Dear Mr. Brian Cody:

On multiple occasions between May 2 and September 29, 2011, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code was onsite and inspected your natural gas transmission pipeline system assets located in the states of Arkansas, Mississippi and Louisiana.

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. §192.613 Continuing Surveillance
   (a) Each operator shall have a procedure for continuing surveillance of its facilities to determine and take appropriate action concerning changes in class location, failures, leakage history, corrosion, substantial changes in cathodic protection requirements, and other unusual operating and maintenance conditions.
(b) If a segment of pipeline is determined to be in unsatisfactory condition but no immediate hazard exists, the operator shall initiate a program to recondition or phase out the segment involved, or, if the segment cannot be reconditioned or phased out, reduce the maximum allowable operating pressure in accordance with §192.619 (a) and (b).

Texas Gas Transmission (TXGT) failed to implement a continuing surveillance program to detect and take appropriate action following a hydrotest that overstressed the two ANSI 150 WNRF flanges for Project #1339. During the review of Project #1339 - the installation of the Relief Valve at the Eunice Compressor Station, two ANSI 150 WNRF flanges rated to 275 psig were tested to 530 psig. Per ASME B16.5 - 2003 Pipe Flanges and Flanged Fittings, section 2.6 System Hydrostatic Testing, “Flanged joints and flanged fittings may be subjected to system hydrostatic tests at a pressure of 1.5 times the 38°C (100°F) rating rounded off to the next higher 1 bar (25 psi) increment. Testing at any higher pressure is the responsibility of the user, taking into account the requirements of the applicable code or regulation.” Per ASME B16.5, an ANSI 150 flange can be tested to 425 psig. The flanges were tested to 530 psig which is 105 psig above the allowed test pressure. TXGT personnel were establishing an MAOP of 275 psig.

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 of 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.

TXGT did not perform the required inspection of the internal surface when the pipe was removed or the internal surface exposed. During the review of the TXGT inspection forms TXG-92 ‘Pipeline Inspection & Repair Report’ for the years 2007-2011; PHMSA noted on 13 occasions in the areas Bastrop-Guthrie, Pineville-Columbia, and Eunice-Woodlawn that no internal pipe surface inspections for internal corrosion were documented when pipe sections were replaced or valves were installed in the pipe.

3. §192.605 Procedural manual for operations, maintenance, and emergencies

   Each operator shall include the following in its operating and maintenance plan:

   (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.

TXGT failed to follow their procedures on multiple occasions. TXGT created a set of operations and maintenance manuals that detail how TXGT will be performing certain operations and maintenance tasks. The requirements set forth in these manuals must be followed to ensure safety and compliance with the regulations. The following instances detail where TXGT failed to follow their procedures.

§192.481 Atmospheric corrosion control: Monitoring.

(c) If atmospheric corrosion is found during an inspection, the operator must provide protection against the corrosion as required by Sec. 192.479.

TXGT personnel failed to follow their procedures and remediate external corrosion graded as P4 within the 180-day time period. During the review of the Atmospheric Corrosion Control records, PHMSA noted at facility 2460 Deep Saline (PELTEX) located in the Morgan City/Offshore area, the 1/25/2008 inspection graded the corrosion as P4F3S2. A follow-up inspection was conducted on 5/21/2008 and graded the site at P4F4S3. The 2009 inspection was conducted on 1/25/2009 and graded the atmospheric corrosion at the site as P4F4S4. In short the number 4 is defined by TXGT as “4 = heavy corrosion, pitting, scaling and metal loss.” The TXGT O&M, Corrosion Control Procedure OM.20.13.01.08, Atmospheric and Offshore Splash Zone Corrosion Inspections, section 5, Remedial Actions, 5.1.1 states, ‘After inspection, piping, flanges, and straps and supports with a corrosion condition of 4 require remediation within 180 days.’ Documentation was provided that stated that the remediation work was to begin in November of 2008. The remediation work was completed and invoiced on 12/05/2008. The remediation exceeded the 180 days required in the TXGT procedures and fails to explain the grading of the site as P4F4S4 on 1/25/2009.

§192.736 Compressor stations: Gas detection.

(c) Each gas detection and alarm system required by this section must be maintained to function properly. The maintenance must include performance tests.

TXGT personnel failed to follow procedures and calibrate the gas detector devices to within the required operating range of 0% LEL to 50% LEL at the Sharon Compressor Station during the 2010 and 2011 annual testing and maintenance. The gas detection systems at compressor stations require testing and maintenance to ensure proper operation per 192.736(c). The TXGT Electrical and Automation Policy OM.30.03.00.05, Gas Detection, Policy section 1.3.1 states, ‘All gas detection devices will be calibrated at least
once each calendar year not to exceed 15 months, except where shorter intervals are required by the manufacturer’. The TXGT Work Instruction, WI-01085 Testing & Maintaining Gas Detection Alarm/Shutdown Systems, step 4.3 states, ‘Calibrate all sensors per manufacturer’s instructions and check at:

- ‘Alarm’ shall be set at 20% LEL
- ‘Shutdown’ shall be set at 40% LEL
- Calibration gas level at 50%’

TXGT calibrates 16 gas detectors at the Sharon Compressor Station quarterly and performs calibration and functional testing of each device annually. During the annual calibration testing for 2010 and 2011, TXGT personnel failed to calibrate the upper limit of various gas detectors to the required limit of 50%. The ‘As Left’ value of the upper limit was shown at 57% for one detector in 2010. In 2011, the ‘As Left’ value of the upper limit was shown at 58% for one detector in 2011.

4. §192.705 Transmission lines: Patrolling.

(b) The frequency of patrols is determined by the size of the line, the operating pressures, the class location, terrain, weather, and other relevant factors, but intervals between patrols may not be longer than prescribed in the following table:

<table>
<thead>
<tr>
<th>Class of the Line</th>
<th>Maximum interval between patrols</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>At Highway and Railroad Crossing</td>
</tr>
<tr>
<td>1, 2</td>
<td>7 ½ months, but at least twice each calendar year</td>
</tr>
<tr>
<td>3</td>
<td>4 ½ months, but at least four times each calendar year</td>
</tr>
<tr>
<td>4</td>
<td>4 ½ months, but at least four times each calendar year</td>
</tr>
</tbody>
</table>

TXGT failed to meet the required patrolling intervals on several occasions. The Boardwalk Pipeline Partners O&M Manual, chapter 11, section 2.2 Frequency of Surveillance, table 2-1 requires for class 1&2 at Highway and Railroad Crossings, the maximum frequency is twice each calendar year, at intervals not exceeding 7 ½ months. During the review of the TXGT Land Patrol Report - Semi-Annual Road and Railroad Crossings, PHMSA found that in the calendar year 2007, TXGT exceeded the required patrolling interval on 41 separate occasions in the Morgan City area.

5. §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-
(1) In good mechanical condition;
(2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;
(3) Except as provided in paragraph (b) of this section, set to control or relieve at the correct pressure consistent with the pressure limits of §192.201(a); and
(4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.

TXGT failed to comply with the requirements of §192.739(a). During the review of the Regulator Condensed Inventory - Inspection Records with Capacity Review - 510 Morgan City, PHMSA noted that the annual inspection and testing data for the following facilities: A730-G-16 REL Avoca Island #1 Relief Valve 9488 and C234-G-6 REG/FCPO Old Camp Pass 9012 were missing for various years.

- Avoca Island #1 Relief Valve 9488 inspection data was missing for calendar year 2007.
- Old Camp Pass 9012 inspection data was missing for calendar years 2008 and 2009.

No other documentations or information was provided to indicate these inspections and tests were performed.

6. §192.709 Transmission lines: Record keeping.

Each operator shall maintain the following records for transmission line for the periods specified:

(a) The date, location, and description of each repair made to pipe (including pipe-to-pipe connections) must be retained for as long as the pipe remains in service.
(b) The date, location, and description of each repair made to parts of the pipeline system other than pipe must be retained for at least 5 years. However, repairs generated by patrols, surveys, inspections, or tests required by subparts SubPart L and M of this part must be retained in accordance with paragraph (c) of this section.
(c) A record of each patrol, survey, inspection, and test required by subparts L and M of this part must be retained for at least 5 years or until the next patrol, survey, inspection, or test is completed, whichever is longer.

TXGT failed to maintain appropriate records for tests required by subpart M. During the review of the Regulator Condensed Inventory - Inspection Records with Capacity Review - 510 Morgan City, PHMSA noted that the annual inspection and testing data for the following facilities: A730-G-16 REL Avoca Island #1 Relief Valve 9488; B705-G-30 REL Blk 20 Burlington 9552; C234-G-6 REG/FCPO Old Camp Pass 9012; L420-G-29 REL South Lake Pagie 2198; and L440-G-27 REL Lake Pagie 2845 were missing for various years.
• Avoca Island #1 Relief Valve 9488 inspection data was missing for calendar year 2007.
• Blk 20 Burlington 9552 inspection data was missing for calendar year 2008.
• Old Camp Pass 9012 inspection data was missing for calendar years 2008 and 2009.
• South Lake Pagie 2198 inspection data was missing for calendar years 2008 and 2009.
• Lake Pagie 2845 inspection data was missing for calendar year 2008.

TXGT provided PHMSA with an Affidavit from Forest Oliver, a former employee of TXGT, regarding some of the missing documentation. Also provided was a letter and attachments from Terry Moody, System Measurement Leader, regarding some of the missing documentation. The Affidavit states that Forest Oliver did inspect and maintain Blk 20 Burlington 9552 in June 2008, South Lake Pagie 2198 in June 2008 and August 2009, and Lake Pagie 2845 in June 2008. An affidavit is not the proper record for this type of inspection or test.

7. §192.743 Pressure limiting and regulating stations: Capacity of relief devices

(a) Pressure relief devices at pressure limiting stations and pressure regulating stations must have sufficient capacity to protect the facilities to which they are connected. Except as provided in §192.739(b), the capacity must be consistent with the pressure limits of §192.201(a). This capacity must be determined at intervals not exceeding 15 months, but at least once each calendar year, by testing the devices in place or by review and calculations.

TXGT failed to comply with the requirements of §192.743(a). PHMSA noted in the Morgan City Area that the capacity review for the relief device L420-G-29 REL at South Lake Pagie 2198 was missed for the calendar year 2008. In the Bastrop-Guthrie Area, the capacity reviews for 31 relief devices were exceeded by one month between March 6, 2007 and July 8, 2008.

8. §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.

TXGT failed to perform valve maintenance in the calendar year 2007 for 101 transmission valves in the Sharon-Haughton Area. Per TXGT Procedure T.70.55.01.05 Valve Maintenance, TXGT personnel maintained 229 valves in 2006, during the months June through December. In 2007, TXGT personnel maintained 128 of the 229 valves. The remaining 101 valves were maintained in January 2008. Although all 229 valves for the 2007 Valve Maintenance package were maintained within a 15 month interval, the 101
valves maintained in early 2008 as part of the 2007 Valve Maintenance were not maintained in the calendar year 2007.

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 $162,900 as follows:

<table>
<thead>
<tr>
<th>Item number</th>
<th>PENALTY</th>
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<tbody>
<tr>
<td>2</td>
<td>$25,000</td>
</tr>
<tr>
<td>3</td>
<td>$35,600</td>
</tr>
<tr>
<td>4</td>
<td>$29,000</td>
</tr>
<tr>
<td>5</td>
<td>$28,100</td>
</tr>
<tr>
<td>6</td>
<td>$20,200</td>
</tr>
<tr>
<td>8</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

Warning Items
With respect to item 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 Texas Gas Transmission LLC being subject to additional enforcement action.

Proposed Compliance Order
With respect to item 1 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Texas Gas Transmission LLC. 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 4-2012-1015 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 Gas Transmission LLC a Compliance Order incorporating the following remedial requirements to ensure the compliance of Texas Gas Transmission LLC with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice, TXGT overstressed the two ANSI 150 WNRF flanges during the hydrostatic pressure test for Project #1339. TXGT must provide PHMSA with justification for testing the two flanges to 530 psig, 105 psig above the allowable test pressure. The justification should establish that the structural integrity of the flanges has not been damaged. Otherwise, TXGT must replace the two flanges.

2. TXGT must complete item 1 of the compliance order and provide PHMSA with the justification or documentation that verifies that the flanges have been replaced within 45 days after receipt of the Final Order.

3. It is requested (not mandated) that Texas Gas Transmission LLC 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.