NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 20, 2013

Mr. Theopolis Holeman
Group Vice President of U.S. Operations
East Tennessee Natural Gas Company
5400 Westheimer Court
Houston, TX 77056

CPF 2-2013-1003M

Dear Mr. Holeman:

From June 11, 2012, to June 21, 2012, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Southern Region, Office of Pipeline Safety, pursuant to Chapter 601 of 49 United States Code, inspected the East Tennessee Natural Gas Company's (ETNG's) written Integrity Management Program (IMP) procedures at your Houston headquarters office pursuant to Chapter 601 of 49 United States Code.

On the basis of the inspection, PHMSA has identified apparent inadequacies within ETNG's written IMP procedures, as described below:

1. **§ 192.917 How does an operator identify potential threats to pipeline integrity and use the threat identification in its integrity program?**
   (a) *Threat identification.* An operator must identify and evaluate all potential threats to each covered pipeline segment. Potential threats that an operator must consider include, but are not limited to, the threats listed in ASME/ANSI B31.8S (incorporated by reference, *see* §192.7), section 2, which are grouped under the following four categories:

   ETNG's written Integrity Management Program (IMP) did not require the adequate evaluation of manufacturing threats[1] with regards to increases in historical operating pressures for certain covered pipeline segments susceptible to increases in pressure.

   ETNG's *Integrity Management Program Threat Response Guidance Documents Manufacturing: Section Number 440, Appendix A, Figure 3-1* did not clearly require that certain pipe having a potential manufacturing threat be prioritized as high risk and

[1] ETNG includes in this category pipe with a joint factor less than 1, low-frequency ERW pipe, flash-welded pipe, pipe with a material related in-service failure, or other pipe in the opinion of ETNG's subject matter expert.

scheduled for an assessment in accordance with §192.917(e)(3)(i) if it experiences an increase above the maximum operating pressure during the five years preceding the identification of a high consequence area (HCA); i.e. the 5-year MOP. Figure 3-1 stated for manufactured pipe made of certain materials susceptible to increases in internal pressure that has not been hydrotested to at least 1.25 MAOP, "*unless there are near term plans to operate at pressures above the historic operating pressure*, the *manufactured pipe materials are deemed stable with respect to circumferential functional loadings*, and *no further integrity assessment required unless operating pressure increase."* That is, the procedure did not clearly explain that <u>any increase in pressure above the 5-year MOP</u>, regardless of the amount of increase, would require that the applicable segment be prioritized as high risk for integrity assessment.

2. **§ 192.921 How is the baseline assessment to be conducted?**
   (a) Assessment methods. An operator must assess the integrity of the line pipe in each covered segment by applying one or more of the following methods depending on the threats to which the covered segment is susceptible. An operator must select the method or methods best suited to address the threats identified to the covered segment (See §192.917).
   . . . (4) Other technology that an operator demonstrates can provide an equivalent understanding of the condition of the line pipe. An operator choosing this option must notify the Office of Pipeline Safety (OPS) 180 days before conducting the assessment, in accordance with §192.949. . . .

   ETNG considered the threat of near-neutral-pH stress corrosion cracking (SCC) to exist on its pipeline system and had a written procedure[2] in its IMP to complete Stress Corrosion Cracking Direct Assessments (SCCDA). However, ETNG did not have a written procedure that required it to notify the Office of Pipeline Safety (OPS) about its planned use of SCCDA as a baseline assessment method. SCCDA is an "other technology" in the integrity management regulations that requires the operator to notify OPS 180 days before conducting a baseline assessment using this method.

3. **§ 192.937 What is a continual process of evaluation and assessment to maintain a pipeline's integrity?**
   . . . (c) Assessment methods. In conducting the integrity reassessment, an operator must assess the integrity of the line pipe in the covered segment by any of the following methods as appropriate for the threats to which the covered segment is susceptible
   (see §192.917), or by confirmatory direct assessment under the conditions specified in §192.931.
   . . . (4) Other technology that an operator demonstrates can provide an equivalent understanding of the condition of the line pipe. An operator choosing this option must notify the Office of Pipeline Safety (OPS) 180 days before conducting the assessment, in accordance with §192.949 . . . .

   ETNG considered the threat of near-neutral-pH stress corrosion cracking (SCC) to exist on its pipeline system and had a written procedure[3] in its IMP to complete Stress

[2] *Stress Corrosion Cracking Direct Assessment (SCCDA) Procedure Number: 9-2040*
[3] *Stress Corrosion Cracking Direct Assessment (SCCDA) Procedure Number: 9-2040*

Corrosion Cracking Direct Assessments (SCCDA). However, ETNG did not have a written procedure that required it to notify the Office of Pipeline Safety (OPS) about its planned use of SCCDA as a continual assessment method. SCCDA is an "other technology" in the integrity management regulations that requires the operator to notify OPS 180 days before conducting a continual assessment using this method.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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). 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, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 30 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

It is requested (not mandated) that East Tennessee Natural Gas Company maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Wayne T. Lemoi, Director, Southern Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 2-2013-1003M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*