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J. A. (Andy) Drake, P.E.
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June 28, 2012

Mr. Rod Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration
8701 South Gessner
Suite 1110
Houston, TX 77074

RE: CPF 4-2012-1009
Notice of Probable Violation and Proposed Compliance Order
Texas Eastern Transmission, L.P.

Dear Mr. Seeley,

From February 7 to December 15, 2011, representatives of the Pipeline and Hazardous Materials Safety Administration ("PHMSA") conducted inspections of Texas Eastern Transmission, L.P. ("TETLP") facilities in Texas, Louisiana, Arkansas and the Gulf of Mexico. During these inspections, PHMSA identified seven (7) probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations, and issued a Notice of Probable Violation ("NOPV") and Proposed Compliance Order on May 29, 2012. The following is a summary of PHMSA's finding and TETLP's response.

1. §192.475 Internal Corrosion Control: General

PHMSA Finding

At the Iowa Facility in the Lake Charles unit area, the PHMSA inspector noted that dead-ends had not been identified and monitored for several years. TET failed to take steps to minimize internal corrosion. Dead end piping that cannot be swept with gas pressure or cleaned by pigging need to be monitored in order to minimize any effects of internal corrosion. On August 29, 2000, PHMSA issued Advisory Bulletin ADB-00-02. The Advisory states that Gas transmission owners and operators should thoroughly review their internal corrosion management programs and operations. Additionally, special attention should be given to specific conditions, including flow characteristics, pipeline location (especially drips, dead legs, and sags, which are on-line segments that are not cleaned by pigging or other methods.)

TETLP Response

The dead-end piping indentified during the inspection was inspected utilizing ultrasonic wall thickness measurements shortly following the inspection. No internal corrosion was identified at these locations.

2. §192.475 Internal Corrosion Control: General

PHMSA Finding

During the review records at the Lake Charles area office, PHMSA inspectors found that there were two instances which indicate that the internal surface of the pipe was not inspected for evidence of corrosion. The Pipe & Coating Inspection Report #'s: 4-LC-033-08-12 and 4-LC-033-08-11 both dated 7/03/2008; indicate that whereas the pipe was repaired by welding in two full circumference sections of pipe, the reports indicate that the pipe's internal surface was not inspected for evidence of corrosion.

Records reviewed during the field inspection demonstrate that TET violated § 192.475 by failing to inspect the internal surface for evidence of corrosion.

TETLP Response

TETLP has reviewed the referenced Pipe and Coating Inspection Reports. The documentation is ambiguous as to whether the internal surfaces of the pipes were exposed and/or inspected. The reports both state "Int. Surface Not Exposed", which is clearly not an accurate notation because a full circumferential weld was performed. The documentation does not further indicate whether the interior was or was not inspected for corrosion. Since it cannot be determined if the pipe interior was inspected, TETLP will not contest this finding.

3. §192.475 Atmospheric Corrosion Control: General

PHMSA Finding

During the field inspection of the Lake Charles area, PHMSA inspectors observed that Texas Eastern (Spectra) failed to clean and coat portions of their pipeline exposed to atmospheric corrosion at two (2) locations. PHMSA inspectors observed disbonded coating, atmospheric corrosion, and severe pitting in a couple of locations. The locations were at Mainline Block Valve MP 49.64 and at Vermillion 265 offshore platform.

TETLP Response

The two (2) areas identified as noted in the NOPV were recoated shortly after the inspection. Photographs of the recoated areas were transmitted to the PHMSA Inspector.

4. §192.605 Procedure Manual for Operations, Maintenance and Emergencies; and §192.481 Atmospheric Corrosion Control: Monitoring

PHMSA Finding

At the Atlanta Compressor Station field inspection, PHMSA inspectors observed that TET has failed to give particular attention to pipe station pipe coating under thermal insulation. The TET procedure 2-5020[1], Atmospheric Pipe Inspection, has a note specifying where the ports should be located for monitoring. The insulated section of piping at the Atlanta compressor station has only one 2-inch capped area at the 12 o'clock position on the pipe with which to examine the pipe's coating. The PHMSA inspector observed that a more effective means of monitoring for atmospheric corrosion must be implemented. TET has failed to meet the requirements of § 192.481 by failing to inspect with particular attention under its thermally insulated pipe and TET failed to follow procedure 2-5020 which notes that inspection ports should be located at the low points on the piping where water is more likely to accumulate in the annular space between the outside of pipe and insulation.

TETLP Response

Within 30 days of the Final Order, TETLP will provide your office the plans, procedures, schedule and records that demonstrate that a process has been implemented to more effectively monitor for corrosion for insulated piping.

5. §192.605 Procedure Manual for Operations, Maintenance and Emergencies; and §192.745 Valve Maintenance: Transmission Lines

PHMSA Finding

TET did not partially operate each transmission line valve that might be required during any emergency as required by § 192.745 and by TET Standard Operating procedure 5-5010. During the valve maintenance records inspection of the TET facilities in the states of Texas, Louisiana and Arkansas, TET provided records documenting the valve inspections. The records showed the inspections as having occurred for the years between 2008 and 2011; however, they failed to perform the partial operation of more than 32, 2-inch valves; more than 6, 3-inch valves; more than 7, 4-inch valves; more than 4, 6-inch valves; more than 5, 8-inch valves; more than 7, 10-inch

[1] The NOPV incorrectly references TETLP's "Atmospheric Pipe Inspection" procedure as SOP 2-5000. The correct SOP number is 2-5020.

valves; more than 2, 14-inch valves; more than 2, 16-inch valves; more than 3, 24-inch valves; and more than 7, 30-inch valves for at least one calendar year interval between 2008 and 2011.

Spectra Energy Standard Operating Procedures, Volume 5 – Emergency Response and Common Procedures, Procedure 5-5010 Valve Inspection and Maintenance states on page 1 of 10, "Perform inspection and maintenance of all pipeline, meter station and compressor station valves in gas service 2" and Larger in accordance with the valve manufacturers' guidelines and the requirements of this procedure, once each calendar year, not to exceed 15 months." On page 6 of 10 it states, "if it is not possible to stroke a valve 100% due to gas flow conditions, operate the valve partially to validate the inspection." On page 8 of 10 it states, "For valves within or adjacent to compressor stations, or other facilities where hazardous conditions would result or where the operation of the station would be in jeopardy from a fully open or completely closed valve operation, operate partially." TET does not maintain a list of valves that might be required during any emergency, but instead they inspect and partially operate all valves as stated in their procedure.

TET failed to follow its procedure as written in its Standard Operating Procedures manual thereby failing to meet the requirements of §192.605(a) and TET failed to demonstrate that valves that might be required during any emergency were partially operated as required by §192.745(a). While the TET completed the maintenance portion of the inspections within the maximum 15 month period, they failed to perform the partial operation of several valves between the calendar years of 2088 and 2011.

TETLP Response

At the time of these PHMSA Inspections, TETLP had been documenting the maintenance of all valves, "emergency" and "non-emergency", in the same Maximo database. This practice resulted in all valves being documented in the same database, without an easy means of identifying those valves that might be used during an emergency and thus subject to the requirements of §192.745(a). The valves documented as not operated may not be "emergency valves", and thus are not subject to §192.745(a). However, as noted in this finding, the documentation indicates TETLP did not follow its standard operating procedure for these valves, and TETLP will not contest this finding.

To improve the effectiveness of demonstrating compliance with §192.745(a), and prior to receipt of this NOPV, TETLP implemented revisions to SOP 5-5010 to specify those classifications of valves that might be used during an emergency. In addition, TETLP has identified all valves that meet the "emergency" classification based on the procedure revisions and has listed these valves in the Maximo database (or other applicable system). TETLP will review this finding to identify if additional enhancements may be warranted.

6. §192.705 Transmission Lines: Patrolling

PHMSA Finding

At the Longview area field inspection, the PHMSA inspector noted several occasions of Right-of-Way overgrowth and of debris on the ROW. The areas were on Line 11 at MP 229; 306.57 and Line 13 at MP 23; 24.24; and MP 44. The overgrowth and debris noted in these areas were such that it would hamper the patrolling of these areas for indications of leaks, construction activity, and other factors affecting safety and operation. TET has failed to meet the requirements of §192.705(a) by failing to maintain the Right-of-Way in a condition that would not impede the performance of their patrolling.

TETLP Response

The areas of right-of-way overgrowth identified by the PHMSA Inspector were cleared shortly after the Inspection. Photographs of the cleared areas were transmitted to the PHMSA Inspector.

7. §192.707 Markers for Mains and Transmission Lines

PHMSA Finding

During the Arkansas area field inspection, the PHMSA inspector noted where line markers were not placed and maintained as close as practical over each buried main and transmission. In Arkansas the areas were at MP 85.12, downstream from the valve in the open field area and at MP 339.09, upstream and downstream from mainline valve 1-496. Additionally, while inspecting the Portland south unit in Texas, the PHMSA inspector noted a similar issue. There were no line markers on the rear fence at the Measuring Station 73258/59, at MP 23.25, where the line enters the fenced area.

TETLP Response

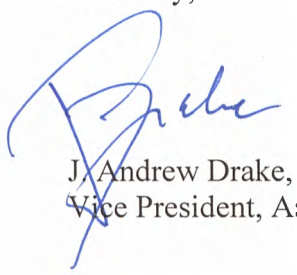
Line markers were installed at the locations identified by the PHMSA Inspector shortly after the Inspection. Photographs of the additional markers were transmitted to the PHMSA.

TETLP does not intend to contest the NOPV findings and is paying the proposed civil penalty of $134,500 in accordance with the Response Options attached to the NOPV. TETLP also does not intend to contest the Proposed Compliance Order, and will begin the specified actions.

TETLP takes these issues very seriously, and we are committed to addressing these issues in an expeditious manner. In some cases, as noted above, TETLP had already implemented corrective actions prior to receiving this NOPV.

Please call Rick Kivela at (713) 627-6388 if you have any questions or comments.

Sincerely,



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