



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

8701 S. Gessner, Suite 630
Houston, TX 77074

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 5, 2016

Mr. Doug Shanda
Senior Vice President, Terminal Operations
Corpus Christi Liquefaction, LLC
700 Milam Street
Houston, TX 77002

CPF 4-2016-3001

Dear Mr. Doug Shanda:

From June 24, 2016 to July 6, 2016, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code inspected your late submittal of an OPID assignment request by Corpus Christi Liquefaction, LLC, a wholly owned subsidiary of Cheniere Energy.

As a result of the late submittal, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, and Code of Federal Regulations and Section 15 of the Pipeline Safety Improvement Act of 2002. The items inspected and the probable violations are:

1. §191.22 National Registry of Pipeline and LNG Operators

- (a) OPID Request. Effective January 1, 2012, each operator of a gas pipeline, gas pipeline facility, LNG plant or LNG facility must obtain from PHMSA an Operator Identification Number (OPID). An OPID is assigned to an operator for the pipeline or pipeline system for which the operator has primary responsibility.**

To obtain an OPID, an operator must complete an OPID Assignment Request DOT Form PHMSA F 1000.1 through the National Registry of Pipeline and LNG Operators in accordance with §191.7.

Corpus Christi Liquefaction, LLC (CCL) failed to request an OPID prior to construction of their LNG facility as required by 49 CFR §191.22(a). On June 27, 2016, CCL submitted a late OPID assignment request to PHMSA (O-20160627-25265). The construction project described in this submittal has an anticipated start date of field work activities on June 1, 2015 which was before the notification date. CCL's representative confirmed that construction began prior to the date of OPID assignment request; however, the start date of construction was actually on May 13, 2015 which was when CCL issued their Notice to Proceed to their contractor. Therefore, the OPID assignment request to PHMSA should have been submitted no later than March 14, 2015 in order to generate an OPID which is a prerequisite before providing PHMSA the required 60 day notice prior to construction as required by §191.22(c)(1). As a result, CCL was 471 days late for submitting an OPID assignment request to PHMSA.

2. §191.22 National Registry of Pipeline and LNG Operators

(c) Changes. Each operator of a gas pipeline, gas pipeline facility, LNG plant or LNG facility must notify PHMSA electronically through the National Registry of Pipeline and LNG Operators at <http://opsweb.phmsa.dot.gov>, of certain events.

(1) An operator must notify PHMSA of any of the following events not later than 60 days before the event occurs:

(i) Construction or any planned rehabilitation, replacement, modification, upgrade, uprate, or update of a facility, other than a section of line pipe that costs \$10 million or more. If 60 day notice is not feasible because of an emergency, an operator must notify PHMSA as soon as practicable;

(ii) Construction of 10 or more miles of a new pipeline; or

(iii) Construction of a new LNG plant or LNG facility.

Corpus Christi Liquefaction, LLC (CCL) failed to provide adequate notification for the construction of their LNG facility which consists of three liquefaction trains, 3 LNG storage tanks, a marine berth with two docks, and associated piping as required by 49 CFR §191.22(c)(1). On June 27, 2016, CCL submitted a late OPID assignment request to PHMSA (O-20160627-25265). The construction project described in this submittal has an anticipated start date of field work activities on June 1, 2015 which was before the notification date. CCL's representative confirmed that construction began prior to the date of OPID assignment request; however, the start date of construction was actually on May 13, 2015 which was when CCL issued their Notice to Proceed to their contractor. Therefore, the notification should have been submitted no later than March 14, 2015 in order to provide PHMSA the required 60 day notice

prior to construction as required by §191.22(c)(1). As a result, CCL notified PHMSA 471 days late.

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 4, 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. Also, for LNG facilities, an additional penalty of not more than \$50,000 for each violation may be imposed. 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 \$46,000 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$23,000
2	\$23,000

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 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 4-2016-3001** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,



R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration

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