



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

MAR 29 2007

8701 South Gessner, Suite 1110
Houston, TX 77074

**NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 27, 2007

Mr. John Earley
Senior Vice President
Gulf South Pipeline
20 E. Greenway Plaza
Suite 900
Houston, Texas 77046

CPF 4-2007-1003

Dear Mr. Earley:

During the weeks of January 23 – 27, and February 6 – 10, 2006, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your integrity management program in Houston, Texas.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. **§ 192.605 Procedural manual for operations, maintenance, and emergencies.**
 - (a) **General.** Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.

(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.

§ 192.713 Transmission lines: Permanent field repair of imperfections and damages.

(a) Each imperfection or damage that impairs the serviceability of pipe in a steel transmission line operating at or above 40 percent of SMYS must be –

(1) Removed by cutting out and replacing a cylindrical piece of pipe; or

(2) Repaired by a method that reliable engineering tests and analyses show can permanently restore the serviceability of the pipe.

(b) Operating pressure must be at a safe level during repair operations.

A. On September 24 - 25, 2003, Gulf South personnel recoated a section of pipe on their Pipeline # I-129 Agua Dulce line at SS 123+13 which exhibited localized corrosion pitting in the seam and in the girth weld. Gulf South did not repair the defects either in accordance with their own O&M procedures or in accordance with a method that reliable engineering tests and analyses shows can permanently restore the serviceability of the pipe. Gulf South's O&M procedure, 10.8 Repair of Leaks and Defective Pipe, requires per Table 2 – Repair Methods for Environmentally Caused Defects, that the corrosion be repaired with a Type B Sleeve. Similarly, the current industry standard for reliable engineering tests is the 1994 "Pipeline Repair Manual" developed for the American Gas Association, and Table 1, "Summary of Repair Applications", from that manual indicates that a Type B Sleeve is the only accepted method for Factor 20 (ERW Selective Corrosion). Similarly, for Factor 27 (Girth-Weld Defect), the accepted repair applications include Grinding, Deposited Weld Metal and Type B Sleeve.

B. On October 2-3, 2003, Gulf South personnel repaired a section of pipe on their Pipeline # I-129 Agua Dulce line at SS 286+05 which exhibited localized and general corrosion pitting in the seam by using a composite repair method. Gulf South did not repair the defects in accordance with their own O&M procedures or in accordance with a method that reliable engineering tests and analyses shows can permanently restore the serviceability of the pipe. Gulf South personnel repaired a section of pipe exhibiting localized and general corrosion pitting in a longitudinal weld using a composite sleeve by the name of PermaWrap. The current standard for reliable engineering tests is the 1994 "Pipeline Repair Manual" developed for the American Gas Association (A newer version has not been published to date). Table 1. Summary of Repair Applications, from that manual indicates that a Type B Sleeve is the only accepted method for Factor 20. ERW Selective Corrosion.

2. §192.909 How can an operator change its integrity management program?

(a) General. An operator must document any change to its program and the reasons for the change before implementing the change.

Gulf South IMP did not have procedures and documentation requirements for addressing changes to the IMP. Gulf South has described its overall process for Management of Change in Section 14 of the IMP, with the process flow identified in Figure 14.1-1. Section 14.7 indicates that modifications to the IMP follow the process in Figure 14.1-1. Further, changes have been made to the IMP to date, but these changes have not been performed and documented in accordance with Gulf South's program statements made in Figure 14.1-1 of the IMP. Gulf South did not have proper procedures and it did not execute rule required actions even against their own process flow description.

With regard to other changes, the Gulf South IMP did not include procedures and documentation requirements for the management of change process to address technical, physical, procedural, and organizational changes as stated in the IMP. Gulf South did not have any verification that they executed any management of change activities against any elements of their program according to rule requirements.

3. §192.911 What are the elements of an integrity management program? An operator's initial integrity management program begins with a framework (see §192.907) and evolves into a more detailed and comprehensive integrity management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program. The initial program framework and subsequent program must, at minimum, contain the following elements. (When indicated, refer to ASME/ANSI B31.8S (incorporated by reference, see §192.7) for more detailed information on the listed element.)

(k) A management of change process as outlined in ASME/ANSI B31.8S, section 11.

The Gulf South IMP did not include a procedure to keep the BAP up-to-date with respect to newly arising information that may require changes to the segment prioritization or assessment method. CE's IMP Section 4.7 requires that risk assessment be updated when new information is obtained and that the changes be evaluated to determine if changes to the BAP are warranted but there is no procedure to ensure the process is implemented.

IMP Section 5.1 requires that all changes to the Baseline Assessment Plan have a reason, be approved by the proper authority, be analyzed for implications of the changes and be properly communicated to involved individuals but there are no detailed procedures describing how these requirements are to be implemented. Documentation of changes implemented since the initial baseline assessment plan developed 12/17/2004 has not been prepared that reflect the reason for the change, approval of the change, analysis of the implications of the change, or the communication of the change to stakeholders.

4. **§192.911 (see above)**

(l) A quality assurance process as outlined in ASME/ANSI B31.8S, section 12.

Gulf South did not have sufficiently comprehensive QA/QC procedures and is evidenced by their failed QA/QC procedures for threat management as described for Index 130 below. The IMP has inadequate specification for the performance and documentation of program reviews, both internal and external reviews, in that no definition is provided for the scope of the proposed reviews and the periodicity expected for these reviews. The Quality Assurance Plan for the IMP (found in Section 12.6 of the Plan) did not adequately address the requirements of ASME B31.8S, Chapter 12 for each element of the IMP. There is no specification of what constitutes the set of QA/QC activities associated with conduct of the IMP and no identification of responsibilities for those activities. An example of inadequate QA process controls is noted in the fact that applicable threats have not been assessed for Index 130 piping for which an ILI has been performed and credited, but no assessment has been performed to assess the primary threat of third party damage. This threat is normally assessed by the use of caliper pigs. This line was credited in the BAP as having been assessed, but this cannot be complete until a caliper pig has been run. It would be expected that the quality assurance process would identify this discrepancy.

5. **§192.911 (see above)**

(l) A quality assurance process as outlined in ASME/ANSI B31.8S, section 12.

Gulf South hired a consultant to conduct an external/independent review of the Gulf South IMP (Review of Integrity Management Program, August 15, 2005, Process Performance Improvement Consultants, LLC), but there is no evidence that corrective measures recommended by this review were performed and completed and no process exists by which to track these corrective measures to completion (e.g., as may be evidenced by the proper use of an IMP change log). Gulf South did not have procedures which ensure that contractors are required to have appropriate QA/QC controls. The Tuboscope ISA did not have QA/QC specifications.

6. **§192.911 (see above)**

(m) A communication plan that includes the elements of ASME/ANSI B31.8S, section 10, and that includes procedures for addressing safety concerns raised by--

(1) OPS; and

(2) A State or local pipeline safety authority when a covered segment is located in a State where OPS has an interstate agent agreement.

Gulf South did not have procedures to address how it will regularly and routinely communicate and document IMP issues internally and how it will execute against requests made by PHMSA and State/Local officials.

Gulf South has no formal procedures or requirements to adequately provide for regular internal communications on a specified interval nor is an ongoing effort prescribed which

enables a broad internal understanding and buy-in to the IMP. The Gulf South Internal Communications Plan simply consists of an information session provided to Field VPs, Area Business Leaders, and the Operations group personnel during various regular staff meetings.

Subsection 11.2.2 of the Gulf South IMP states that safety concerns raised by PHMSA or State/local officials are to be addressed, but there are no programmatic procedures or requirements for how this process is to be carried out and documented. IMP Section 11.1 references the company's Integrity Management Awareness Program. However, this program was not made available during the inspection.

7. §192.915 What knowledge and training must personnel have to carry out an integrity management program?

(b) Persons who carry out assessments and evaluate assessment results. The integrity management program must provide criteria for the qualification of any person--

- (1) Who conducts an integrity assessment allowed under this subpart; or**
- (2) Who reviews and analyzes the results from an integrity assessment and evaluation; or**
- (3) Who makes decisions on actions to be taken based on these assessments.**

(c) Persons responsible for preventive and mitigative measures. The integrity management program must provide criteria for the qualification of any person--

- (1) Who implements preventive and mitigative measures to carry out this subpart, including the marking and locating of buried structures; or**
- (2) Who directly supervises excavation work carried out in conjunction with an integrity assessment?**

Gulf South did not have procedures or program qualification requirements documented in the IMP for personnel that carry out assessments and review assessment results or for other personnel who carry out IMP activities. Qualification requirements must be defined for necessary IM functions – resumes or training records may then demonstrate that qualification requirements have been met.

8. §192.917 How does an operator identify potential threats to pipeline integrity and use the threat identification in its integrity program?

(a) Threat identification. An operator must identify and evaluate all potential threats to each covered pipeline segment. Potential threats that an operator must consider include, but are not limited to, the threats listed in ASME/ANSI B31.8S (incorporated by reference, see § 192.7), section 2, which are grouped under the following four categories:

- (1) Time dependent threats such as internal corrosion, external corrosion, and stress corrosion cracking;**

(2) Static or resident threats, such as fabrication or construction defects;

(3) Time independent threats such as third party damage and outside force damage; and

(4) Human error.

Gulf South did not have procedures to properly evaluate and/or eliminate threats, and Gulf South eliminated threats improperly. The basis for elimination of cyclic fatigue or other loading conditions as a threat for all pipeline segments has not been adequately justified in program documentation. No systematic process is described or implemented that demonstrates how threats are evaluated for specific segments and their applicability or non-applicability documented for use in other elements of the program.

Gulf South did not have a procedure not analyze interacting threats as required by the regulations such as corrosion related to LF-ERW pipe or accelerated by third party or outside force damage. Each threat has been analyzed separately, but the potential worsening of the impact of the threats due to interaction has not been analyzed or considered in the risk model or program documentation.

9. §192.917 (see above)

(b) Data gathering and integration. To identify and evaluate the potential threats to a covered pipeline segment, an operator must gather and integrate existing data and information on the entire pipeline that could be relevant to the covered segment. In performing this data gathering and integration, an operator must follow the requirements in ASME/ANSI B31.8S, section 4. At a minimum, an operator must gather and evaluate the set of data specified in Appendix A to ASME/ANSI B31.8S, and consider both on the covered segment and similar non-covered segments, past incident history, corrosion control records, continuing surveillance records, patrolling records, maintenance history, internal inspection records and all other conditions specific to each pipeline.

Gulf South did not have procedures to gather and integrate data. No process/procedures exist to describe the requirements to gather and/ or integrate data or QA/QC procedures to ensure data quality.

Gulf South has not developed procedures or program controls to ensure that the data sources listed in ASME B31.8S, Table 2 have been utilized for the IMP. If data sources are ruled out, the basis for their exclusion must be documented. Gulf South has no record of assumptions that have been made when missing or inadequate data has been identified.

Gulf South has not developed procedures or program requirements to address the basis for assumptions made when data is missing or suspect. Specifically, the following four elements are not addressed:

- Each threat covered by the missing or suspect data is assumed to apply to the segment being evaluated. The unavailability of identified data elements is not a justification for exclusion of a threat.
- Conservative assumptions are used in the risk assessment for that threat and segment or the segment is given higher priority.

- Records are maintained that identify how unsubstantiated data are used, so that the impact on the variability and accuracy of assessment results can be considered.
- Depending on the importance of the data, additional inspection actions or field data collection efforts may be required.

10. **§192.917 (see above)**

(b) Data gathering and integration. (see above)

Gulf South has not explicitly analyzed and reviewed for each covered segment the complete data sets specified in ASME B31.8S Appendix A and summarized in Table 1 and the additional 7 data sets prescribed by the IM Rule. Where data elements have been ruled out, the basis for their exclusion must be documented

11. **§192.917 (see above)**

(c) Risk assessment. An operator must conduct a risk assessment that follows ASME/ANSI B31.8S, section 5, and considers the identified threats for each covered segment. An operator must use the risk assessment to prioritize the covered segments for the baseline and continual reassessments (§192.919, 192.921, 192.937), and to determine what additional preventive and mitigative measures are needed (§192.935) for the covered segment.

Gulf South did not have procedures to address how risk data is used to accomplish the following objectives and it did not perform the following objectives according to rule requirements:

- assessing the benefits derived from mitigating action
- determining the most effective mitigation measures for the identified threats
- assessing of the integrity impact from modified inspection intervals
- assessing of the use of or need for alternative inspection methodologies
- effective resource allocation
- facilitating decisions to address risks along a pipeline or within a facility

Risk values generated by the risk model are exclusively being used to prioritize assessments in the BAP. This adequately addresses the objective of prioritization of segments for scheduling integrity assessments but not other requirements. IMP Section 4.1 states that the risk information is to be used to accomplish these objectives, but there is no documentation describing how this is done.

12. **§192.917 (see above)**

(e) Actions to address particular threats. If an operator identifies any of the following threats, the operator must take the following actions to address the threat.

(3) Manufacturing and construction defects. If an operator identifies the threat of manufacturing and construction defects (including seam defects) in the covered segment, an operator must analyze the covered segment to determine the risk of failure from these defects. The analysis must consider the results of prior assessments on the covered segment. An operator may consider manufacturing and construction related defects to be stable defects if the operating pressure on the covered segment has not increased over the maximum operating pressure experienced during the five years preceding identification of the high consequence area. If any of the following changes occur in the covered segment, an operator must prioritize the covered segment as a high risk segment for the baseline assessment or a subsequent reassessment.

(i) Operating pressure increases above the maximum operating pressure experienced during the preceding five years;

(ii) MAOP increases; or

(iii) The stresses leading to cyclic fatigue increase.

Gulf South did not have defined processes or procedures to address Manufacturing and Construction defects. The IMP specifically did not include defined processes or procedures describing how to monitor operating pressure increases that may occur above the maximum operating pressure experienced during the preceding five years, MAOP increases, or the stresses leading to cyclic fatigue increases that may have occurred in covered segments.

13. §192.919 What must be in the baseline assessment plan?

An operator must include each of the following elements in its written baseline assessment plan:

(b) The methods selected to assess the integrity of the line pipe, including an explanation of why the assessment method was selected to address the identified threats to each covered segment. The integrity assessment method an operator uses must be based on the threats identified to the covered segment. (See §192.917.) More than one method may be required to address all the threats to the covered pipeline segment.

Gulf South did not properly assess for relevant threats or conduct the proper baseline assessments. Gulf South pipeline Index 130 is credited with a prior ILI assessment. However, Gulf South did not have a documented process or analysis showing that all applicable threats have been addressed by the prior assessment. The assessment did not include a caliper run to address potential third party damage which the risk assessment identified as a primary threat. As such, this assessment may not be credited as a completed assessment.

14. §192.921 How is the baseline assessment to be conducted?

(a) Assessment methods. An operator must assess the integrity of the line pipe in each covered segment by applying one or more of the following methods

depending on the threats to which the covered segment is susceptible. An operator must select the method or methods best suited to address the threats identified to the covered segment (See §192.917).

(1) Internal inspection tool or tools capable of detecting corrosion, and any other threats to which the covered segment is susceptible. An operator must follow ASME/ANSI B31.8S (incorporated by reference, see §192.7), section 6.2 in selecting the appropriate internal inspection tools for the covered segment.

Gulf South's IMP did not include procedures or programmatic requirements describing the process for analysis and documentation of ILI tool selection nor did it perform the associated rule required actions as is evidenced by Index 130 and described in both items 4. and 13. above. Gulf South's Evaluation and Remediation Practice #4, Inline Inspection Practice, recognizes that ILI tools have an average of 80% accuracy confidence, but processes do not specify the use of a tool tolerance to compensate for potential tool and grading inaccuracies for ILI results. Gulf South did not have procedures or programmatic requirements for quality assurance and vendor personnel qualifications for evaluation of ILI results. There is no documented procedure or process for recording decisional information regarding assessment methods to address identified threats for each covered segment.

15. §192.921 (see above)

(f) Newly identified areas. When an operator identifies a new high consequence area (see §192.905), an operator must complete the baseline assessment of the line pipe in the newly identified high consequence area within ten (10) years from the date the area is identified.

(g) Newly installed pipe. An operator must complete the baseline assessment of a newly-installed segment of pipe covered by this subpart within ten (10) years from the date the pipe is installed. An operator may conduct a pressure test in accordance with paragraph (a)(2) of this section, to satisfy the requirement for a baseline assessment.

Gulf South did not have procedures or programmatic requirements to complete a baseline assessment for segment[s] having newly identified HCAs and newly installed segments within ten [10] years from the date of identification. Procedures and process descriptions must describe how the baseline assessment plan is updated to reflect the required assessment schedule.

16. §192.933 What actions must be taken to address integrity issues?

(c) Schedule for evaluation and remediation. An operator must complete remediation of a condition according to a schedule that prioritizes the conditions for evaluation and remediation. Unless a special requirement for remediating certain conditions applies, as provided in paragraph (d) of this section, an operator must follow the schedule in ASME/ANSI B31.8S (incorporated by reference, see § 192.7), section 7, Figure 4. If an operator cannot meet the schedule for any condition, the operator must justify the reasons why it cannot

meet the schedule and that the changed schedule will not jeopardize public safety. An operator must notify OPS in accordance with § 192.949 if it cannot meet the schedule and cannot provide safety through a temporary reduction in operating pressure or other action. An operator must also notify a State or local pipeline safety authority when either a covered segment is located in a State where OPS has an interstate agent agreement, or an intrastate covered segment is regulated by that State.

Gulf South did not have procedures to implement their IM plan which does define the process used when justifying why a remediation schedule cannot be met and why the changed schedule will not jeopardize public safety. There is no identification of who is to develop this justification, the contents of the justification, where the record is to be maintained, etc. Gulf South stated that it is expected that these justifications will be placed in dig packets, but it is also noted that there is no documented procedure or process used for developing dig packets. Procedures for controlling both processes need to be established to ensure repeatability.

17. §192.933 (see above)

(c) Schedule for evaluation and remediation. (see above)

Gulf South did not develop a prioritized schedule for remediation activities as required by the regulations and as specified in the Gulf South IMP Section 7.5. There was no schedule record.

18. §192.935 What additional preventive and mitigative measures must an operator take to protect the high consequence area?

(a) General requirements. An operator must take additional measures beyond those already required by Part 192 to prevent a pipeline failure and to mitigate the consequences of a pipeline failure in a high consequence area. An operator must base the additional measures on the threats the operator has identified to each pipeline segment. (See §192.917) An operator must conduct, in accordance with one of the risk assessment approaches in ASME/ANSI B31.8S (incorporated by reference, see §192.7), section 5, a risk analysis of its pipeline to identify additional measures to protect the high consequence area and enhance public safety. Such additional measures include, but are not limited to, installing Automatic Shut-off Valves or Remote Control Valves, installing computerized monitoring and leak detection systems, replacing pipe segments with pipe of heavier wall thickness, providing additional training to personnel on response procedures, conducting drills with local emergency responders and implementing additional inspection and maintenance programs.

Gulf South did not have formal procedures or documentation to identify the required additional P&M measures will be selected or implemented and which also considers both the likelihood and consequences of a failure.

19. **§192.935 (see above)**

(a) General requirements. (see above)

Gulf South has completed baseline assessments for several HCA segments but the threats to those segments have not been evaluated to identify appropriate and required P&M Measures.

20. **§192.935 (see above)**

(c) Automatic shut-off valves (ASV) or Remote control valves (RCV). If an operator determines, based on a risk analysis, that an ASV or RCV would be an efficient means of adding protection to a high consequence area in the event of a gas release, an operator must install the ASV or RCV. In making that determination, an operator must, at least, consider the following factors--swiftness of leak detection and pipe shutdown capabilities, the type of gas being transported, operating pressure, the rate of potential release, pipeline profile, the potential for ignition, and location of nearest response personnel.

Gulf South did not have a documented risk analysis-based procedure to determine if automatic shut-off valves or remote control valves should be added to their system.

21. **§192.937 What is a continual process of evaluation and assessment to maintain a pipeline's integrity?**

(b) Evaluation. An operator must conduct a periodic evaluation as frequently as needed to assure the integrity of each covered segment. The periodic evaluation must be based on a data integration and risk assessment of the entire pipeline as specified in §192.917. For plastic transmission pipelines, the periodic evaluation is based on the threat analysis specified in §192.917(d). For all other transmission pipelines, the evaluation must consider the past and present integrity assessment results, data integration and risk assessment information (§192.917), and decisions about remediation (§192.933) and additional preventive and mitigative actions (§192.935). An operator must use the results from this evaluation to identify the threats specific to each covered segment and the risk represented by these threats.

Gulf South did not have procedures and documentation requirements for performing periodic evaluations based on a data integration and risk assessment of the entire pipeline nor did it perform the required actions per the rule requirements. The evaluations must consider past and present assessment results, data integration, risk assessment information, decisions about remediation, and additional preventive and mitigative actions.

Gulf South did not have procedures and documentation requirements for performing periodic evaluations to establish reassessment methods and schedules nor had it properly established reassessment methods and schedules per rule requirements.

22. §192.937 (b) (see above).

Gulf South has not conducted periodic evaluations for those baseline assessments that have been reported as complete per the Gulf South IMP Section 6.5.2 which specifies that the required periodic evaluations will be conducted annually.

23. §192.937 (see above)

(b) Evaluation. (see above)

Gulf South did not have procedures and documentation requirements for the review of completed periodic evaluation results to determine if new information warrants changes to reassessment intervals and/or methods.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of \$183,000 as follows:

<u>Item number</u>	<u>PENALTY</u>
1.A.	\$30,000
1.B.	\$30,000
4.	\$16,000
10.	\$16,000
11.	\$16,000
13.	\$16,000
14.	\$16,000
17.	\$16,000
19.	\$11,000
22.	\$16,000

Proposed Compliance Order

With respect to items 1 – 23 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Gulf South Pipeline. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

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.

In your correspondence on this matter, please refer to **CPF 4-2007-1003** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,



R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous
Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Gulf South a Compliance Order incorporating the following remedial requirements to ensure the compliance of Gulf South with the pipeline safety regulations:

1. In regard to Item Number 1.A of the Notice pertaining to the actions on September 24-25, 2003, where Gulf South personnel recoated a section of pipe on their Pipeline # I-129 Agua Dulce line at SS 123+13 which exhibited localized corrosion pitting in the seam and in the girth weld, Gulf South did not repair the defects by following their O&M procedures or by using a method that reliable engineering tests and analyses show can permanently restore the serviceability of the pipe. Gulf South must excavate and make proper repairs.
2. In regard to Item Number 1.B of the Notice pertaining to the actions taken on October 2-3, 2003, where Gulf South personnel repaired a section of pipe on their Pipeline # I-129 Agua Dulce line at SS 286+05 which exhibited localized and general corrosion pitting in the seam, Gulf South did not repair the defects by following their O&M procedures or by using a method that reliable engineering tests and analyses show can permanently restore the serviceability of the pipe. Gulf South must excavate and make proper repairs.
3. In regard to Item Number 2 of the Notice pertaining to Management of Change procedures, Gulf South must develop and implement appropriate Management of Change procedures to cover the issues addressed.
4. In regard to Item Number 3 of the Notice pertaining to BAP procedures, Gulf South must develop and implement appropriate BAP procedures to cover the issues addressed.
5. In regard to Item Number 4 of the Notice pertaining to QA/QC procedures, Gulf South must develop and implement appropriate QA/QC procedures to cover the issues addressed.
6. In regard to Item Number 5 of the Notice pertaining to findings from the external/independent review, Gulf South must detail their plans with regard to each of the findings in the review. In regard to Item Number 5 of the Notice pertaining to QA/QC procedures for contractors, Gulf South must develop and implement appropriate QA/QC procedures to cover the issues addressed.
7. In regard to Item Numbers 6 of the Notice pertaining to internal and external communications, Gulf South must develop and implement appropriate Communication procedures to cover the issues addressed.
8. In regard to Item Number 7 of the Notice pertaining to expected Knowledge and Training of company personnel, Gulf South must develop and implement appropriate Training procedures to cover the issues addressed.
9. In regard to Item Numbers 8 of the Notice pertaining to Threat Identification, Gulf South must develop and implement appropriate Threat Assessment procedures to cover the issues addressed.
10. In regard to Item Numbers 9 of the Notice pertaining to Data Gathering and

- Integration, Gulf South must develop and implement appropriate procedures to cover the issues addressed.
11. In regard to Item Numbers 10 of the Notice pertaining to Data Gathering and Integration, Gulf South must develop and implement appropriate procedures to cover the issues addressed.
 12. In regard to Item Number 11 of the Notice pertaining to Risk Assessment, Gulf South must develop and implement procedures to cover the issues addressed.
 13. In regard to Item Number 12 of the Notice pertaining to Manufacturing and Construction Defects, Gulf South must develop and implement procedures to cover the issues addressed.
 14. In regard to Item Number 13 of the Notice pertaining to proper assessments for prior ILI assessments, Gulf South must review the discussed BAP of Index 130 and all other prior assessments and determine and document their ability to be included as prior assessments and where necessary Gulf South must address any shortfalls discovered during the review.
 15. In regard to Item Number 14 of the Notice pertaining to Assessment Methods, Gulf South must develop and implement procedures to cover the issues addressed.
 16. In regard to Item Number 15 of the Notice pertaining to Baseline Assessments for Newly Identified HCA Areas, Gulf South must develop and implement appropriate procedures to cover the issues addressed.
 17. In regard to Item Number 16 of the Notice pertaining to Evaluation and Remediation schedules, Gulf South must develop and implement appropriate procedures to cover the issues addressed.
 18. In regard to Item Number 17 of the Notice pertaining to Evaluation and Remediation schedules, Gulf South must develop and implement appropriate schedules to cover the issues addressed.
 19. In regard to Item Number 18 of the Notice pertaining to preventive and mitigative measures, Gulf South must develop and implement appropriate procedures to cover the issues addressed.
 20. In regard to Item Number 19 of the Notice pertaining to preventive and mitigative measures, Gulf South must develop and implement appropriate evaluations to cover the issues addressed.
 21. In regard to Item Number 20 of the Notice pertaining to ASVs and RCVs, Gulf South must develop and implement appropriate procedures to cover the issues addressed.
 22. In regard to Item Numbers 21 and 22 of the Notice pertaining to Periodic Evaluations, Gulf South must develop and implement appropriate procedures and evaluations to cover the issues addressed.
 23. In regard to Item Number 23 of the Notice pertaining to Periodic Evaluations, Gulf South must develop and implement appropriate procedures to cover the issues addressed.
 24. Gulf South must address the issues detailed in Items 1 through 23 above within 90 days after receipt of a Final Order and submit to R. M. Seeley, Director,

Southwest Region, Pipeline and Hazardous Materials Safety Administration.

25. Gulf South shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to R. M. Seeley, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. Costs shall 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.