

JUNE 12, 2012

Mr. Pete M. Kirsch
Division Senior Vice-President
Pipeline Operations & Engineering
Southeast Supply Header, LLC
P. O. Box 4567
Houston, TX 77210

Re: CPF No. 2-2011-1007

Dear Mr. Kirsch:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation, assesses a civil penalty of \$26,800, and specifies actions that need to be taken by Southeast Supply Header, LLC, to comply with the pipeline safety regulations. This letter acknowledges receipt of the full penalty amount, by wire transfer, dated November 2, 2011. When the terms of the compliance order have been completed, as determined by the Director, Southern Region, this enforcement action will be 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. David M. McClanahan, President, CenterPoint Energy, Inc., P. O. Box 4567,
Houston, TX 77210
Mr. Wayne Lemoi, Southern Region Director, OPS
Mr. Alan Mayberry, Deputy Associate Administrator for Field Operations, OPS

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

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

)	
In the Matter of)	
)	
Southeast Supply Header, LLC,)	CPF No. 2-2011-1007
)	
Respondent.)	
)	

FINAL ORDER

On July 17, 2008, pursuant to 49 U.S.C. § 60118(c), the Associate Administrator, Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), issued a special permit to Southeast Supply Header, LLC (SESH), waiving compliance with certain PHMSA regulations¹ in connection with the construction and operation of a 274-mile natural gas transmission pipeline from Delhi, Louisiana, to Coden, Alabama, and known generally as “Line 100” (Special Permit). Line 100 is a joint venture between subsidiaries of CenterPoint Energy, Inc., and Spectra Energy Corporation.² The Special Permit imposed 47 conditions on the portion of Line 100 that SESH proposed to operate above 72% of the specified minimum yield strength (SMYS) of the line, to ensure that pipeline safety would not be compromised.³

On May 3-7, 2010, pursuant to 49 U.S.C. § 60117, a PHMSA representative conducted an on-site pipeline safety inspection of SESH’s records and procedures in Shreveport, Louisiana. On August 2-5, 2010, OPS conducted a second inspection of the company’s pipeline facilities from Delhi, Louisiana, to Coden, Alabama. As a result of the inspections, the Director, Southern Region, OPS (Director), issued to Respondent, by letter dated September 21, 2011, a Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order (Notice), alleging non-compliance with certain conditions of the Special Permit. In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that SESH had violated the conditions of the Special Permit and assessing a civil penalty of \$26,800 for the alleged violations.

¹ 49 C.F.R. §§ 192.111 and 192.201.

² See <http://www.spectraenergy.com> and <http://www.centerpointenergy.com> (last assessed 5/4/2012).

³ See Docket # PHMSA 2007-27607 in the Federal Docket Management System (FDMS) located on the Internet at <http://www.regulations.gov>.

SESH responded to the Notice by letter dated November 1, 2011 (Response). The company did not contest the allegations of violation and paid the proposed civil penalty of \$26,800, as provided in 49 C.F.R. § 190.227. Payment of the penalty serves to close the case with prejudice to Respondent.

FINDINGS OF VIOLATION

Item 1: The Notice alleged that Respondent violated Special Permit Condition 13, which states:

- 13) Temperature Control: The compressor station discharge temperature must be limited to 120° Fahrenheit. A temperature above this maximum temperature of 120° Fahrenheit may be approved if SESH technical coating operating tests show that the pipe coating will properly withstand the higher operating temperature for long term operations. If the temperature exceeds 120° Fahrenheit SESH must also institute a coating monitoring program in these areas using ongoing Direct Current Voltage Gradient (DCVG) surveys or Alternating Current Voltage Gradient (ACVG) surveys or other testing to demonstrate the integrity of the coating. This program and results must be provided to the regional offices of PHMSA where the pipe is in service.

The Notice alleged that Respondent violated Condition 13 of the Special Permit by failing to limit discharge temperatures to 120° F or less at five compressor stations. Specifically, the Notice alleged that the temperatures of the discharged natural gas at the Delhi, Gwinville, Collins, Petal, and Lucedale compressor stations exceeded 120° F on various occasions between the date the pipeline began operating under the Special Permit (November 8, 2008) and March 31, 2010. Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated Condition 13 of the Special Permit by failing to limit discharge temperatures to 120° F at five compressor stations at various times between the dates shown above.

Item 3: The Notice alleged that Respondent violated Special Permit Condition 43, which states, in relevant part:

- 43) Anomaly Evaluation and Repair: Anomaly evaluations and repairs in the *special permit area*, regardless of HCA status, must be performed based upon the following:
- a) . . .
 - d) Anomaly Assessment Methods . . .
 - Dents in the pipe in the *special permit area* must be evaluated and repaired per 49 C.F.R. § 192.309(b) for the baseline geometry tool run and per 49 C.F.R. § 192.933(d) for future ILI. Pipe must be evaluated

for out-of-roundness on the baseline geometry tool run and all indications in the pipeline above 6% out-of-roundness must be remediated.

The Notice alleged that Respondent violated Condition 43 of the Special Permit by failing to adequately evaluate and repair a dent in Line 100, in accordance with 49 C.F.R. § 192.309(b), and that had been discovered through a baseline geometry tool run. Specifically, the Notice alleged that SESH had run the in-line inspection (ILI) tool on Line 100 and had received a final report from the vendor dated August 21, 2008. The report showed a 5.3% dent (Feature No. 218) that SESH failed to evaluate and repair. Condition 43 required SESH to evaluate and repair a dent that exceeded “more than 2% of the nominal pipe diameter,” per § 192.309(b)(3)(ii).

The Notice further alleged that SESH had failed to adequately evaluate the data from the same ILI tool run on Line 100 for indications of out-of-roundness. It alleged that in May 2010, SESH had received another report from its contract auditor stating that Features No. 127 and 134 (as shown in the ILI vendor’s August 3, 2008 final report) exceeded 6% out of roundness, but that the company failed to properly evaluate this data or promptly remediate the anomalies.⁴

Respondent did not contest these allegations of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated Condition 43 of the Special Permit by failing to adequately evaluate and repair a dent on Line 100 per § 192.309(b) and to properly evaluate and remediate two features that exceeded 6% out of roundness.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed \$100,000 per violation for each day of the violation, up to a maximum of \$1,000,000 for any related series of violations. In determining the amount of a civil penalty under 49 U.S.C. § 60122 and 49 C.F.R. § 190.225, I must consider the following criteria: the nature, circumstances, and gravity of the violation, including adverse impact on the environment; the degree of Respondent’s culpability; the history of Respondent’s prior offenses; the Respondent’s ability to pay the penalty and any effect that the penalty may have on its ability to continue doing business; and the good faith of Respondent in attempting to comply with the pipeline safety regulations. In addition, I may consider the economic benefit gained from the violation without any reduction because of subsequent damages, and such other matters as justice may require. The Notice proposed a total civil penalty of \$26,800 for the violations cited above.

Item 1: The Notice proposed a civil penalty of \$13,700 for Respondent’s violation of Special Permit Condition 13, for failing to limit compressor station discharge temperatures to 120° F at five compressor stations. SESH neither contested the allegation nor presented any evidence or argument justifying a reduction in the proposed penalty. In order for a pipeline operator to receive, and continue to operate under, a waiver of the pipeline safety regulations, it is essential

⁴ Feature 127 indicated 6.17% out-of-roundness and Feature 134 indicated 6.98%.

that the operator scrupulously adhere to the conditions in the special permit. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$13,700, which was remitted on November 2, 2011.

Item 3: The Notice proposed a civil penalty of \$13,100 for Respondent's violation of Special Permit Condition 43, for failing to adequately evaluate and repair a dent in Line 100, per 49 C.F.R. § 192.309(b), and to properly evaluate and remediate two features that exceeded 6% out of roundness. SESH neither contested the allegation nor presented any evidence or argument justifying a reduction in the proposed civil penalty. As noted above, in order for a pipeline operator to receive, and continue to operate under, a waiver of the pipeline safety regulations, it is essential that the operator scrupulously adhere to the conditions in a special permit. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$13,100, which amount was remitted on November 2, 2011.

In summary, having reviewed the record and considered the assessment criteria for each of the Items cited above, I assess Respondent a total civil penalty of **\$26,800**.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Item 1 in the Notice for violating Condition 13 of the Special Permit. 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. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to **Item 1** of the Notice (Special Permit Condition 13), pertaining to the failure of SESH to limit the discharge temperatures to 120° F at the Delhi, Gwinville, Collins, Petal, and Lucedale compressor stations, SESH must either:
 - a. modify its compressor station operations, procedures, and/or facilities to ensure that the discharge temperature at each of the five compressor stations on Line 100 does not exceed 120° F, as required by Special Permit Condition 13;

OR

- b. notify the Director in writing of its intent to operate Line 100 at discharge temperatures above 120° F. To do so, SESH must provide PHMSA with technical coating operating tests to show that the pipe coating can properly withstand the higher operating temperatures for long-term operations and must institute and provide to PHMSA a coating monitoring program, as described in Special Permit Condition 13.

SESH must complete either Compliance Item 1(a) or 1(b) above within 60 days of receipt of the Final Order or PHMSA may issue a show cause letter modifying, revoking, or suspending the Order issued under PHMSA-2007-27607.

2. With respect to **Item 1** of the Notice (Special Permit Condition 13), pertaining to the failure of SESH to limit the compressor station discharge temperatures to 120° F at five compressor stations, and notwithstanding Compliance Order Item 1 above, SESH must develop and implement a coating assessment program downstream of the five compressor stations on Line 100 to ensure the coating has not been damaged or compromised. This assessment must be completed using:
 - Direct Current Voltage Gradient (DCVG) surveys;
 - Alternating Current Voltage Gradient surveys; or
 - Other testing to demonstrate the integrity of the coating.

In its coating assessment program, SESH must address the following:

- a. The coating on the pipe for at least five miles downstream of each of the five compressor stations or to a point on each pipeline where the actual or predicted temperature consistently dropped below 120° F, whichever is further downstream;
- b. A technical analysis to determine or predict the highest temperature that Line 100 experienced, or was projected to experience, immediately downstream of each of the five compressor stations, and to determine a point on each pipeline where the actual or predicted temperature consistently dropped below 120° F;
- c. Technical coating operating tests to show the pipe coating could properly withstand the operating temperatures determined or predicted;
- d. If using DCVG and/or ACVG, define threshold survey indication values (% IR for DCVG and dB μ V for ACVG). The values should represent the mid-range of the “Moderate” category in the severity classification used to characterize survey indications;
- e. Excavation and remediation of all indications found above the threshold values;
- f. A calibration dig on at least one anomaly classified as “Minor,” to ensure findings that all indications found above the threshold values in the remediation plan are not detrimental to the pipeline;
- g. Perform holiday voltage tests (jeep) and coating adhesion tests at all excavations;
- h. Disbonded, blistered or coating with cracking and/or other damage that could compromise cathodic protection found during excavations must be removed and new coating applied;
- i. The coating assessment must be completed no later than six months after the date of this Compliance Order; and
- j. Submit the results of the coating assessment to the Director for review and approval no later than 90 days after the coating assessment is complete but not

later than nine months after the date of this Compliance Order.

SESH must complete the work listed above within nine months of receipt of the Final Order or PHMSA may issue a show cause letter modifying, revoking, or suspending the Order issued under PHMSA-2007-27607.

3. It is requested (not mandated) that SESH maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director, Office of Pipeline Safety, PHMSA Southern Region. It is requested that these costs be 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.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an extension.

Failure to comply with this Order may result in the administrative assessment of civil penalties not to exceed \$100,000 for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

WARNING ITEM

With respect to Item 2, the Notice alleged a probable violation of Special Permit Condition 36 but did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be a warning item. The warning was for:

Item 2 (Special Permit Condition 36) — Respondent's alleged failure to comply with Special Permit Condition 36, as set forth in the Special Permit Order of July 17, 2008. SESH did not employ line-of-sight markings on the pipeline in the Special Permit area.

SESH presented information in its Response showing that it had taken certain actions to address this item. If OPS finds a violation of this Condition 36 in a subsequent inspection, Respondent may be subject to future enforcement action or revocation of the Special Permit.

Under 49 C.F.R. § 190.215, Respondent has a right to submit a Petition for Reconsideration of this Final Order. The petition must be sent to: Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address. PHMSA will accept petitions received no later than 20 days after receipt of service of this Final Order by the Respondent, provided they contain a brief statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.215. The filing of a petition automatically stays the payment of any civil penalty assessed. Unless the Associate Administrator, upon request, grants a stay, all

other terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

Issuance of this Final Order does not preclude PHMSA from seeking modification, suspension or revocation of the Special Permit issued under PHMSA 2007-27607 at any time, as provided in 49 C.F.R. § 190.341(h)(1)(v). If such action is taken, PHMSA will provide SESH with the opportunity to show cause why the proposed action should not be taken.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued