

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 20, 2015

Mr. Steve Bergstrom
Executive Chairman, President and Chief Executive Officer
American Midstream Partners LP
1400 16th Street, Suite 310,
Denver, CO 80202

CPF 4-2015-1007

Dear Mr. Bergstrom:

On June 16 - 23, 2014, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your Control Room Management Program in Houston, TX.

As a result of the inspection, it appears that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation is:

- 1. §192.631 Control room management.**
 - (j) Compliance and deviations. An operator must maintain for review during inspection:**
 - (1) Records that demonstrate compliance with the requirements of this section**

§ 192.631 Control room management.

(c) Provide adequate information. Each operator must provide its controllers with the information, tools, processes and procedures necessary for the controllers to carry out the roles and responsibilities the operator has defined by performing each of the following:

(2) Conduct a point-to-point verification between SCADA displays and related field equipment when field equipment is added or moved and when other changes that affect pipeline safety are made to field equipment or SCADA displays;

(3) Test and verify an internal communication plan to provide adequate means for manual operation of the pipeline safely, at least once each calendar year, but at intervals not to exceed 15 months;

(4) Test any backup SCADA systems at least once each calendar year, but at intervals not to exceed 15 months;

(d) Fatigue mitigation. Each operator must implement the following methods to reduce the risk associated with controller fatigue that could inhibit a controller's ability to carry out the roles and responsibilities the operator has defined:

(3) Train controllers and supervisors to recognize the effects of fatigue;

(e) Alarm management. Each operator using a SCADA system must have a written alarm management plan to provide for effective controller response to alarms. An operator's plan must include provisions to:

(4) Review the alarm management plan required by this paragraph at least once each calendar year, but at intervals not exceeding 15 months, to determine the effectiveness of the plan;

During the inspection of American Midstream Partners' (American) Control Room Management program PHMSA reviewed American's procedures and asked to see documentation to demonstrate compliance with the regulations. American's procedures specify the records retention will be between three to five years. American was able to provide some records for 2011 and a few for 2014. There were no records provided for the period between 2012 and 2013. PHMSA reviewed these records and found them insufficient to demonstrate compliance with the requirements of §192.631(c), (d) and (e).

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a 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 \$17,300.

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. All material submit in response to this enforcement action may be 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 4-2015-1007** 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*

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to American Midstream a Compliance Order incorporating the following remedial requirements to ensure the compliance of American Midstream with the pipeline safety regulations:

Item 1: In regards to item Number 1 of the Notice pertaining to maintaining records for demonstrating compliance with the 192.631 American Midstream must review their procedures and add specifics as to how they will maintain these records. The procedures should make reference to the forms to be used (with an appropriate numbering or naming system). The procedures should also specify who is responsible for completing and maintaining the documentation.

Item 2: These revised procedures should be forwarded to PHMSA within 60 days of the date of the final order.

Item 3: Following the acceptance of the revised procedures American Midstream should perform the appropriate activities and complete the documentation to demonstrate compliance with 192.631 and forward the appropriate records to PHMSA.

Item 4: The activities should be completed and the records demonstrating compliance should be forwarded to PHMSA with 180 days of the final order.

Item 5: It is requested (not mandated) that American Midstream 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.