



U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

JAN 14 2020

1200 New Jersey Ave., SE
Washington, DC 20590

Mr. Michael S. Smith
Chairman and Chief Executive Officer
Freeport LNG Development, LP
333 Clay Street, Suite 5050
Houston, Texas 77002

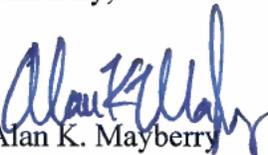
Re: CPF No. 4-2019-3003

Dear Mr. Smith:

Enclosed please find the Final Order issued in the above-referenced case. It makes a finding of violation and specifies actions that need to be taken to comply with the pipeline safety regulations. When the terms of the compliance order are completed, as determined by the Director, Southwest Region, this enforcement action will be closed. Service of the Final Order by certified mail is effective upon the date of mailing as provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,


Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosures (Final Order and NOPV)

cc: Ms. Mary L. McDaniel, Director, Southwest Region, Office of Pipeline Safety, PHMSA
Mr. Mark W. Mallett, Senior Vice President, Operations and Projects, Freeport LNG
Development, LP

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

In the Matter of)

Freeport LNG Development, LP,)

Respondent.)

CPF No. 4-2019-3003

FINAL ORDER

On September 11, 2019, pursuant to 49 C.F.R. § 190.207, the Director, Southwest Region, Office of Pipeline Safety (OPS), issued a Notice of Probable Violation (Notice) to Freeport LNG Development, LP (Respondent). The Notice proposed finding that Respondent had violated the pipeline safety regulations in 49 C.F.R. Part 193, proposed certain measures to correct the violation, and also included a warning item. Respondent did not contest the allegation of violation or corrective measures.

Based upon a review of all of the evidence, pursuant to § 190.213, I find Respondent violated the pipeline safety regulations listed below, as more fully described in the enclosed Notice, which is incorporated by reference:

49 C.F.R. § 193.2017 (Item 1) — Respondent failed to establish and maintain written procedures for four separate tasks required by Part 193.

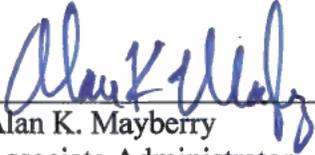
This finding of violation will be considered a prior offense in any subsequent enforcement action taken against Respondent.

Pursuant to 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the actions proposed in the enclosed Notice to correct the violation. The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an extension. Upon completion of ordered actions, Respondent may request that the Director close the case. Failure to comply with this Order may result in the assessment of civil penalties under 49 C.F.R. § 190.223 or in referral to the Attorney General for appropriate relief in a district court of the United States.

The Notice also alleged another probable violation of Part 193, but did not propose a civil penalty or compliance order for this item. Therefore, this item is considered to be a warning item. The warning was for 49 C.F.R. § 193.2639(b), Respondent's alleged failure to maintain

records that show the location of cathodically-protected components, neighboring structures bonded to the cathodic-protection system, and corrosion protection equipment.

The terms and conditions of this order are effective upon service in accordance with 49 C.F.R. § 190.5.



Alan K. Mayberry
Associate Administrator
for Pipeline Safety

JAN 14 2020

Date Issued



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

8701 S. Gessner, Suite 630
Houston, TX 77074

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 11, 2019

Mark Mallett
Vice President of Operations & Engineering
Freeport LNG Development, L. P.
333 Clay Street
Suite 5050
Houston, Texas 77002

CPF 4-2019-3003

Dear Mr. Mallett:

On multiple dates beginning March 20, 2019, through April 24, 2019, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected the Freeport LNG Facility (FLNG) in Quintana, Texas.

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. § 193.2017 Plans and procedures.

(a) Each operator shall maintain at each LNG plant the plans and procedures required for that plant by this part. The plans and procedures must be available upon request for review and inspection by the Administrator or any State Agency that has submitted a current certification or agreement with respect to the plant under the pipeline safety laws (49 U.S.C. 60101 et seq.). In addition, each change to the plans or procedures must be available at the LNG plant for review and inspection within 20 days after the change is made.

a. FLNG failed to establish written transfer procedures in accordance with § 193.2513.

PHMSA reviewed the Freeport LNG Terminal Operating and Training Manual (FLNG-MAN-001). It was noted that there was no written procedure that detailed the transfer process or referenced to the determining factor(s) when making a bulk transfer of liquefied natural gas (LNG) into a partially filled container (tank), any differences in temperature and/or specific gravity, or providing a means to prevent rollover due to stratification, if necessary.

b. FLNG failed to establish a written procedure for performing purging of its piping in accordance with § 193.2517.

FLNG purports to use AGA-Purging Principles and Practices 3rd Edition 2001; however, there were no purging procedures found or reference to these procedures in the version of FLNG-MAN-001 reviewed during the inspection.

c. FLNG failed to establish a written procedure that defines Control systems to operate within design limits in accordance with § 193.2619.

PHMSA reviewed FLNG-MAN-001 and noted that there was no written procedure that defined Control systems or addressed Control systems out of service for 30 days or more that must be inspected and tested for operational capability before returning those systems to service.

d. FLNG does not have a written procedure that states that each LNG storage tank must be inspected and tested to verify the structural integrity or safety of the tank in accordance with § 193.2623.

PHMSA reviewed FLNG-MAN-001 and noted that there was no written procedure that details the inspection of LNG storage tanks.

2. **§ 193.2639 Maintenance records.**

(b) Each operator shall maintain records or maps to show the location of cathodically protected components, neighboring structures bonded to the cathodic protection system, and corrosion protection equipment.

FLNG failed to maintain records that show the location of cathodically protected components, neighboring structures bonded to the cathodic protection system, and corrosion protection equipment.

PHMSA reviewed cathodic protection records, it was noted that the maps of the LNG facility and records from the contractor that conducted the cathodic protection survey were not consistent in its labeling and insufficient in its details of the location of cathodically protected components. FLNG should ensure that records and maps are consistent to show the location of cathodically protected components, neighboring structures bonded to the cathodic protection system, and corrosion protection equipment as required by § 193.2639.

Proposed Compliance Order

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. 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.

Also, for each violation involving LNG facilities, and additional penalty of not more than \$79,875 occurring on or after July 31, 2019 may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$77,910 occurring on or after November 27, 2018 and before July 31, 2019 may be imposed. For each violation involving LNG facilities occurring on or after November 2, 2018 and before November 27, 2018, an additional penalty of not more than \$76,352 may be imposed. For each violation involving LNG facilities occurring prior to November 2, 2015, an additional penalty of not more than \$75,000 may be imposed. For each violation involving LNG facilities occurring prior to November 2, 2015, an additional penalty of not more than \$75,000 may be imposed.

With respect to Item 1 and pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Freeport LNG Development, L. P. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Item

With respect to Item 2, 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 this item. Failure to do so may result in additional enforcement action.

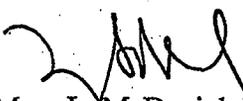
Response to this Notice

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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. 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 you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 4-2019-3003** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,


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

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Freeport LNG Development, L. P. (FLNG) a Compliance Order incorporating the following remedial requirements to ensure the compliance of FLNG with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to FLNG's failure to establish procedures, FLNG must prepare procedures as follows:
 - a. Transfer procedure that meets the requirement of § 195.2513.
 - b. Performing purging of its piping and components that could accumulate significant amounts of combustible mixtures, as required by § 193.2517.
 - c. Defines control systems to operate within design limits that meet the requirements of § 195.2619.
 - d. Inspection and testing to verify the structural integrity of the LNG tanks that meet the requirement of § 195.2623.
2. Procedures as required in Item 1 of this Compliance Order shall be submitted within 90 days following the receipt of the Final Order.
3. It is requested (not mandated) that FLNG maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mary L. McDaniel, 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.