

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

October 24, 2012

Mr. M. Dwayne Burton
Vice President, Gas Pipeline Operations
Natural Gas Pipeline Company of America
500 Dallas, Suite 1000
Houston, TX 77002

CPF 4-2012-1018

Dear Mr. Burton:

On multiple occasions between January 20, 2011 and August 9, 2012, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code were onsite and inspected Natural Gas Pipeline Company of America's (NGPL) Gulf Coast pipelines from South Texas to the Chicago Metro area.

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 violation(s) are:

1. §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 Robstown area, a PHMSA inspector observed that NGPL failed to clean and coat portions of their pipeline exposed to the atmosphere at several locations

within the Robstown Compressor Station 341. The PHMSA inspector observed disbonded coating, atmospheric corrosion, and severe pitting at flanged areas.

2. §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.

NGPL did not adequately inspect pipe located at a pipe support for atmospheric corrosion. During the Wharton Compressor Station 301 field inspection, a PHMSA inspector observed that NGPL had not thoroughly inspected for corrosion of pipe at pipe supports. NGPL field personnel are not able to perform an atmospheric evaluation of the pipe condition underneath concrete pipe supports. At the present time, NGPL is inspecting for atmospheric corrosion by observing the rust stains that may be forming at the edges of the concrete supports. A more effective means of monitoring for atmospheric corrosion must be implemented. NGPL has failed to meet the requirements of §192.481 by failing to adequately inspect for atmospheric corrosion at pipe supports.

3. §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 one 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.

NGPL did not follow their procedures for continuing surveillance reviews. While reviewing records for District 201 and 311 a PHMSA inspector noted that NGPL did not document any continuing surveillance reviews prior to the 2011 calendar year. Also, while reviewing records for District 307 it was discovered that for the calendar years 2009, 2010, and 2011 the Technical Services Manager had not signed off as an evaluator of the district's continuing surveillance review.

O&M Procedure 218, Continuing Surveillance section 3 states "annually, not to exceed 15 months the Operations Manager shall meet with subject matter experts as required to review inspection records and documents that comprise continuing surveillance. Continuing surveillance shall be conducted to identify any pipeline facilities experiencing unusual operating and maintenance conditions."

Section 5 continues and states: “Document each review of the District's continuing surveillance program in accordance with O&M Procedure 1700 - Inspection and Maintenance: I&M Procedure 1-0203.00 – Continuing Surveillance.”

I&M Procedure 1-0203.00- Continuing Surveillance with a revision date of 2005-07-01 states “Evaluate the District’s continuing surveillance program with Operations management and Technical Services Manager. Modify the program as required for each district following the guidelines contained in O&M Procedure 218.”

4. §192.611 Change in class location: Confirmation or revision of maximum allowable operating pressure.

(d) Confirmation or revision of the maximum allowable operating pressure that is required as a result of a study under §192.609 must be completed within 24 months of the change in class location. Pressure reduction under paragraph (a) (1) or (2) of this section within the 24-month period does not preclude establishing a maximum allowable operating pressure under paragraph (a)(3) of this section at a later date.

NGPL did not revise their maximum allowable operating pressure (MAOP) within 24 months of a change in class location. While reviewing records for District 307 a PHMSA inspector observed that NGPL had a class location change from Class 1 and 2 to Class 3 on April 27, 2009. It was observed that sections of this class location change’s MAOP could not be confirmed and that a MAOP revision would be required. An MAOP revision was not completed until January 25, 2012 and exceeded the 24-month period by 9 months.

5. §192.615 Emergency plans.

(b) Each operator shall:

(3) Review employee activities to determine whether the procedures were effectively followed in each emergency.

NGPL did not perform a review of employee activities to determine whether the procedures were effectively followed during an emergency. While reviewing records for District 309 a PHMSA inspector noted that NGPL completed Form 100-45 following an incident that occurred at Compressor Station 309 on March 6, 2006 involving a stuck relief valve. From the review of the form, PHMSA could not determine that NGPL performed the required review of activities and procedures. More detail in the documentation is necessary in order to demonstrate that such reviews are performed as required by the regulations.

6. §192.807 Recordkeeping.

Each operator shall maintain records that demonstrate compliance with this subpart.

(a) Qualification records shall include:

- (1) Identification of qualified individual(s);**
- (2) Identification of the covered tasks the individual is qualified to perform;**
- (3) Date(s) of current qualification; and**
- (4) Qualification method(s).**

(b) Records supporting an individual's current qualification shall be maintained while the individual is performing the covered task. Records of prior qualification and records of individuals no longer performing covered tasks shall be retained for a period of five years.

NGPL did not maintain operator qualification records for one of its contract welders. While reviewing operator qualification records at District 309 a PHMSA inspector requested qualification records for a contract welder that had performed covered tasks during a 2008 launcher/receiver upgrade project. NGPL did not make the records available during the inspection. The covered tasks required were Abnormal Operations (001.01.01), Welding Process (024.01.01) and Visual Inspection of Welds (024.02.01).

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 \$122,700 as follows:

<u>Item number</u>	<u>PENALTY</u>
3	\$60,300
4	\$41,200
6	\$21,200

Warning Items

With respect to item 5, 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 item(s). Be advised that failure to do so may result in NGPL being subject to additional enforcement action.

Proposed Compliance Order

With respect to items 1 and 2 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to NGPL. 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 4-2012-1018** 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 Natural Gas Pipeline Company of America (NGPL) a Compliance Order incorporating the following remedial requirements to ensure the compliance of NGPL with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to coating failure and onset of atmospheric corrosion, NGPL must evaluate the piping surface to ensure that pipe integrity is suitable for the maximum allowable operating pressure of the pipeline at the Robstown Compressor Station. The areas must then be cleaned and coated according to 49 CFR Part 192 and NGPL procedures.
2. In regard to Item Number 2 of the Notice pertaining to inspection for atmospheric corrosion at pipe supports at the Wharton Compressor Station, NGPL must thoroughly evaluate their pipelines at concrete pipe supports and determine if atmospheric corrosion is present. If atmospheric corrosion is present, NGPL must evaluate the piping surface to ensure that pipe integrity is suitable for the maximum allowable operating pressure of the pipeline and clean and coat the affected areas according to 49 CFR and NGPL procedures.
3. NGPL should complete items 1 and 2 within 90 days of receipt of the Final Order.
4. It is requested (not mandated) that NGPL 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.