

JUNE 15, 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. 2-2011-1008

Dear Mr. Kirsch:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and assesses a civil penalty of \$174,500. This is to acknowledge receipt of payment of the full penalty amount, by wire transfer, dated November 4, 2011. It further finds that Southeast Supply Header, LLC 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. David M. McClanahan, President, CenterPoint Energy, Inc., P. O. Box
4567, Houston, TX 77210
Mr. Wayne T. Lemoi, Director Southern Region, 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. 2-2011-1008
)	
Respondent.)	
_____)	

FINAL ORDER

On May 3-7, 2010, 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 Southeast Supply Header, LLC's (SESH or Respondent) records 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. The 274-mile natural gas transmission pipeline system, generally known as "Line 100," consists of 36-inch and 42-inch diameter pipe.¹ Line 100 is a joint venture between subsidiaries of CenterPoint Energy, Inc., and Spectra Energy Corporation.²

As a result of the inspection, the Director, Southern Region, OPS (Director), issued to Respondent, by letter dated October 4, 2011, a Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order (Notice), which also included a warning pursuant to 49 C.F.R. § 190.205. In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that SESH had committed various violations of 49 C.F.R. Parts 191 and 192 and proposed assessing a civil penalty of \$174,500 for the alleged violations. The Notice also proposed ordering Respondent to take certain measures to correct the alleged violations. The warning items required no further action, but warned the operator to correct the probable violations or face possible enforcement action.

SESH responded to the Notice by letter dated November 2, 2011 (Response). The company did not contest the allegations of violation, but provided an explanation of its actions, and paid the proposed civil penalty of \$174,500, as provided in 49 C.F.R. § 190.227. Payment of the penalty serves to close the case with prejudice to Respondent.

¹ See <http://www.spectraenergy.com> and <http://www.centerpointenergy.com> (last assessed 5/4/2012).

² Spectra Energy is responsible for gas control and commercial operations; CenterPoint Energy is responsible for field operations.

FINDINGS OF VIOLATION

In its Response, SESH did not contest the allegations in the Notice that it violated 49 C.F.R. Parts 191 and 192, as follows:

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 191.15(b), which states:

§ 191.15 Transmission and gathering systems: Incident report.

(a)

(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.

The Notice alleged that Respondent violated 49 C.F.R. § 191.15 by failing to make a supplemental report, as soon as practicable, after obtaining additional information related to an incident report submitted on February 19, 2010 for an incident that occurred on January 21, 2010, near Hazlehurst, MS. Specifically, the Notice alleged that on May 23, 2010, SESH obtained additional information related to the pipeline incident and did not submit a supplemental report until January 21, 2011, eight months later.³

According to the Notice, SESH received a metallurgical analysis of the failure on May 23, 2010, that identified the cause of the leaking girth weld as Hydrogen Assisted Cracking.⁴ However, SESH did not submit the supplemental report until January 21, 2011, eight months after SESH obtained the information.⁵ Respondent did not contest this allegation of violation but explained that no information was intentionally withheld from PHMSA and updating the report was an oversight.⁶ Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 191.15 by failing to submit a supplemental report as soon as practicable after it had obtained additional information regarding the cause of a reportable incident.

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 192.167(a)(2), which states in relevant part:

§ 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:

(1) . . .

³ The Incident Report (IR) number is 20100010-15010 (dated February 19, 2010).

⁴ Pipeline Safety Violation Report (September 30, 2011) (Violation Report), Attachment A, Kiefner & Associates, Inc. (Final Report No. 10-031).

⁵ IR 20100010-15162 (January 21, 2011).

⁶ Response at 3.

- (2) It must discharge gas from the blowdown piping at a location where the gas will not create a hazard.

The Notice alleged that Respondent violated 49 C.F.R. § 192.167 by failing to place the blowdown piping vents for the SESH Emergency Shutdown Device (ESD) systems at a location where the discharge gas would not create a hazard. Specifically, the Notice alleged that Respondent's ESD blowdown piping vents were found near the compressor buildings and at other locations where vented natural gas would create a hazard to individuals if the ESD was activated. Respondent did not contest this allegation of violation but explained that the company is modifying the ESD trip station blowdown piping to direct the vented gas vertically to eliminate the hazard.⁷ Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 192.167(a)(2) by failing to have emergency shutdown device blowdown piping vents located where the discharge of gas would not create a hazard.

Item 4: The Notice alleged that Respondent violated 49 C.F.R. § 192.243(b)(1), which states in relevant part:

§ 192.243 Nondestructive testing.

- (a)....
- (b) Nondestructive testing of welds must be performed:
 - (1) In accordance with written procedures; and...

The Notice alleged that Respondent violated 49 C.F.R. § 192.243(b)(1) by failing to nondestructively test (NDT) girth welds in accordance with SESH's written procedures. Specifically, the Notice alleged that Respondent failed to comply with its written procedures requiring that all welds (excluding Engineering Critical Assessment welds), including repairs, are evaluated to the workmanship standards of acceptability of API Standard 1104, Section 9.⁸ According to the Notice, although SESH's construction radiographs of two girth welds showed a crack in each weld, Respondent did not identify and reject either of the girth welds during radiographic reviews, but installed the two girth welds in Line 100,⁹ failing to follow its written procedures or meet API 1104 workmanship standards of acceptability.¹⁰

⁷ Response at 4.

⁸ Violation Report, Attachment A at 34, SESH General Construction- Welding and Tie-Ins Procedures (Spec. Number: CS-GC 8.2), pipe Weld Examination, Section 4D.

⁹ Girth weld no. XRA-078 at station #4616+78 was discovered to be leaking on January 21, 2010. The source of the leak was a longitudinal crack. Upon discovery of the leak, SESH and PHMSA used independent NDT consultants to re-review the construction radiographs. Both NDT consultants identified the crack and concluded the crack should have been identified and rejected by the NDT technician at the time of the original construction radiographic NDT evaluation.

Girth weld no. XRA-047 at station #4366+51 was identified as having a transverse crack upon re-examination of the construction radiograph by SESH's NDT consultant and by PHMSA's NDT consultant. The crack was confirmed by examination of the girth weld by SESH's contract metallurgical consultant after the girth weld was removed from the pipeline.

¹⁰ Am. Petroleum Inst., Standard 1104, Section 11, Procedures for Nondestructive testing (19th ed. 1999, errata October 31, 2001).

The Notice further alleged two other instances of Respondent's failure to follow written NDT examination procedures by not adequately recording NDT inspections and tests, and not correctly completing SESH *Form TS-406 NDE Report of Field Welds (TS-406)*. Respondent's Form TS-406, dated January 21, 2008 and February 14, 2008, had incorrect radiographic procedure numbers and incorrect dimensions for two girth welds. The January 21, 2008 form incorrectly recorded Girth weld no. XRA-047 as a 42" x 0.720" x 0.750" transition weld when the correct dimensions were 42" x 0.600" x 0.750." The February 14, 2008 form incorrectly recorded dimensions for four inspected girth welds as 42" x 0.750" x 0.600" transition welds when the correct dimensions were 42" x 1.000" x 0.600." Although the February TS-406 form also indicated that a Radiographic Procedure 42 x 600 x 750 GI was used, Respondent was unable to provide to PHMSA any procedure qualification records related to this weld.

Respondent did not contest this allegation of violation but explained that it has enhanced its existing Quality Assurance/Quality Control (QA/QC) practices.¹¹ Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 192.243(b)(1) by failing to nondestructively test (NDT) girth welds in accordance with its written procedures.

Item 5: The Notice alleged that Respondent violated 49 C.F.R. § 192.303, which states:

§ 192.303 Compliance with specifications or standards.

Each transmission line or main must be constructed in accordance with comprehensive written specifications or standards that are consistent with this part.

The Notice alleged that Respondent violated 49 C.F.R. § 192.303 by failing to construct its Line 100, a transmission pipeline, in accordance with comprehensive written specifications or standards. Specifically, the Notice alleged that Respondent had two procedures requiring the use of Class I or GI radiographic film for NDT girth of welds, but SESH's records showed that different radiographic procedures were used during the construction of its Line 100.¹²

The Notice further alleged that SESH's records showed that it approved the contractor's use of the procedures that allowed Class II (D7 Agfa) radiographic film (not Class I or GI film) in the gamma-sourced radiographic inspection of manually produced girth welds on Line 100 where penetration and/or wall thicknesses were less than 0.750 inches.¹³ PHMSA asserted that the

¹¹ The company requires NDE suppliers to have an established QA/QC Procedure and/or Quality Management System with a continuous improvement process. SESH also explained that it has enhanced its inspector training program and documentation process. Response at 4.

¹² SESH procedure, Construction Specification, Spec. Number: CS-GC31.2 Radiography (CS-GC31.2), required the use of Class I or GI film with gamma radiation sources for penetration thicknesses (excluding weld build-up) less than 0.750 inches (18mm). SESH procedure, Radiographic Inspection Procedure, required Class I film to be used on wall thicknesses up to and including 0.750 inches.

¹³ Radiographic inspection is a nondestructive testing method of producing images on film through the use of gamma rays to inspect materials for hidden flaws or defects.

Class II film is inferior to Class I film in the ability to detect or capture images of some actionable defects and imperfections when inspecting girth welds in pipe with the wall thicknesses less than 0.750 inches. Respondent acknowledged that the use of Class II film for penetration thickness less than 0.750 inches did not meet SESH Specification CS-GC31.2 and explained that it has enhanced its QA/QC practices.

The Notice also alleged that SESH failed to ensure that its pipeline was constructed in accordance with its comprehensive written *Specification Number: CS-GC 8.2 Item 3G*, that required the internal transition slope on transition welds to be a minimum of 1:4 (14 degree angle) and maximum of 1:2.6 (21 degree angle). SESH's contracted investigation report¹⁴ indicated the two induction bend-end welds on the bend located at construction survey station no. 4583+53 (failed weld bend) had maximum transition angles that exceeded 21 degrees. The report indicated maximum transition angles of 37 degrees and 34 degrees for these bend welds.

Respondent did not contest the allegation of violation but explained that the company has enhanced its QA/QC practices. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 192.303 by failing to construct Line 100 in accordance with its written specifications and standards.

Item 6: The Notice alleged that Respondent violated 49 C.F.R. § 192.305, which states:

§ 192.305 Inspections: General.

Each transmission line or main must be inspected to ensure that it is constructed in accordance with this part.

The Notice alleged that Respondent violated 49 C.F.R. § 192.305 by failing to adequately inspect Line 100, a transmission pipeline, to ensure that it was constructed in accordance with comprehensive written specifications as required by Part 192. Specifically, the Notice alleged two instances where the Respondent failed to follow construction inspection *Specification Number: CS-GC 8.2, Item 3D, Transition Report* and SESH form *TS-713* for girth weld XRA-078. SESH's construction inspection specification *CS-GC 8.2* required wall thickness readings to be taken on the quarter points of the transitioned pipe, that the information be recorded on Form *TS-713*, and then submitted for company approval of the method of measurement. Form *TS-713* also required the recording of the minimum and maximum transition slopes and signature/date of the Chief Inspector.

The first instance alleged was that Form *TS-713* for girth weld XRA-078, dated February 18, 2008, recorded measured transition slope angles of 16 degrees (min) and of 20 degrees (max), yet these min/max angles were inconsistent with the angles measured and reported in the company's failure investigation report.¹⁵ Further the wall thickness measurements taken at the quarter points were all recorded as nominal size numbers, which showed that the actual wall thicknesses were not measured. The form was also not signed by the chief inspector.

¹⁴ Violation Report, Attachment A, *Spectra Energy Final Report No. 10-031*, dated May 18, 2010, at 37.

¹⁵ Violation Report, Attachment A, *Spectra Energy Final Report No. 10-031*, dated May 18, 2010, at 37.

The second instance alleged was that on August 3, 2010, PHMSA inspected and photographed Girth weld XRA-075 (42" x 1.000" x 0.600" bend/pup transition weld) and found that it did not comply with weld specifications.¹⁶ The measurements indicated that the internal pipe misalignment was not evenly distributed around the circumference of the pipe; indicating that the weld was either inadequately inspected, or not inspected, for internal pipe misalignment to ensure that it was constructed in accordance with comprehensive written specifications.

Respondent did not contest this allegation of violation but explained that it has enhanced its existing QA/QC practices to prevent a reoccurrence. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 192.305 by failing to adequately inspect the Line 100 transmission pipeline to ensure that it was constructed in accordance with comprehensive written specifications as required by Part 192.

Item 7: The Notice alleged that Respondent violated 49 C.F.R. § 192.317, which states in relevant part:

§ 192.317 Protection from hazards.

(a) The operator must take all practicable steps to protect each transmission line or main from washouts, floods, unstable soil, landslides, or other hazards that may cause the pipeline to move or to sustain abnormal loads.

The Notice alleged that Respondent violated 49 C.F.R. § 192.317(a) by failing to take all practicable steps to protect its Line 100 from hazards during construction that caused the pipeline to sustain abnormal loads. Specifically, the Notice alleged that Respondent discovered a buckle in the pipe at survey station no. 4389+68 during an unrelated excavation approximately 19 months after the pipeline was placed in service. SESH's investigation report stated that the buckle "*was caused by excessive bending loads applied to the pipeline during some phase of the construction of the pipeline.*"¹⁷ The report also stated that the "*... mode of buckling is associated with little or no pressure in the pipeline at the time the buckle formed. This implies that the buckle was probably present when the pipeline was hydrostatically tested.*" The Notice further alleged that based on these reports an actionable anomaly (5.3% dent) existed at the buckle location approximately one month after the construction hydrostatic test; therefore, Respondent failed to take steps during construction of the pipeline to prevent the buckle from occurring. Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 192.317(a) by failing to take all practicable steps to protect its Line 100 from hazards during construction that caused the pipeline to sustain abnormal loads.

¹⁶ The girth weld had a (scaled) outside diameter (OD) misalignment of approximately 0.40 inches at one position and essentially zero misalignment directly opposite (180 degrees circumferentially from) the misalignment, which is consistent with the OD misalignment measurements taken by SESH on the weld. Violation Report at 23.

¹⁷ Violation Report, Attachment A, *Spectra Energy Final Report No. 10-069R*, dated November 5, 2010 at 37.

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 \$174,500 for the violations cited above.

Item 2: The Notice proposed a civil penalty of \$5,000 for Respondent's violation of 49 C.F.R. § 191.15(b), for failing to submit a supplemental report regarding the cause of a reportable incident as soon as practicable, after it obtained additional related information. SESH obtained additional information related to a reportable pipeline incident but did not submit a supplemental report until eight months later. SESH neither contested the allegation nor presented any evidence or argument justifying a reduction in the proposed civil penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$5,000, which has already been paid by Respondent.

Item 3: The Notice proposed a civil penalty of \$35,000 for Respondent's violation of 49 C.F.R. § 192.167(a)(2), for failing to have emergency shutdown device blowdown piping vents located where the discharge of gas would not create a hazard. SESH neither contested the allegation nor presented any evidence or argument justifying a reduction in the proposed civil penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$35,000, which has already been paid by Respondent.

Item 4: The Notice proposed a civil penalty of \$85,600 for Respondent's violation of 49 C.F.R. § 192.243(b)(1), for failing to nondestructively test (NDT) girth welds in accordance with its written procedures, which required that all welds (excluding ECA welds) including repairs are evaluated to the workmanship standards of acceptability of API Standard 1104, Section 9. SESH neither contested the allegation nor presented any evidence or argument justifying a reduction in the proposed civil penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$85,600, which has already been paid by Respondent.

Item 5: The Notice proposed a civil penalty of \$16,500 for Respondent's violation of 49 C.F.R. § 192.303, for failing to construct its Line 100, a transmission pipeline, in accordance with comprehensive written specifications or standards requiring the use of Class I or GI radiographic film for NDT of girth welds. SESH neither contested the allegation nor presented any evidence or argument justifying a reduction in the proposed civil penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$16,500, which has already been paid by Respondent.

Item 6: The Notice proposed a civil penalty of \$16,200 for Respondent's violation of 49 C.F.R. § 192.305, for failing to adequately inspect the Line 100 transmission pipeline to ensure that it was constructed in accordance with comprehensive written specifications as required by Part 192. SESH neither contested the allegation nor presented any evidence or argument justifying a reduction in the proposed civil penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$16,200, which has already been paid by Respondent.

Item 7: The Notice proposed a civil penalty of \$16,200 for Respondent's violation of 49 C.F.R. § 192.317(a), for failing to take all practicable steps to protect its Line 100 pipeline from hazards during construction that caused the pipeline to sustain abnormal loads. SESH neither contested the allegation nor presented any evidence or argument justifying a reduction in the proposed civil penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$16,200, which has already been paid by Respondent.

In summary, having reviewed the record and considered the assessment criteria, I assess Respondent a total civil penalty of \$174,500, which has already been paid by Respondent.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Item 3 in the Notice for violation of 49 C.F.R. § 192.167(a)(2). 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 indicates that Respondent has taken the following actions specified in the proposed compliance order:

1. With respect to the violation of § 192.167(a)(2) (**Item 3**), Respondent has reconfigured the Emergency Shutdown system blowdown piping vents at each of the five compressor stations on Line 100 to ensure that any discharged gas will not create a hazard.

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

WARNING ITEMS

With respect to Items 1, 8, and 9, the Notice alleged probable violations of Parts 191 and 192 but did not propose a civil penalty or compliance order for these items. Therefore, these are considered to be warning items. The warnings were for:

49 C.F.R. § 191.5 (**Item 1**) — Respondent’s alleged failure to give notice of a pipeline incident that occurred on its SESH Line 100 on January 21, 2010, near Hazlehurst, MS, at the earliest practicable moment following discovery;

49 C.F.R. § 192.709(c) (**Item 8**) — Respondent’s alleged failure to retain a record of each required patrol, survey, inspection, and test for at least five years or until the next patrol, survey, inspection, or test was completed, whichever was longer. Specifically, Respondent did not have records documenting the inspection and the Discharge Pressure Shutdown Setpoint test of the Delhi compressor station, performed on November 3, 2009; and

49 C.F.R. § 192.745(a) (**Item 9**) — Respondent’s alleged failure to inspect and partially operate three remotely controlled transmission line mainline valves that might be required during an emergency, at required intervals. Specifically, SESH failed to test the functionality of its SCADA remote control system to assure the three valves operated when remotely activated and failed to test the gas-powered operator component to assure that gas power would operate the valve. The three mainline valves, located at MP 55.79 (BV65685), MP 155.9 (BV65774), and MP 166.7 (BV 65789) are also required to be remotely controlled per the Special Permit Order, dated July 17, 2008, Condition No. 23.

SESH presented information in its Response showing that it had taken certain actions to address the cited items. Accordingly, having considered such information, I find, pursuant to 49 C.F.R. § 190.205, that probable violations of 49 C.F.R. § 191.5(a) (Notice Item 1), 49 C.F.R. § 192.709(c) (Notice Item 8), and 49 C.F.R. § 192.745(a) (Notice Item 9) have occurred. If OPS finds a violation of any of these items in a subsequent inspection, Respondent may be subject to future enforcement action.

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