



June 26, 2015

Sent via e-mail and Overnight Mail
Contains Confidential Business Information – Do Not Disclose

R.M. Seeley
U.S. Department of Transportation
Director, Southwest Region
8701 South Gressner
Suite 1110
Houston, TX 77074
Rodrick.M.Seeley@dot.gov

Re: American Midstream Response to PHMSA Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order (CPF 4-2015-1007) and Notice of Amendment (CPF 402015-1008M)

Mr. Seeley:

American Midstream Partners, LP ("American Midstream") received certified letters on April 28, 2015, from the Southwest Region of the Pipeline and Hazardous Materials Safety Administration ("PHMSA") including the Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order ("NOPV") and Notice of Amendment ("NOA") captioned above. American Midstream requested a 30-day extension to respond to the NOPV and NOA on May 20, 2015, and sent a follow-up e-mail on May 26, 2015, to inquire whether the extension has been granted. The purpose of the request for extension was to allow American Midstream time to fully evaluate the NOPV and NOA and prepare a full and complete response by American Midstream and a newly retained outside consultant.

American Midstream was informed on May 27, 2015, that PHMSA intended to grant its request for extension. American Midstream received letters dated May 28, 2015, confirming the extension was granted. We appreciate the extension of time. American Midstream now provides the enclosed response to the NOPV and NOA. American Midstream appreciates the opportunity to respond to the issues identified in the NOPV and NOA. If you have any questions, I can be reached at rnewburn@americanmidstream.com or via phone at (303) 374-9853. Thank you for your time and attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ryan M. Newburn", written over a horizontal line.

Ryan M. Newburn
Vice President and Assistant General Counsel

American Midstream Responses to potential inadequacies identified in Notice of Probable Violation dated April 20, 2015 (CPF 4-2015-1007)

American Midstream is in receipt of PHMSA's April 20, 2015, Notice of Probable Violation ("NOPV"). Pursuant to 49 CFR 190.208, American Midstream provides the following response to the NOPV. American Midstream is offering the information contained herein in good faith, and does not make any admissions as to the accuracy of PHMSA's allegations, and does not waive any of its rights or defenses. American Midstream reserves the right to supplement or amend this response if additional information becomes available that is relevant to its response.

PHMSA Alleged Violation:

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).

American Midstream Response to NOPV:

American Midstream acknowledges that certain records were unavailable at the time of the PHMSA inspection, including some records from 2011 and records from 2012. The NOPV indicates that no documents were available for 2013. For clarification, at the time of the inspection, American Midstream provided documents for hard copy review. These included documents from 2013. In addition, American Midstream printed copies of additional records and provided those to the inspector via e-mails on June 19, 2014. These documents included two Safety Training Record sign-in sheets and the Gas Controller Training Program package, all of which include 2013 information. The 2013 documents contained sufficient information to meet the training requirements of 49 C.F.R. 192.631(h). If PHMSA cannot locate these documents, American Midstream can send the previously submitted documents.

At the time of the inspection, American Midstream understood the inspector's request to be limited to training records, including fatigue mitigation training. In addition to training records and documentation, the NOPV cites the relevant statutory section for communication plan review, SCADA backup system testing and alarm management, but American Midstream did not understand the inspector to request those documents. Many of those documents were available at the time of the inspection. To the extent there is specific information that the inspector requested or PHMSA now requests that it did not receive, American Midstream is happy to provide available information if the information sought is specifically identified. However, as American Midstream discussed with the inspector and discusses below and in its response to the Notice of Amendment, at the time of the inspection, American Midstream was in the process of revising its SCADA system to improve its capabilities. This impacted the type of documents that were available.

To the extent there were missing documents, American Midstream has been in the process of thoroughly reviewing its Plans and Procedures to fill any gaps that may exist. American Midstream understands the importance and regulatory requirements of performing compliance obligations and maintaining records of compliance. Its procedures have been modified to improve compliance with these obligations in the future. American Midstream has identified specific issues that affected its ability to maintain some

records at the time of the inspection, which it now provides in support of its request for reduction of the proposed civil penalty.

Since the time of the inspection, American Midstream has made several overarching changes. First, in 2013, American Midstream hired a new Control Room Manager, who immediately reviewed the company's procedures, including training procedures and recordkeeping. Since May 2013, changes have been made to ensure correct records are capable of being produced and are then kept up to date and retained. In addition, American Midstream believes it is important to confirm that it was conducting compliance exercises described in the NOPV, even when exercises were not properly documented. American Midstream also determined that the vendor it used failed to provide documentation of training prior to 2013. American Midstream has since replaced the vendor.

In response to the NOPV allegations specifically, American Midstream also states the following:

- The NOPV cites Section 192.631(c)(2) for the requirement to conduct point-to-point verification between the SCADA displays and related field equipment. At the time of the inspection, American Midstream's existing SCADA system was not capable of conducting point-to-point verification. Therefore, SCADA generated records were not available. American Midstream manually performed this function to the extent possible. However, records of the manual testing were not requested by the inspector. American Midstream has since developed a new SCADA system which provides the ability to perform point-to-point verification. Documentation of compliance is now being created and maintained.
- The NOPV cites Section 192.631(c)(3) for the requirement to annually test and verify an internal communications plan. At the time of inspection, American Midstream tested its internal communications plan, often through actual events. Electronic records, which include a date and time stamp of the actual event testing can be found in American Midstream's SharePoint system. However, the SharePoint system, as it is currently developed, cannot print hard copy records reflecting the date and time stamp. American Midstream believes it is this printing function that caused the inspector to identify this item as a potential inadequacy. However, American Midstream does perform this testing and maintains electronic records that reflect testing either by actual event or live test.
- The NOPV cites Section 192.631(c)(4) regarding testing of backup SCADA systems at least once per calendar year but at least once every 15 months. At the time of the inspection, the SCADA system captured rollovers, which were documented. That documentation was provided to the inspector. In early 2014, Site Systems began working on a new SCADA system for American Midstream. Site Systems ultimately failed to produce a workable product for American Midstream, so in early 2015, American Midstream began using a different SCADA system that American Midstream is continuing to develop. The new SCADA system does not require a backup because of its cloud-computing capabilities which prevent failure.
- The NOPV cites Section 192.631(d) for the requirement that controllers must be trained on fatigue mitigation. American Midstream addressed these allegations above in the discussion regarding training documentation.
- The NOPV cites Section 192.631(e) regarding review of the alarm management plan. American Midstream reviewed its alarm management plan on an annual basis as part of its training program

in order to incorporate controller feedback. Specific documentation of this review may not have been maintained. However, going forward American Midstream will maintain specific documentation that reflects its annual review of the alarm management plan.

For these reasons, American Midstream requests a reduction of the proposed \$17,300 penalty. Reduction is appropriate on the basis of the assessment criteria in 49 C.F.R. 190.225. The items identified above show that American Midstream did not act with culpability but rather in good faith as it attempted to comply with the PHMSA compliance and recordkeeping requirements. Some of the documents requested during the inspection may not have been provided due to a misunderstanding, while others were provided and may be re-submitted if they cannot be located by PHMSA. In addition, American Midstream changed vendors and outside consultants when it determined they were not performing adequate recordkeeping and/or documentation. American Midstream self-identified a number of issues when it hired its new Control Room Manager; these issues just took time to correct as they involved, in many cases, development of new systems and procedures. American Midstream has further acted in good faith by conducting a thorough review and evaluation of its plans and procedures and hiring outside consultants to assist. American Midstream requests PHMSA consider each of these factors and reduce the proposed penalty.

American Midstream Response to Proposed Compliance Order:

The NOPV also contains a Proposed Compliance Order, which would order American Midstream to review its procedures and add specifics regarding maintaining records, make reference to forms to be used, and specify who is responsible for completing and maintaining records. The Order requests the revised procedures be sent to PHMSA within 60 days of the Final Order. After acceptance of the procedures, American Midstream would be required to perform activities to complete documentation and demonstrate compliance with Section 192.631 and submit records to PHMSA within 180 days of the Final Order.

American Midstream is already in the process of this review. However, American Midstream would like to be clear on the scope of PHMSA's request, as there may have been confusion at the time of the inspection and subsequently. American Midstream requests clarification as to what the Final Order would require, what documents PHMSA ultimately expects to receive, and for what timeframes. American Midstream also reserves its rights to provide comments on any Final Order issued in this case.

American Midstream appreciates your time and attention to this response. Thank you.