



U.S. Department
Of Transportation
**Pipeline and
Hazardous Materials
Safety Administration**

820 Bear Tavern Road, Suite 103
West Trenton, NJ 08628
609.989.2171

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

OVERNIGHT EXPRESS MAIL

January 24, 2013

Frank Katulak
Senior Vice President Operations
Neptune LNG, L.L.C.
20 City Square, Suite 3
Charlestown, MA 02129

CPF 1-2013-2001

Dear Mr. Katulak:

During the week of August 15, 2011, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your records of the Neptune LNG's (Neptune) Deepwater Port (DWP) in Gloucester, Massachusetts.

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

1. **§ 192.605 Procedural manual for operations, maintenance, and emergency response.**
 - (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.

Neptune failed to follow its procedures with respect to requirements of section 192.467. Neptune failed to verify the electrical isolation of the Deepwater Port (DWP) from the

Algonquin Hubline in 2011, missing the 15-month inspection and testing requirement, specified in its procedures.

Neptune’s procedures require:

1. One or more insulating devices must be installed where electrical isolation of a section of a pipeline is necessary to facilitate the application of corrosion control.
2. Inspection and electrical tests must be made to assure that electrical isolation is adequate, once each calendar year not exceeding 15 month interval.

Neptune’s pipeline is connected to the Hubline, operated by Algonquin Gas Transmission Company (Algonquin). An electrical isolation gasket kit is installed on the 20” ball valve flange to electrically isolate it from the Algonquin Hubline and the Transition Manifold. Neptune’s written procedures require that it inspect and electrically test this juncture to verify the electric isolation. The section of the procedures is titled “External Corrosion Control: Electrical Isolation”.

1. The procedure is based on section 192.467. Subparagraph (a) of section 192.467 requires each buried or submerged pipeline to be electrically isolated from other underground metallic structures, unless the pipeline and the other structures are electrically interconnected and cathodically protected as a single unit.

2. The Neptune system was commissioned on April 10, 2010. At the conclusion of the PHMSA inspection on August 19, 2011, Neptune had not performed the inspection or the electrical testing. It should have been completed prior to July 10, 2011.

Neptune’s Port Director admitted that they failed to verify the electrical isolation of the DWP from the Algonquin Hubline in 2011. In addition, Neptune did not have records to demonstrate that the testing of the electrical isolation had been completed.

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, with a maximum penalty not to exceed \$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 and has recommended that you be preliminarily assessed a civil penalty of \$ 13,700 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$ 13,700

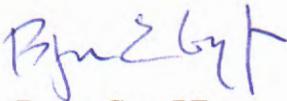
Response to this Notice

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. 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). 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.

Please submit all correspondence in this matter to Byron Coy, PE, Director, PHMSA Eastern Region, 820 Bear Tavern Road, Suite 103, W. Trenton, NJ 08628. Please refer to **CPF 1-2013-2001** on each document you submit, and please whenever possible provide a signed PDF copy in electronic format. Smaller files may be emailed to Byron.Coy@dot.gov. Larger files should be sent on a CD accompanied by the original paper copy to the Eastern Region Office.

Sincerely,

A handwritten signature in blue ink, appearing to read "Byron Coy".

Byron Coy, PE
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Response Options for Pipeline Operators in Compliance Proceedings*