

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 27, 2011

Mr. Tim Reichwein
Vice President Operations
PB Energy Storage Services, Inc
16285 Park Ten Place
Houston, Texas 77084

CPF 4-2011-5002M

Dear Mr. Reichwein:

On October 4-7, 2010, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code inspected PB Energy Storage Services, Inc. (PBE) procedures and records for the Integrity Management Plan in Houston, TX.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within PBE's 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:

(3) An analysis that integrates all available in-formation 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.**

Pipeline NA I traverses through the Herbert Pump Station and was not accurately considered for risk analysis and must be re-evaluated, if necessary, or corrected as appropriate for PBE's integrity management program. The analysis in table 3 shows the evaluation was performed for NAI pipeline instead of for the correct pipeline, NAI.

2. §195.452(f) (see 1. above)

- (6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section)**

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

(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.

PBE's section 9.1 of their Integrity Management Program manual did not adequately describe P & M measures that must be taken to protect HCAs from detected threats. PBE must include a procedure for evaluating and categorizing P & M measures to be considered based on risk scores developed from identified threats.

3. §195.452(f) (see 1. 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.

a. Performance metrics report must be developed for including safety concerns related to the operator's unique operating conditions. Reports on trending, developed from metrics analysis, must gauge such issues as over-pressurization, right-of-way encroachments, SCADA outages, and other safety concerns found in the pipeline system, and a means to update performance events to assure they are providing useful information to determine the effectiveness of IM Program activities.

b. PBE must establish a procedure for thoroughly completing analyses of threats that affect overall risk which includes the identification of human factors issues, management systems problems, generic component or process failures and trends, and system wide implementation of good practices. Recommendations and corrective actions as well as lessons learned from root-cause analysis of incidents must be included in the analysis and distributed to appropriate company employees.

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 60 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 4-2011-5002M** 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

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