

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

VIA ELECTRONIC MAIL TO: jack.fusco@cheniere.com

March 20, 2024

Jack Fusco
President and Chief Executive Officer
Cheniere Energy, Inc.
700 Milam Street, Suite 1900
Houston, Texas 77002

CPF 4-2024-022-NOPV

Dear Mr. Fusco:

From February 21 to July 21, 2023 of the on-site inspection, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Cheniere Creole Trail Pipeline, L.P.'s¹ (Cheniere) 42-inch pipeline that transports natural gas from Gillis, Louisiana, to the Sabine Pass liquefied natural gas facility in Louisiana.

As a result of the inspection, it is alleged that Cheniere has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violations are:

1. **§ 192.179 Transmission line valves.**
 - (a) **Each transmission line, other than offshore segments, must have sectionalizing block valves spaced as follows, unless in a particular case the Administrator finds that alternative spacing would provide an equivalent level of safety:**
 - (1)
 - (4) **Each point on the pipeline in a Class 1 location must be within 10 miles (16 kilometers) of a valve.**

¹ Cheniere Creole Trail Pipeline, L.P., is a subsidiary of Cheniere Energy, Inc.

Cheniere failed to have sectionalizing block valves spaced within 10 miles of a block valve in a Class 1 location in accordance with § 192.179(a)(4). Specifically, Cheniere installed a segment of 42-inch natural gas pipeline in a Class 1 location with a separation of 23.64 miles between sectionalizing block valves across Calcasieu Lake. Cheniere's *Valve Spacing Sketch PDF* indicated that the distance between MLV 200-3 (station: 1791+90) and MLV 200-4 (station: 3039+90) is 23.64 miles.

2. § 192.469 External corrosion control: Test stations.

Each pipeline under cathodic protection required by this subpart must have sufficient test stations or other contact points for electrical measurement to determine the adequacy of cathodic protection.

Cheniere failed to maintain sufficient test stations or contact points on its pipeline for electrical measurement to determine the adequacy of cathodic protection in accordance with § 192.469.

According to Cheniere's initial design basis study, "*Corrosivity Study and Corrosion Protection Design Revision I Cheniere Creole Trail, 42" Diameter Natural Gas Pipeline Project Segments 1, 2 And 3A Southwest Louisiana* (Rev. 1, April 2007), section 2.3, monitoring test stations should be installed at locations along the pipeline not to exceed a distance of one (1) mile. There were two three-mile segments (Lawton Property and Johnson Bayou Valve section 200-1), where no station readings occurred due to missing stations/contact points.

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$266,015 per violation per day the violation persists, up to a maximum of \$2,660,135 for a related series of violations. For violation occurring on or after January 6, 2023 and before December 28, 2023, the maximum penalty may not exceed \$257,664 per violation per day the violation persists, up to a maximum of \$2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022 and before January 6, 2023, the maximum penalty may not exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,412 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

Proposed Compliance Order

With respect to Item 1 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Cheniere Creole Trail Pipeline, L.P. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Item

With respect to Item 2, we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct this item. Failure to do so may result in additional enforcement action.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement Proceedings*. Please refer to this document and note the response options. All material you submit in response to this enforcement action may be 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).

Following your receipt of this Notice, you have 30 days to respond as described in the enclosed *Response Options*. 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 you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF 4-2024-022-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Bryan Lethcoe
Director, Southwest Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

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

cc: Corey Grindal, EVP and Chief Operating Officer, cory.grindal@cheniere.com
Chris Williams, Vice President, Pipeline Operations, chris.williams@cheniere.com
Paul Falgout, Pipeline Regulatory Compliance Manager, paul.falgout@cheniere.com

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Cheniere Creole Trail Pipeline, L.P. (Cheniere) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Cheniere Creole Trail Pipeline, L.P., with the pipeline safety regulations:

- A. Regarding Item 1 of the Notice pertaining Cheniere's failure to have sectionalizing block valves spaced within 10 miles of a block valve in a Class 1, Cheniere must install valves so that each point is within 10 miles of a valve and provide associated installation records to the Director, Southwest Region, PHMSA within **60** days of receipt of the Final Order unless in this particular case the Administrator finds that alternative spacing would provide an equivalent level of safety and Cheniere provides the request and finding to the Director, Southwest Region, PHMSA within **60** days of receipt of the Final Order.
- B. It is requested (not mandated) that Cheniere Creole Trail Pipeline, L.P. maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Bryan Lethcoe, Director, Southwest, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs 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 other changes to pipeline infrastructure.