

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 17, 2011

Mr. David Goodwin
Vice President Compliance and Operations Services
Gulf South Pipeline Co., L.P.
9 Greenway Plaza, Suite 2800
Houston, TX 77046

CPF 2-2011-1006

Dear Mr. Goodwin:

From June 22, 2009, to October 9, 2009, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) inspected.¹ Gulf South Pipeline Co., L.P. (Gulf South) records and pipeline facilities in Texas, Louisiana, Mississippi, and Alabama, pursuant to Chapter 601 of 49 United States Code.

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

- 1. §191.15 Transmission and gathering systems: Incident report.
... (b) Where additional related information is obtained after a report is submitted under paragraph (a) of this section, the operator shall make a supplemental report as soon as practicable with a clear reference by date and subject to the original report.**

Gulf South did not submit three supplemental incident reports to PHMSA as soon as practicable where additional related information was obtained as follows:

¹ PHMSA conducted an Integrated Inspection that covered both Integrity Management Program (IMP) and non-IMP pipeline safety regulations. Probable violations regarding IMP regulations, if any, will be addressed in a separate Notice of Probable Violation.

- Incident report 20050074 dated July 15, 2005, involved a June 18, 2005, compressor failure on Unit #2 at the Carthage Compressor Station. Although a root cause analysis of the incident was completed on September 15, 2005, Gulf South did not submit a supplemental report to PHMSA indicating the cause until June 24, 2009; 3 years and 9 months after the root cause analysis was completed.
- Incident report 20060034 dated March 3, 2006, involved a February 8, 2006, failure at the Carthage Junction Compressor Station. The preliminary investigation completed on February 10, 2006, revealed that the number two flange on the discharge bottle had not achieved the proper seal and the gasket failed. Two technicians had replaced the discharge bottle with a new pulsation bottle. Gulf South did not submit a supplemental report to PHMSA indicating the cause of the incident until June 24, 2009; 3 years and 4 months after the preliminary investigation was completed.
- Incident report 20070026 dated March 5, 2007, involved a February 3, 2007, wrinkle bend failure. Although Gulf South received the metallurgical analysis on March 6, 2007, indicating the cause of the incident was a crack in a wrinkle bend caused by fatigue, Gulf South did not submit a supplemental report to PHMSA until June 24, 2009; 2 years and 3 months after the information was received by Gulf South.

2. §192.167 Compressor stations: Emergency shutdown.

(a) Except for unattended field compressor stations of 1,000 horsepower (746 kilowatts) or less, each compressor station must have an emergency shutdown system that meets the following:

. . . (4) It must be operable from at least two locations, each of which is:

(i) Outside the gas area of the station;

(ii) Near the exit gates, if the station is fenced, or near emergency exits, if not fenced; and

(iii) Not more than 500 feet (153 meters) from the limits of the station.

Although Gulf South had an Emergency Shutdown (ESD) system at the Tallulah Compressor Station (Tallulah) that was operable from several locations, Tallulah's ESD system was not operable from near the exit gates. Tallulah was a fenced station and had two exit gates located at the limits of the station, each of which did not have an ESD system initiation device.

3. §192.463 External corrosion control: Cathodic protection.

(a) Each cathodic protection system required by this subpart must provide a level of cathodic protection that complies with one or more of the applicable criteria contained in appendix D of this part. If none of these criteria is applicable, the cathodic protection system must provide a level of cathodic protection at least equal to that provided by compliance with one or more of these criteria.

Gulf South did not comply with one or more of the applicable external corrosion control criteria contained in Appendix D of Part 192; and, at the time of the PHMSA inspection, Gulf South made no assertion that these criteria were not applicable to its pipeline system or that its cathodic protection system provided a level of cathodic protection at least equal to that provided by compliance with one or more of these criteria.

Gulf South performed annual cathodic protection surveys in 2007, 2008, and 2009 in the Jackson, MS area. PHMSA's review of the annual survey cathodic protection records

showed numerous pipe-to-soil readings ranging from -0.850v to -0.900v. While these readings were deemed acceptable by Gulf South using the designated criterion of -0.850v, Gulf South provided no explanation as to how it considered IR drop with regards to these readings as required by Appendix D of Part 192.

4. §192.475 Internal corrosion control: General.

. . . (b) Whenever any pipe is removed from a pipeline for any reason, the internal surface must be inspected for evidence of corrosion. If internal corrosion is found -

- (1) The adjacent pipe must be investigated to determine the extent of internal corrosion;**
- (2) Replacement must be made to the extent required by the applicable paragraphs of §§192.485, 192.487, or 192.489; and**
- (3) Steps must be taken to minimize the internal corrosion.**

Gulf South did not inspect pipe it removed from its pipeline during hot tapping for evidence of internal corrosion. Work Order No. 23660726 dated February 20, 2009, in the Bistineau-Clarence area did not indicate that a removed coupon from the 8-inch Tristate Tap was examined for the presence of internal corrosion. Moreover, Gulf South's procedures did not specifically require Gulf South to examine removed pipe coupons for evidence of internal corrosion.²

5. §192.491 Corrosion control records.

. . . (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.

- Gulf South did not maintain records of buried pipeline inspections in the Longview area in sufficient detail to demonstrate the adequacy of its corrosion control measures. The following records did not describe the external corrosion discovered by the operator on the pipe in sufficient detail (depth, type, appearance, extent) to assure that the remedial actions taken by the operator were adequate to address the corrosion as required by the remedial measures in §192.483 through §192.489.
 - Bellhole Inspection Work Order No. 23702695 (06/17/09)
 - *Buried Pipeline Inspection Form* Work Order Nos. 23479813 (05/18/06) and 23479812 (05/24/06).
- Gulf South did not maintain records in sufficient detail to demonstrate that it adequately checked “*each interference bond whose failure would jeopardize structure protection*” for “*proper performance*” as required by §192.465(c). Gulf South's interference bond records in the Sterlington area indicated significant electrical current through several bonds that were labeled “*From us.*” Yet, Gulf South's records did not indicate that these bonds had been identified as needing to be investigated further to determine if they were bonds “*whose failure would jeopardize structure protection*” based on the electrical current and current direction shown in the records.

² PHMSA issued a Notice of Amendment (CPF 2-2010-1011M) to Gulf South on November 23, 2010, addressing this and other procedural inadequacies.

- Gulf South did not maintain records in sufficient detail to demonstrate that it took prompt remedial action to correct deficiencies indicated by the external corrosion control monitoring required by §192.465(d).
 - Gulf South's rectifier #4438 located at Locker Plant Road on the Index 250 Sterlington to Serepta pipeline was out of service for at least 16 months between November 6, 2007, and March 6, 2009. Although records indicated that three follow-up work orders were issued during this time period to investigate the problem, Gulf South presented no documentation to justify the extended time to remedy the problem. Also, information on the follow-up work orders conflicted with the documentation on the bi-monthly rectifier reports. During the PHMSA inspection, the Gulf South technician stated that the reason for the initial rectifier outage was a tree falling on the power drop and that the power company would not restore service at the site until a new Kinder Morgan pipeline was laid through the area. This explanation was not in Gulf South's records.
 - Gulf South did not provide accurate and complete records when taking action to remedy an unacceptable pipe-to-soil cathodic protection reading taken on May 18, 2006, at MP 94.400 on the Index 301 pipeline. Remedial work order records provided to the PHMSA inspection team were confusing and lead them to question the validity of the data. Different "remediated" pipe to soil readings were indicated for the apparent same reading (i.e. -0.504mv, vs. -5.040mv, vs. 5.04mv). Also, descriptions of work performed by Gulf South personnel appear to have been documented on the wrong work orders.

6. §192.603 General provisions.

... (b) Each operator shall keep records necessary to administer the procedures established under §192.605.

Gulf South did not keep adequate records necessary to administer the procedures in its written operations and maintenance (O&M) manual as required by §192.605 as follows:

- Records relating to the application of protective underground pipe coatings as required by §192.461:
 - No record of the replaced pipe coating or the tie-in joint coating was found for the leak repair pipe replacement at MP 77.4 on the Index 381, 18-inch, pipeline on February 3, 2007 (Work Order 23479146).
 - No record was found of the coating applied on a new cad-weld that was installed on November 11, 2008, on Index 818 at MP 31.288 (Work Order 23660793). The cad-weld was remotely installed (from ground surface) by a contractor.
 - Gulf South's Jackson, MS, area records did not adequately document that the coating used on pipe repairs met the requirements for external corrosion control protective coatings. That is, bell-hole inspection reports for work orders 23451103, 23451099, 23470476, and 23451102 each exhibited one or more of the following documentation deficiencies: hand-applied FBE when 2-part epoxy was used, no surface preparation, and/or no field joint coating relating to pipe replacement.

- Records relating to the determination of the strength of pipe based on actual remaining wall thickness as required by §192.485(c):
 - Gulf South recorded, on maintenance reports, an incorrect safe pressure (*strength of pipe based on remaining wall thickness*) of 447 psig relating to external corrosion found at MP 2.056 on the Index 129 pipeline. Both the *Buried Pipeline Inspection Form* and the work order system-generated (Maximo system) bellhole inspection *Work Order Details Report* (Work Order #23528620) indicated a safe pressure of 447 psig. That is, the *Buried Pipeline Inspection Form* showed a calculated safe pressure of 960 psig scratched through, and a value of 447 psig entered in its place. Gulf South did not recognize that this recorded safe pressure was 333 psig lower than the established MAOP of 780 psig, and improperly entered it into its Maximo system. Because the scratch-through on the *Buried Pipeline Inspection Form* was not initialed, Gulf South could not identify who made the change, and did not provide a reason for the change. During the PHMSA inspection on July 29, 2009, Gulf South re-calculated the correct maximum safe pressure to be 936 psig using ASME/ANSI B31G. This pressure was 156 psig above the pipeline MAOP of 780 psig.
- Records relating to the training of gas control personnel for emergency response per § 192.615(b)(2):
 - Gulf South did not provide records showing that its gas control personnel were adequately trained. PHMSA inspectors reviewed Gulf South's Event Notification Report records, but the PHMSA inspection team could not determine if Gulf South's gas control personnel were adequately trained for emergency response. Gulf South personnel stated during the inspection that they intended to start the documentation of gas controller training for emergency response purposes.
- Records relating to the review of gas control personnel activities to determine whether emergency procedures were effectively followed per §192.615(b)(3):
 - Gulf South did not provide any records that demonstrated that a review of its gas controllers' activities was conducted after each emergency to determine whether the procedures were effectively followed. Gulf South personnel indicated this had been done on a verbal basis in the past, and stated their intent to enhance the documentation of these processes.

7. §192.612 Underwater inspection and reburial of pipelines in the Gulf of Mexico and its inlets.

... (c) If an operator discovers that its pipeline is an exposed underwater pipeline or poses a hazard to navigation, the operator shall –

... (3) Within 6 months after discovery, or not later than November 1 of the following year if the 6 month period is later than November 1 of the year of discovery, bury the pipeline so that the top of the pipe is 36 inches (914 millimeters) below the underwater natural bottom (as determined by recognized and generally accepted practices) for normal excavation or 18 inches (457 millimeters) for rock excavation.

. . . (ii) If an operator cannot obtain required state or Federal permits in time to comply with this section, it must notify OPS; specify whether the required permit is state or Federal; and, justify the delay.

Gulf South did not notify PHMSA of a delay caused by the time required to obtain a permit from the state of Louisiana for reburial of its 8-inch Quarantine Bay pipeline.

Gulf South notified the National Response Center on March 8, 2007, of a hazard to navigation for the 8-inch underwater pipeline in Quarantine Bay due to discovery of a lack of cover over the pipeline. Section 192.612 required Gulf South to rebury the pipeline no later than September 8, 2007, unless it could not obtain a required state or Federal permit in time to comply with the reburial deadline. In which case, the regulation required the operator to notify PHMSA. The reburial of the pipeline was delayed due to the time required to obtain permits from the Louisiana Department of Wildlife and Fisheries (LDWF). Gulf South did not provide any records or other documentation during the PHMSA inspection to show that it had notified PHMSA of a reburial delay for the 8-inch Quarantine Bay pipeline.

Gulf South was aware of the notification requirement. On July 6, 2007, Gulf South notified PHMSA by email of a similarly-caused reburial delay for a nearby 16-inch Quarantine Bay pipeline and requested an extension to complete that reburial. However, Gulf South did not provide any records or other documentation during the PHMSA inspection to show that it had notified PHMSA of a reburial delay for the 8-inch Quarantine Bay pipeline. The 8-inch pipeline tapped off of the 16-inch pipeline and each pipeline was in a separate right-of-way.

8. § 192.709 Transmission lines: Record keeping.

Each operator shall maintain the following records for transmission lines for the periods specified:

(a) The date, location, and description of each repair made to pipe (including pipe-to-pipe connections) must be retained for as long as the pipe remains in service.

Gulf South did not adequately maintain records of the description of each repair made to pipe. Gulf South did not correctly and completely transfer pipeline repair data relating to a repair it made to the Index 301-4-2 at MP 30.63 into its automated work-order system (Maximo system).

A *Buried Pipeline Inspection* (Work Order #23617868) indicated Gulf South repaired an external corrosion pit leak by installing a band clamp on January 9, 2007. The band clamp repair was not documented on the Maximo system form (*Work Order Details Report WO #23617868 Buried Pipe ½ mile East of Penn Mill Rd*), which improperly conveyed that only a “recoat” was conducted. Also, the Index Number on the Maximo system work order (Index 301-04-02-04-00-00) was incorrect.

9. §192.709 Transmission lines: Record keeping.

. . . (c) A record of each patrol, survey, inspection, and test required by subparts L and M of this part must be retained for at least 5 years or until the next patrol, survey, inspection, or test is completed, whichever is longer.

- Gulf South did not adequately document the inspection and testing of relief devices (as required by §192.731) at the Longview #1 Compressor Station, the Carthage Junction Compressor Station, the Montpelier Compressor Station, and the Destin Compressor Station as follows:
 - Longview #1 Compressor Station: The maintenance records in the Maximo system for calendar years 2006-2008 for two compressor unit discharge relief valves (units nos. 2 and 3) reflect a set-point of 1250 psig and a capacity of 347.28 MCFH for each valve. The capacity at the 1250 psig set-point, however, was determined by the operator during the PHMSA inspection to be 412.08 MCFH, not 347.28 MCFH. Gulf South searched its records and found that the relief valve set-points had been changed on March 24, 2004, from 1250 psig to 1050 psig, which explains the discrepancy. However, Gulf South did not record the correct set-points and corresponding capacities in the Maximo system records.
 - Carthage Junction Compressor Station: The unit no. 1 relief valve maintenance records in the Maximo system for calendar year 2007 incorrectly indicated the downstream MAOP as 500 psig. The correct MAOP was 875 psig. This error could have been in the Maximo system for several years without being corrected.
 - Montpelier Compressor Station: Gulf South did not document that each remote control shutdown device was inspected and tested for functionality during the February 12, 2009, emergency shutdown (ESD) system test. Only one ESD initiation device function was recorded, although all four were actually inspected during the test per the Area Business Leader (ABL), Steve Copeland.
 - Destin Compressor Station: The performance of each remote control shutdown device (e.g. functionality of ESD-operated individual blow down valves, isolation valves, electrical cut off switch, etc.) was not documented for the ESD test performed on May 5, 2009.
- Gulf South did not adequately document performance tests (required by §192.736(c)) of the gas detection system at Montpelier Compressor Station. That is, Gulf South failed to document the results of the gas detection and alarm performance tests at the corresponding percent of lower explosive limit (LEL) and the activation of station shutdown at the corresponding percent of LEL. While the 2008 annual maintenance of the gas detection and alarm systems was documented on form PS5576 (rev. 11/23/94), this form lacked an area to document the performance testing of the gas detectors. Moreover, during the inspection Gulf South provided a revised form PS5576 (effective date 6/10/2009) for testing gas detection and alarm systems. The new form PS5576 was very similar to the previous form but appeared in a different format. The new form did not include an area to document the performance testing of the gas detection; i.e. the percent LEL at activation of the audible alarm and strobe lights and the percent LEL at shutdown. Inadequate performance records were similarly observed by PHMSA inspectors at Clarence Compressor Station.
- Gulf South incorrectly documented the pressure limiting station inspection and testing required by §192.739. The Maximo maintenance record indicated that the June 30, 2009, upstream MAOP for the Driscoll Mountain station's regulator (equipment no. 276504) was 1440 psig. The correct upstream MAOP was 936 psig.

10. §192.805 Qualification Program

Each operator shall have and follow a written qualification program. The program shall include provisions to:

. . . (b) Ensure through evaluation that individuals performing covered tasks are qualified

Gulf South did not follow its written Operator Qualification (OQ) program to ensure that certain individuals performing covered tasks (CTs) were qualified through evaluation. Qualification and inspection/test records indicated that individuals independently performed covered task numbers 714OPO and 709OP on the pipeline system (as summarized below) without being re-qualified per Gulf South’s OQ program.

Individual	CT	CTs Performed		Area
		Number of Times	Period	
TD	709OP	4	9 days	Westlake
	714OP	45	11 mo., 14 days	
KH	709OP	9	2 mo., 19 days	Bist/Clarence

Period - time between first and last CT performed, inclusive.
Covered Task 709OP: *Inspecting and Testing of Relief Devices*
Covered Task 714OP: *Inspect and Maintain Pressure Limiting and Regulating Devices*

11. §192.805 Qualification program.

Each operator shall have and follow a written qualification program. The program shall include provisions to:

. . . (i) After December 16, 2004, notify the Administrator or a state agency participating under 49 U.S.C. Chapter 601 if the operator significantly modifies the program after the Administrator or state agency has verified that it complies with this section.

Gulf South did not notify the Administrator that it had significantly modified its written Operator Qualification (OQ) program.

Gulf South did not notify PHMSA of the merging of the Texas Gas and Gulf South OQ plans into a common Boardwalk OQ plan, which was effective on March 3, 2008.

PHMSA previously inspected Gulf South’s OQ plan in 2004.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violations and has recommended that you be preliminarily assessed a civil penalty of \$77,300 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$ 22,100
2	\$ 29,600
5	\$ 7,400
10	\$ 18,200

Warning Items

With respect to items: 3, 4, 6, 7, 8, 9, and 11 we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct these items. Be advised that failure to do so may result in Gulf South being subject to additional enforcement action.

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.

In your correspondence on this matter, please refer to **CPF 2-2011-1006** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Wayne T. Lemoi
 Director, Office of Pipeline Safety
 PHMSA Southern Region

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