

MAR 17 2010

Mr. Walter Ferguson
Sr. Vice President and Chief Operating Officer
CenterPoint Energy Gas Transmission Company
1111 Louisiana, Suite 1120
Houston, TX 77002

RE: CPF No. 2-2007-1017

Dear Mr. Ferguson:

Enclosed is the Final Order issued in the above-referenced case. It makes findings of violation and finds that CenterPoint Energy Gas Transmission has completed the actions specified in the Notice to comply with the pipeline safety regulations. Therefore, this case is now closed. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. John Cavitt, Manager of DOT Compliance, CenterPoint Energy
Mr. Mohammed Shoab, Acting Director, Southern Region, PHMSA

CERTIFIED MAIL - RETURN RECEIPT REQUESTED [7009 1410 0000 2472 5187]

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

In the Matter of)	
)	
CenterPoint Energy Gas Transmission Company,)	CPF No. 2-2007-1017
)	
Respondent.)	
)	

FINAL ORDER

Between August 21 and November 3, 2006, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of CenterPoint Energy Gas Transmission Company (CEGT or Respondent) in the company's Malvern, Russellville, and Carlisle Team Areas in Arkansas. Respondent, a subsidiary of CenterPoint Energy, Inc., operates two interstate natural gas pipeline systems consisting of approximately 8,000 miles of pipe.

As a result of the inspection, the Director, Southern Region, OPS (Director), issued to Respondent, by letter dated October 17, 2007, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Respondent had committed various violations of 49 C.F.R. Part 192. The Notice also proposed ordering Respondent to take certain measures to correct the alleged violations.

In a letter dated November 16, 2007, Respondent requested a 30-day extension of time to respond to the Notice. Respondent was granted an extension and responded to the Notice by letter dated December 19, 2007 (Response). Respondent did not contest the allegations of violation but provided information concerning the corrective actions it had taken. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

In its Response, CEGT did not contest the allegations in the Notice that it violated 49 C.F.R. Part

192, as follows:

Item 1A: The Notice alleged that Respondent violated 49 C.F.R. § 192.465(a), which states:

§ 192.465 External corrosion control: Monitoring.

(a) Each pipeline that is under cathodic protection must be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of § 192.463.

The Notice alleged that Respondent violated 49 C.F.R. § 192.465(a) by failing to test cathodically protected pipelines at least once each calendar year, with intervals not exceeding 15 months. Cathodic protection survey records indicated the following:

- Cathodic protection tests were conducted on 7/7/04 and 12/19/05 at Piney Compressor Station and Tates Island Compressor Station, exceeding the 15-month maximum time interval by 2 months, 12 days.
- Cathodic protection tests were not conducted at the Tates Island compressor discharge header test point in calendar years 2004 and 2005.
- The underground piping in the Clarksville compressor yard (includes a 500 hp compressor and a glycol dehydration unit) was not monitored for cathodic protection. No survey test point(s) had been established for these locations.
- The underground heater piping at the Vilonia Town Border Station, the nearby (to Vilonia TBS) buried main line valve, and multiple underground piping locations inside the North Little Rock (Bobbitt Lane) meter station yard (downstream of the inlet side of the station) were not monitored for cathodic protection. No survey test point(s) had been established for these locations.

In its Response, CEGT explained that its Tates Island Compressor, the Piney Compressor Station, and the Russellville Team Compressor Stations had been set up in its Maintenance Management System (MMS). The Tates Island Compressor now had 8 test points in its MMS and the Piney Compressor had 16 test points in its MMS. Respondent advised that its Clarksville Compressor now had 8 test points and that it was taking a pipe-to-soil reading on Line BT-3 at the Clarksville compressor site. The Morrison Bluff Compressor now had 8 tests points. Respondent's Moreland Compressor now had 10 test points in the MMS and the Round Mountain Compressor had 17 test points. Respondent also advised that all readings now met the 100mV criterion.

Respondent also advised that the underground heater piping at the Vilonia Town Border Station was now set up as a test point in its MMS, along with 4 additional tests points. The nearby main line valve to the Vilonia Town Border was also set up as a test point. The North Little Rock (Bobbitt Lane) meter station had an additional 6 test points. In addition, 11 tests points had been

set up for the JM-30/A-294/BT-14 interconnects. A deep-well ground bed was installed at the JM-30/A-294/BT-14 interconnect, which brought the readings at the Vilonia Town Border Station above criteria. A piping re-coat and anode installation at the North Little Rock (Bobbitt Lane) meter station brought the pipe-to-soil readings at that station above criteria.

Respondent did not contest this allegation of violation. Failure to perform the proper monitoring on pipelines could result in inadequate protection of the pipe and future leaks. Accordingly, after considering all the evidence, I find that Respondent violated 49 C.F.R. 192.465(a) by failing to test cathodically protected pipelines at least once each calendar year, with intervals not exceeding 15 months.

Item 1B: The Notice alleged that Respondent violated 49 C.F.R. § 192.465(d), which states:

§ 192.465 External corrosion control: Monitoring.

(a) . . .

(d) Each operator shall take prompt remedial action to correct any deficiencies indicated by the monitoring.

The Notice alleged that Respondent violated 49 C.F.R. § 192.465(d) by failing to take prompt remedial action to correct indicated deficiencies. Specifically, the Notice alleged that CEGT had failed to take remedial action with regard to the following Tates Island facilities that had not been under cathodic protection. Tates Island is in a remote location. Those facilities included:

- Tates Island suction 4" riser (Test point added to survey list in 2004. The 2004 depolarization survey indicated "static" p/s = -0.435v). The below readings failed to indicate that the pipeline met the cathodic protection 100 mV criterion:

- 07/07/04: p/s = -0.509v(on), -0.484v(off). This indicates that the 100mV cathodic protection criterion was not achieved.

- 12/19/05: p/s = -0.61v(on). This reading by itself does not indicate that the 100mV criterion was achieved.

- Tates Island 2" U-shape (2004 depolarization survey indicated "static" p/s = -0.447v).

- 07/07/04: p/s = -0.544v(on), -0.516v(off). This indicates that the 100mV cathodic protection criterion was not achieved.

- 12/19/05: p/s = -0.59v(on). This reading by itself does not indicate that the 100mV criterion was achieved.

In its Response, CEGT explained that anodes had been installed near the suction 4" riser at Tates Island. Respondent also set up the 4" riser in its MMS as a monitoring test point. Respondent advised that the current readings now met the 100mV criterion. Respondent also indicated that with its installation of anodes at the Tates Island Compressor, the 2" U-shape fuel gas measuring and regulator (M&R) now complied with the 100mV criterion. Respondent added the monitoring point to its MMS.

Respondent did not contest this allegation of violation. The risk of corrosion on a pipeline significantly increases when the line lacks proper cathodic protection systems. Preventive maintenance is critical to the safety of the public, environment and property. Failure to identify and correctly manage potential threats could increase the risk of avoidable incidents and harm to public safety. Accordingly, after considering all the evidence, I find that Respondent violated 49 C.F.R. § 192.465(d) by failing to take prompt remedial action to correct indicated cathodic protection deficiencies.

Item 1C: The Notice alleged that Respondent violated 49 C.F.R. § 192.491(c), which states:

§ 192.491 Corrosion control records.

(a) . . .

(c) Each operator shall maintain a record of each test, survey, or inspection required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that a corrosive condition does not exist. These records must be retained for at least 5 years, except that records related to §§ 192.465(a) and (e) and 192.475(b) must be retained for as long as the pipeline remains in service.

The Notice alleged that Respondent violated 49 C.F.R. § 192.491(c) by failing to maintain annual corrosion survey records. Specifically, the Notice alleged that numerous pipeline inspection test point records reviewed at the Malvern Office did not reflect correct survey data. Respondent's original survey records had been retained and were available during the review. A review of the original survey records and the company's MMS records further highlighted discrepancies in the annual corrosion survey records.

In its Response, CEGT did not contest the allegation of violation but explained that it had discovered an MMS programming error in the records provided to PHMSA during the inspection. The records had incorrect "depolarized off" readings for the 100mV-criteria pipelines. The MMS had apparently been changing the "depolarized off" readings for the 100mV-criteria pipeline test points for the preceding years. Respondent advised that it had corrected the problem after the PHMSA inspection. CEGT implemented a process change shortly after the inspection with *Procedure PS-03-02-100, "External Corrosion Control-Buried Pipe,"* and *Procedure PS-03-02-212, "Cathodic Protection-Data Evaluation."* Respondent also advised that it had developed a 100mV data graph evaluation tool for technicians and specialists to use in the internal audit oversight of the 100mV-criteria pipelines.

Corrosion, both external and internal, is one of the conditions most threatening to the integrity of pipelines; if left undetected, corrosion can result in the rupture of a pipeline. Respondent is responsible for compliance with the pipeline safety regulations, which includes sound record keeping. Without such historical records, an operator would have difficulty determining areas where there are problems that need to be addressed. Accordingly, after considering all the evidence, I find that Respondent violated 49 C.F.R. § 192.491(c) by failing to maintain annual corrosion survey records.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 192.605(b)(3), which states:

§ 192.605 Procedural manual for operations, maintenance, and emergencies.

- (a) . . .
- (b) *Maintenance and normal operations.* The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations. . .
 - (1) . . .
 - (3) Making construction records, maps, and operating history available to appropriate operating personnel.

The Notice alleged that Respondent violated 49 C.F.R. § 192.605(b)(3) by failing to make adequate maps and operating history available to appropriate operating personnel. Specifically, the Notice alleged that Respondent had failed to update certain records as follows:

- An Emergency Plan Book issued to one of the employees at Carlisle Station was not up to date. The listed MAOP of Line BM-21 was 500 psig, but it had been lowered from 500 psig to 400 psig on 8/17/05.
- There was no pipeline schematic in the Emergency Plan Book for the pipeline facilities at the Conway Town Border station site. There are two meter stations and a pipeline inter-connect (Lines BT-19 and BM-1) at the site.
- The Perla operating schematic was incorrect. A relief valve located on valve A-48 was not indicated, valves A-47 and A-48 were numbered incorrectly, and a relief valve indicated on top of valve S-19 did not exist.

The Notice did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be a warning item. Respondent presented information in its Response showing that it had taken certain actions to address this item. Having considered such information, I find, pursuant to 49 C.F.R. § 190.205, that a probable violation of 49 C.F.R. § 192.605(b)(3) has occurred and Respondent is hereby advised to correct such conditions. In the event that OPS finds a violation of this provision in a subsequent inspection, Respondent may be subject to future enforcement action.

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 192.625(b)(1) and (b)(3), which state:

§ 192.625 Odorization of gas.

- (a) A combustible gas in a distribution line must contain a natural odorant or be odorized so that at a concentration in air of one-fifth of the lower explosive limit, the gas is readily detectable by a person with a normal sense of smell.

(b) After December 31, 1976, a combustible gas in a transmission line in a Class 3 or Class 4 location must comply with the requirements of paragraph (a) of this section unless:

(1) At least 50 percent of the length of the line downstream from that location is in a Class 1 or Class 2 location; . . .

(3) In the case of a lateral line which transports gas to a distribution center, at least 50 percent of the length of that line is in a Class 1 or Class 2 location

Item 3A: The Notice alleged that Respondent violated 49 C.F.R. § 192.625(b)(1) by failing to have a natural odorant in or to odorize certain pipeline segments on Line BT-14 and Line BT-1. Specifically, it alleged that CEGT's class location and pipeline odorization status records indicated that three pipeline segments were not odorized. The line segments that did not have odorant were as follows:

- Line BT-14, Sta. 5843+21 to Sta. 6205+42 (~ 36, 221 feet);
- Line BT-14, Sta. 6774+71 to Sta. 6800+22 (~ 2,551 feet); and
- Line BT-1, Sta. 4902 +05 to end of line at Sta. 4994+56 (~ 9,251 feet).

In its Response, CEGT advised that odorizing equipment had been installed on BT-14 at Sta. #5843+31 near Plummerville, Arkansas, and that, as a result, Line BT-14, Sta. 5843+21 to Sta. 6205+42 and Line BT-14, Sta. 6774+71 to Sta. 6800+22, were odorized. Respondent further explained that equipment had been ordered for the odorization of the BT-1 system. Respondent expected to have the equipment installed and operational at Line BT-1, Sta. 4902 +05 to end of line at Sta. 4994+56, by the end of the first quarter in 2008.

Failure to ensure that combustible gas is odorized in populated areas jeopardizes public safety, as a person with a normal sense of smell cannot readily detect a release of un-odorized gas. Line BT-14 traverses very congested areas of the University of Central Arkansas-Conway campus. Odorization is required specifically to address certain line segments located in Class 3 areas. Respondent did not contest these allegations of violation. Accordingly, after considering all the evidence, I find that Respondent violated 49 C.F.R. § 192.625(b)(1) by failing to have a natural odorant in or to odorize combustible gas in transmission pipelines, as more fully set forth above.

Item 3B: The Notice alleged that Respondent violated 49 C.F.R. § 192.625(b)(3) by failing to have a natural odorant in or to odorize combustible gas in certain pipeline segments on Line BT-19, Line BM-28, and Line BM-28A. Odorization is required on a lateral line which transports gas to a distribution center, unless at least 50 percent of the length of that line is in Class 1 or Class 2 locations. Specifically, the Notice alleged that CEGT's class location and odorization status records indicated the following lines lacked odorization:

- Line BT-19 (100% Class 3; 1032 feet);
- Line BM-28 (100% Class 3; 4,200 feet); and
- Line BM-28A (100% Class 3; 3,846 feet).

In its Response, CEGT advised that its installation of odorizing equipment on BT-14 at Sta. #5843+31 near Plummerville, Arkansas, had odorized the entire Line BT-19. Respondent further explained that when it installed odorizing equipment on the BT-1 system, it would odorize the entire length of Line BM-28 (100% Class 3; 4,200 feet). Respondent stated that the installation of odorizing equipment on the BT-1 system would also odorize the entire length of Line BM-28A (100% Class 3; 3,846 feet).

Failure to ensure that combustible gas is odorized could result in undetected leaking natural gas, thus delaying or negating the recognition of and response to a potentially hazardous condition to the public and property. Respondent did not contest these allegations of violation. Accordingly, after considering all the evidence, I find that Respondent violated 49 C.F.R. § 192.625(b)(3) by failing to have a natural odorant in or to odorize combustible gas lines in certain pipeline segments on Line BT-19, Line BM-28, and Line BM-28A.

Item 4: The Notice alleged that Respondent violated 49 C.F.R. § 192.625(f), which states:

§ 192.625 Odorization of gas.

(a) . . .

(f) To assure the proper concentration of odorant in accordance with this section, each operator must conduct periodic sampling of combustible gases using an instrument capable of determining the percentage of gas in air at which the odor becomes readily detectable.

The Notice alleged that Respondent violated 49 C.F.R. § 192.625(f) by failing to adequately perform periodic sampling of odorized gas to assure the proper concentration of odorant. Specifically, it alleged that Respondent's periodic sampling of odorized gas transported in Line AM-145 (Pine Bluff area) was not adequate to assure proper odorant concentration. The Notice alleged that odorant intensity level tests were performed by an affiliate company at a downstream distribution company warehouse location. Because Respondent delivered gas to the distribution system from multiple odorized (required by § 192.625) pipelines, including Line AM-145, the gas being sampled at the distribution company warehouse was not necessarily indicative of the odorant concentration in Line AM-145.

In its Response, CEGT advised that it had performed an odorant concentration test on AM-148, which is downstream of AM-14, and that the test had given a direct indication of odorant concentration on AM-145.

The Notice did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be a warning item. Respondent presented information in its Response showing that it had taken certain actions to address this item. Accordingly, having considered such information, I find, pursuant to 49 C.F.R. § 190.205, that a probable violation of 49 C.F.R. § 192.625(f) has occurred and Respondent is hereby advised to correct such conditions. In the event that OPS finds a violation of this provision in a subsequent inspection, Respondent may be subject to future enforcement action.

Item 5: The Notice alleged that Respondent violated 49 C.F.R. § 192.736(b)(2), which states:

§ 192.736 Compressor stations: Gas detection.

(a) . . .

(b) Except when shutdown of the system is necessary for maintenance under paragraph (c) of this section, each gas detection and alarm system required by this section must- . . .

(2) If that concentration of gas is detected, warn persons about to enter the building and persons inside the building of the danger. . . .

The Notice alleged that Respondent violated 49 C.F.R. § 192.736(b)(2) by failing to have a gas detection and alarm system that warned persons inside the compressor station building of the danger of a gas leak when a certain concentration of gas was detected. Specifically, it alleged that a person wearing ear protection inside the Round Mountain Compressor building would not likely hear the audible gas detector alarm if such person were near a running unit. The gas detector alarm does not have lights inside the compressor building to warn of gas detected in the building.

In its Response, CEGT explained that the audible alarm was tested for DB level at Round Mountain Compressor and met the current procedure 310-Gas Detection. However, Respondent advised it would install a “Blue Warning” light inside the building at Round Mountain Compressor that would alarm in conjunction with the audible alarm inside the building.

The Notice did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be a warning item. Respondent presented information in its Response showing that it had taken certain actions to address this item. Having considered such information, I find, pursuant to 49 C.F.R. § 190.205, that a probable violation of 49 C.F.R. § 192.736 (b)(2) has occurred and Respondent is hereby advised to correct such conditions. In the event that OPS finds a violation of this provision in a subsequent inspection, Respondent may be subject to future enforcement action.

Item 6: The Notice alleged that Respondent violated 49 C.F.R. § 192.743(b), which states:

§ 192.743 Pressure limiting and regulating stations: Capacity of relief devices.

(a) . . .

(b) If review and calculations are used to determine if a device has sufficient capacity, the calculated capacity must be compared with the rated or experimentally determined relieving capacity of the device for the conditions under which it operates. After the initial calculations, subsequent calculations need not be made if the annual review documents that parameters have not changed to cause the rated or experimentally determined relieving capacity to be insufficient.

The Notice alleged that Respondent violated 49 C.F.R. § 192.743(b) by failing to correctly determine if a relief device had sufficient capacity. Specifically, it alleged that Respondent used an incorrect upstream pressure in the 08/19/06 regulator failure capacity calculations for the Line B to Line BM-21 mainline regulator station. The upstream pressure used was 400 psig, indicating a regulator failure capacity of zero (0) mcfh. The correct upstream pressure was 500

psig. PHMSA's review and calculation, performed during the inspection using correct information, revealed that the capacities of the existing relief valves were adequate.

The Notice also alleged that CEGT used an incorrect relief valve inlet pressure of 550 psig in the 05/13/06 relief valve calculation for the Line J to Line BM-21 mainline regulator station. The correct pressure was 440 psig. The Notice further alleged that Respondent used an incorrect upstream pressure in the 08/09/06 regulator failure capacity calculations for the Carlisle compressor station fuel gas regulator station. The upstream pressure used was 450 psig. The correct upstream pressure was 720 psig. In addition, the capacity calculation review sheet indicated an unprotected (from overpressure) 300 psig-rated meter existed in the station. PHMSA determined during the inspection that the meter was rated for 720 psig and additional pressure relief was not required.

The Notice did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be a warning item. Respondent presented information in its Response showing that it had taken certain actions to address this item. Having considered such information, I find, pursuant to 49 C.F.R. § 190.205, that a probable violation of 49 C.F.R. § 192.743(b) has occurred and Respondent is hereby advised to correct such conditions. In the event that OPS finds a violation of this provision in a subsequent inspection, Respondent may be subject to future enforcement action.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Items 1A, 1B, 1C and 3 in the Notice for violations of 49 C.F.R. Part 192. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of gas or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. The Director has indicated that Respondent has taken the following actions to address the cited violations:

1. CenterPoint Energy Gas Transmission (CEGT) submitted an improvement and correction plan to address external corrosion control monitoring and corrosion control records to achieve compliance. The plan addresses program management oversight and accountability, as well as needed procedural and process changes.
2. CEGT submitted documentation to show it did odorize gas in the five pipelines.
3. CEGT provided documentation of the safety improvement costs associated with fulfilling this Compliance Order and submitted the total to Linda Daugherty, Director, Southern Region, Pipeline and Hazardous Materials Safety Administration. Costs were reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses; and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.

Accordingly, I find that compliance has been achieved with respect to these violations. Therefore, the compliance terms proposed in the Notice are not included in this Order.

The terms and conditions of this Final Order are effective upon receipt of service.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued