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 AMENDMENT

UPS OVERNIGHT DELIVERY

April 2, 2012

Mr. Frank Katulak
Sr. Vice President, Operations
Neptune LNG, LLC
20 City Square, S-3
Charlestown, MA 02129

CPF 1-2012-2001M

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 Neptune LNG's (Neptune) operating and maintenance procedures in Gloucester, Massachusetts.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Neptune's plans or procedures, as described below:

1. **191.5 Telephonic notice of certain incidents.**

   (a) At the earliest practicable moment following discovery, each operator shall give notice in accordance with paragraph (b) of this section of each incident as defined in §191.3.

Operator's procedures are inadequate in that they fail to specify a methodology to calculate volume of lost gas during reportable incidents.

2. **192.615 Emergency plans.**

   (a) Each operator shall establish written procedures to minimize the hazard resulting from a gas pipeline emergency. At a minimum, the procedures must provide for the following:

   (1) Receiving, identifying, and classifying notices of events which require immediate response by the operator.

Operator procedures are inadequate in that they are not specific with respect to the emergency reports that it might receive and the immediate digestion and analysis of those reports to prepare the emergency response. Steps are omitted with respect to the code requirements, instead, directing the operator response personnel to atmospheric gas measurement and repair procedures that may not be feasible during an emergency.

3. **192.615 Emergency plans.**

(a) Each operator shall establish written procedures to minimize the hazard resulting from a gas pipeline emergency. At a minimum, the procedures must provide for the following:

(2) Establishing and maintaining adequate means of communication with appropriate fire, police, and other public officials.

Operator's procedure for establishing and maintaining adequate means of communication with appropriate fire, police, and other public officials is inadequate in that it has listed four federal contact numbers, only one (USCG) of which is useful for assistance in minimizing the hazard resulting from a gas pipeline emergency. Neptune fails to mention communication medium to be employed other than a phone number other than a phone number which may not be adequate as the sole communication during an emergency.

4. **192.616 Public awareness.**

(g) The program must be conducted in English and in other languages commonly understood by a significant number and concentration of the non-English speaking population in the operator's area.

The operator's procedures refer to U. S. Coast Guard Notice to Mariners documents, NOAA navigational charts and a company brochure, all distributed in English and Spanish. There is no mention of gauging the population for other non-English speaking nationalities, nor does it describe efforts to measure and educate them. This does not conform with the guidelines in API RP 1162.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within thirty days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

It is requested (not mandated) that Neptune maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to, as well as any correspondence relating to this Notice to: Byron Coy, PE, Director, PHMSA Eastern Region, 820 Bear Tavern Road, Suite 103, W. Trenton, NJ 08628. Please refer to **CPF 1-2012-2001M** on each document you submit, and please provide a (signed) copy in electronic format whenever possible. Smaller files may be emailed to Byron.Coy@dot.gov. Larger files should be sent on a CD accompanied by the original (signed) paper copy to the Eastern Region Office.

Sincerely,

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

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