NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 25, 2007

Steve Hopson,
Senior VP Engineering/Operations
Targa Midstream Services
1000 Louisiana
Suite 4300
Houston, TX 77002

Dear Mr. Hopson:

On October 23-27, 2006, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code, inspected your procedures for your Integrity Management Program (IMP) in Lake Charles, LA.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Targa Midstream Services (Targa) plans or procedures, as described below:

1. §195.452 Pipeline integrity management in high consequence areas.
   (f) What are the elements of an integrity management program?
   An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:
     (1) A process for identifying which pipeline segments could affect a high consequence area.
Targa must modify the process used to establish buffer distances to include quality assurance steps to ensure all parameters and criteria are properly applied and the calculations used to establish the buffer distances are checked against actual pipeline specifications. The Inspection Team noted that a valve to valve distance of 7.3 miles was used in the RMP calculation of the buffer distance to reach a 1 psi overpressure following the release and explosion of propane in the Lake Charles to Mt. Belvieu pipeline section. However, the maximum valve to valve distance in the Lake Charles to Sour Lake pipeline segment (which is part of the Lake Charles to Mt. Belvieu pipeline) is 10.1 miles.

2. §195.452 Pipeline integrity management in high consequence areas.

(f) see above

(3) An analysis that integrates all available information about the integrity of the entire pipeline and the consequences of a failure (see paragraph (g) of this section);

(g) What is an information analysis? In periodically evaluating the integrity of each pipeline segment (paragraph (j) of this section), an operator must analyze all available information about the integrity of the entire pipeline and the consequences of a failure. This information includes:

(1) Information critical to determining the potential for, and preventing, damage due to excavation, including current and planned damage prevention activities, and development or planned development along the pipeline segment;

(2) Data gathered through the integrity assessment required under this section;

(3) Data gathered in conjunction with other inspections, tests, surveillance and patrols required by this Part, including, corrosion control monitoring and cathodic protection surveys; and

(4) Information about how a failure would affect the high consequence area, such as location of the water intake.

(i) What preventive and mitigative measures must an operator take to protect the high consequence area?

(2) Risk analysis criteria. In identifying the need for additional preventive and mitigative measures, an operator must evaluate the likelihood of a pipeline release occurring and how a release could affect the high consequence area. This determination must consider all relevant risk factors, including, but not limited to:

(i) Terrain surrounding the pipeline segment, including drainage systems such as small streams and other smaller waterways that could act as a conduit to the high consequence area;
(ii) Elevation profile;
(iii) Characteristics of the product transported;
(iv) Amount of product that could be released;
(v) Possibility of a spillage in a farm field following the drain tile into a waterway;
(vi) Ditches along side a roadway the pipeline crosses;
(vii) Physical support of the pipeline segment such as by a cable suspension bridge;
(viii) Exposure of the pipeline to operating pressure exceeding established maximum operating pressure.
Targa’s current risk model must be modified to ensure that high risk “could affect an HCA” segments within a testable section can be identified; that potentially important and meaningful risk factors, such as coating type are included; that the inclusion of mitigating factors are included in calculating the likelihood of failure; and that an appropriate weighting scheme/method for consequence is implemented. During the inspection it was identified that the lowest value possible for Urban Areas is higher that the highest value of any other consequence factors.

3. §195.452 Pipeline integrity management in high consequence areas.
   (f) see above:
   (6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section)

   (i) see above
   (1) General requirements. An operator must take measures to prevent and mitigate the consequences of a pipeline failure that could affect a high consequence area. These measures include conducting a risk analysis of the pipeline segment to identify additional actions to enhance public safety or environmental protection. Such actions may include, but are not limited to, implementing damage prevention best practices, better monitoring of cathodic protection where corrosion is a concern, establishing shorter inspection intervals, installing EFRDs on the pipeline segment, modifying the systems that monitor pressure and detect leaks, providing additional training to personnel on response procedures, conducting drills with local emergency responders and adopting other management controls.
   (2) see above

Targa must document the process to evaluate and implement preventive and mitigative measures (P&MM) per §195.452(i)(1) &(2) in sufficient detail to ensure consistent application.

4. §195.452 Pipeline integrity management in high consequence areas.
   (f) (6) see above
   (i) see above

   (3) Leak detection. An operator must have a means to detect leaks on its pipeline system. An operator must evaluate the capability of its leak detection means and modify, as necessary, to protect the high consequence area. An operator’s evaluation must, at least, consider the following factors: length and size of the pipeline, type of product carried, the pipeline’s proximity to high consequence area, the swiftness of leak detection, location of nearest response personnel, leak history, and risk assessment results.

Targa must document the process to evaluate leak detection capabilities per §195.452(i)(3) in sufficient detail to ensure consistent application.
5. §195.452 Pipeline integrity management in high consequence areas.
   (f) see above
   (i) see above
   (4) Emergency Flow Restricting Devices (EFRD). If an operator determines that an EFRD is needed on a pipeline segment to protect a high consequence area in the event of a hazardous liquid pipeline release, an operator must install the EFRD. In making this determination, an operator must, at least, consider the following factors - the swiftness of leak detection and pipeline shutdown capabilities, the type of commodity carried, the rate of potential leakage, the volume that can be released, topography or pipeline profile, the potential for ignition, proximity to power sources, location of the nearest response personnel, specific terrain between the pipeline segment and the high consequence area, and benefits expected by reducing the spill size.

Targa must document the process for EFRD needs determination per §195.452(i) (4) in sufficient detail to ensure consistent application.

6. §195.452 Pipeline integrity management in high consequence areas.
   (f) see above
   (7) Methods to measure the program's effectiveness (see paragraph (k) of this section);
   (k) What methods to measure program effectiveness must be used? An operator's program must include methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting the high consequence areas. See Appendix C of this part for guidance on methods that can be used to evaluate a program's effectiveness.

Targa must modify their process to include additional performance metrics to provide meaningful insights to measure the effectiveness of the IMP. The performance measures reviewed by the Inspection Team did not specify metrics that provide Targa with sufficiently meaningful insights into the effectiveness of the IMP. While Targa's failure history does not show a release due to corrosion, it does show third party damage and operator error as accident causes, and use of accident history alone is not sufficient to accurately measure Targa's IMP's effectiveness.

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 30 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 your correspondence on this matter, please refer to CPF 4-2007-5035M and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

[Signature]

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

Enclosure: Response Options for Pipeline Operators in Compliance Proceedings