

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 21, 2010

Mr. Eric J. Amundsen
Vice President – Technical Services
Panhandle Energy
5444 Westheimer Road
Houston, Texas 77056-6306

CPF 3-2010-1006M

Dear Mr. Amundsen:

On May 17-21, 2010, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Panhandle Energy procedures for operations and maintenance activities in Houston, Texas.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Panhandle Energy's (PE's) plans or procedures, as described below:

1. **§192.13 What general requirements apply to pipelines regulated under this part?**
(c) **Each operator shall maintain, modify as appropriate, and follow the plans, procedures, and programs that it is required to establish under this part.**

§192.503 General requirements.

(a) **No person may operate a new segment of pipeline, or return to service a segment of pipeline that has been relocated or replaced, until**

- (1) **It has been tested in accordance with this subpart and §192.619 to substantiate the maximum allowable operating pressure; and**
- (2) **Each potentially hazardous leak has been located and eliminated.**

PE's procedures were inadequate because they did not define how much new pipe may be installed during a maintenance project before a "pre-test" is no longer sufficient and a post-construction hydrostatic test becomes necessary.

2. §192.225 Welding Procedures

(b) Each welding procedure must be recorded in detail, including the results of the qualifying tests. This record must be retained and followed whenever the procedure is used.

PE's procedures were inadequate because they did not require that the welding process qualification test records to be retained.

3. §192.231 Protection from weather.

The welding operation must be protected from weather conditions that would impair the quality of the completed weld.

PE's procedures were inadequate because they did not define what constitutes adverse weather conditions that would require protection to ensure the quality of the welding was not impaired.

4. §192.241 Inspection and test of welds.

(a) Visual inspection of welding must be conducted by an individual qualified by appropriate training and experience to ensure that:

(1) The welding is performed in accordance with the welding procedure;
and

(2) The weld is acceptable under paragraph (c) of this section.

PE's procedures were inadequate because they did not require welding inspectors to be qualified to conduct visual inspections.

5. §192.241 Inspection and test of welds.

(b) The welds on a pipeline to be operated at a pressure that produces a hoop stress of 20 percent or more of SMYS must be nondestructively tested in accordance with §192.243, except that welds that are visually inspected and approved by a qualified welding inspector need not be nondestructively tested if:

(2) The pipeline is to be operated at a pressure that produces a hoop stress of less than 40 percent of SMYS and the welds are so limited in number that nondestructive testing is impractical.

PE's procedures were inadequate because they did not define what constitutes "limited in number" such that non-destructive testing becomes impractical.

6. **§192.245 Repair or removal of defects.**
(a) Each weld that is unacceptable under §192.241(c) must be removed or repaired. Except for welds on an offshore pipeline being installed from a pipeline vessel, a weld must be removed if it has a crack that is more than 8 percent of the weld length.

PE's procedures are inadequate because they reference the wrong sections of API 1104 for repairing or removing weld defects.

7. **§192.605 Procedural manual for operations, maintenance, and emergencies**
Each operator shall include the following in its operating and maintenance plan:
(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.
(1) Operating, maintaining, and repairing the pipeline in accordance with each of the requirements of this subpart and Subpart M of this part.

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

(b) Each operator shall conduct appropriate periodic underwater inspections of its pipelines in the Gulf of Mexico and its inlets in waters less than 15 feet (4.6 meters) deep as measured from mean low water based on the identified risk.

PE's procedures for assessing the risk of these pipelines were inadequate because they did not contain sufficient criteria and/or weighting guidance to ensure consistent application.

8. **§192.605(b)(1) See Above**

§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 -
(2) Promptly, but not later than 7 days after discovery, mark the location of the pipeline in accordance with 33 CFR Part 64 at the ends of the pipeline segment and at intervals of not over 500 yards (457 meters) long, except that a pipeline segment less than 200 yards (183 meters) long need only be marked at the center;

PE's procedures were inadequate because they did not delineate the extent of marking required when the operator discovers a pipeline is exposed on the seabed or constitutes a hazard to navigation.

9. §192.605(b)(1) See Above

§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.

PE's procedures were inadequate because they did not require PE to provide the necessary cover over the pipeline when it discovers that a pipeline is exposed on the seabed or constitutes a hazard to navigation.

10. §192.605(b)(1) See Above

§192.625 Odorization of gas.

(b) After December 31, 1976, a combustible gas in a transmission line in a Class 3 or Class 4 location must comply with the requirements of paragraph (a) of this section unless:

(1) At least 50 percent of the length of the line downstream from that location is in a Class 1 or Class 2 location;

(2) The line transports gas to any of the following facilities which received gas without an odorant from that line before May 5, 1975:

(i) An underground storage field;

(ii) A gas processing plant;

(iii) A gas dehydration plant; or

(iv) An industrial plant using gas in a process where the presence of an odorant:

(A) Makes the end product unfit for the purpose for which it is intended;

(B) Reduces the activity of a catalyst; or

(C) Reduces the percentage completion of a chemical reaction

(3) In the case of a lateral line which transports gas to a distribution center, at least 50 percent of the length of that line is in a Class 1 or Class 2 location.; or

(4) The combustible gas is hydrogen intended for use as a feedstock in a manufacturing process.

PE's procedures were inadequate because they did not include provisions for determining which segments of its transmission pipelines and laterals that are partially located in Class 3 and 4 locations must be odorized in accordance with paragraph (a).

11. §192.605(b)(1) See Above

§192.707 Line markers for mains and transmission lines.

(d) Marker warning. The following must be written legibly on a background of sharply contrasting color on each line marker:

(2) The name of the operator and telephone number (including area code) where the operator can be reached at all times.

PE's procedures were inadequate because they still allowed marker signs to be labeled with a telephone number for the public to call collect, even though that option is no longer available through the phone service.

12. §192.605(b)(1) See Above

§192.727 Abandonment or inactivation of facilities.

(d) Whenever service to a customer is discontinued, one of the following must be complied with:

(1) The valve that is closed to prevent the flow of gas to the customer must be provided with a locking device or other means designed to prevent the opening of the valve by persons other than those authorized by the operator.

(2) A mechanical device or fitting that will prevent the flow of gas must be installed in the service line or in the meter assembly.

(3) The customer's piping must be physically disconnected from the gas supply and the open pipe ends sealed.

PE's procedures were inadequate because they did not include a requirement to utilize one of the three acceptable methods to ensure that gas flow will be prevented whenever service to a customer is discontinued.

13. §192.605(b)(1) See Above

§192.727 Abandonment or inactivation of facilities.

(g) For each abandoned offshore pipeline facility or each abandoned onshore pipeline facility that crosses over, under or through a commercially navigable waterway, the last operator of that facility must file a report upon abandonment of that facility.

PE's procedures were inadequate because they did not require reports to be filed when an underwater pipeline facility crossing a navigable waterway is abandoned.

14. §192.605(b)(1) See Above

§192.735 Compressor stations: Storage of combustible materials.

(a) Flammable or combustible materials in quantities beyond those required for everyday use, or other than those normally used in compressor buildings, must be stored a safe distance from the compressor building.

PE's procedures were inadequate because they did not define what constitutes a combustible material or what quantities are considered necessary for everyday use.

15. §192.605(b)(1) See Above

§192.739 Pressure limiting and regulating stations: Inspection and testing.

(a) Each pressure limiting station, relief device (except rupture discs), and Pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is–

PE's procedures were inadequate because they did not include fuel gas regulators as subject to the annual inspection and testing requirements.

16. §192.605(b)(1) See Above

§192.739 Pressure limiting and regulating stations: Inspection and testing.

(a) Each pressure limiting station, relief device (except rupture discs), and Pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is–

(4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.

PE's procedures (G.25, M.06, and M.02) were inadequate because they did not include provisions for inspecting the applicable pressure control devices to ensure they are properly protected from dirt, liquids, and other conditions that may prevent proper operation.

17. §192.605(b)(1) See Above

§192.751 Prevention of accidental ignition.

Each operator shall take steps to minimize the danger of accidental ignition of gas in any structure or area where the presence of gas constitutes a hazard of fire or explosion, including the following:

(a) When a hazardous amount of gas is being vented into open air, each potential source of ignition must be removed from the area and a fire extinguisher must be provided.

PE's procedures were inadequate because they did not clearly require the removal of potential ignition sources, such as cell phones, in areas where a hazardous amount of gas was being vented into open air.

18. §192.605 Procedural manual for operations, maintenance, and emergencies

(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.

(2) Controlling corrosion in accordance with the operations and maintenance requirements of Subpart I of this part.

§192.453 General.

The corrosion control procedures required by §192.605(b)(2), including those for the design, installation, operation, and maintenance of cathodic protection systems, must be carried out by, or under the direction of, a person qualified in pipeline corrosion control methods.

PE's procedures were inadequate because they did not contain provisions that require the corrosion control program to be carried out by or under the direction of a qualified individual.

19. §192.605(b)(2) See Above

§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.

PE's procedures are inadequate because they do not properly consider voltage drops other than those across the structure-electrolyte boundary as required when interpreting the criteria contained in Appendix D. When PE obtains readings that demonstrate

inadequate cathodic protection when such voltage drops are eliminated (i.e. instant-off cathodic protection data), PE's procedures do not require PE to verify a different criterion has been met or to remediate the deficiency in its program for controlling corrosion.

- 20. §192.605 Procedural manual for operations, maintenance, and emergencies**
Each operator shall include the following in its operating and maintenance plan:
(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.
(8) Periodically reviewing the work done by operator personnel to determine the effectiveness and adequacy of the procedures used in normal operation and maintenance and modifying the procedure when deficiencies are found

PE's procedures were inadequate because they did not contain detailed provisions for periodically reviewing the work done by its employees to determine the effectiveness and adequacy of its procedures.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 45 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to **CPF 3-2010-1006M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

David Barrett
Director, Central Region
Pipeline and Hazardous Materials Safety Administration

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