



U.S. Department  
of Transportation

Pipeline and Hazardous Materials  
Safety Administration

**JAN 14 2020**

1200 New Jersey Ave., SE  
Washington, DC 20590

Mr. Kelcy L. Warren  
Chief Executive Officer  
Energy Transfer, LP  
8111 Westchester Drive  
Dallas, Texas 75225

**Re: CPF No. 4-2019-5016**

Dear Mr. Warren:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation, finds that the civil penalty amount of \$73,600 has been paid in full, and specifies actions that need to be taken by Lone Star NGL, LLC, a subsidiary of Energy Transfer, LP, 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 McDaniel, Director, Southwest Region, Office of Pipeline Safety, PHMSA  
Mr. Eric Amundsen, Senior Vice President – Operations, Energy Transfer, LP  
Mr. Mark Milliken, Vice President – Technical Services, Energy Transfer, LP  
Mr. Danny Nichols, Senior Director – Regulatory Compliance, Energy Transfer, LP  
Mr. Chris Lason, Vice President – Asset Integrity, Energy Transfer, LP  
Mr. Delyn Houder, Senior Manager – Corrosion Services, Energy Transfer, LP  
Mr. Todd Nardoizzi, Senior Manager – Regulatory Compliance, Energy Transfer, 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 )

Lone Star NGL, LLC, )  
a subsidiary of Energy Transfer, LP, )

Respondent. )  
\_\_\_\_\_ )

CPF No. 4-2019-5016

**FINAL ORDER**

On August 12, 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 Lone Star NGL, LLC (Respondent). The Notice proposed finding that Respondent had violated the pipeline safety regulations in 49 C.F.R. Part 195 and proposed a civil penalty of \$73,600. The Notice also proposed certain measures to correct the violations. Respondent did not contest the allegations of violation or corrective measures, and paid the proposed civil penalty on September 30, 2019. In accordance with § 190.208(a)(1), such payment authorizes the entry of this final order.

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. § 195.402(a) (**Item 1**) — Respondent failed to follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities by failing to properly document atmospheric corrosion inspections;

49 C.F.R. § 195.452(b)(5) (**Item 2**) — Respondent failed to implement and follow its Integrity Management Plan (IMP) by failing to conduct periodic evaluations to assure pipeline integrity pursuant to its IMP and § 195.452(j); and

49 C.F.R. § 195.452(l) (**Item 5**) — Respondent failed to maintain, for the useful life of the pipeline, documents to support the decisions and analyses regarding Emergency Flow Restricting Device installation(s) on the segments that could affect a high consequence area and records regarding risk analyses.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent. In accordance with 49 C.F.R. § 190.223, Respondent is

assessed the proposed civil penalty amount of \$73,600, which Respondent has already paid in full.

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 violations. 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.

With respect to Items 3, 4, and 6, the Notice alleged a probable violation of Part 195 but did not propose a civil penalty or compliance order for these items. Therefore, these are considered to be warning items. The warnings were for:

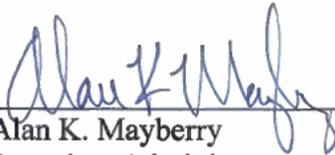
49 C.F.R. § 195.452(b)(5) (**Item 3**) — Respondent's alleged failure to implement and follow its written IMP regarding reassessment intervals;

49 C.F.R. § 195.452(b)(5) (**Item 4**) — Respondent's alleged failure to implement and follow its written IMP regarding annual evaluations of its program; and

49 C.F.R. § 195.583(a) (**Item 6**) — Respondent's alleged failure to inspect each onshore pipeline or portion of onshore pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion at least once every three calendar years, but with intervals not exceeding 39 months.

If OPS finds a violation of these provisions in a subsequent inspection, Respondent may be subject to future enforcement action.

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  
PROPOSED CIVIL PENALTY  
and  
PROPOSED COMPLIANCE ORDER**

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

August 12, 2019

Eric Amundsen  
Senior Vice President Operations  
Energy Transfer Company  
1300 Main Street  
Houston, Texas 77002

**CPF 4-2019-5016**

Dear Mr. Amundsen:

On April 2, 2018 through October 29, 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 inspected Energy Transfer Company's (Energy Transfer) Lone Star NGL – East and West pipeline system (Gateway Justice Pipeline) in Houston, Abilene, Victoria, and Midland, 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. §195.402 Procedural manual for operations, maintenance, and emergencies.**

- (a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.**

Energy Transfer failed to follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. Specifically, it failed to follow section 7.3 of its written procedure, HLD.44 for Atmospheric Corrosion Inspection which requires the inclusion of certain additional details in the inspection records.

The procedure (HLD.44) requires that coating conditions be ranked (as either good, fair, poor, or bare) as part of the evaluation carried out during the inspection, with section 7.4 requiring that the evaluations be documented. Work order numbers 629055, 1602951, 399997, and 1535422 do not document evaluation results or rankings of the coating conditions. Also, the inspection reports for the segments between Highway 87 and Jackson plant, SE Hull to Odell extension and Odell to Mont Belvieu pump stations 1-5 did not include coating condition rankings or evaluation of the results as required.

**2. §195.452 – Pipeline integrity management in high consequence areas.**

- (b) What program and practices must operators use to manage pipeline integrity?**

**Each operator of a pipeline covered by this section must:**

- (1) Develop a written integrity management program that addresses the risks on each segment of pipeline in the first column of the following table not later than the date in the second column:**

- (5) Implement and follow the program.**

- (j) What is a continual process of evaluation and assessment to maintain a pipeline's integrity?**

- (1) General. After completing the baseline integrity assessment, an operator must continue to assess the line pipe at specified intervals and periodically evaluate the integrity of each pipeline segment that could affect a high consequence area.**

Energy Transfer failed to follow its procedures for managing pipeline integrity by not periodically evaluating the integrity of each pipeline segment that could affect a high consequence area. Specifically, Energy Transfer failed to follow section 7 of its written Integrity Management Plan requiring that periodic evaluations be carried out at intervals not exceeding 15 months. Following the 2017 assessments, the periodic evaluation record prepared for the PS5 to PS6 16" segment was reviewed. Records showing periodic evaluations carried out for 2013, 2014 and 2015 were unavailable for review and not subsequently provided. The other five (5) segments on the Gateway and Justice systems assessed in 2017 did not have evaluation records either. Energy Transfer, therefore, failed to conduct periodic evaluations on segments of the Gateway and Justice system as required under its procedures and pipeline safety regulation in §195.452 (j)(2).

**3. §195.452 – Pipeline integrity management in high consequence areas.**

**(b) What program and practices must operators use to manage pipeline integrity? Each operator of a pipeline covered by this section must:**

**(1) Develop a written integrity management program that addresses the risks on each segment of pipeline in the first column of the following table not later than the date in the second column:**

**(5) Implement and follow the program.**

Energy Transfer failed to follow section 7.0 of the Integrity Management Plan requiring the re-assessment of the pipeline segments that affect a high consequence area at intervals not to exceed 5 years. The Monument Junction to WT2 and WT2 to Halley Junction segments were initially assessed on October 5, 2012 and the subsequent reassessments did not happen until April 27, 2018 and May 16, 2018, for the respective segments. The reassessments exceeded the 5 year duration by 6 to 8 months.

**4. §195.452 – Pipeline integrity management in high consequence areas.**

**(b) What program and practices must operators use to manage pipeline integrity?  
Each operator of a pipeline covered by this section must:**

**(1) Develop a written integrity management program that addresses the risks on each segment of pipeline in the first column of the following table not later than the date in the second column:**

**(5) Implement and follow the program.**

Energy Transfer failed to follow Section 9 of its written Integrity Management Plan that requires the evaluation of the Integrity Management Program annually and its distribution to management by December 15th. The record for the annual evaluation of the program using performance measures shows that the evaluation was not carried out between 2013 and 2016 (5 years). The first year this evaluation was carried out was in 2017.

**5. §195.452 – Pipeline integrity management in high consequence areas.**

**(l) What records must an operator keep to demonstrate compliance?**

**(1) An operator must maintain, for the useful life of the pipeline, records that demonstrate compliance with the requirements of this subpart. At a minimum, an operator must maintain the following records for review during an inspection:**

**(ii) Documents to support the decisions and analyses, including any modifications, justifications, deviations and determinations made, variances, and actions taken, to page 622 implement and evaluate each element of the integrity management program listed in paragraph (f) of this section.**

Energy Transfer failed to provide any record that shows that an evaluation for the need or lack of need for Emergency Flow Restricting Device (EFRD) on the segments that could affect an HCA, of the Lone Star NGL pipeline system had been carried out. Energy Transfer stated that it determined that EFRDs were not necessary on its system after an evaluation was carried out; however, Energy Transfer could not provide any records substantiating this finding or decision.

Likewise, Energy Transfer failed to maintain records showing the risk analysis results from previous years compared against the current risk analysis results. Energy Transfer stated these records were not maintained in its database.

6. **§195.583 – What must I do to monitor atmospheric corrosion control?**

(a) **You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:**

If the pipeline is located:	Then the frequency of inspection is:
Onshore	At least once every 3 calendar years, but with intervals not exceeding 39 months

Energy Transfer failed to inspect exposed portions of its 24” Permian Connector at Hailey Junction for evidence of atmospheric corrosion within the 3 calendar years to 39 months frequency required under 49 CFR §195.583. The inspection records show the last inspection was on July 14, 2014 and subsequently on April 4, 2018. The interval between the inspections was therefore 45 months which exceeded the required deadline by 6 months. The required follow up inspection should have occurred no later than October 14, 2017.

Proposed Civil Penalty

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. 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 \$73,600 as follows:

<u>Item number</u>	<u>PENALTY</u>
2	\$73,600

Warning Items

With respect to item numbers 3,4, and 6 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 these items. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to items 1, and 5 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Energy Transfer Company. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

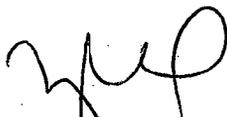
Response to this Notice

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 you 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).

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 4-2019-5016** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,



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

Enclosures: *Proposed Compliance Order*  
*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 Energy Transfer a Compliance Order incorporating the following remedial requirements to ensure the compliance of Energy Transfer Company with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to ranking of atmospheric corrosion inspection and documenting the evaluation results as set forth in HLD 44 procedure, Energy Transfer shall review the HLD 44 procedure and retrain it's corrosion control personnel on the requirements for evaluating coating conditions and properly documenting the atmospheric corrosion evaluation / inspection.
2. In regard to Item Number 5 of the Notice pertaining to Energy Transfer's inability to provide records showing that an evaluation for the need for EFRD on the Lone Star NGL pipeline was carried out, Energy Transfer shall conduct an EFRD study and provide records of that study to PHMSA.
3. Records showing all trainings, retraining's, implementations and plan of correction as required in Items 1 and 5 of this compliance order shall be submitted within 90 days of the issuance of the Final Order.
4. It is requested (not mandated) that Energy Transfer Company 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.