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J. A. (Andy) Drake, P.E.
Vice President
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February 8, 2013

Mr. Byron Coy
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration
820 Bear Tavern Road, Suite 103
West Trenton, NJ 08628

RE: CPF 1-2013-1001
Notice of Probable Violation
Texas Eastern Transmission, L.P.

Dear Mr. Coy,

During the week of August 22, 2011, a representative of the Pipeline and Hazardous Materials Safety Administration ("PHMSA") conducted inspections of Texas Eastern Transmission, L.P. ("TETLP") facilities in the Armagh/Lilly area of Pennsylvania. During these inspections, PHMSA identified three probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations, and issued a Notice of Probable Violation ("NOPV") on January 9, 2013.

TETLP is not requesting a hearing. Nevertheless, we would like an opportunity to fully discuss our compliance with previous PHMSA orders (discussed in more detail below) and the violations alleged in this matter. We believe that a short one hour conference call should be sufficient and we will contact you to find a mutually agreeable date and time.

The following is a summary of PHMSA's finding and TETLP's response.

1. §192.605 Procedure Manual: Atmospheric Monitoring

PHMSA Finding

TETLP failed to follow its procedures for monitoring atmospheric corrosion for acoustically insulated pipe to satisfy §192.481(a). The operator's procedure 2-5020, Atmospheric Pipe Inspection, page 1, states that operator personnel shall give particular attention to piping under acoustic or thermal insulation. The insulated piping is located at the Armagh and Lilly compressor stations where some piping has been covered with noise suppression insulation since 2007, and it has not been removed nor are there inspection ports installed (recommended per the operator's procedures) to permit inspection of the pipe.

The probable violation is based upon a review of TETLP's Atmospheric Corrosion Procedures, Proc. 2-5020; TETLP's atmospheric corrosion records for Armagh and Lilly compressor stations from 2007 to present, and photos of the facilities at the Armagh and Lilly compressor stations. TETLP admitted to its failure to inspect for atmospheric corrosion on the piping under the acoustic insulation.

TETLP Response

At the time that the NOPV was issued, the installation of corrosion inspection ports on the TETLP system was already under a PHMSA Compliance Order (CPF 4-2012-1009). The Compliance Order requires TETLP to complete the following corrective actions:

1. *"TETLP must review SOP 2-5020, Atmospheric Pipe Inspection", to ensure that the locations of inspection ports are appropriate for monitoring the coating under thermal insulation.*
2. *Survey all applicable insulated segments of its pipeline facilities throughout its pipeline system to ensure they are protected from atmospheric corrosion under thermal insulation. Based on this review and survey, develop and follow a plan, process, and procedure to ensure that the inspection, testing and monitoring of pipe coating under thermal insulation are performed in a manner consistent with 49 CFR §192.481(b).*
3. *Within 30 days following receipt of the Final Order, TETLP must submit to the Region Director, Southwest Region, PHMSA, TETLP's plans, procedures, and records that demonstrate compliance with 49 CFR §192.481(b) and the Compliance Order."*

TETLP has completed the survey required by this Compliance Order and has initiated the installation of inspection ports where needed. In addition, TETLP has completed the installation of inspection ports at Armagh and Lilly Compressor Stations and anticipates completing the installation of the additional ports across the TETLP system by March 31, 2013.

The Compliance Order under CPF 4-2012-1009 applies “*throughout its pipeline system*”, so it appears this NOPV (CPF 1-2013-1001) is a duplicative PHMSA enforcement action. Since the installation of inspection ports “*throughout its pipeline system*” is already covered by a previous Compliance Order, and TETLP has initiated corrective actions, TETLP respectfully requests the withdrawal of the violation, the related civil penalty and the Compliance Order under CPF 1-2013-1001.

2. §192.745 Valve Maintenance

PHMSA Finding

TETLP failed to partially operate eleven transmission line valves during valve inspections that might be required during any emergency. The probable violation is based on a review of Valve Maintenance Records for the period 2007 to 2010 and discussions with the operator during the inspection related to the identification of emergency valves.

After the inspection the operator stated that it had been ultra-conservative in its classification of emergency valves. In a reclassification after the inspection, 6 of the 11 valves described in this violation were reclassified to non-emergency valves.

TETLP Response

The NOPV alleges TETLP did not operate eleven valves that might be used during an emergency. This is not factually correct. The following is a summary of the facts relating to these eleven valves.

TETLP implemented the Maximo work management system to document valve maintenance in 2008. At that time, TETLP decided to document the maintenance of all valves with a size of 2 inches and greater within the Maximo database, without specifying which valves would be classified as “emergency” valves and which ones would be classified as “non-emergency” valves. TETLP believed this would be compliant with applicable regulations since all valves

were being maintained, operated and documented in accordance with §192.745(a), emergency and non-emergency valves. However, this practice resulted in all valves being documented in the same database, with no identification in the database of valves that might be used during an emergency and thus subject to the requirements of §192.745(a).

TETLP did not consider all valves to be “emergency” valves, but treated all valves the same for inspection and documentation purposes, essentially holding itself to a higher regulatory standard. Following the inspection, TETLP personnel apparently miscommunicated to the PHMSA inspector that all valves were considered “emergency” valves under the procedures in place at the time of the inspection. TETLP did not have an opportunity to correct this factual error prior to the issuance of the NOPV.¹ All valves were managed the same but not all valves were considered “emergency” valves.

Further, at the time the NOPV was issued, TETLP was under a PHMSA Compliance Order (CPF 1-2012-1007) that directed TETLP to revise its Standard Operating Procedure SOP 5-5010 to “*specify those classifications of valves that might be used in an emergency per §192.745(a)*” and to “*review its entire inventory of valves within a 50 miles radius of South Plainfield, NJ to properly classify those valves that might be used in an emergency*”. TETLP has completed revisions to SOP 5-5010 to provide a definition of emergency valves. TETLP has also completed classification of emergency valves across the entire TETLP system and has revised its SAP² work management system to identify emergency valves separately. PHMSA issued a letter on January 23, 2013 stating TETLP’s corrective actions have complied with the Compliance Order under CPF 1-2012-1007, closing this case.

With respect to the valves that are the subject of the NOPV, seven of the eleven valves are not valves that would be used in an emergency and are currently so classified in the database. These seven valves would not have been emergency valves at the time of the inspection. (See Exhibit A for a description of these seven valves.) Accordingly, PHMSA cannot find a violation of the requirements of §192.745(a) related to these valves and should reduce the number of instances of the violation to exclude these valves.

¹ To the extent that PHMSA would like to re-interview TETLP personnel regarding this matter, the Company will make the relevant personnel available.

² The Maximo work management system was replaced with the SAP work management system in 2012. The functionality is essentially the same.

The other four valves are classified as emergency valves. With respect to these valves, TETLP submits the following additional information as evidence of the operation of the emergency valves for the years at issue.

Valve#	Year Documented As Not Operated	Valve Operation Comment
27-505	2008	The valve was operated as part of a cleaning pig run on April 8, 2008. See Exhibit B for supporting documentation.
27-505	2009	The valve was operated as part of a cleaning pig run on April 15, 2009. See Exhibit C for supporting documentation.
12-50	2009	The valve was operated on June 5 and June 18, 2009 during line isolation and pressure reduction for anomaly investigations. See Exhibit D for supporting documentation.
ARMA-SBD-1	2008	The semi-annual ESD test was completed on 4-4-08 & 9-25-08 and documented on 7T-002. Valve ARMA-SBD-1 was operated as part of this test. See Exhibit E for documentation of the ESD test on 4-4-08.
ARMA-SBD-1	2009	The semi-annual ESD test was performed on 4-23-09 & 10-12-09 and documented on 7T-002. Valve ARMA-SBD-1 was operated as part of this test. See Exhibit F for documentation of the ESD test on 4-23-09.
19-516	2009	TETLP confirmed with the responsible employee that the valve was operated during the annual inspection, but incorrectly documented in Maximo.

Contrary to the allegations in the NOPV, in all cases, these valves were, in fact, operated during the year. It was the confusion regarding the use of the relatively new Maximo system that resulted in incorrect documentation. It should be noted there were no occurrences of this issue for the 2010 valve maintenance records reviewed during the inspection.

TETLP has already implemented corrective actions regarding the documentation issue in response to the Compliance Order under CPF 1-2012-1007. Notwithstanding, PHMSA

cannot find a violation of the requirements of §192.745(a) related to these valves in light of the evidence that has now been presented.

In summary, only four of the eleven valves cited in the NOPV were, in fact, “emergency” valves subject to the requirements of §192.745(a); and, each of these four valves had, in fact, been operated within the required timeframe. TETLP acknowledges that its documentation of compliance with §192.745(a) was not readily available at the time of inspection because of (1) its practice of not separately identifying “emergency” valves in its documentation at the time, and (2) the limitations and complexities of inputting corrected data into the Maximo system as described above. While TETLP accepts that the availability of documentation of compliance is essential to PHMSA’s effective oversight, given these facts, and in light of the prior penalty assessment and corrective action implemented under Compliance Order CPF 1-2012-1007, TETLP respectfully requests the withdrawal of the violation. Alternately, the civil penalty amount should be reduced to reflect only the instances of violation of §192.745(a).

3. §192.465 External Corrosion Control: Monitoring

PHMSA Finding

TETLP failed to take prompt remedial action to correct a deficiency indicated by their cathodic protection (CP) monitoring. In 2008, the operator recorded a low pipe to soil reading in the compressor room of the Lilly Compressor Station. The test station is on a valve emerging from the ground, designated as test point 34. For the period beginning July 14, 2008 (date of the first low CP reading), there was no action taken by the operator to remediate the low voltage readings in its annual pipe-to-soil tests until an acceptable test reading was obtained on August 8, 2011.

The PHMSA inspector reviewed annual pipe-to-soil test readings from 2008 to 2011. The records showed that TETLP had not initiated any remedial action for approximately 3 years after the initial low reading was discovered on July 14, 2008, despite its procedures which require remedial action to be initiated prior to the next scheduled survey which was on July 27, 2009. During this 3 year period, an acceptable CP reading was recorded in 2010, followed by a low CP reading in 2011. However, there is no record of remedial action contributing to an acceptable CP reading in 2010. The only remedial action record available was dated August 8, 2012.

The probable violation is based upon TETLP's external corrosion pipe-to-soil readings, TETLP Corrosion Procedure 2-2180; and a review of TETLP's Remedial Action Reports.

TETLP Response

TETLP submits that the gravity determination and culpability ascribed to this alleged violation is not correct. The only "pipe" that is involved in this alleged violation is the bottom portion of a gate valve inside a compressor building. The bottom of the valve is set in crushed stone. CP current and effective measurement is highly dependent on the presence of an electrolyte (water). Crushed stone inside a compressor building would tend to dry out, resulting in low readings. The inconsistent readings in different years are likely the result of varying moisture conditions in the crushed stone. It should be noted that the lack of water that would result in low CP readings would also create an environment that is not conducive to external corrosion, so the risk of external corrosion is minimized. All buried piping outside the compressor building had compliant readings. As a result, pipeline integrity and safe operation was not compromised. Further, TETLP points out that a compliant reading was achieved in 2011 without corrective actions, indicating corrective actions were not necessary to remediate the low readings from 2010. In this case, the "crushed stone" was not a sufficient medium for CP effectiveness or measurement, but soil was not an appropriate base on which to set the valve for the new indoor location of this particular facility. Any civil penalty determination should reflect this reduced gravity determination and culpability assessment.

TETLP takes these issues very seriously, and we are committed to addressing these issues in an expeditious manner. In some cases, as described above, TETLP had already implemented corrective actions prior to receiving this NOPV. TETLP also recognizes opportunities to improve our practices and documentation to be better able to demonstrate compliance, and we are committed to making these improvements.

Given the facts detailed above, TETLP requests withdrawal of the violation, Compliance Order and civil penalty for Violation #1; withdrawal of the violation or reduction of the civil penalty

CPF 1-2013-1001
TETLP Response
February 8, 2013
Page 8 of 8

for Violation #2; and a reduction in the civil penalty for Violation #3. We look forward to PHMSA's response.

Please call Rick Kivela at (713) 627-6388 if you have any questions or comments or to schedule a conference call to discuss these issues in more detail.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Andrew Drake". The signature is stylized with a large, sweeping initial "J" and "D".

J. Andrew Drake, P.E.
Vice President, Asset Integrity

Enclosures