Neptune
GDF SUEZ

Neptune LNG LLC
20 City Square
Suite 3
Charlestown, MA 02129

617.886.8780 direct

March 8, 2013

Mr. Byron Coy
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration
820 Bear Tavern Road, Suite 103
West Trenton, NJ 08628

RE: CPF 1-2013-2001
Response to Notice of Probable Violation and
Proposed Civil Penalty
Neptune LNG LLC

Dear Mr. Coy:

This letter is in response to the Notice of Probable Violation and Proposed Civil Penalty (NOPV) received on January 25, 2013 regarding the inspection by the Pipeline and Hazardous Materials Safety Administration (PHMSA) of the Neptune Deepwater Port (DWP). During the week of August 15, 2011, a representative from PHMSA inspected the records of Neptune LNG LLC's (Neptune's) Deepwater Port (DWP) in Gloucester, Massachusetts pursuant to 49 U.S.C. §601. As a result of this inspection, PHMSA issued the NOPV.

Neptune has reviewed the issue identified in the NOPV and provides the following response.

PHMSA Finding

1. **49 CFR 192.605 Procedural manual for operations, maintenance, and emergency response. (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 normal 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.**

PHMSA found that Neptune failed to follow its procedures with respect to requirements of section 192.467. In particular, PHMSA stated that Neptune failed to verify the electrical isolation of the DWP from the Algonquin Hubline in 2011, missing the 15-month inspection and testing requirement specified in its procedures.

Neptune Response

Neptune has reviewed the NOPV and its procedures in the Neptune Operations, Maintenance and Emergency Response Procedure Manual.

An electrical isolation gasket kit was installed on the 20" ball valve flange-to-flange connecting the 20"/16" reducer spool to electrically isolate the Algonquin (Spectra) HubLine hot tap from the Neptune Transition Manifold. After the Neptune pipeline was installed, testing was performed by divers prior to the commissioning date of April 10, 2010, to verify electrical isolation from the HubLine, with satisfactory results.

In June 2011, in accordance with its procedures, and within the 15-month interval following April 10, 2010, Neptune performed its annual readings on the Neptune pipeline, including the reading from the Neptune side of the hot tap to be used to confirm electrical isolation.

As Neptune's electrical isolation procedure also specifies, arrangements were made with Spectra in 2011 to obtain the annual reading from the HubLine side of the hot tap as it became available. Spectra took the reading on August 22, 2011 which was logged in the Neptune DWP cathodic protection log (excerpt attached), along with the June 2011 Neptune readings.
Neptune's procedure on electrical isolation is as follows:

"5. External Corrosion Control: Electrical Isolation (49 CFR 192.467)

> One or more insulating devices must be installed where electrical isolation of a section of a pipeline is necessary to facilitate the application of corrosion control.
>
> On the Neptune pipeline, an electrical isolation gasket kit is installed on the 20" ball valve flange-to-flange connecting the 20"/16"reducer spool to electrically isolate the Algonquin Hub Line hot tap and the Transition Manifold. Inspection and electrical tests must be made to assure that electrical isolation is adequate, once each calendar year not exceeding 15 month interval. Arrangements will be made with Spectra annually to obtain readings from the Spectra side of the hot tap."

The procedure requires Neptune to make its readings which will be used to confirm electrical isolation within its 15-month interval, and to obtain readings separately from Spectra on an annual basis. In 2011, Neptune completed its own readings prior to July 10, 2011 (i.e., not exceeding the 15 month interval following April 10, 2010). PHMSA concluded its inspection on August 19, 2011. Spectra's annual reading became available on August 22, 2011. Accordingly, Neptune complied with its Operations Manual procedure, because (a) it did conduct an inspection and electrical test within 15 months after April 10, 2010, and (b) Neptune obtained an annual reading from Spectra for Spectra's side of the hot tap. Neptune believes it is following its procedures, and that a finding of Violation would not apply.

Neptune appreciates your consideration of this additional information, which it believes will warrant elimination or mitigation of any civil penalty. Please do not hesitate to contact me at (617) 886-8780 should you have any further questions regarding this matter.

Thank you.

Sincerely,

Gary S. Williams

Gary S. Williams
Director, Port Operations
Neptune LNG LLC

Enclosure: Neptune Cathodic Protection Log (excerpts)

CATHODIC PROTECTION LOG CPF 1-2013-2001

Inspection	Location	Readings	
JUNE 2011	SOUTH PLEM	-.99	
JUNE 2011	NORTH PLEM	-1.0	
JUNE 2011	TRANS./HOT TAP	-1.0	
AUG 2011	HUBLINE	-1.699	
JUNE 2012	SOUTH PLEM	1.0	
JUNE 2012	NORTH PLEM	1.03	
JUNE 2012	TRANS ./HOT TAP	1.0	
Above readings to be taken again due to a polarity issue with the CP Probe			
AUG 2012	NORTH PLEM	-1.05	
AUG 2012	TRANS./HOT TAP	-1.01	
SEPT 2012	SOUTH PLEM	-1.05	
Above readings confirm polarity issue corrected			
AUG 2012	HUBLINE	-1.602	AUG 2011 REV
AUG 2012	HUBLINE	-1.663	