

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 5, 2015

Mr. Richard Keyser
Vice President
Gulf South Pipeline Company, LP
9 Greenway Plaza, Suite 2800
Houston, TX 77046

CPF 2-2015-1001S

Dear Mr. Keyser:

Enclosed for your signature is a Consent Agreement between the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety, Southern Region and Gulf South Pipeline Company, LP in accordance with §190.(b)(2). Once signed by both parties the Associate Administrator for Pipeline Safety will issue a Consent Order, incorporating the terms of the agreement, in lieu of the Safety Order proposed by the Southern Region via the Notice of Proposed Safety Order referenced above.

Please sign the Consent Agreement and return the signed original to me. If you have any questions on this matter or any other pipeline safety issue please call me at (404) 832-1160.

Sincerely,

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

Enclosure: Consent Agreement

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY**

Southern Region
Atlanta, GA 30303

)	
In the Matter of)	
)	
Gulf South Pipeline Company, LP)	
)	
Respondent)	CPF 2-2015-1001S
)	

CONSENT AGREEMENT

On March 27, 2015, the Pipeline and Hazardous Materials Safety Administration (PHMSA), U.S. Department of Transportation, issued to Gulf South Pipeline Company, LP¹ (Gulf South or Respondent) a Notice of Proposed Safety Order (Notice). The Notice alleged that conditions exist on Gulf South's Index 130 and Index 129 transmission pipelines in Mississippi, Louisiana, and Texas that pose a pipeline integrity risk to public safety, property, or the environment.

The Notice also proposed that Respondent take certain corrective measures if necessary to correct the alleged conditions and ensure that the public, property, and the environment are protected from the potential risk.

Gulf South responded to the Notice by letter dated April 13, 2015 (Response). Respondent acknowledged receipt of the proposed safety order and requested an informal consultation,² which was held June 4, 2015, via teleconference with the Office of Pipeline Safety, Southern Region, Atlanta, Georgia.

During the informal consultation, PHMSA and Gulf South agreed that settlement of this proceeding will avoid further administrative proceedings or litigation and that entry into this Consent Agreement is the most appropriate means of resolving the Notice; therefore, pursuant to 49 C.F.R. Part 190, without adjudication of any issue of fact or law, and upon consent and agreement of Respondent and PHMSA ("the Parties"), the Parties agree as follows:

I. General Provisions

1. Respondent acknowledges that as operator of the pipeline, Respondent and its pipeline system are subject to the jurisdiction of the Federal pipeline safety laws, 49 U.S.C. § 60101 et seq., and the regulations and administrative orders issued thereunder. For purposes of this

¹ Gulf South is a subsidiary of Boardwalk Pipeline Partners.

² Gulf South's Response is incorporated into this Consent Agreement in whole (see attached).

Consent Agreement, Respondent acknowledges that it received proper notice of PHMSA's action in this proceeding and that the Notice states claims upon which relief may be granted pursuant to 49 U.S.C. 60101 et seq. and the regulations and orders issued thereunder.

2. Respondent does not admit or deny any allegation or conclusion in the Notice but agrees, for purposes of this Consent Agreement, that the condition identified in the Notice exists and agrees to address it by completing the actions specified in Section II of this agreement ("Corrective Measures"). These actions, including any work plans and schedules, shall be incorporated into this agreement. This Consent Agreement does not constitute a finding of violation of any Federal law or regulation and therefore may not be used in any civil proceeding of any kind as evidence or proof of any fact, fault or liability, or as evidence of the violation of any law, rule, regulation or requirement, except in a proceeding to enforce the provisions of this agreement or in future PHMSA enforcement actions.

3. After Respondent returns this signed agreement, PHMSA's representative will present it to the Associate Administrator for Pipeline Safety ("Associate Administrator") recommending that the Associate Administrator adopt the terms of this agreement by issuing an administrative order (Consent Order) incorporating the terms of this Consent Agreement. The terms of this agreement constitute an offer of settlement until accepted by the Associate Administrator.

4. Respondent consents to the issuance of the Consent Order, and hereby waives any further procedural requirements with respect to its issuance. Respondent waives all rights to contest the adequacy of notice, or the validity of the Consent Order or this Consent Agreement, including all rights to administrative or judicial hearings or appeals.

5. This Consent Agreement shall apply to and be binding upon PHMSA, and upon Respondent, its officers, directors, and employees, and its successors, assigns, or other entities or persons otherwise bound by law. Respondent agrees to provide a copy of this agreement and any incorporated work plans and schedules to all of Respondent's officers, employees, and agents whose duties might reasonably include compliance with this agreement.

6. For all transfers of ownership or operating responsibility of Respondent's pipeline, Respondent must provide a copy of this Consent Agreement to the prospective transferee at least 30 days prior to such transfer and simultaneously provide written notice of the prospective transfer to the PHMSA Regional Director who issued the Notice.

7. This Consent Agreement constitutes the final, complete and exclusive agreement and understanding between the Parties with respect to the settlement embodied in this agreement, and the Parties acknowledge that there are no representations, agreements or understandings related to the settlement other than those expressly contained in this agreement, except that the terms of this agreement may be construed by reference to the Notice.

8. Nothing in this Consent Agreement affects or relieves Respondent of its responsibility to comply with all applicable requirements of the Federal pipeline safety laws, 49 U.S.C. § 60101 *et seq.*, and the regulations and orders issued thereunder. Nothing in this agreement alters PHMSA's right of access, entry, inspection, and information gathering or PHMSA's authority to bring enforcement actions against Respondent pursuant to the Federal pipeline safety laws, the regulations and orders issued thereunder, or any other provision of Federal or State law.

9. This Consent Agreement does not waive or modify any Federal, State, or local laws or regulations that are applicable to Respondent's pipeline systems. This agreement is not a permit,

or a modification of any permit, under any Federal, State, or local laws or regulations. Respondent remains responsible for achieving and maintaining compliance with all applicable Federal, State, and local laws, regulations and permits.

10. This Consent Agreement does not create rights in, or grant any cause of action to, any third party not party to this agreement. The U.S. Department of Transportation is not liable for any injuries or damages to persons or property arising from acts or omissions of Respondent or its officers, employees, or agents carrying out the work required by this agreement. The U.S. Department of Transportation, its officers, employees, agents, and representatives are not liable for any cause of action arising from any acts or omissions of Respondent or its contractors in carrying out any work required by this agreement.

II. Corrective Measures

11. Terms & Definitions

- a. *Affected Pipelines* means Gulf South's:
 - Index 130 - approximately 212.9 miles from Marchand Junction (mile post 83.5) in Ascension Parish, LA to Kosciusko (mile post 296.4) in Leake County, Mississippi; and,
 - Index 129 - approximately 385.6 miles from the Edna Compression Station (mile post 58.8) in Jackson County, Texas to the Sterlington Compression Station (mile post 444.4) in Ouachita Parish Louisiana.
 - *Affected Pipelines* only include the valve sections of Index 130 and Index 129 that contain *Indicated Hard Spots* (defined below).
- b. *Type "A" sleeves* means non-pressure contacting sleeves installed on the *Affected Pipelines* over *Indicated Hard Spots*.
- c. *Type "B" sleeves* means pressure contacting sleeves installed on the *Affected Pipelines* over *Indicated Hard Spots*.
- d. *Indicated Hard Spots* means those hard spots on the *Affected Pipelines* with a Brinell hardness value of 300 or greater, that are two (2) inches or greater in any direction, and which are reinforced with Type A sleeves. *Indicated Hard Spots* have been identified by Gulf South and are shown by valve section in the attached Exhibit A.
- e. *Director* means Director, Office of Pipeline Safety, PHMSA Southern Region, Atlanta, Georgia.

12. Within 30 days from the issuance of the Consent Order, Gulf South is to maintain a pressure restriction on both *Affected Pipelines* of no greater than 550 psig.

- f. The pressure restrictions require any relevant remote or local alarm limits, software programming set-points or control points, and mechanical over-pressure devices to be adjusted accordingly.
- g. The pressure restrictions are to remain in effect in each valve section until all Type "A" sleeves in that particular valve section have been removed or remediated in accordance with the Remedial Work Plan described in Item 15 below, or otherwise properly addressed using a method selected by Gulf South in consultation with PHMSA, and

written approval to remove and/or modify the pressure restrictions is obtained from the *Director*.

- h. The *Director* can allow the permanent removal and/or modification of the pressure restriction on either or both *Affected Pipelines* or for segments of either or both *Affected Pipelines* upon a written request from Gulf South demonstrating that the corrective measures described in the Remedial Work Plan (see Item 15 below) have been completed.
 - i. The *Director* may allow the temporary removal and/or modification of the pressure restriction on either or both *Affected Pipelines* or for segments of either or both *Affected Pipelines* upon a written request from Gulf South demonstrating that preventive and mitigative measures have been implemented and will remain in place during the temporary removal and/or modification of the pressure restriction. The *Director's* determination will be based on the evidence that preventative and mitigative actions taken by the Respondent provide for the safe operation of the pipeline(s) or pipeline segment(s) during the temporary removal and/or modification of the pressure restriction.
 - j. The *Director* may allow the temporary or permanent removal and/or modification of the pressure restriction on either or both *Affected Pipelines* or for segments of either or both *Affected Pipelines* upon a written request from Gulf South demonstrating that restoring the pipeline(s) or pipeline segment(s) to normal operating pressure is justified based on a reliable engineering analysis showing that the pressure increase is safe considering all known defects, anomalies, and operating parameters of the pipeline.
 - k. Appeals to determinations of the *Director* in this regard will be decided by the Associate Administrator for Pipeline Safety.
13. Gulf South is to complete mechanical and metallurgical testing and failure analysis to:
- l. Determine the cause of the failure on the Index 130, including an analysis of the *Type "A" sleeve* which also failed on the Index 130.
 - m. Determine a safe operating pressure using fracture mechanics modeling for all *Type "A" sleeves* that will remain on the *Affected Pipelines* after remediation.
 - n. Analyze three (3) additional *Type "A" sleeves* on the Index 130 from the Caney Creek block valve (mile post 255.8) to the Fannin block valve (mile post 248.9).
 - o. Use the data to further validate the fracture mechanics modeling, and to analyze how the workmanship on the *Type "A" sleeve* may have contributed to the pipeline failure.
14. The mechanical and metallurgical testing and failure analysis must be completed and submitted to the *Director* on or before September 30, 2015, or 30 days after issuance of the Consent Order, whichever occurs last. Ensure that each testing laboratory distributes all reports whether draft or final in their entirety to the *Director* at the same time they are made available to Gulf South.
15. Within 60 days from the issuance of this Order, Gulf South must submit a Remedial Work Plan (RWP) to the *Director* for review and approval. The RWP must include a proposed schedule for completion of the RWP and must require Gulf South to accomplish the following:

- p. Remove or reinforce with a pressure containing *Type “B” sleeve* all *Indicated Hard Spots* on both *Affected Pipelines* that are currently reinforced with *Type “A” sleeves*, and which are located within High Consequence Areas (HCAs), Class 3 locations, and/or within 660 feet of a habitable structure by not later than December 31, 2015.
 - q. Identify all the remaining *Indicated Hard Spots* reinforced with *Type “A” sleeves* (i.e. those not removed or reinforced with a *Type “B” sleeve* as explained above) on both the *Affected Pipelines* by mile post, station, GPS, wheel count or other stationing method.
 - r. Establish a written procedure to identify within 12 calendar months any remaining *Indicated Hard Spot(s)* on both *Affected Pipelines* reinforced with a *Type “A” sleeve* (i.e. a hard spot not removed or reinforced with a *Type “B” sleeve* as explained above) that becomes located within an HCA, Class 3 locations, or within 660 feet of a habitable structure in the future due to development, an increase in population density, or any other cause.
 - s. Remove or reinforce with a pressure containing *Type “B” sleeve* any remaining *Indicated Hard Spot* on both *Affected Pipelines* reinforced with a *Type “A” sleeve* (i.e. one not removed or reinforced with a *Type “B” sleeve* as explained above) if the *Indicated Hard Spot* becomes located within an HCA, Class 3 location area, or within 660 feet of a habitable structure within 24 months.
16. The *Director* may approve the RWP incrementally without approving the entire RWP.
- t. Once *approved* by the *Director*, the RWP will be incorporated by reference into this Order.
 - u. Gulf South will *implement* the RWP as it is approved by the *Director*.
 - v. Gulf South must revise the RWP as necessary to incorporate new information obtained during the failure investigation and remedial activities, to incorporate the results of actions undertaken pursuant to this Safety Order, and/or to incorporate modifications required by the *Director*. Submit any such plan revisions to the *Director* for review and approval. The *Director* may approve plan revisions incrementally. Once approved, the Amended RWP and all revisions will become incorporated into the Consent Order.
17. The *Director* may grant an extension of time for compliance with any of the terms of the Consent Order upon a written request timely submitted demonstrating good cause for an extension.
18. Gulf South may appeal any decision of the *Director* to the Associate Administrator for Pipeline Safety. Decisions of the Associate Administrator shall be final.
19. Beginning 60 days after the Consent Order’s issuance, Gulf South is to prepare and submit monthly progress reports to the *Director*. These reports should include documentation of the costs associated with implementing the Corrective Measures and include sufficient detail to allow the *Director* to track the progress of the project and to provide the *Director* (or his designated representatives) an opportunity to observe and inspect future field activities as they occur.

20. Gulf South agrees to maintain documentation of the costs associated with implementing the Corrective Measures set forth in the Notice and to submit such costs to the *Director* with the monthly progress reports described in the Notice.

III. Review and Approval Process

21. With respect to any submission under Section II of this Consent Agreement that requires the approval of the *Director*, the *Director* may: (a) approve, in whole or in part, the submission, (b) approve the submission on specified conditions, (c) disapprove, in whole or in part, the submission, or (d) any combination of the foregoing. If the *Director* approves, approves in part, or approves with conditions, Respondent will take all action as approved by the *Director*, subject to Respondent's right to invoke the dispute resolution procedures in Section IV with respect to any conditions the *Director* identifies. If the *Director* disapproves all or any portion of the submission, the *Director* will provide Respondent with a written notice of the deficiencies. Respondent will correct all deficiencies within the time specified by the *Director* and resubmit it for approval.

IV. Dispute Resolution

22. The *Director* and Respondent will informally attempt to resolve any disputes arising under this Consent Agreement. If Respondent and the *Director* are unable to informally resolve the dispute within 15 days, Respondent may request in writing, within 10 days, a written determination resolving the dispute from the Associate Administrator for Pipeline Safety providing all information that Respondent believes is relevant to the dispute. If the request is submitted as provided herein, the Associate Administrator will issue a final determination in writing. The existence of a dispute and PHMSA's consideration of matters placed in dispute will not excuse, toll, or suspend any term or timeframe for completion of any work to be performed under this agreement during the pendency of the dispute resolution process except as agreed by the *Director* or the Associate Administrator in writing.

V. Enforcement

23. This Consent Agreement, as adopted by the Consent Order, is subject to all enforcement authorities available to PHMSA under 49 U.S.C. § 60101 *et seq.* and 49 C.F.R. Part 190, including administrative civil penalties under § 60122 of up to \$200,000 per violation for each day the violation continues, if PHMSA determines that Respondent is not proceeding according to the terms of the agreement, determinations made by the *Director*, or if appealed, decisions of the Associate Administrator. All work plans and associated schedules set forth or referenced in Section II will be incorporated into this Consent Agreement and are enforceable in the same manner.

VI. Record Keeping and Information Disclosure

24. Respondent agrees to maintain records demonstrating compliance with all requirements of this Consent Agreement for a period of at least five years following completion of all work to be performed. For any reports, plans, or other deliverables required to be submitted to PHMSA pursuant to this Consent Agreement, Respondent may assert a claim of business confidentiality or other protections applicable to the release of information by PHMSA, covering part or all of

the information required to be submitted to PHMSA pursuant to this agreement in accordance with 49 C.F.R. Part 7. Respondent must mark the claim of confidentiality in writing on each page, and include a statement specifying the grounds for each claim of confidentiality. PHMSA determines release of any information submitted pursuant to this Consent Agreement in accordance with 49 C.F.R. Part 7, the Freedom of Information Act, 5 U.S.C. § 552, DOT and/or PHMSA policies, and other applicable regulations and Executive Orders.

VII. Modification

25. The terms of this Consent Agreement may be modified by mutual agreement of the parties. Such modifications must be in writing and signed by both parties.

VIII. Termination

26. This Consent Agreement terminates upon completion of all terms set forth in Section II (Corrective Measures) as determined by the *Director*. Respondent may request written confirmation from PHMSA when this agreement is terminated. To the extent ongoing monitoring is required; PHMSA may terminate this agreement with respect to all other requirements with the exception of such monitoring. Nothing in this agreement prevents Respondent from completing any of the obligations earlier than the deadlines provided for in this Agreement.

IX. Ratification

27. The Parties undersigned representatives certify that they are fully authorized to enter into the terms and conditions of this Consent Agreement and to execute and legally bind such party to this document.

28. The Parties hereby agree to all conditions and terms of this Consent Agreement:

For PHMSA:

For Respondent:

Wayne T. Lemoi Date
 Director, Office of Pipeline Safety
 PHMSA Southern Region
 U.S. Department of Transportation

Richard Keyser Date
 Sr. VP, Operations
 Gulf South Pipeline Company, LP