

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 13, 2018

Ryan Coffey
Executive Vice President of Operations
Energy Transfer
800 E. Sonterra Blvd
San Antonio, Texas 78258

CPF-4-2018-1016W

Dear Mr. Coffey:

From February 5, 2018 to July 6, 2018, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected your Fayetteville Express Pipeline in Arkansas and Mississippi.

As a result of the inspection, it is alleged that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violations are:

1. §192.465 External corrosion control: Monitoring.

(a) Each pipeline that is under cathodic protection must be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of §192.463. However, if tests at those intervals are impractical for separately protected short sections of mains or transmission lines, not in excess of 100 feet (30 meters), or separately protected service lines, these pipelines may be surveyed on a sampling basis. At least 10 percent of these protected structures, distributed over the entire system must be surveyed each calendar year, with

a different 10 percent checked each subsequent year, so that the entire system is tested in each 10-year period.

Fayetteville Express Pipeline failed to test each pipeline that is under cathodic protection at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of §192.463. The PHMSA inspector reviewed the ARMFE110 Annual Test Point Surveys for 2016 through 2018 and found that no tests were performed at Station # 5917 + 27.3, East Russell Discharge Group, CR 104 (Lat 34.958011, Lon -91.013571) location for 2016 and 2017. The PHMSA inspector also reviewed the MSMFE110 Annual Test Point Surveys for 2016 through 2018 and found that no tests were performed at Station # 9427 + 06, East Russell Discharge Group, N of Hwy 3 (Lat 34, Lon -90) location for 2016 through 2017.

2. §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 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.

Energy Transfer failed to follow their prepared procedure for conducting operations and maintenance activities. The operator failed to follow their procedure, D.44: Atmospheric Corrosion Inspection, when conducting their atmospheric corrosion inspections for 2013, 2014, and 2017, when they incorrectly classified the results of their coating inspections. Appendix B: Classification of Coating Inspection of Procedure D.44 provides guidance for classifying coating conditions. The classifications are Case 1 through Case 7, where in Case 1, the coating system is intact with no indications of corrosion and no action is required. Case 7 is such that the coating has degraded to such a condition that there are indications of pitting, and economic analysis indicates maintenance coating is not practical or cost effective, and coating rehabilitation is required by removing and replacing the existing coating system. The records reviewed for atmospheric corrosion were classified according to two separate set of conditions. One set of records show classification of 0 to 4.0 is not listed in the procedure as an adequate classification. The second set of records show classifications of 1 to 4, but with the type, such as S-1 through S-4 where S stands for Support and F stands for Flange/Valve, P for Pipe or Vessel and E for Exposed Pipe or Interface. The records for 2017 showed the percent of coating failure, and whether a recoat was required, and does not include any type of Case 1-7 classification. Neither set of classifications were listed in Appendix B of the procedure, D.44: Atmospheric Corrosion Inspection.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$213,268 per violation per day the violation persists, up to a maximum of \$2,132,679 for a related series of violations. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022. For violations occurring prior to November 2, 2015, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 for a related series of violations. 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 correct the item(s) identified in this letter. Failure to do so will result in Energy Transfer – Fayetteville Express Pipeline being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 4-2018-1016W**. 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).

Sincerely,

Mary L. McDaniel, P.E.
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration