WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 11, 2012

Mr. Steve Pankhurst
Business Unit Leader
Destin Pipeline Company, LLC
150 West Warrenville Road
Naperville, IL 60563

CPF 2-2012-1001W

Dear Mr. Pankhurst:

On September 12-16, 2011, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) inspected the Destin Pipeline Company, LLC (Destin) pipelines and facilities at various locations in Mississippi and on platforms in the Main Pass Area in the Gulf of Mexico pursuant to Chapter 601 of 49 United States Code.

As a result of the inspection, it appears that Destin has committed probable violations of the Pipeline Safety Regulations codified in Title 49 of the Code of Federal Regulations. The items inspected and the probable violations are as follows:

1. **§192.463 External corrosion control: Cathodic protection.**
   (a) Each cathodic protection system required by this subpart must provide a level of cathodic protection that complies with one or more of the applicable criteria contained in Appendix D of this part. If none of these criteria is applicable, the cathodic protection system must provide a level of cathodic protection at least equal to that provided by compliance with one or more of these criteria.

   Destin's Operations, Maintenance and Emergency Manual (OMER) written procedure P-192.453 *Corrosion Control* failed to meet the regulation because it referenced the wrong external corrosion control cathodic protection criteria. The procedure stated, "*Cathodic protection required by this subpart must comply with one or more of the applicable criteria and other considerations for cathodic protection contained in paragraphs 6.2 and 6.3 of NACE Standard Practice SP0169-2007 and Standard Test TM0497-2002 (incorporated by reference).*"

Although NACE SP0169-2007 criteria are similar to those listed in Part 192 Appendix D, they are not identical. Appendix D is the correct referenced document for the cathodic protection of pipelines regulated under Part 192. NACE SP0169-2007 is not referenced in Part 192 and cannot be used to determine cathodic protection criteria for natural gas pipelines.

Additionally, Destin's OMER written procedure P-192.453 also stated, "***The Use of Sound Engineering Judgment:*** *Although the potential criteria is normally used to establish the level of protection in most cases, the use of sound engineering judgment may also be used to determine that corrosion does not exist at the potentials being maintained. An example would be where an in-line inspection revealed that no corrosion had taken place for a given section of pipe. That would provide sufficient evidence that the potential maintained on that section of pipe was adequate to control soil side corrosion. The Corrosion Technical Authority shall approve any application of Sound Engineering Judgment prior to its application."*

The above verbiage states that for certain pipelines that do not meet cathodic protection criteria, Destin can use an alternative criterion that is determined based on sound engineering judgment. Neither §192.463(a) nor Appendix D allow for the use of sound engineering judgment to determine cathodic protection criteria. The only criteria allowed are those in Appendix D.

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. . . .

– Destin did not follow its OMER P-192.605(c) *Abnormal Operations* written procedure when responding to a pipeline event that occurred on August 30, 2011, because it did not document the event by creating a work order for the field maintenance personnel to record their response to, and closure of, the event as required by the procedure.

On August 30, 2011, Destin's liquids removal facility located immediately upstream of the Pascagoula Gas Processing Plant experienced an abnormally high level of liquids. As a result, the on-site Hi-Hi liquid level control system was tripped, resulting in the closure of valves and a cessation of all offshore gas being delivered to the processing plant. Destin's SCADA logs indicated that at 08:10:52 on August 30, 2011, valves 9021 and 9041 at the processing plant were closed and the flow rate to the processing plant went to zero.

While Destin's procedure required the pipeline controller to document this type of event by "*creating a work order for the field maintenance personnel to record their response and closure to the event*," the controller did not recognize this event as an abnormal condition and did not create a work order for the field maintenance personnel to record their response to, and closure of, the event.

- Destin did not follow its written work order procedures as further explained below. Destin used these work orders for conducting certain operations and maintenance activities required by §192.605(a).
  - Work order no. *1817142: Pascmpr Press Xmitr Discharge Side*- performed on 09/02/2011 at the Pascagoula Compressor Station: Destin did not properly document the station Hi Discharge PLC set point, as required by the work order. The station Hi Hi Discharge PLC setpoint was documented as 1290 psig but the required set point per the Station RTU Cause and Effect Chart was 1260 psig.
  - Work order no. *809616: Pascmpr Press Xmitr Discharge Side*- performed on 09/07/2010 at the Pascagoula Compressor Station: Destin did not properly document the station Hi Discharge PLC set point, as required by the work order. The station Hi-Hi Discharge PLC set point was documented as 1250 psig but the required set point per the Station RTU Cause and Effect Chart was 1260 psig.
  - Work order no. *717228 Pascmpr Press Xmitr Discharge Side*- performed on 09/06/2009 at the Pascagoula Compressor Station: Destin did not properly document the station Hi and Hi-Hi Discharge PLC set points, as required by the work order.
  - Work order no. *809625 PT-9001 Sand Hill Discharge*- performed on 08/31/2010 at the Sand Hill Compressor Station: The station Hi Discharge PLC set point was improperly documented as 1261 psig. The required set point per the Station RTU Cause and Effect Chart was 1252 psig. The station Hi-Hi Discharge PLC set point was improperly documented as 1312 psig. The required set point per the Station RTU Cause and Effect Chart was 1260 psig.
  - Work order no. *717237 PT-9001 Sand Hill Discharge* - performed on 09/07/2009 at the Sand Hill Compressor Station: Destin did not properly document the station Hi and Hi-Hi Discharge PLC set points, as required by the work order.
  - Work order no. *830596 Sand Hill Compressor Station ESD Test* - performed on 11/09-11/2010 at the Sand Hill Compressor Station: Destin did not document the ESD Test Location, as required by the work order.
  - Work order no. *1792331 Pascagoula Compressor Station ESD Test* - performed on 08/04/2011 at the Pascagoula Compressor Station: Destin did not document specific observations of the station ESD test, as required by the work order.
  - Work order no. *792429 Pascagoula Compressor Station ESD Test* - performed on 07/23/2010 at the Pascagoula Compressor Station: Destin did not document specific observations of the station ESD test, as required by the work order.
- Destin did not follow its OMER P-192.739 *Overpressure Safety Devices* written procedure when attempting to comply with §192.743(b), which requires an annual review of relief device capacity calculations or annual documentation that the parameters of the relief devices had not changed since the original capacity calculations. Destin did not perform the above described reviews for calendar years 2009 and 2010 for its compressor station fuel gas relief devices located at Pascagoula

(PSV 1400 and PSV 1401) and Sand Hill (PSV 1451 and PSV 1400). It was noted during the inspection that the applicable parameters of these relief valves had not changed since the original construction.

3. **§192.707 Line markers for mains and transmission lines.**
(a) Buried pipelines. Except as provided in paragraph (b) of this section, a line marker must be placed and maintained as close as practical over each buried main and transmission line . . . .

   Destin's OMER procedure P-192.614 Section XII *Pipeline Permanent Marker Program* was incorrect and did not meet the regulation. This procedure stated, "*Marking and identification of BP* [includes Destin pipeline] *rights of way will be marked and identified in accordance with BP procedures: Specification for Auxiliary Installations (Site Technical Practices STP-43-119) and/or Affiliate Equivalent.*" Moreover, the procedure provided to the PHMSA inspector, *SP-119 BP Pipelines, N.A. Specification for Auxiliary Installations* (SP-119) incorrectly referenced Title 49 CFR Part 195 and ASME B31.4 as applicable codes, and listed the line marker placement requirements of §195.410(a). Part 195 and ASME B31.4 regulate hazardous liquid pipelines, not natural gas pipelines. Though the requirements in §195.410(a) are similar to those in §192.707(a), they are not identical and are not interchangeable.

4. **§192.731 Compressor stations: Inspection and testing of relief devices.**
. . . (c) Each remote control shutdown device must be inspected and tested at intervals not exceeding 15 months, but at least once each calendar year, to determine that it functions properly.

   Destin did not adequately record the inspection and testing of remote control shutdown devices. That is, Destin did not document the inspection and testing of remote control shutdown devices (compressor station emergency shutdown devices (ESDs)) in the detail required to show the devices functioned properly. Moreover, location-specific lists of these devices were not referenced or included in the following work orders:

   – Sand Hill Compressor Station Work order *830596 Sand Hill Compressor Station ESD Test* conducted on 11/09-11/2010.

   – Pascagoula Compressor Station Work orders *1792331 Pascagoula Compressor Station ESD Test* conducted on 08/04/2011, and *792429 Pascagoula Compressor Station ESD Test* conducted on 07/23/2010.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed $100,000 for each violation for each day the violation persists up to a maximum of $1,000,000 for any 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 items identified in this letter. Failure to do so will result in Destin Pipeline Company, LLC being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF2-2012-1001W**. 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,

Wayne T. Lemoi
Director, Office of Pipeline Safety
PHMSA Southern Region