

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

February 21, 2017

Mr. Dennis Odum
VP, Operations of the South and LNG Divisions
Lake Charles LNG Company, LLC
800 E. Sonterra Blvd
San Antonio, TX 78258

CPF 4-2017-3003M

Dear Mr. Odum:

On September 15 - 16, 2015, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Lake Charles LNG Company, LLC (Lake Charles LNG, the Operator) procedures.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Lake Charles LNG plans or procedures, as described below:

1. **§193.2011 Reporting.**
Incidents, safety-related conditions, and annual pipeline summary data for LNG plants or facilities must be reported in accordance with the requirements of Part 191 of this subchapter.

§191.22 National Registry of Pipeline and LNG Operators.

(a) OPID Request. Effective January 1, 2012, each operator of a gas pipeline, gas pipeline facility, LNG plant or LNG facility must obtain from PHMSA an Operator Identification Number (OPID). An OPID is assigned to an operator for the pipeline or pipeline system for which the operator has primary responsibility. To obtain an OPID, an operator must complete an OPID Assignment Request DOT Form PHMSA F 1000.1 through the National Registry of Pipeline and LNG Operators in accordance with § 191.7.

(b) OPID validation. An operator who has already been assigned one or more OPID by January 1, 2011, must validate the information associated with each OPID through the National Registry of Pipeline and LNG Operators at <http://opswb.phmsa.dot.gov>, and correct that information as necessary, no later than June 30, 2012.

(c) Changes. Each operator of a gas pipeline, gas pipeline facility, LNG plant or LNG facility must notify PHMSA electronically through the National Registry of Pipeline and LNG Operators at <http://opswb.phmsa.dot.gov> of certain events.

(1) An operator must notify PHMSA of any of the following events not later than 60 days before the event occurs:

(i) Construction or any planned rehabilitation, replacement, modification, upgrade, uprate, or update of a facility, other than a section of line pipe, that costs \$10 million or more. If 60 day notice is not feasible because of an emergency, an operator must notify PHMSA as soon as practicable;

(ii) Construction of 10 or more miles of a new pipeline; or

(iii) Construction of a new LNG plant or LNG facility.

(2) An operator must notify PHMSA of any of the following events not later than 60 days after the event occurs:

(i) A change in the primary entity responsible (i.e., with an assigned OPID) for managing or administering a safety program required by this part covering pipeline facilities operated under multiple OPIDs.

(ii) A change in the name of the operator;

(iii) A change in the entity (e.g., company, municipality) responsible for an existing pipeline, pipeline segment, pipeline facility, or LNG facility;

(iv) The acquisition or divestiture of 50 or more miles of a pipeline or pipeline system subject to Part 192 of this subchapter; or

(v) The acquisition or divestiture of an existing LNG plant or LNG facility subject to Part 193 of this subchapter.

(d) Reporting. An operator must use the OPID issued by PHMSA for all reporting requirements covered under this subchapter and for submissions to the National Pipeline Mapping System.

At the time of the PHMSA inspection, the Lake Charles LNG procedures did not include requirements for obtaining and validating an OpID. Lake Charles LNG amended their procedures after the inspection to address the issue and communicated this to PHMSA by email dated September 28, 2015. PHMSA found the amended procedures acceptable.

2. §193.2917 Warning Signs

(a) Warning signs must be conspicuously placed along each protective enclosure at intervals so that at least one sign is recognizable at night from a distance of 30 m (100 ft.) from any way that could reasonably be used to approach the enclosure.

(b) Signs must be marked with at least the following on a background of sharply contrasting color: The words "NO TRESPASSING", or words of comparable meaning.

At the time of the PHMSA inspection, the Lake Charles LNG procedures for warning signs did not include the requirement that the signs be recognizable at night from a distance of 30m (100ft) and did not require the signs be marked with the words “NO TRESSPASSING”. Lake Charles LNG amended their procedures after the inspection to address these issues and communicated this to PHMSA by email dated September 28, 2015. PHMSA found the amended procedures acceptable.

3. §193.2509 Emergency procedures

(a) Each operator shall determine the types and places of emergencies other than fires that may reasonably be expected to occur at an LNG plant due to operating malfunctions, structural collapse, personnel error, forces of nature, and activities adjacent to the plant.

(b) To adequately handle each type of emergency identified under paragraph (a) of this section and each fire emergency, each operator must follow one or more manuals of written procedures. The procedures must provide for the following:

(1) Responding to controllable emergencies, including notifying personnel and using equipment appropriate for handling the emergency.

(2) Recognizing an uncontrollable emergency and taking action to minimize harm to the public and personnel, including prompt notification of appropriate local officials of the emergency and possible need for evacuation of the public in the vicinity of the LNG plant.

(3) Coordinating with appropriate local officials in preparation of an emergency evacuation plan, which sets forth the steps required to protect the public in the event of an emergency, including catastrophic failure of an LNG storage tank.

(4) Cooperating with appropriate local officials in evacuations and emergencies requiring mutual assistance and keeping these officials advised of:

(i) The LNG plant fire control equipment, its location, and quantity of units located throughout the plant;

(ii) Potential hazards at the plant, including fires;

(iii) Communication and emergency control capabilities at the LNG plant; and,

(iv) The status of each emergency.

At the time of the PHMSA inspection, the Lake Charles LNG procedures did not include adequate requirements for emergency coordination with public officials, particularly ensuring that their reliance on local firefighting agencies was fully planned. This included confirming the firefighting agencies had adequate equipment and training to respond to an emergency at the LNG facility and for the preparation of an emergency evacuation plan. Lake Charles LNG amended their procedures after the inspection to address these issues and communicated this to PHMSA by email dated September 28, 2015. PHMSA found the amended procedures acceptable.

4. **§193.2511 Personnel safety**

(c) Each LNG plant must be equipped with suitable first-aid material, the location of which is clearly marked and readily available to personnel.

At the time of the PHMSA inspection, the Lake Charles LNG procedures did not specify the locations and types of equipment to be included at each location. Lake Charles LNG amended their procedures after the inspection to address these issues and communicated this to PHMSA by email dated September 28, 2015. PHMSA found the amended procedures acceptable.

5. **§193.2623 Inspecting LNG storage tanks**

Each LNG storage tank must be inspected or tested to verify that each of the following conditions does not impair the structural integrity or safety of the tank:

- a) Foundation and tank movement during normal operation and after a major meteorological or geophysical disturbance.**
- (b) Inner tank leakage.**
- (c) Effectiveness of insulation.**
- (d) Frost heave.**

At the time of the PHMSA inspection, the Lake Charles LNG Technical Procedures Manual 7.11 included inspection requirements for structural integrity and leakage but did not include the inspection intervals. Lake Charles LNG agreed to amend their procedures after the inspection to address this issue and communicated this to PHMSA by email dated September 28, 2015. PHMSA requested a copy on May 27, 2016 that had been implemented by Lake Charles LNG using their Management of Change process. PHMSA found the amended procedures acceptable.

6. **§193.2633 Interference currents**

(a) Each component that is subject to electrical current interference must be protected by a continuing program to minimize the detrimental effects of currents.

(b) Each cathodic protection system must be designed and installed so as to minimize any adverse effects it might cause to adjacent metal components.

(c) Each impressed current power source must be installed and maintained to prevent adverse interference with communications and control systems.

At the time of the PHMSA inspection, the Lake Charles LNG procedures did not include requirements for testing and protecting pipelines and components from interference currents. Lake Charles LNG agreed to amend their procedures after the inspection to include a new Technical Procedure 8.13, "Interference Current Inspection" and communicated this to PHMSA by email dated September 28, 2015. PHMSA found the amended procedures acceptable.

7. **§193.2637 Remedial measures.**

Prompt corrective or remedial action must be taken whenever an operator learns by inspection or otherwise that atmospheric, external, or internal corrosion is not controlled as required by this subpart.

§193.2605 Maintenance procedures.

(a) Each operator shall determine and perform, consistent with generally accepted engineering practice, the periodic inspections or tests needed to meet the applicable requirements of this subpart and to verify that components meet the maintenance standards prescribed by this subpart.

(b) Each operator shall follow one or more manuals of written procedures for the maintenance of each component, including any required corrosion control. The procedure must include:

(1) The details of the inspections or tests determined under paragraph (a) of this section and their frequency of performance; and

(2) A description of other actions necessary to maintain the LNG plant according to the requirements of this subpart.

(c) Each operator shall include in the manual required by paragraph (b) of this section instructions enabling personnel who perform operation and maintenance activities to recognize conditions that potentially may be safety-related conditions that are subject to the reporting requirements of §191.23 of this subchapter.

At the time of the PHMSA inspection, the Lake Charles LNG procedures did not specify time frames for addressing any deficiencies found in atmospheric corrosion control. Lake Charles LNG agreed to amend their procedures after the inspection, and revised paragraphs 8.2.3, 8.2.4, and Appendix A of Technical Procedure 8.2 “Atmospheric Corrosion Control” to address the time frames. PHMSA found the amended procedures acceptable.

8. **§193.2911 Security lighting**

Where security warning systems are not provided for security monitoring under §193.2913, the area around the facilities listed under §193.2905(a) and each protective enclosure must be illuminated with a minimum in service lighting intensity of not less than 2.2 lux (0.2 ftc) between sunset and sunrise.

At the time of the inspection, the Lake Charles LNG security lighting procedures did not include the requirement that for each protective enclosure where a warning system is not provided, the area must be illuminated with a minimum in service lighting intensity of not less than 2.2 lux (0.2 ftc) between sunset and sunrise. Lake Charles LNG agreed to amend their procedures after the inspection and developed a new Maintenance Procedure 124, “Perimeter Lighting and Warning Signs” to address the requirements. PHMSA found the amended procedures acceptable.

9. §193.2903 Security procedures

Each operator shall prepare and follow one or more manuals of written procedures to provide security for each LNG plant. The procedures must be available at the plant in accordance with §193.2017 and include at least:

(c) A brief description of the duties associated with each security personnel position or responsibility.

At the time of the inspection, the Lake Charles LNG procedures did not address the specific responsibilities of security personnel during an emergency. Lake Charles LNG agreed to amend their Emergency Response Manual to address this issue and added paragraph 3.8 to the Facility Security Plan specifying the responsibilities of security personnel during an emergency. PHMSA found the amended procedures acceptable.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within [number of days] days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

It is requested (not mandated) that Lake Charles LNG maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to R. M. Seeley, Director, Southwest, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 4-2017-3003M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest
Pipeline and Hazardous Materials Safety Administration

Enclosure: Response Options for Pipeline Operators in Compliance Proceedings

