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

8701 South Gessner, Suite 1110
Houston, TX 77074

NOTICE OF PROBABLE VIOLATION

PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 24, 2007

El Paso Pipeline Group
Attn Dan Martin, Senior Vice President Operations
1001 Louisiana Street
PO Box 2511
Houston, Texas 77002

CPF 4-2007-1007

Dear Mr Martin

During the weeks of April 17-21, May 1-5, and May 22-26, 2006, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your integrity management program in Houston, Texas

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations The items inspected and the probable violation(s) are

1. **§192.5 Class locations.**
(c) The length of Class locations 2, 3, and 4 may be adjusted as follows:
(2) When a cluster of buildings intended for human occupancy requires a Class 2 or 3 location, the class location ends 220 yards (200 meters) from the nearest building in the cluster.

§192.903 What definitions apply to this subpart?
***High consequence area* means an area established by one of the methods described in paragraphs (1) or (2) as follows:**
(1) An area defined as--
(i) A Class 3 location under §192.5

The boundaries of HCA 2718, EPNG Line 1204 are defined by Method 1, however, the Class 3 boundaries are not properly established consistent with class location criteria Printouts of the EPNG pipeline clearly indicate that the class 3 area, and thus the HCA, would extend further than is indicated on the map

El Paso Pipeline Group (EPPG) provided numerous GeoFusion maps indicating the area in question They also provided per the team's request a listing of the structures included in the Class 3 area. The most westerly structure is labeled as STRUCT ID 1022764 with stationing of 5471 37. This same structure was also identified in pencil on one of the GeoFusion maps There are approximately eight (8) additional structures that would be considered part of the cluster that would extend the class area further to the west

2. **§192.907 What must an operator do to implement this subpart?**
(a) *General.* No later than December 17, 2004, an operator of a covered pipeline segment must develop and follow a written integrity management program that contains all the elements described in §192.911 and that addresses the risks on each covered transmission pipeline segment. The initial integrity management program must consist, at a minimum, of a framework that describes the process for implementing each program element, how relevant decisions will be made and by whom, a time line for completing the work to implement the program element, and how information gained from experience will be continuously incorporated into the program. The framework will evolve into a more detailed and comprehensive program. An operator must make continual improvements to the program.
(b) *Implementation Standards.* In carrying out this subpart, an operator must follow the requirements of this subpart and of ASME/ANSI B31.8S (incorporated by reference, see §192.7) and its appendices, where specified. An operator may follow an equivalent standard or practice only when the operator demonstrates the alternative standard or practice provides an equivalent level of safety to the public and property. In the event of a conflict between this subpart and ASME/ANSI B31.8S, the requirements in this subpart control.

§192.911 What are the elements of an integrity management program?

An operator's initial integrity management program begins with a framework (see §192.907) and evolves into a more detailed and comprehensive integrity management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program. The initial program framework and subsequent program must, at minimum, contain the following elements. (When indicated, refer to ASME/ANSI B31.8S (incorporated by reference, see §192.7) for more detailed information on the listed element.)

(a) An identification of all high consequence areas, in accordance with §192.905.

Not all existing EPPG HCAs were identified by the 12/17/2004 compliance deadline EPPG reviews conducted subsequent to the compliance deadline resulted in the identification of a significant number of HCAs that were required to be identified prior to the compliance deadline EPPG provided the inspection team with two separate reports identifying new HCAs in 2005. One report was for identified sites and the other was for HCAs created by 20 or more structures or through class changes

EPPG's "New 2005 HCAs Created From An Identified Site" report indicates a total of 292 new sites. The same report indicates the vast majority of structures existed prior to the reporting deadline More than 280 of the sites showed no change after the compliance deadline and thus were in place at the time of the deadline and yet they were not included in the original tally of HCAs

EPPG's "Inventory of structures in new 2005 HCAs" report is an inventory of structures that caused an HCA to be created by the '20 or more structures' component of the regulations The report lists 5290 structures with the vast majority existing prior to the rule deadline This report represents approximately 49 new HCAs The first HCA in the report identified as HCA ID 3039 has a total of 58 structures with no new structures added after the compliance deadline The second HCA identified as HCA ID 3052 has approximately 87 structures of which approximately 6 were added after the deadline Thus, approximately 81 structures were in existence prior to the deadline HCA ID 3147 has approximately 123 structures and only approximately 3 structures were added after the deadline HCA ID 3170 has approximately 1020 structures and approximately only 94 were added after the deadline

These issues indicate that numerous existing HCAs were not identified by the compliance deadline and also that the El Paso processes and procedures for identifying HCAs are significantly lacking A TGP spreadsheet report titled "HCAs – Effective date 9/30/2005" do not indicate any of the HCAs identified on either the Identified Site report or the Inventory of Structures reports discussed above.

3. **§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:

(1) Time dependent threats such as internal corrosion, external corrosion, and stress corrosion cracking;

(2) Static or resident threats, such as fabrication or construction defects;
(3) Time independent threats such as third party damage and outside force damage; and
(4) Human error.

The EPPG threat evaluation process does not include proper evaluation of interacting threats through a comprehensive data integration and evaluation process This process was supposed to be part of the EPPG IM Program, Chapters 2 and 3 and specifically Section 3 3 dated 12/15/2004 On 03/30/2007, PHMSA received an electronic version of the revised EPPG IMP Section 3 dated 11/15/2006, and this document shows no substantive improvement in the evaluation of interactive threats

4. **§192.933 What actions must be taken to address integrity issues?**

(a) *General requirements.* An operator must take prompt action to address all anomalous conditions that the operator discovers through the integrity assessment. In addressing all conditions, an operator must evaluate all anomalous conditions and remediate those that could reduce a pipeline's integrity. An operator must be able to demonstrate that the remediation of the condition will ensure that the condition is unlikely to pose a threat to the integrity of the pipeline until the next reassessment of the covered segment. If an operator is unable to respond within the time limits for certain conditions specified in this section, the operator must temporarily reduce the operating pressure of the pipeline or take other action that ensures the safety of the covered segment. If pressure is reduced, an operator must determine the temporary reduction in operating pressure using ASME/ANSI B31G (incorporated by reference, see §192.7) or AGA Pipeline Research Committee Project PR-3-805 (``RSTRENG"; ibr, see §192.7) or reduce the operating pressure to a level not exceeding 80% of the level at the time the condition was discovered. (See appendix A to this part 192 for information on availability of incorporation by reference information). A reduction in operating pressure cannot exceed 365 days without an operator providing a technical justification that the continued pressure restriction will not jeopardize the integrity of the pipeline.

EPPG did not repair two anomaly locations, which required pipe replacement, repairs with sleeves, or lowering the MAOP EPPG excavated the two locations on the SNG system and both sites exhibited corrosion. EPPG developed safe pressures based on their COREVAL 200 system and determined neither location required pipe replacements The sites were recoated and backfilled The sites were on 2nd North Main at MP 188-45+00 and MP 190-49+31 The first site had 74% wall loss and the second site had 70% wall loss EPPG incorrectly used Class 2 for evaluation purposes while their records clearly indicate both sites are Class 3 sites Using RSTRENG and the proper class factor, site one's Max Safe Pressure is 619 and site two's Max Safe Pressure is 628 The MAOP of both sites is 650.

Proposed Civil Penalty

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 The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of $129,000 as follows.

Item number	PENALTY
2	$ 49,000
4	$ 80,000

Proposed Compliance Order

With respect to item(s) 1-4 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to EPPG Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice

Response to this Notice

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

In your correspondence on this matter, please refer to **CPF 2007-1007** and for each document you submit, please provide a copy in electronic format whenever possible

Sincerely,

R M Seeley
Director, Southwest Region
Pipeline and Hazardous Materials
Safety Administration

Enclosures *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to EPPG a Compliance Order incorporating the following remedial requirements to ensure the compliance of El Paso Pipeline Group with the pipeline safety regulations

1 In regard to Item Number 1 of the Notice pertaining to the improper HCA boundary established for HCA 2718, EPPG must re-establish the proper boundary based upon clear PHMSA precedent and guidance and EPPG must verify all other HCA boundaries for accuracy EPPG must also apply Subpart O requirements to those portions of their pipeline, which were initially excluded from the original HCA boundaries and take all appropriate actions for those pipelines

2 In regard to Item Numb er 2 of the Notice pertaining to inadequate identification of HCAs, EPPG must reevaluate their procedures to ensure they provide adequate processes to both identify and train for the identification of HCAs so that future HCAs will be identified within regulation requirements

3 In regard to Item Number 3 of the Notice pertaining to interactive threat evaluation, EPPG must reevaluate their procedures to ensure the threat is addressed as per regulations and the new process must be incorporated into the current IM Program

4 In regard to Item Number 4 of the Notice pertaining to corrosion repairs, EPPG must make proper repairs to the locations based on their current classing

5. EPPG must address the issues detailed in Items 1 through 4 above within 90 days after receipt of a Final Order and submit to R. M Seeley, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration

5 EPPG shall maintain documentation of t
6 he safety improvement costs associated with fulfilling this Compliance Order and submit the total to R M Seeley, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. Costs shall be reported in two categories 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and c ther changes to pipeline infrastructure