



U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

1200 New Jersey Avenue SE
Washington DC 20590

APR 20 2018

VIA EMAIL AND CERTIFIED MAIL:

Mr. Douglas D. Shanda
President, Sabine Pass Liquefaction, LLC &
Senior Vice President, Operations, Cheniere Energy, Inc.
700 Milam Street, Suite 1900
Houston, Texas 77002

RE: In the Matter of Sabine Pass Liquefaction, LLC – CPF No. 4-2018-3001H

Dear Mr. Shanda:

Enclosed please find the fully executed Consent Agreement and Order that resolves the issues underlying the Corrective Action Order issued by PHMSA on February 8, 2018, in the above-referenced proceeding. Service of the Consent Agreement and Order by email and certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosure

cc: Ms. Mary McDaniel, Director, Southwest Region, OPS
Ms. Linda Daugherty, Deputy Associate Administrator for Field Operations, Pipeline
Safety, OPS
Mr. Michael Weller, Senior Counsel, Cheniere Energy, Inc.

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

In the Matter of

**Sabine Pass Liquefaction, LLC,
a subsidiary of Cheniere Energy Partners, LP,**

Respondent.

CPF No. 4-2018-3001H

CONSENT AGREEMENT AND ORDER

On February 8, 2018, the Pipeline and Hazardous Materials Safety Administration (PHMSA) issued a Corrective Action Order (CAO) pursuant to 49 U.S.C. § 60112 and 49 C.F.R. § 190.233, to require Sabine Pass Liquefaction, LLC, a subsidiary of Cheniere Energy Partners, LP (Sabine or Respondent), to take the necessary corrective actions to protect the public, property, and the environment from potential hazards associated with a release of liquefied natural gas (LNG) from Tank S-103 at the company's Sabine Pass Liquefaction Facility (Sabine Pass Facility or Facility) that occurred on January 22, 2018.

On February 16, 2018, Sabine submitted to PHMSA a Request for Hearing and Statement of Issues, challenging the terms, findings and determinations of the CAO. A Presiding Official from PHMSA's Office of Chief Counsel scheduled a hearing for March 21, 2018, in accordance with 49 C.F.R. §§ 190.211 and 190.233(c).

On March 21, 2018, a hearing was held in Houston, Texas, at PHMSA's Southwest Region Office before the Presiding Official. Following the hearing, PHMSA and Sabine (collectively, Parties) entered into discussions to potentially resolve the CAO through an administrative consent agreement, thereby avoiding further administrative proceedings or litigation, pursuant to 49 C.F.R. Part 190. Accordingly, upon consent and agreement of the Parties and in accordance with 49 C.F.R. § 190.219, PHMSA and Sabine hereby agree to the terms and conditions set forth in this Consent Agreement and Order (Agreement and Order) to resolve the issues underlying the CAO and to replace and supersede the CAO, as provided in Paragraph 10 below.

I. General Provisions

1. Respondent acknowledges that the Facility located in Cameron Parish, Louisiana, is subject to the jurisdiction of the Federal pipeline safety laws, 49 U.S.C. 60101, *et seq.*, and the regulations and administrative orders issued thereunder. Respondent further acknowledges that it received proper notice of PHMSA's action in this proceeding and that the CAO states claims

upon which relief may be granted pursuant to 49 U.S.C. 60101, *et seq.*, and the regulations and orders issued thereunder.

2. Respondent agrees to complete the corrective actions specified in Section II of this Agreement and Order (Corrective Measures) and to abide by the terms of this Agreement and Order. This Agreement and Order does not constitute a finding of violation of any Federal law or regulation and may not be used in any civil or administrative proceeding of any kind as evidence or proof of any fact, fault or liability, or as evidence of the violation of any law, rule, regulation or requirement, except in a proceeding to enforce the provisions of this Agreement and Order.

3. Respondent consents to the issuance of this Agreement and Order, and hereby waives any further procedural requirements with respect to its issuance. Respondent waives all rights to contest the adequacy of notice, or the validity of this Agreement and Order, including all rights to administrative or judicial hearings, reviews, or appeals.

4. This Agreement and Order shall apply to, and be binding upon, PHMSA and Sabine, its officers, directors, and employees, and its successors, assigns, or other entities or persons otherwise bound by law. Respondent agrees to provide a copy of this Agreement and Order and any incorporated work plans and schedules to all of Sabine's officers, employees, and agents whose duties might reasonably include compliance with this Agreement and Order.

5. For any transfer of ownership or operating responsibility of the Sabine Facility occurring during the term of this Agreement and Order, Respondent will provide a copy of this document to the prospective transferee at least 30 days prior to such transfer and simultaneously provide written notice of the prospective transfer to the PHMSA Southwest Region Director (Director).

6. This Agreement and Order constitutes the final, complete and exclusive agreement and understanding between the Parties with respect to the settlement embodied herein. The Parties acknowledge that there are no representations, agreements, or understandings relating to settlement other than those expressly contained in this Agreement and Order, except that the terms of the CAO and the administrative case file may be used to construe the terms of this Agreement and Order.

7. Nothing in this Agreement and Order affects or relieves Respondent of its responsibility to comply with all applicable requirements of the Federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations and orders issued thereunder. Nothing in this Agreement and Order alters PHMSA's right of access, entry, inspection, and information gathering, or PHMSA's authority to bring enforcement action(s) against Sabine pursuant to the Federal pipeline safety laws, the regulations and orders issued thereunder, or any other provision of Federal or State law, including additional enforcement action relating to the January 2018 release.

8. This Agreement and Order does not waive or modify any Federal, State, or local law or regulation applicable to Respondent's Facility. This Agreement and Order is not a permit,

or a modification of any permit, under any Federal, State, or local laws or regulations. Sabine remains responsible for achieving and maintaining compliance with all applicable Federal, State, and local laws, regulations and permits.

9. This Agreement and Order does not create rights in, or grant any cause of action to, any third party not party to this Agreement and Order. PHMSA is not liable for any injuries or damages to persons or property arising from acts or omissions of Respondent or its officers, employees, or agents carrying out the work required by this Agreement and Order. Sabine agrees to hold harmless PHMSA, its officers, employees, agents, and representatives from any and all causes of action arising from any acts or omissions of Respondent or its contractors in carrying out any work required by this Agreement and Order.

10. Upon the Effective Date of this Agreement and Order, the Parties agree that the CAO will be of no further force or effect and this Agreement and Order shall supersede the CAO in all respects.

II. Corrective Measures

11. **Definitions.** For purposes of this Section II, the following definitions shall apply:

Removal from Service – Means the isolating and purging of hydrocarbons from an LNG tank so that inspection, assessment and remedial repair work can safely occur.

Removed from Operation – Means to have removed an LNG tank from its commercial and operational service.

Tank System – Means the tank system for each LNG tank at the Facility and includes the nickel steel inner tank, the carbon steel outer tank, and related facilities.

12. **Tank S-103.**

i. **Removal from Service:** The Parties acknowledge that Sabine has removed Tank S-103 from operation and provided to the Director an initial timeline and plan for removing Tank S-103 from service to facilitate a full investigation. On April 12, 2018, the Director approved Sabine's LNG Tank S-103 Piping De-Inventory, Inerting and Isolation, Tank S-103 Warm-Up Using Defrost Gas From Liquefaction, and Tank S-103 LNG Tank Hydrocarbon Freeing with Nitrogen Plans.

ii. **Work Plan:** The Parties acknowledge that Sabine has submitted to the Director for approval a work plan that includes a removal-from-service plan for Tank S-103 (including a specific purging plan), a root cause failure analysis (RCFA) plan, a repair and modification plan, and a plan to return Tank S-103 to operation (collectively, Tank S-103 Work Plan). The Director shall promptly review the Tank S-103 Work Plan and either approve, reject, or request modification of it in accordance with Paragraph 19 below, with the goal of allowing the orderly commencement of the removal-from-service plan and for the return of Tank S-103 to operation as soon as practicable. Any rejection or request for modification of the Tank S-103 Work Plan

shall be in writing and state with specificity the basis for the decision and the requirements to secure approval of a revised Tank S-103 Work Plan.

iii. **Return to Operation:** Sabine may not return Tank S-103 to operation until authorized to do so by the Director. Prior to returning Tank S-103 to operation, Sabine must develop a fitness-for-service plan that meets the requirements of API RP 579-1 / ASME FFS-1, *Fitness-For-Service* (3rd edition), issued in June 2016. All permanent repairs to Tank S-103 shall be completed in manner consistent with 49 C.F.R. Part 193.

13. **Tank S-101.**

i. **Submission and Approval of Tank S-101 Temporary Operations Plan:** The Parties acknowledge that Sabine has removed Tank S-101 from operation and must submit to the Director for approval a Tank S-101 Temporary Operations Plan that includes, but is not limited to, any measures already taken to allow for the safe operation of Tank S-101 in accordance with 49 C.F.R. Part 193, as follows: (1) resealing the annular plate of Tank S-101 in accordance with relevant industry standards; (2) preparing a fitness-for-service plan that meets the requirements of API RP 579-1 / ASME FFS-1, *Fitness-For-Service* (3rd edition), issued in June 2016; (3) mechanically disabling the bottom-fill line valve; and (4) providing for the monitoring of annular space temperatures set to alarm when conditions exceed Tank S-101's design parameters. The Director shall promptly review the Temporary Operations Plan and either approve, reject, or request modification of it in accordance with Paragraph 19 below. Sabine may not return Tank S-101 to operation until the Director approves the Temporary Operations Plan.

ii. **Evaluation of the RCFA and Submission and Approval of Tank S-101 Work Plan:** Within 60 days of the completion of the final RCFA under Paragraph 14 below, Sabine must evaluate Tank S-101 to determine if Tank S-101 is subject to similar causal factors identified for Tank S-103 in the RCFA and what factors have already been addressed for Tank S-101 in the Temporary Operations Plan. Sabine must document this evaluation, describe what actions it intends to take to address the results of the evaluation, and submit to the Director for approval a proposed Tank S-101 Work Plan. The Tank S-101 Work Plan may include temporary mitigation measures confirmed by a qualified independent third-party expert as being appropriate to maintain Tank S-101 in safe operation pending implementation of the Tank S-101 Work Plan. The Tank S-101 Work Plan shall also include an evaluation of the cause of the unexpected vapor seepage from the bottom of Tank S-101 and a repair plan, if required, that is consistent with 49 C.F.R. Part 193 and relevant industry standards. The Director shall promptly review the Tank S-101 Work Plan and either approve, reject, or request modification of it in accordance with Paragraph 19 below. Any rejection or request for modification of the Tank S-101 Work Plan shall be in writing and state with specificity the basis for the decision and the requirements to secure approval of a revised Tank S-101 Work Plan.

14. **Root Cause Failure Analysis:** The Parties acknowledge that the RCFA developed by a qualified independent third-party is currently underway. The scope of the RCFA includes an assessment of all five LNG storage tanks at the Facility for similar events pertinent to the causal factors of the incident on January 22, 2018. The RCFA shall be completed by May

31, 2018, and shall document all contributory factors (including any pertinent operating information from other tanks at the Sabine Pass Facility) and the report's decision-making process. Sabine must submit a final report of the RCFA to the Director and shall include any recommendations and the applicability of the recommendations to the five LNG storage tanks within the Facility.

15. Reporting and Review of Other Tank Systems. Commencing on the Effective Date, Sabine shall promptly report to the Director any unanticipated or sustained operation of the other tanks at the Facility (i.e., Tanks S-102, S-104, and S-105) outside their design parameters. Within 120 days of the completion of the final RCFA on Tank S-103, Sabine must evaluate Tanks S-102, Tank S-104, Tank S-105 and their associated Tank Systems, considering the findings of the RCFA. Sabine must provide a copy of that evaluation to the Director.

16. Qualified Independent Third-Parties. Sabine must continue to engage the services of qualified independent third-parties to assist in the development and performance of the Tank S-103 Work Plan and the Tank S-101 Work Plan, except as otherwise specifically noted in this Agreement and Order. Sabine must submit to the Director for prior concurrence the names and qualifications of any proposed third-party experts that have not yet been approved. The third parties performing the work identified in the Work Plans must provide all reports to the Director at the same time as they are provided to Sabine.

17. Request for Information of Prior Known Events. Not later than July 31, 2018, Sabine must provide the Director with information regarding all previous known events in which any of Sabine's Tanks or Tank Systems at the Facility were operated outside of temperature design specifications. This information must include a description of the conditions that existed at the time of each event, any actions taken to mitigate each event, all inspections and assessments that were performed to ensure the integrity of the tanks after each event, and all modifications that were made to prevent future exceedances or incidents.

18. Monthly Reporting. Sabine must submit monthly reports to the Director that: (1) include all available data and results of the testing and evaluations required by this Agreement and Order; (2) describe the progress of the repairs or other remedial actions being undertaken; and (3) provide information on all other activities being undertaken pursuant to this Agreement and Order. Sabine submitted its first monthly report on April 16, 2018. Sabine must continue to submit monthly reports on the 15th of every month until the completion of the work plans derived from the RCFA. The Director may change the interval for the submission of these reports.

III. Approvals

19. With respect to each submission under this Agreement and Order requiring the approval of the Director, the Director shall act promptly to: (a) approve, in whole or part, the submission; (b) approve the submission on specified conditions; (c) disapprove, in whole or in part, the submission, directing that Sabine modify the submission; or (d) any combination of the above. In the event of approval or approval upon conditions, Respondent will proceed to take all action required by the submission, as approved or conditioned by the Director. If the Director

conditions or disapproves all or any portion of a submission, the Director shall in writing state with specificity the basis for the decision and Respondent will resubmit it to address the stated issues. If a resubmitted item is disapproved in whole or in part, the Director may again require Respondent to address the stated issues in accordance with the foregoing procedure, and the Parties may proceed to dispute resolution according to Section VI below.

IV. Document Production

20. To expedite the review and assessment of relevant documentation, Sabine must produce electronic versions (in their original format) of any and all records requested by the Director and/or submitted pursuant to this Agreement and Order via electronic communications or in a physical medium, such CD-ROM, DVD, or flash drive, unless specifically asked to do otherwise. If Sabine asserts a claim of business confidentiality or other protections applicable to the release of information by PHMSA, Sabine must mark such documents as confidential as provided in Paragraph 25 below. Since the Federal Energy Regulatory Commission (FERC) and PHMSA both have jurisdiction over the Facility and are coordinating with respect to the matters addressed in this Agreement and Order, Sabine must provide all such records to FERC simultaneously as they are provided to PHMSA.

V. Extensions of Time

21. The Director may grant an extension of time for compliance with any of the terms of this Agreement and Order upon a written request submitted at least 15 days prior to a stated deadline, demonstrating good cause for an extension.

VI. Dispute Resolution

22. The Director and Sabine will attempt to resolve informally any disputes arising under this Agreement and Order. The Director and Sabine will first confer in an effort to resolve any dispute. If the Director and Sabine are unable to resolve informally the dispute within 10 calendar days, Sabine may request in writing, within 10 days, a written determination resolving the dispute by the Associate Administrator for Pipeline Safety, PHMSA. Along with its request, Sabine will provide the Associate Administrator with all information Sabine believes is relevant to the dispute. If the request is submitted as provided herein, the Associate Administrator will promptly issue a written determination that shall be final. The existence of a dispute and PHMSA's consideration of matters placed in dispute shall not excuse, toll, or suspend any term or timeframe for completion of any work to be performed under this Agreement and Order during the pendency of the dispute resolution process, except as agreed by the Director or the Associate Administrator in writing.

VII. Enforcement

23. This Agreement and Order may be enforced by PHMSA pursuant to enforcement authorities available to the PHMSA under 49 U.S.C. § 60101, *et seq.*, and 49 C.F.R. Part 190. All deadlines set forth or referenced in Section V will be automatically incorporated into this Agreement and Order and are enforceable in the same manner.

VIII. Recordkeeping and Information Disclosure

24. Except as otherwise provided herein, Sabine agrees to maintain records demonstrating compliance with all requirements of this Agreement and Order for a period of at least five years following completion of all work to be performed.

25. For any reports, plans, or other deliverables required to be submitted to PHMSA pursuant to this Agreement and Order, Respondent may assert a claim of business confidentiality or other protections applicable to the release of information by PHMSA, covering part or all of the information required to be submitted to PHMSA pursuant to this Agreement and Order in accordance with 49 C.F.R. Part 7 and 49 C.F.R. § 190.343. Respondent must mark the claim of confidentiality in writing on each page, and include a statement specifying the grounds for each claim of confidentiality. PHMSA will determine the release of any information submitted pursuant to this Agreement and Order in accordance with 49 C.F.R. Part 7, the Freedom of Information Act, 5 U.S.C. § 552, DOT and PHMSA policies, and other applicable regulations and Executive Orders.

IX. Effective Date

26. The term "Effective Date," as used herein, is the date on which this Agreement and Order is fully executed by the Parties. Unless specified to the contrary, all deadlines for actions required by this Agreement and Order run from the Effective Date.

X. Modification

27. The terms of this Agreement and Order may be modified by mutual agreement of the Parties. Such modifications must be in writing and signed by both parties.

XI. Termination

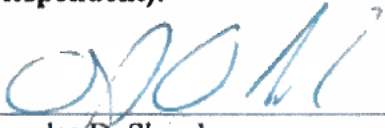
28. This Agreement and Order terminates upon completion of Paragraph 24 and all Corrective Measures, as determined by the Director. Sabine may request written confirmation from PHMSA when this Agreement and Order is terminated and the Director will provide such confirmation. Nothing in this Agreement and Order prevents Respondent from completing any of the obligations earlier than the deadlines provided for in this Agreement and Order.

XII. Ratification

29. The Parties' undersigned representatives certify that they are fully authorized to enter into the terms and conditions of this Agreement and Order and to execute and legally bind such party to this document.

30. The Parties hereby agree to all conditions and terms of this Agreement and Order.

**For Sabine Pass Liquefaction, LLC, as subsidiary of Cheniere Energy Partners, LP
(Respondent):**



Douglas D. Shanda
President

20-Apr-18

Date

For PHMSA:



Alan K. Mayberry
Associate Administrator for Pipeline Safety
Pipeline and Hazardous Materials Safety Administration
U.S. Department of Transportation

APR 20 2018

Date