cathodic protection is adequate and in violation of §192.469.

2. §192.937 What is a continual process of evaluation and assessment to maintain a pipeline's integrity?

(a) General. After completing the baseline integrity assessment of a covered segment, an operator must continue to assess the line pipe of that segment at the intervals specified in § 192.939 and periodically evaluate the integrity of each covered pipeline segment as provided in paragraph (b) of this section. An operator must reassess a covered segment on which a prior assessment is credited as a baseline under § 192.921(e) by no later than December 17, 2009. An operator must reassess a covered segment on which a baseline assessment is conducted during the baseline period specified in § 192.921(d) by no later than seven years after the baseline assessment of that covered segment unless the evaluation under paragraph (b) of this section indicates earlier reassessment.

(b) Evaluation. An operator must conduct a periodic evaluation as frequently as needed to assure the integrity of each covered segment. The periodic evaluation must be based on a data integration and risk assessment of the entire pipeline as specified in § 192.917. For plastic transmission pipelines, the periodic evaluation is based on the threat analysis specified in § 192.917(d) For all other transmission pipelines, the evaluation must consider the past and present integrity assessment results, data integration and risk assessment information (§ 192.917), and decisions about remediation (§ 192.933) and additional preventive and mitigative actions

¹ Line 10 and Line 15 are located approximately 5.3 miles downstream of the Texas Eastern Wheelersburg Compressor Station in Scioto County Ohio and are approximate 720 feet long.

(§ 192.935). An operator must use the results from this evaluation to identify the threats specific to each covered segment and the risk represented by these threats.

It appears that SET is in violation of §192.937 for failing to conduct periodic evaluations to assure the integrity of Line 10 and Line 15.

When asked to produce the records showing the evaluations and assessments needed to assure the integrity of Line 10 and Line 15 of its pipeline, SET could not comply. SET's manager for pipeline integrity of the Northeast Region, Roderick Rheume, explained that SET could not provide the records because SET had never conducted the evaluations.

Proposed Civil Penalty

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 3, 2012, the maximum penalty may not exceed \$100,000 per violation per day the violation persists up to a maximum of \$1,000,000 for a related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of \$41,200 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$28,400
2	\$12,800

Proposed Compliance Order

With respect to items 1 and 2 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Spectra Energy Transmission, LLC. 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. All material you submit in response to this enforcement action may be 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 3-2013-1005** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

David Barrett
Director, Central Region
Pipeline and Hazardous Materials Safety Administration

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 Spectra Energy Transmission, LLC, a Compliance Order incorporating the following remedial requirements to ensure the compliance of Spectra Energy Transmission, LLC with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to SET failing to establish sufficient test points to demonstrate adequate cathodic protection, SET shall submit a plan and schedule for installation of sufficient test points within 60 days of the Final Order for Director, Central Region, approval.
2. The installation of the test points shall be completed within 120 days of receiving the Director's approval and documentation submitted within 30 days of completing installation.
3. In regard to Item Number 2 of the Notice pertaining to SET failing to conduct periodic evaluations to assure the integrity of Line 10 and Line 15, SET shall conduct periodic evaluations and the evaluations must consider the past and present integrity assessment results, data integration and risk assessment information (§192.917), and decisions about remediation (§192.933) and additional preventative and mitigative actions (§192.935).
4. SET shall provide documentation of evaluations for assuring integrity on Line 10 and Line 15 within 30 days of the Final Order to the Director, Central Region.
5. It is requested that SET maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to David Barrett, Director, Central Region, Pipeline and Hazardous Materials Safety Administration. 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.