



U.S. Department
of Transportation

**Pipeline and Hazardous
Materials Safety
Administration**

1200 New Jersey Avenue, SE
Washington, D.C. 20590

APR 17 2015

Mr. Mark A. Fullerton
Chief Executive Officer
Leaf River Energy Center, LLC
17350 State Highway 249, Suite 220
Houston, TX 77064

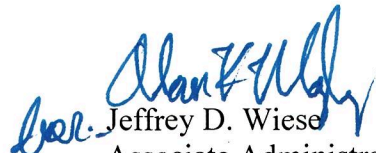
Re: CPF No. 2-2014-1002

Dear Mr. Fullerton:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and specifies actions that need to be taken by Leaf River Energy Center, LLC, to comply with the pipeline safety regulations. When the terms of the compliance order have been completed, as determined by the Director, Southern Region, this enforcement action will be closed. Service of the Final Order by 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,


Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Wayne T. Lemoi, Director, Southern Region, OPS

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

_____)
In the Matter of)

_____)
Leaf River Energy Center, LLC,)

_____)
Respondent.)
_____)

CPF No. 2-2014-1002

FINAL ORDER

On October 14-17, 2013, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Leaf River Energy Center, LLC (Leaf River or Respondent), in Taylorsville, Mississippi. Leaf River's facilities consist of multiple salt caverns used for natural gas storage, with related pipeline infrastructure in Mississippi.¹

As a result of the inspection, the Director, Southern Region, OPS (Director), issued to Respondent, by letter dated February 20, 2014, a Notice of Probable Violation and Proposed Compliance Order (Notice), which also included a warning pursuant to 49 C.F.R. § 190.205. In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Leaf River committed various violations of 49 C.F.R. Part 192 and proposed ordering Respondent to take certain measures to correct the alleged violations. The warning items required no further action, but warned the operator to correct the probable violation or face possible enforcement action.

Leaf River responded to the Notice by letter dated March 21, 2014 (Response).² The company did not contest the allegations of violation (except for one of the warning items discussed below) but provided information concerning the corrective actions it had taken in response to the Notice. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

In its Response, Leaf River did not contest the allegations in the Notice that it violated 49 C.F.R.

¹ <http://leafriverenergycenter.com/facility-overview/> (last accessed on January 16, 2015).

² Leaf River sent an Amended Response by letter on May, 9 2014, and another letter with its revised procedures on September 22, 2014.

Part 192, as follows:

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 192.475(a), which states:

§ 192.475 Internal corrosion control: General.

(a) Corrosive gas may not be transported by pipeline, unless the corrosive effect of the gas on the pipeline has been investigated and steps have been taken to minimize internal corrosion.

The Notice alleged that Respondent violated 49 C.F.R. § 192.475(a) by transporting corrosive gas by pipeline without investigating the corrosive effect of the gas and taking steps to minimize internal corrosion. Specifically, the Notice alleged that Leaf River failed to investigate the corrosive effect of gas on that portion of its pipeline between the compressor station and the storage caverns or on its storage-field piping. In addition, the Notice alleged that Respondent failed to take any steps to minimize internal corrosion.

Respondent did not contest this allegation of violation.

Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 192.475(a) by transporting corrosive gas by pipeline without investigating the corrosive effect of the gas and taking steps to minimize internal corrosion.

Item 5: The Notice alleged that Respondent violated 49 C.F.R. § 192.605(b)(5), which states:

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

(a) . . .

(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.

(1) . . .

(5) Starting up and shutting down any part of the pipeline in a manner designed to assure operation within the MAOP limits prescribed by this part, plus the build-up allowed for operation of pressure-limiting and control devices.

The Notice alleged that Respondent violated 49 C.F.R. § 192.605(b)(5) by failing to include in its written operations and maintenance manual a procedure for starting up and shutting down any part of the pipeline in a manner designed to assure operation within the Maximum Allowable Operating Pressure (MAOP) limits for the pipeline prescribed by Part 192, plus the build-up allowed for operation of pressure-limiting and control devices. Specifically, the Notice alleged that Leaf River had no procedures for start-up and shut-down that would allow for operation of its pipelines within MAOP limits. Respondent's existing procedure, *Section 2.9 Pipeline Shutdown/Startup Procedures*,³ allegedly stated only that procedures should be developed by

³ Pipeline Safety Violation Report (Violation Report), (February 20, 2014)(on file with PHMSA), at Exhibit A.

local supervisory personnel. However, PHMSA alleged that no local procedures were available at the time of the OPS inspection or provided by the operator thereafter.

Respondent did not contest this allegation of violation.

Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 192.605(b)(5) by failing to include in its written operations and maintenance manual a procedure for starting up and shutting down any part of the pipeline in a manner designed to assure operation within the prescribed MAOP limits.

Item 7: The Notice alleged that Respondent violated 49 C.F.R. § 192.743(a), which states:

§ 192.743 Pressure limiting and regulating stations: Capacity of relief devices.

(a) Pressure relief devices at pressure limiting stations and pressure regulating stations must have sufficient capacity to protect the facilities to which they are connected. Except as provided in § 192.739(b), the capacity must be consistent with the pressure limits of § 192.201(a). This capacity must be determined at intervals not exceeding 15 months, but at least once each calendar year, by testing the devices in place or by review and calculations.

The Notice alleged that Respondent violated 49 C.F.R. § 192.743(a) by failing to maintain sufficient capacity for certain pressure relief devices at pressure limiting stations and pressure regulating stations to protect the facilities to which they were connected. Specifically, the Notice alleged that, as shown in Leaf River's 2012 and 2013 inspection records, certain relief valve capacities were less than what was required under the company's own standards.⁴

Respondent did not contest this allegation of violation.

Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 192.743(a) by failing to maintain sufficient capacity for certain pressure relief devices at pressure limiting stations and pressure regulating stations to protect the facilities to which they were connected.

Item 8: The Notice alleged that Respondent violated 49 C.F.R. § 192.805, which states, in relevant part:

§ 192.805 Qualification program.

Each operator shall have and follow a written qualification program. The program shall include provisions to:

- (a) Identify covered tasks;
- (b) Ensure through evaluation that individuals performing covered tasks are qualified;

⁴ *Id.*, at 8.

The Notice alleged that Respondent violated 49 C.F.R. § 192.805 by failing to identify covered tasks and to ensure through evaluation that individuals performing covered tasks were qualified. Specifically, PHMSA alleged that Leaf River failed to determine, for the other pipeline companies that operate and maintain part of Respondent's system, the covered tasks performed by these other companies' personnel and whether or not those individuals performing covered tasks were qualified.⁵

In its Response, Leaf River indicated it had reviewed all of its interconnection agreements with other pipeline operators and determined what equipment was owned and operated by Leaf River, what was owned and operated by other operators, and what might be owned by one company but operated by another. In its September 22, 2014 letter, it revised its earlier statement, indicating that Leaf River now owned and operated all of the components for each of its meter stations with other operators, with the exception of the Gulf South Meter Station. According to Leaf River, it was still attempting to assume ownership and control over that one facility.⁶

Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 192.805 by failing to identify covered tasks and ensure through evaluation that individuals performing covered tasks are qualified.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Items 3, 5, 7 and 8 in the Notice, for violations of 49 C.F.R. §§ 192.475(a), 192.605(b)(5), 192.743(a), and 192.805 respectively. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of gas or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 192.475(a) (**Item 3**), Respondent must:
 - (a) Investigate the corrosive effects of gas on its pipeline between the compressor station and storage caverns and on storage-field piping within 30 days of receipt of the Final Order;
 - (b) Determine what, if any, steps are necessary to minimize internal corrosion on the pipelines between the compressor station and the storage caverns and storage-field piping, based on its investigation of the corrosive effects of the gas in Item 1(a) above, within 60 days of receipt of the Final Order; and

⁵ *Id.*, at 11.

⁶ Letter from Gary L. Jones, SVP, Engineering & Operations, Leaf River Energy Center, LLC, to Wayne T. Lemoi, Director, OPS, Southern Region, dated September 22, 2014 (on file with PHMSA), at 4.

- (c) Implement any steps identified as necessary to minimize internal corrosion on the pipelines between the compressor station and the caverns or storage-field piping, as determined in Item 1(b), within 120 days of receipt of the Final Order.
2. With respect to the violation of § 192.605(b)(5) (**Item 5**), Respondent must develop and maintain written procedures for starting up and shutting down its pipeline to assure operation within the MAOP limits, plus build-up allowed for operation of pressure-limiting and control devices, within 30 days of receipt of the Final Order.
3. With respect to the violation of § 192.743(a) (**Item 7**), Respondent must perform capacity calculations for each installed pressure relief device to demonstrate that the relief device meets the capacity requirements for the conditions under which it operates, within 30 days of receipt of the Final Order.
4. With respect to the violation of § 192.805 (**Item 8**), Respondent must:
 - (a) Determine the Operator Qualification (OQ) covered tasks performed by other pipeline company personnel on facilities that are part of Respondent's pipeline system and that affect the operation or integrity of Leaf River's pipeline; and
 - (b) Ensure that all personnel performing OQ covered tasks on Respondent's facilities that affect the operation or integrity of Leaf River's pipeline are qualified or directed and observed by a qualified individual.

Item 4 must be completed within 30 days of receipt of the Final Order.

5. Leaf River must provide written documentation that all items have been completed to the Director, Southern Region, OPS within 150 days of receipt of the Final Order.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an extension.

Failure to comply with this Order may result in the administrative assessment of civil penalties not to exceed \$200,000 for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

WARNING ITEMS

With respect to Items 1, 2 and 6, the Notice alleged probable violations of Part 192 but did not propose a civil penalty or compliance order for these items⁷. Therefore, these are considered to be warning items. The warnings were for:

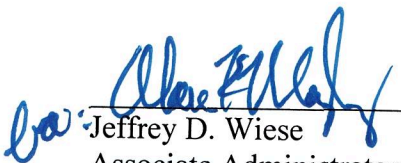
49 C.F.R. § 192.465(a) **(Item 1)** — Respondent's alleged failure to test each pipeline that is under cathodic protection at least once each year, but with intervals not exceeding 15 months; and

49 C.F.R. § 192.465(b) **(Item 2)** — Respondent's alleged failure to inspect each cathodic protection rectifier six times each calendar year, but with intervals not exceeding 2½ months.

49 C.F.R. § 192.709(c) **(Item 6)** — Respondent's alleged failure to maintain a record of each patrol, survey, inspection, and test required for at least five years or until the next inspection or test was completed, whichever was longer.

Leaf River presented information in its Response showing that it had taken certain actions to address the cited items. If OPS finds a violation of any of these items in a subsequent inspection, Respondent may be subject to future enforcement action.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.



Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

APR 17 2015

Date Issued

⁷ The region withdrew the warning for Item 4.