



CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Shell Pipeline Company LP

One Shell Plaza
910 Louisiana Street
42nd Floor

Houston, Texas 77002-5316

October 14, 2014

Mr. R.M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration
8701 South Gessner, Suite 1110
Houston, TX 77074

SUBJECT: NOPV-PCP-PCO, CPF 4-2014-5022

Dear Mr. Seeley:

Shell Pipeline Company LP (SPLC) acknowledges the receipt of **CPF 4-2014-5022** Notice of Probable Violation (NOPV), Proposed Civil Penalty (PCP) and Proposed Compliance Order (PCO) from the Pipeline and Hazardous Materials Safety Administration (PHMSA) on September 16, 2014. SPLC is committed to operational excellence with the expectation that all SPLC operations will be performed with no harm to people and no harm to the environment. The purpose of this response is to demonstrate this commitment to Safety and Operational Excellence and the intent of SPLC to cooperate fully with PHMSA related to this matter.

Response to Notice of Proposed Violation

On March 6, 2014, SPLC experienced an excavation related accident on its Houston to Houma 20-inch Pipeline System near Port Neches, TX. As a result of this accident, PHMSA conducted an accident investigation and performed a review of the related SPLC Inspection and Maintenance Manual (I&M) procedures.

The NOPV sets forth one (1) probable violation – “Shell failed to mark its underground facilities in accordance with their damage prevention program, Pipeline Inspection & Maintenance Manual Section 3.23 – Temporary Locating and Marking” in accordance with 49 CFR 195.442. Prior to the PHMSA review, SPLC initiated an internal investigation into the accident to identify causal factors. As discussed in more detail below, SPLC has already begun with a revision to its Inspection and Maintenance Manual which will meet or exceed the requirements of the PCO.

Response to Proposed Civil Penalty

In accordance with the Response Options for Pipeline Operators in Compliance Proceedings, SPLC has elected not to contest the violation noted in the NOPV and agree to pay the sum of \$144,000 as recommended in the PCP. Payment shall be made via wire transfer (49 C.F.R. § 89.21 (b)(3)), through the Federal Reserve Communications System (Fedwire) to the account of the U.S. Treasury and SPLC will advise you once the payment has been made.

While the full fine amount will be paid, SPLC would like to go on the record in disagreeing with the assertion in the Pipeline Safety Violation Report “Section E6 – Circumstances” that the violation was discovered by PHMSA and requests that the record be changed to reflect that the violation was reported by SPLC. SPLC believes in being open and fully cooperating with our regulators. During initial meetings with PHMSA staff the incident investigation was still underway so no details were

available to share regarding causes and potential violations; however, in a follow up meeting after the investigation was completed the full investigation findings and recommendations were shared with PHMSA inspectors.

Response to Proposed Compliance Order

Revision to SPLC Damage Prevention Procedures (1a) and (1b).

As noted earlier, SPLC has conducted a causal learning investigation and has initiated revisions to its Damage Prevention and Excavation procedures and practices as contained in the Pipeline Inspection and Maintenance Manual.

- 1(a) SPLC will eliminate possible uncertainty regarding who is responsible for project line locating and temporary marking of pipelines by requiring all State One Call Notifications(One Calls) be managed consistently regardless of if the request is for 2nd / 3rd party excavations or a SPLC managed project.
- 1(b) SPLC will revise its I&M Manual and technical specification documents to ensure project specific HDD Plans will include activity coordination and communication requirements during all phases of the HDD execution including the setting up of the HDD equipment. During project planning, SPLC will ensure the HDD equipment is fit for its intended use and the equipment footprint and anchoring will not pose a potential threat to a buried pipeline or utility.
2. SPLC will develop training material and perform training for all affected employees to cover the procedural revisions resulting from Item 1(a) and 1(b) of the PCO and within the timeframe specified in Item 3. Additionally, lessons learned from this accident and the causal learning investigation will be shared within the Shell organization including affected employees via the Shell Learning from Incidents (LFI) program.
3. SPLC agrees to complete Item 1(a) and 1(b) no later than 90 days after the issuance of a Final Order and submit the revised procedures to you for review and concurrence.
4. SPLC agrees to complete Item 2 no later than 60 days after the PHMSA approval of the procedures submitted under Item 1.
5. SPLC agrees to collect and document costs associated with fulfilling this Compliance Order and will provide cost information to Mr. R.M. Seeley, Director, PHMSA Southwest Region, within two months following the completion of all compliance activities.

If you have any questions regarding this response or need any additional information, please contact Deborah Price at (713) 241-2035.

Sincerely,



Deborah Price
Integrity & Regulatory Services Manager
Shell Pipeline Company LP