



Panhandle Eastern Pipe Line
Trunkline Gas
Trunkline LNG
Sea Robin Pipeline
Florida Gas Transmission

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January 21, 2011

David Barrett
Director, Central Region
Department of Transportation
Pipeline and Hazardous Materials Safety Administration
Office of Pipeline Safety
901 Locust Street, Suite 462
Kansas City, Missouri 64106-2641

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**RE: CPF 3-2010-1006M (December 21, 2010 PHMSA Letter)
Response to Notice of Amendment**

Dear Mr. Barrett:

In correspondence dated December 21, 2010 and received in our office on December 28, 2010 PHMSA alleges that Panhandle Energy (“PE”) had deficiencies in certain procedures that comprise its Standard Operating Procedures (“SOP”) in the form of a Notice of Amendment (“NOA”). As noted by PHMSA, these allegations stem from an inspection of PE’s Procedures for operations and maintenance activities in our Houston, TX office on the dates of May 17-21, 2010.

PE contests the alleged deficiencies defined for Item #12, Item #15, Item #19 and Item #20, requests that PHMSA reconsider after review of the additional information as detailed herein and requests PHMSA to rescind these allegations and terminate this proceeding relative to those items. PE has initiated enhancements to resolve Item #1 through #11, Item # 13, Item # 14, Item 16, Item # 17 and Item #18 in the NOA. PE is providing a preliminary response to several of the items at this time, but plans to provide a complete response, including the amended procedures, within 45 days of PE’s receipt of the NOA (February 11, 2011). Amended procedures not acceptable to PHMSA as submitted constitute items that should be added to the Agenda of the requested hearing.

Accordingly, PE requests an in-person hearing on these issues and the proposed amendments. PE reserves its right to be represented by counsel at a hearing and would plan to have a court reporter record the proceedings. Additional details follow.

Item 1 (§192.13 (c) & §192.503 (a) (1) & (2))

PE's procedures were inadequate because they did not define how much new pipe may be installed during a maintenance project before a pre-test is no longer sufficient and a post-construction hydrostatic test becomes necessary.

PE Response to Item #1

PE Procedure 1.02 Replacement of Pipe Section has been revised to limit pretested subsections to no more than 7 joints of pipe, including fittings. Step 2 of Section 7.1 "Preparation for Replacement" addresses this limitation. Fabricated assemblies, such as meter assemblies, including pipe, fittings, and valves that have been pressure tested off-site are excluded from this limitation.

Item 2 (§192.225 (b))

PE's procedures were inadequate because they did not require that the welding process qualification test records be retained.

PE Response to Item #2

PE is currently in the process of converting several SOP's into Engineering Standards (ES). PE has initiated the change to include the retention of procedure qualification records in Section 4.2 of the fast tracked draft of ES 7.0004 Qualification of Welding Procedures. See the attached proposed modification of ES 7.0004.

Item 3 (§192.231)

PE's procedures were inadequate because they did not define what constitutes adverse weather conditions that would require protection to ensure the quality of the welding was not impaired.

PE Response to Item #3

PE is currently in the process of converting several SOP's into ES's. PE has initiated the change to ES 7.0005 Production Welding Requirements in order to require that welding operations be protected from adverse weather conditions in Section 4.2 and to define what is considered to be an adverse weather condition in Section 1.0. See the attached proposed modification of ES 7.0005.

Item 4 (§192.241(a) (1) & (2))

PE's procedures were inadequate because they did not require welding inspectors to be qualified to conduct visual inspections.

PE Response to Item #4

PE is currently in the process of converting several SOP's into ES's. PE has initiated the change in Section 4.14 to ES 7.0005 Production Welding Requirements to include the qualification requirements for welding inspectors. See the attached proposed modification of ES 7.0005.

Item 5 (§192.241(b) (2))

PE's procedures were inadequate because they did not define what constitutes "limited in number" such that non-destructive testing becomes impractical.

PE Response to Item #5

PE is currently in the process of converting several SOP's into ES's. PE's ES 7.0005 Production Welding Requirements requires that all production welds are to be visually inspected by the designated welding inspector and welder. In addition PE requires that all production welds 2" and larger in diameter be 100% nondestructively tested by means of radiographic inspection. Nondestructive testing of welds may only be waived after consulting with the Houston Technical Staff provided that the weld is smaller than 6 inches in diameter; the weld has been visually inspected by a qualified inspector, and has met the inspection criteria of API 1104. See the attached proposed modification of ES 7.0005

Item 6: (§192.245 (a))

PE's procedures are inadequate because they reference the wrong sections of API 1104 for repairing or removing weld defects.

PE Response to Item #6

The latest drafts of the Welding ES's (*Volume 7*) are being revised so that section titles are referenced rather than section numbers for both API 1104 and ASME Section IX. Annual reviews of the engineering standards will be implemented so that code editions and references are up to date.

Item 7: (§192.605(b) (1) & §192.612 (b))

PE's procedures for assessing the risk of these pipelines were inadequate because they did not contain sufficient criteria and/or weighting guidance to ensure consistent application.

PE Response to Item #7

PE Procedure O.02 Submerged Pipe Inspection and Survey will provide guidance in Steps 3 & 4 and the NOTE between step 3 & 4 of Section 7.1 "Inspection Plan". See the attached proposed modification of O.02.

Item #8: (§192.605(b) (1) & §192.612 (c) (2))

PE's procedures were inadequate because they did not delineate the extent of marking required when the operator discovers a pipeline is exposed on the seabed or constitutes a hazard to navigation.

PE Response to Item #8

PE Procedure O.02 Submerged Pipe Inspection and Survey will provide guidance in Step 3 of Section 7.5 "Response to Discovery of Shallow Pipe". See the attached proposed modification of O.02.

Item #9 (§192.605(b) (1) & §192.612 (c) (3))

PE's procedures were inadequate because they did not require PE to provide the necessary cover over the pipeline when it discovers that a pipeline is exposed on the seabed or constitutes a hazard to navigation.

PE Response to Item #9

PE Procedure O.02 Submerged Pipe Inspection and Survey will provide guidance in Step 5 of Section 7.5 "Response to Discovery of Shallow Pipe". See the attached proposed modification of O.02.

Item #10 (§192.605(b) (1) & §192.625 (b) (1-4))

PE's procedures were inadequate because they did not include provisions for determining which segments of its transmission pipelines and laterals that is partially located in Class 3 and 4 locations must be odorized in accordance with paragraph (a).

PE Response to Item #10

PE Procedure B.12 Evaluating Class Location Changes does in fact contain a provision for determining when odorization is required for laterals and pipelines in Step 3 of Section 7.3 "Determine Subsequent Actions".

In order to provide further clarification, PE has initiated a MOC request to add Appendix D to SOP B.12 with the guidance provided from **§192.625 (b)**. See the attached proposed modification of B.12.

Item #11 (§192.605(b) (1) & §192.707 (d) (2))

PE's procedures were inadequate because they still allowed marker signs to be labeled with a telephone number for the public to call collect, even though that option is no longer available through the phone service.

PE Response to Item #11

PE has removed the statement regarding Calling Collect from Section 7.1 of SOP I.12 Pipeline Facilities Identification. PE has changed Step 4 in Section 7.1 of SOP I.12 to exclusively reference that the appropriate 24 hour toll free number is to be used on pipeline markers. See the attached proposed modification of I.12.

Item #12 (§192.605(b) (1) & §192.727 (d) (1-3))

PE's procedures were inadequate because they did not include a requirement to utilize one of the three acceptable methods to ensure that gas flow will be prevented whenever service to a customer is discontinued.

PE Response to Item #12

PE challenges the allegation that its procedures are inadequate. From 192.727, the three acceptable methods to ensure that gas flow are:

- (1) The valve that is closed to prevent the flow of gas to the customer must be provided with a locking device or other means designed to prevent the opening of the valve by persons other than those authorized by the operator.
- (2) A mechanical device or fitting that will prevent the flow of gas must be installed in the service line or in the meter assembly.
- (3) The customer's piping must be physically disconnected from the gas supply and the open pipe ends sealed.

PE's current SOP G.19 *Measuring Station Operation* addresses station deactivation in Sections 7.2 "Station Deactivation" and 7.2.1 "Eliminating DOT Inspection Requirements/MMS Terminated Meter". Section 7.2, Step 2 requires the closure and locking/sealing of the inlet and outlet valves of the station. This corresponds with §192.727 (d) (1), which is one of the three acceptable methods to prevent gas flow. Section 7.1.1, Step 1 requires blind flanging of the meter. This corresponds with §192.727 (d) (2), which is another of the three acceptable methods to prevent gas flow.
See the attached proposed modification of G.19.

Item #13 (§192.605(b) (1) & §192.727 (g))

PE's procedures were inadequate because they did not require reports to be filed when an underwater pipeline facility crossing a navigable waterway is abandoned.

PE Response to Item #13

PE Procedure I.07 *Abandonment/Deactivation of Pipeline Facilities* addresses the reporting requirements in Step 12 & the accompanying Note of Section 7.4 "Abandoning Pipelines" and Section 7.6 "PHMSA required Reporting to the National Pipeline Mapping System (NPMS)" required for abandoned laterals and pipelines that cross navigable waterways. See the attached modification of I.07.

Item #14 (§192.605(b) (1) & §192.735 (a))

PE's procedures were inadequate because they did not define what constitutes a combustible material or what quantities are considered necessary for everyday use.

PE Response to Item #14

PE has added a definition of Combustibles in Section 6 and provided guidance regarding everyday usage in the Note in Section 7.2.3 of SOP K.10 *Hazardous Materials*. See the attached proposed modification of K.10.

Item #15 (§192.605(b) (1) & §192.739 (a))

PE's procedures were inadequate because they did not include fuel gas regulators as subject to the annual inspection and testing requirements.

PE Response to Item #15

PE challenges the allegation that its procedures are inadequate. PE does in fact require annual inspection and testing of fuel gas regulators. In Section 6, "Terms and Definitions" of SOP M.06 *Regulators - Test, Inspection and Maintenance*. Category 1 regulators are defined as all regulators providing pressure reduction at points of delivery, which would include first cut fuel regulators and Category 2 regulators include fuel regulators downstream of the first cut. In Section 4, "Frequency" of SOP M.06 *Regulators - Test, Inspection and Maintenance*, both

Category 1 and Category 2 regulators are to be annually tested, inspected and maintained annually, at intervals not exceeding 15 months, but at least once each calendar year. See attached pages 1 and 2 of SOP M.06 Regulators - Test, Inspection and Maintenance.

Item #16 (§192.605(b) (1) & §192.739 (a) (4))

PE's procedures (G.25, M.06, and M.02) were inadequate because they did not include provisions for inspecting the applicable pressure control devices to ensure they are properly protected from dirt, liquids, and other conditions that may prevent proper operation.

PE Response to Item #16

PE has updated Section 7.2 of SOP G.25 Farm Tap Settings Inspection and Testing to include the requirement to inspect equipment for leakage, proper installation, good mechanical condition and protection from dirt, liquid, and physical damage. See attached page 3 from SOP G.25.

PE has initiated a MOC request for Section 7.3 of SOP M.06 Regulators - Test, Inspection and Maintenance which includes a requirement to inspect equipment for leakage, proper installation, good mechanical condition and protection from dirt, liquid, and physical damage. See attached page 4 from SOP M.06.

PE has initiated a MOC request for Section 7.1 of SOP M.02 Automatic Control Valves which includes a requirement to inspect equipment for leakage, proper installation, good mechanical condition and protection from dirt, liquid, and physical damage. See attached page 4 from SOP M.02.

Item #17 (§192.605(b) (1) & §192.751 (a))

PE's procedures were inadequate because they did not clearly require the removal of potential ignition sources, such as cell phones, in areas where a hazardous amount of gas was being vented into open air.

PE Response to Item #17

PE requires Work Permits for all activities where a hazardous amount of gas may be vented into open air, unless the person performing the activity is equipped with a natural gas monitor. PE initiated a change to the Work Permit noting that cell phones and other electronic devices are not allowed in such areas. Attached is a copy of the revised Work Permit.

Item #18 (§192.605(b) (2) & §192.453)

PE's procedures were inadequate because they did not contain provisions that require the corrosion control program to be carried out by or under the direction of a qualified individual.

PE Response to Item #18

The Volume Owner of Volume D (Corrosion) of the PE Standard Operating Procedures (SOP's) shall be the company corrosion engineer. The volume owner is responsible for guiding the development and updating of all corrosion control procedures. New PE Procedure D.01 will detail the qualifications of this individual.

Item #19 (§192.605(b) (2) & §192.463 (a))

PE's procedures are inadequate because they do not properly consider voltage drops other than those across the structure-electrolyte boundary as required when interpreting the criteria contained in Appendix D. When PE obtains readings that demonstrate inadequate cathodic protection when such voltage drops are eliminated (i.e. instant-off cathodic protection data), PE's procedures do not require PE to verify a different criterion has been met or to remediate the deficiency in its program for controlling corrosion.

PE Response to Item #19

PE believes that their procedures are sufficient for the following reasons.

1. PE SOP D.03, Structure to Electrolyte Potential Measurement, requires consideration of voltage drops other than those across the structure-electrolyte boundary for valid interpretation of all readings required by §192.465 (a) in accordance with Appendix D, Part I of §192 and SOP D.20, *Annual Corrosion Control Surveys*.
2. PE SOP D.22, Application of Cathodic Protection Criteria, requires consideration of the significance of IR drops other than those across the structure-to-electrolyte boundary and adjustment of structure-to-electrolyte potentials to account for significant voltage drops (other than voltage drops across the structure-to-electrolyte boundary).
3. SOP D.22 requires the adjustment of structure-to-electrolyte potentials where significant voltage drops (other than voltage drops across the structure-to-electrolyte boundary) before determining whether CP is achieved using the 850 mV criterion and remedial action if acceptable levels of cathodic protection cannot be demonstrated.
4. PE's procedures for consideration of voltage drops in SOP D.22 are nearly identical to the guidance provided by NACE International TM0497, *Measurement Techniques Related to Criteria for Cathodic Protection on Underground or Submerged Metallic Piping Systems*, for the negative 850 mV current applied criterion for cathodic protection.
5. PE believes that the guidance provided by NACE International and incorporated into SOP D.22 far exceeds PHMSA's interpretation of the regulatory requirements of Appendix D, Part II of §192 provided by the Associate Administrator for Pipeline Safety, George W. Tenley, Jr., in 1991.

OPS has been following an enforcement policy developed in the mid 1980's under which, when an operator claims he has accounted for the IR drop, OPS will accept that claim. If, however, the operator had a leak due to corrosion, OPS may ask the operator to demonstrate the adequacy of corrosion protection and hoe (sic) the operator considered the IR drop in determining the adequacy of the corrosion protection. If this was done improperly, the operator could be subject to enforcement action. It has never been OPS's position that the occurrence of a corrosion leak is sufficient evidence of a violation and the operator is to be cited."

6. The Associate Administrator's interpretation of Appendix D, Part II of §192 has not been revoked by a subsequent interpretation or modification to §192. As such, PE believes that our procedures are adequate and that no changes are required to meet both the letter and intent of §192.605(b) (2) and §192.463.

Item #20 (§192.605(b) (8))

PE's procedures were inadequate because they did not contain detailed provisions for periodically reviewing the work done by employees to determine the effectiveness and adequacy of its procedures.

PE Response to Item #20

PE does not challenge the need for a procedure, but does challenge the need for detailed procedures in its SOP's. PE has an internal process for evaluating the effectiveness of employees and procedures, which is conducted under the direction of and at the request of counsel for PE. This process is not an operations and maintenance function. PE feels that this process not in the Operations and Maintenance organizational structure gives a more unbiased evaluation of procedures. PE has initiated a change to SOP A.03 Management of Change to show that changes identified in this process initiates a Procedure change via the MOC process. PE feels that this methodology exceeds the Regulatory burden of §192.605(b) (8).

§ 192.605 Procedural manual for operations, maintenance, and emergencies.

(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.

(8) Periodically reviewing the work done by operator personnel to determine the effectiveness, and adequacy of the procedures used in normal operation and maintenance and modifying the procedures when deficiencies are found.

PE Request for Hearing

As noted above, solely with regard to NOA Item #12, Item #15, Item #19, and Item #20 PE contests allegations of deficiency and accordingly requests a Hearing as stipulated in 49 C.F.R §190.211 addressing all matters presented in the PHMSA December 21, 2010 letter referenced above. In addition, Amended procedures not acceptable to PHMSA as submitted, constitute items that should be added to the Agenda of the requested hearing. PE feels that existing procedures are adequate regarding Item #12 and Item #15 and requests clarification as to why PHMSA feels that they are inadequate. PE additionally requests an opportunity to provide clarification as to the specific areas of concern regarding Items #19, and Item #20. The principal issues to be raised at hearing are discussed above. PE reserves the right to be represented by counsel during the hearing and plans to have a court reporter present to document the proceedings.

Sincerely,



Eric Amundsen
Vice President and Chief Asset Integrity Officer

Attachment:
August 21, 2010 PHMSA Letter (CPF 3-2010-1006M)
Revised Procedures