



U.S. Department
of Transportation
**Pipeline and Hazardous
Materials Safety
Administration**

8701 S. Gessner Rd, Suite 630
Houston, Texas 77074

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED CIVIL PENALTY**

ELECTRONIC MAIL - RETURN RECEIPT REQUESTED

October 27, 2020

Jack A. Fusco
President and CEO
Cheniere Energy Inc.
700 Milam Street, Suite 1900
Houston, Texas 77002

CPF 4-2020-3004

Dear Mr. Fusco:

Following an incident that occurred on April 26, 2018, at your Sabine Pass LNG (Sabine) facility located in Cameron Parrish, Louisiana, representatives 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.) initiated an investigation. Specifically, on April 26, 2018, Cheniere notified PHMSA that while in the process of placing perlite into the annular space of Tank S-102 at the SLNG facility, a fire ignited on the vent stack of the tank. The vent stack fire burned for approximately 2 hours. Visible damages occurred to the cables, power outlets, and lights on the tank. PHMSA responded to the site to perform its investigation.

As a result of the investigation, 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. §193.2605 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 procedures 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.

Sabine failed to follow its written procedures for performing maintenance activities under §193.2605 for a perlite refill operation on Tank S-102 at the plant. On April 26, 2018, Sabine initiated maintenance work to add perlite to the annular space of Tank S-102. The filling operation performed by Sabine pursuant to its written procedures required that the vent caps on the tank roof be removed and that perlite be blown into the annular space through the openings. Specifically, sections 6.2 and 6.3 of Sabine's written procedure/work plan, titled *Perlite Top Off*, require the installation of a perlite fill line adapter with block valve (i.e. the actual nozzle where the personnel filled the tank with perlite) followed by the installation of a block valve on the vent stack.

Sabine's internal investigation of the incident revealed that its personnel failed to install the block valve on the vent stack of Tank S-101 as required by its procedures during the perlite filling operation. The failure to install the block valve resulted in the ignition of the venting vapors resulting in a fire that damaged control and sensor cables in a cable tray on top of Tank S-102. Sabine's failure to install the block valve on the vent stack did not provide a means to stop the flow of vapor from the tank, therefore, allowing the fire to burn on top of the tank for approximately two hours before Sabine could extinguish the fire and control the venting vapors.

2. §193.2707 Operations and maintenance.

(a) Each operator shall utilize for operation or maintenance of components only those personnel who have demonstrated their capability to perform their assigned functions by –

- (1) Successful completion of the training required by §§193.2713 and 193.2717; and**
- (2) Experience related to the assigned operation or maintenance function; and**
- (3) Acceptable performance on a proficiency test relevant to the assigned function.**

Sabine failed to utilize personnel who had demonstrated their capability to perform their assigned functions per §193.2707 for maintenance activities performed at the SLNG facility. Refinery Terminal Fire Company (RTFC) personnel installed a valve on the perlite fill nozzle that supported the vent stack to control the release of natural gas, which escaped from the annular space during the maintenance activities on Tank S-102 that occurred on April 26, 2018. The RTFC, however, was not trained to perform the function of the valve installation. It is also not clear if Sabine maintenance personnel, who have demonstrated capability to perform this function, accompanied and directed the installation of the valve to control the release of natural gas.

A review of training records from the RTFC demonstrated that the RTFC personnel had not received training for the installation valves and that the RTFC was in the vicinity during the perlite refilling maintenance activity on Tank S-102 only for high angle rescue. The RTFC personnel had not been trained to perform the valve installation or demonstrated their capability to perform such a function as required by §193.2707.

Proposed Civil Penalty

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. We have reviewed the circumstances and supporting documentation involved for the above probable violations and has recommended that you be preliminarily assessed a civil penalty of \$80,100 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$80,100

Warning Items

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 Enforcement 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 4-2020-3004** 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: *Response Options for Pipeline Operators in Enforcement Proceedings*

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