

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 29, 2012

Mr. Theopolis Holeman
Group V.P. U.S. Operations
Texas Eastern Transmission L.P.
5400 Westheimer Ct.
Houston, TX 77056

CPF 4-2012-1009

Dear Mr. Holeman:

From February 7 to December 15, 2011, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Texas Eastern Transmission L.P., Spectra Energy (TET) procedures, records, and pipeline facilities in the states of Texas, Louisiana, Arkansas, and the Gulf of Mexico.

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. §192.475 Internal corrosion control: General

(a) Corrosive gas may not be transported by pipeline, unless the corrosive effect of the gas on the pipeline has been investigated and steps have been taken to minimize internal corrosion.

At the Iowa Facility in the Lake Charles unit area, the PHMSA inspector noted that dead-ends had not been identified and monitored for several years. TET failed to take steps to minimize

internal corrosion. Dead end piping that cannot be swept with gas pressure or cleaned by pigging need to be monitored in order to minimize any effects of internal corrosion. On August 29, 2000, PHMSA issued Advisory Bulletin ADB-00-02. The Advisory states that Gas transmission owners and operators should thoroughly review their internal corrosion management programs and operations. Additionally, special attention should be given to specific conditions, including flow characteristics, pipeline location (especially drips, dead legs, and sags, which are on-line segments that are not cleaned by pigging or other methods).

2. §192.475 Internal corrosion control: General.

(b) Whenever any pipe is removed from a pipeline for any reason, the internal surface must be inspected for evidence for corrosion. If internal corrosion is found

(1)The adjacent pipe must be investigated to determine the extent of internal corrosion;

(2)Replacement must be made to the extent required by the applicable paragraphs of §§192.485, 192.487, or 192.489; and;

(3)Steps must be taken to minimize the internal corrosion.

During the review records at the Lake Charles area office, PHMSA inspectors found that there were two instances which indicate that the internal surface of the pipe was not inspected for evidence of corrosion. The Pipe & Coating Inspection Report #'s: 4-LC-033-08-12 and 4-LC-033-08-11 both dated 7/30/2008; indicate that whereas the pipe was repaired by welding in two full circumference sections of pipe, the reports indicate that the pipes internal surface was not inspected for evidence of corrosion.

Records reviewed during the field inspection demonstrate that TET violated § 192.475 by failing to inspect the internal surface for evidence of corrosion.

3. §192.479 Atmospheric corrosion control; General.

(a) Each operator must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

During the field inspection of the Lake Charles area, PHMSA inspectors observed that Texas Eastern (Spectra) failed to clean and coat portions of their pipeline exposed to atmospheric corrosion at two (2) locations. PHMSA inspectors observed disbonded coating, atmospheric corrosion, and severe pitting in couple of locations. The locations were at Mainline Block Valve MP 49.64 and at Vermillion 265 offshore platform.

4. §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.

§192.481 Atmospheric corrosion control: Monitoring.

(b) During inspections the operator must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.

At the Atlanta Compressor Station field inspection, PHMSA inspectors observed that TET has failed give particular attention to pipe station pipe coating under thermal insulation. The TET procedure 2-5000, Atmospheric Pipe Inspection has a note specifying where the ports should be located for monitoring. The insulated section of piping at the Atlanta compressor station has only one 2-inch capped area at the 12 o'clock position on the pipe with which to examine the pipes coating. The PHMSA inspector observed that a more effective means of monitoring for atmospheric corrosion must be implemented. TET has failed to meet the requirements of §192.481 by failing to inspect with particular attention under its thermally insulated pipe and TET failed to follow procedure 2-5000 which notes that inspection ports should be located at the low points on the piping where water is more likely to accumulate in the annular space between the outside of pipe and insulation.

5. §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.

§192.745 Valve maintenance: Transmission lines.

(a) Each transmission line valve that might be required during any emergency must be inspected and partially operated at intervals not exceeding 15 months, but at least once each calendar year.

TET did not partially operate each transmission line valve that might be required during any emergency as required by §192.745 and by TET Standard Operating procedure 5-5010. During

the valve maintenance records inspection of the TET facilities in the states of Texas, Louisiana and Arkansas, TET provided records documenting the valve inspections. The records showed the inspections as having occurred for the years between 2008 and 2011; however they failed to perform the partial operation of more than 32, 2-inch valves; more than 6, 3-inch valves; more than 7, 4-inch valves; more than 4, 6-inch valves; more than 5, 8-inch valves; more than 7, 10-inch valves; more than 2, 14-inch valves; more than 2, 16-inch valves; more than 3, 24-inch valves; and more than 7, 30-inch valves for at least one calendar year interval between 2008 and 2011.

Spectra Energy Standard Operating Procedures, Volume 5 – Emergency Response and Common Procedures, Procedure 5-5010 Valve Inspection and Maintenance states on page 1 of 10, “Perform inspection and maintenance of all pipeline, meter station and compressor station valves in gas service 2” and Larger in accordance with the valve manufacturers’ guidelines and the requirements of this procedure, once each calendar year, not to exceed 15 months.” On page 6 of 10 it states, “If it is not possible to stroke a valve 100% due to gas flow conditions, operate the valve partially to validate the inspection.” On page 8 of 10 it states, “For valves within or adjacent to compressor stations, or other facilities where hazardous conditions would result or where the operation of the station would be in jeopardy from a fully open or completely closed valve operation, operate partially.” TET does not maintain a list valves that might be required during any emergency, but instead they inspect and partially operate all valves as stated in their procedure.

TET failed to follow its procedure as written in its Standard Operating Procedures manual thereby failing to meet the requirements of §192.605(a) and TET failed to demonstrate that valves that might be required during any emergency were partially operated as required by §192.745(a). While the TET completed the maintenance portion of the inspections within the maximum 15 month period, they failed to perform the partial operation of several valves between the calendar years of 2008 and 2011.

6. §192.705 Transmission lines: Patrolling.

(a) Each operator shall have a patrol program to observe surface conditions on and adjacent to the transmission line right-of-way for indications of leaks, construction activity, and other factors affecting safety and operation.

At the Longview area field inspection, the PHMSA inspector noted several occasions of Right-of-Way overgrowth and of debris on the ROW. The areas were on Line 11 at MP 229; 306.57 and Line 13 at MP 23; 24.24; and MP 44. The overgrowth and debris noted in these areas were such that it would hamper the patrolling of these areas for indications of leaks, construction activity, and other factors affecting safety and operation. TET has failed to meet the requirements of §192.705(a) by failing to maintain the Right-of-Way in a condition that would not impede the performance of their patrolling.

7. §192.707 Line markers for mains and transmission lines.

(a) Buried pipelines. Except as provided in paragraph (b) of this section, a line marker must be placed and maintained as close as practical over each buried main and transmission line:

(1) At each crossing of a public road and railroad; and

(2) Wherever necessary to identify the location of the transmission line or main to reduce the possibility of damage or interference.

During the Arkansas area field inspection, the PHMSA inspector noted where line markers were not placed and maintained as close as practical over each buried main and transmission. In Arkansas the areas were at MP 85.12, downstream from the valve in the open field area and at MP 339.09, upstream and downstream from mainline valve 1-496. Additionally, while inspecting the Portland south unit in Texas, the PHMSA inspector noted a similar issue. There were no line markers on the rear fence at the Measuring Station 73258/59, at MP 23.25, where the line enters the fenced area.

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 violations and has recommended that you be preliminarily assessed a civil penalty of \$134,500.00 as follows:

<u>Item number</u>	<u>PENALTY</u>
2	\$29,600.00
4	\$28,700.00
5	\$76,200.00

Warning Items

With respect to items 1, 3, 6, and 7, we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct these items. Be advised that failure to do so may result in TET being subject to additional enforcement action.

Proposed Compliance Order

With respect to item 4 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Texas Eastern Transmission L.P., Spectra Energy. 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 4-2012-1009** 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 Texas Eastern Transmission L.P., Spectra Energy (TET) a Compliance Order incorporating the following remedial requirement to ensure the compliance of TET with the pipeline safety regulations:

1. In regards to Item Number 4 of the Notice pertaining to failure to give particular attention to pipe coating under thermal insulation, TET must review procedure 2-5000 Atmospheric Pipe Inspection to ensure that the location of inspection ports are in the proper location to monitor the coating under thermal insulation. TET must survey all applicable insulated segments of its pipeline facilities throughout its pipeline system and ensure that they are protected from atmospheric corrosion under the thermal insulation. Based on this review and survey, the respondent must develop a plan, process and follow their procedure to ensure that the inspection, testing, and monitoring of pipe coating under thermal insulation is performed in a manner consistent with the requirements of §195.481(b). TET must provide this office its plans, procedures and records that demonstrate that a process has been implemented and demonstrate compliance with 49 CFR §195.481(b).
2. Aforementioned to be accomplished within 30 days following receipt of the Final Order.
3. It is requested (not mandated) that TET 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. It is requested that these costs 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.