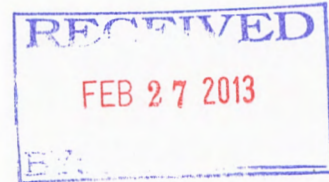




ENERGY TRANSFER

**Transwestern Pipeline Company**

February 26, 2013



Mr. R. M. Seeley  
Director, Southwest Region  
Pipeline and Hazardous Materials Safety Administration  
U.S. Department of Transportation  
8701 South Gessner, Suite 1110  
Houston, TX 77074

Dear Mr. Seeley:

RE: Transwestern Pipeline Company, LLC (“Transwestern” or the “Company”): 2011 integrated PHMSA inspection (CPF No. 4-2013-1002)

Between May and December of 2011, PHMSA conducted an inspection of Transwestern in three states (Arizona, New Mexico and Texas). On January 23, 2013, PHMSA issued a Notice of Probable Violation to Transwestern (received by Transwestern on January 28, 2013), containing three alleged violations and one warning item, and assessing a proposed civil penalty of \$53,200. Transwestern acknowledges the allegations and agrees to resolve the matter as proposed in the Notice. The wire transfer payment is scheduled for 02/27/13. The Company has already taken action to address the violations noted, and instituted new recordkeeping and management review procedures to ensure there is no recurrence of these issues.

**The Company's response and corrective actions taken for all Items are summarized below.**

1) **192.745 Valve Maintenance:**

Annual inspections of nine valves were delayed by between 27 and 45 days. One employee was responsible for all of the valve maintenance violations cited, thus this was not a systemic problem as much as an isolated occurrence. The work was performed out of cycle in the previous year, and the responsible employee had failed to adjust the maintenance schedule in the records compliance database. We have addressed these issues with the responsible employee, and we have also implemented a process that requires that any out of cycle inspection or maintenance to be approved by a Director of Operations, as a measure for assuring timely completions of regulatory tasks and adjustment of subsequent schedules following out of cycle inspection or maintenance.

711 Louisiana Street, Suite 900  
Houston, Texas 77002

2) **192.745 Valve Maintenance:**

PHMSA's inspection noted three valves that were not partially operated during annual inspections, over a three year period. We acknowledge that finding. Please note that two of the valves in question were in fact fully opened and closed annually during pigging operations; thus the underlying activity that the rule seeks to ensure did occur with respect to two of the three valves, though the required record keeping did not.

In addition, we are in the process of implementing smart forms that require personnel to populate required fields on the form during annual inspections, and these smart forms will not allow the record to be closed or accepted as completed without these required fields being populated. The form used during the time period covered by the audit called for information such as the valve "as found" , "as left" readings and notations indicating whether the valve had been partially or full opened to be documented in the remarks portion of the form, and therefore it was possible for the form to be closed without that information being fully completed. The smart forms Transwestern is implementing will require all such information to be fully documented during the inspections.

3) **192.465 External Corrosion Control Monitoring:**

The alleged violation in this instance is that the Company failed to conduct cathodic protection testing on three rectifiers at least six times in 2011. The Company had conducted the required testing, but the records provided at the audit did not reflect that fact because they were not properly uploaded in to the Corrosion records database or the generated reports. Hard copy records for the noted Phoenix rectifiers (CPU360, 361, & 362 June readings of 2011) confirming that the readings had occurred within the required time were located in the local Phoenix office. Since the database entries were not accurately loaded, however, the inspections appeared delinquent in the official records review meeting. Once again, the smart forms we are in the process of implementing will address this problem by requiring the employee conducting the inspection to close out the inspection form in a way that properly feeds the information into the database.

4) **192.605 Procedure Manual for Operation, Maintenance and Emergencies:**

This Warning Item alleges that we failed to follow our O&M Manual procedures in two areas. We note the concern and have taken actions to address it, as noted below:

D.35 Buried Pipe Inspections – We recognize that the coating condition section appeared incomplete for the two Pipe Reports mentioned, per our procedure D.35 Buried Pipe Inspections; however, neither of the inspections reflected in the two records were actually inspections of "Buried Pipe". Pipe Report No. 2009102705 was actually an inspection of bridge stanchions, not buried pipe. Pipe Report No. 2010052601, was a record of the pipeline being probed for a bore at this location, for fiber optics cable to be installed, and the pipeline was not actually exposed.

M.01 Valve Inspection and Maintenance – This is another instance in which the forms in use at the time covered by the audit called for the valve “as found” and “as left” readings to be documented in the remarks portion of the applicable form, and therefore created the possibility of the form being submitted with incomplete information regarding these points. Implementation of the new smart forms should eliminate the risk of this kind of incomplete documentation.

Please let me know if you need any further information regarding these Items.

Thank you.

A handwritten signature in blue ink, reading "Nathan Hlavaty", is displayed on a light gray rectangular background.

Nathan Hlavaty  
Energy Transfer – Transwestern Pipeline Company, LLC  
Director – Interstate Regulatory Compliance  
281.714.2231 – Office  
713.857.5479 - Cell