

MAY 18 2012

Mr. Gregory L. Ebel
President and Chief Executive Officer
Spectra Energy Corporation
5400 Westheimer Court
Houston, TX 77056

Re: CPF No. 2-2011-1009

Dear Mr. Ebel:

Enclosed please find the Final Order issued in the above-referenced case. It makes a finding of violation and assesses a civil penalty of \$19,000. This is to acknowledge receipt of payment of the full penalty amount, by wire transfer, dated November 4, 2011. This enforcement action 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. J. A. (Andy) Drake, Vice President, Asset Integrity, Spectra Energy
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)	
)	
Texas Eastern Transmission, LP,)	CPF No. 2-2011-1009
)	
Respondent.)	
)	

FINAL ORDER

From May - July 2011, 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 Texas Eastern Transmission, LP (TETLP or Respondent) in Alabama, Mississippi, Tennessee, and Kentucky. TETLP, a wholly-owned subsidiary of Spectra Energy Corporation, operates a system of approximately 1,700 miles of gas transmission pipeline originating in the Gulf Coast region and terminating in Ohio, Pennsylvania, New Jersey and New York.¹

As a result of the inspection, the Director, Southern Region, OPS (Director), issued to Respondent, by letter dated October 7, 2011, a Notice of Probable Violation and Proposed Civil Penalty (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that TETLP violated 49 C.F.R. § 192.465 and proposed assessing a civil penalty of \$19,000 for the alleged violation.

TETLP responded to the Notice by letter dated November 4, 2011 (Response). The company did not contest the allegation of violation and paid the proposed civil penalty of \$19,000, as provided in 49 C.F.R. § 190.227. Payment of the penalty serves to close the case with prejudice to Respondent.

FINDING OF VIOLATION

In its Response, TETLP did not contest the allegation in the Notice that it violated 49 C.F.R. Part 192, as follows:

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

¹ Spectra Energy Corp. 10-K, 2010, at 6. See, <http://www.spectraenergy.com/Operations/North-America-Transmission/Assets/>.

§ 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. . . .

(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 deficiencies indicated by the company's external corrosion monitoring program. Specifically, the Notice alleged that TETLP identified low cathodic protection (CP) readings at two test stations but failed to take prompt remedial action.

Respondent found low CP readings on Line 14 (Clinton-Kosciusko segment) and Line 10 (Kosciusko-Egypt segment) on July 26, 2009, and August 6, 2009, respectively. Despite finding successive low readings on Line 14 during subsequent inspections on April 20, 2010, and April 4, 2011, Respondent had taken no remedial action by the time of PHMSA's May 11, 2011 inspection. TETLP also recorded successive low readings on Line 10 during subsequent inspections on March 31, 2010, and April 13, 2011, but failed to take remedial action by the time of the PHMSA inspection. In both instances, Respondent failed to remediate external corrosion for nearly two years following initial discovery of the deficiencies, in violation of the regulatory requirement that such problems be corrected "promptly."

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. § 192.465(d) by failing to take prompt remedial action to correct any deficiencies indicated by corrosion control monitoring.

This finding of violation will be considered a prior offense in any subsequent enforcement action taken against Respondent.

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 \$19,000 for the violation cited above.

Item 1: The Notice proposed a civil penalty of \$19,000 for Respondent's violation of 49 C.F.R. § 192.465(d), for failing to take prompt remedial action to correct low CP readings

identified by corrosion control monitoring. TETLP neither contested the allegation nor presented any evidence or argument justifying elimination of the proposed penalty. Section 192.465 is intended to minimize the risk of external corrosion that can cause failures and injuries to people and the environment, by requiring operators to take prompt and effective action to address integrity threats. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$19,000 for violating 49 C.F.R. § 192.465(d), which amount has already been paid by Respondent.

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