

JUL 26 2010

Mr. Jeryl Mohn
Senior Vice President, Operations and Engineering
Panhandle Energy, a division of Southern Union Company
5444 Westheimer Road
Houston, TX 77056-5306

Mr. Don Hawkins
Senior Vice President, Operations and Engineering
Transwestern Pipeline Company, LLC
711 Louisiana Street, Suite 900
Houston, TX 77002

Re: CPF No. 4-2008-1011

Dear Mr. Mohn and Mr. Hawkins:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and specifies actions that need to be taken by Transwestern Pipeline Company, LLC to comply with the pipeline safety regulations. When the terms of the compliance order have been completed, as determined by the Director, Southwest Region, this enforcement action will be closed as to Transwestern Pipeline Company, LLC. The Final Order also makes findings of violation and finds that Panhandle Energy has completed the actions specified in the Notice to comply with the pipeline safety regulations. Therefore, this case is now closed as to Panhandle Energy. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. R. M. Seeley, Director, Southwest Region, PHMSA
Mr. Jerry F. Rau, Director of Pipeline Integrity, Panhandle Energy, 5444 Westheimer
Road, Houston, TX 77056-5306

CERTIFIED MAIL – RETURN RECEIPT REQUESTED [7009 1410 0000 2472 2643]

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

In the Matter of)

Panhandle Energy, a division of)
Southern Union Company,)

CPF No. 4-2008-1011

and)

Transwestern Pipeline)
Company, LLC,)

Respondents.)

FINAL ORDER

On November 13-17 and November 27-30, 2006, pursuant to 49 U.S.C. § 60117, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Panhandle Energy (Panhandle) in Houston, Texas. The PHMSA team inspected the integrity management program for Panhandle's entire pipeline system. At the time, Panhandle operated the following gas pipeline systems consisting of over 15,000 miles of transmission lines: Panhandle Eastern Pipeline; Florida Gas Transmission; Trunkline Gas; and Transwestern Pipeline.

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Panhandle, by letter dated June 20, 2008, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Panhandle had violated 49 C.F.R. § 192.905(a) and proposed ordering Panhandle to take certain measures to correct the alleged violations. The Notice also proposed finding that Panhandle had committed another probable violation of 49 C.F.R. Part 192 and warned Panhandle to take appropriate corrective action or be subject to future enforcement action.

The probable violations identified in the Notice concern segments of the Florida Gas Transmission and Transwestern Pipeline systems in Louisiana and Arizona, respectively. The Notice alleged that Panhandle could not demonstrate the accuracy of its information regarding the centerlines of the pipeline segments, high consequence area (HCA) boundaries, and the relative locations of pipeline segments and adjacent structures.

Panhandle responded to the Notice by letter dated July 22, 2008. Panhandle explained that it no longer owned or operated the Transwestern Pipeline system. Panhandle stated that the system is now owned and operated by the Transwestern Pipeline Company, LLC (Transwestern), a subsidiary of Energy Transfer Partners, L.P. Panhandle therefore only addressed the allegations relating to the Florida Gas Transmission pipeline system. Panhandle contested some of the allegations and offered additional information in response to the Notice. The company did not contest certain other allegations of violation and provided information concerning the corrective actions it had taken. Panhandle did not request a hearing and therefore has waived its right to one.

Panhandle forwarded the Notice to Transwestern, and Transwestern responded to the Notice by letter to PHMSA dated July 14, 2008. Transwestern confirmed that the ownership of the Transwestern Pipeline system was in the process of changing at the time of the PHMSA inspection, and that at that time Transwestern was responsible for ensuring the safety of the system. Transwestern limited its response to the allegations relating to that system and did not contest the allegations. The company provided information concerning the corrective actions it planned to take and requested 120 days to carry out the steps described in the Proposed Compliance Order. Transwestern did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

The Notice alleged violations by Panhandle with respect to both the Florida Gas and Transwestern Pipeline systems. Panhandle, however, did not have responsibility for ensuring the safety of the Transwestern Pipeline system at the time of the inspection and no longer owns that system. Transwestern, the new owner, received the Notice and acknowledged in its Response that it now owns the system and was responsible for ensuring the system's safety at the time of the inspection. Finally, Transwestern did not contest the allegations as to that system. Therefore, for the purposes of this Final Order, both Panhandle and Transwestern are considered Respondents to this enforcement action.

The Notice alleged that Panhandle and Transwestern violated 49 C.F.R. Part 192, as follows:

Item 1: The Notice alleged that Panhandle and Transwestern violated 49 C.F.R. § 192.905(a), which states:

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

(a) *General.* To determine which segments of an operator's transmission pipeline system are covered by this subpart, an operator must identify the high consequence areas. An operator must use method (1) or (2) from the definition in § 192.903 to identify a high consequence area. An operator may apply one method to its entire pipeline system, or an operator may apply one method to individual portions of the pipeline system. An operator must describe in its integrity management program which method it is applying to each portion of the operator's pipeline system. The description must include the potential impact radius when utilized to establish a high consequence area. (*See appendix E.I. for guidance on identifying high consequence areas.*)

The Notice alleged that Panhandle violated 49 C.F.R. § 192.905(a) by incorrectly identifying the locations of pipeline centerlines and, as a result, HCA boundaries. Specifically, as to the Florida Gas system in Louisiana, the Notice alleged that Panhandle incorrectly identified the centerlines of lines LAMEB-9 (30”) and LAMEA-9 (24”) in Washington Parish and that HCAs were therefore not identified. The Notice also alleged that the HCA boundaries were incorrect for the LAMEA-8 (20”) and LAMEB-8 (30”)¹ in St. Helena Parish.

In its Response, Panhandle did not contest that the centerlines of the pipeline segments in Washington Parish were incorrect, but indicated that the information has been corrected. In response to the allegation that no HCAs were identified with respect to these segments, Panhandle stated that the HCAs were actually identified in “screenshot” images from 2006 and 2008, although the 2006 image did not show the HCA correctly. Panhandle contested the allegation that the HCA boundaries in Helena Parish were incorrect, but did not submit documentation to rebut the allegation that the company could not demonstrate the accuracy of HCA boundaries at the time of the inspection in accordance with § 192.905(a). Panhandle explained in its Response that after re-evaluating the information, the HCA boundaries are now correct and that the HCA boundary extensions were due to structures being added within the potential impact radius (PIR).

After considering all of the evidence, I find that Panhandle violated 49 C.F.R. § 192.905(a) by failing to document the accurate identification of HCAs with respect to certain pipeline segments, but that the company has taken corrective measures to substantiate the correct location of HCAs to ensure future compliance.

This finding of violation will be considered a prior offense in any subsequent enforcement action taken against Panhandle.

As to the Transwestern Pipeline system, the Notice alleged that Transwestern incorrectly identified the relative location of adjacent buildings and the centerlines of pipeline segments 060 MM221 (30”) and 060 MM121 (30”) in Coconino County, Arizona. The Notice also alleged that Transwestern incorrectly identified the locations of buildings adjacent to pipeline segment 060 MM11N (30”) in Mohave County, Arizona. Transwestern did not contest this allegation of violation.

Accordingly, based upon a review of all of the evidence, I find that Transwestern violated 49 C.F.R. § 192.905(a) by incorrectly identifying the relative locations of pipeline centerlines and adjacent buildings.

This finding of violation will be considered a prior offense in any subsequent enforcement action taken against Transwestern.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Item 1 in the Notice for violations of 49 C.F.R. § 192.905(a). Under 49 U.S.C. § 60118(a), each person who engages in the transportation of gas or who owns or operates a pipeline facility is required to comply with the

¹ The Notice refers to the “LAMEA-8 (30”),” but Panhandle refers to this line as the “LAMEB-8 (30”)”. This Final Order uses Panhandle’s name for this line.

applicable safety standards established under chapter 601. The Director has indicated that Panhandle has taken the following actions specified in the proposed compliance order:

With respect to the violation of § 192.905(a) (**Item 1**), Panhandle has taken all the actions specified in the compliance order as to the Florida Gas system. In its response to the Notice, Panhandle provided documentation that the problems identified in connection with the Florida Gas system have been investigated and that erroneous data had been corrected. Panhandle corrected the information on the locations of the Florida Gas segments and verified these locations using orthorectified photography. Panhandle's response included "screenshot" images and aerial photographs indicating the beginning and end points of the HCAs associated with the segments.

Accordingly, I find that Panhandle has achieved compliance with respect to these violations. Therefore, the compliance terms proposed in the Notice are not included in this Order as to Panhandle.

With respect to the proposed compliance terms applicable to the Transwestern system, the company requested "120 days from receipt" of its Response, dated July 14, 2008, to address the terms. By virtue of the issuance date of this Final Order, Transwestern has been provided the requested time, and therefore I do not provide the company with any additional time to come into compliance beyond the originally proposed 30 days from its receipt of the Final Order. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Transwestern is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 192.905(a) (**Item 1**), Transwestern must investigate and provide documentation that substantiates that line segments 060 MM221 (30"), 060 MM121 (30"), and 060 MM11N (30") have been investigated and that any erroneous data found has been corrected. The documentation must include "screenshot" images and aerial photography that clearly indicate the beginning and end point of the HCA associated with each particular line segment. Additionally, documentation must show what effects any new HCAs or extensions of HCAs may have had on the baseline assessment plan and how those effects will be remediated. Transwestern must submit, within 30 days of receipt of this Final Order, the results of this investigation to the Director, Southwest Region, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, 8701 South Gessner, Suite 1110, Houston, Texas 77074.
2. Transwestern shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. Costs shall 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.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by Transwestern and demonstrating good cause for an extension.

Failure to comply with this Order may result in the administrative assessment of civil penalties against Transwestern not to exceed \$100,000 for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

WARNING ITEM

With respect to Item 2, the Notice alleged a probable violation of Part 192 but did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be a warning item. The warning was for:

49 C.F.R. § 192.921(a) (**Item 2**) — Panhandle’s alleged failure to notify the Office of Pipeline Safety 180 days before assessing the integrity of a pipeline using “other technology,” i.e., a method not described in § 192.921(a)(1)-(3). To assess 30 feet of pipe in Dade County, Florida, Panhandle used long range ultrasonic testing (LRUT), which qualifies as “[o]ther technology” as provided in § 192.921(a)(4).

Panhandle presented information in its Response showing that it had taken certain actions to address the cited item. Accordingly, having considered such information, I find, pursuant to 49 C.F.R. § 190.205, that probable violations of 49 C.F.R. § 192.921(a) (Notice Item 2) have occurred and Panhandle is hereby advised to ensure such conditions have been corrected. In the event that OPS finds a violation of this provision in a subsequent inspection, Panhandle may be subject to future enforcement action.

Under 49 C.F.R. § 190.215, Respondents have a right to submit a Petition for Reconsideration of this Final Order. The petition must be sent to: Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address. PHMSA will accept petitions received no later than 20 days after receipt of this Final Order by Respondents, provided they contain a brief statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.215. Unless the Associate Administrator, upon request, grants a stay, the terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued