

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 4, 2010

Mr. Keith Teague
President
Cheniere Creole Trail Pipeline, L.P.
700 Milam Street, Suite 800
Houston, TX 77002

CPF 4-2010-1006M

Dear Mr. Teague:

On May 24 - 28 and June 8 - 11, 2010, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code inspected Cheniere Creole Trail Pipeline (Cheniere) procedures and records for the Integrity Management Plan in Houston, TX.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Cheniere plans or procedures, as described below:

1. §192.905(a) General. To determine which segments of an operator's transmission pipeline system are covered by this subpart, an operator must identify the high consequence areas. An operator must use method (1) or (2) from the definition in §192.903 to identify a high consequence area. An operator may apply one method for its entire pipeline system, or an operator may apply one method to individual portions of the pipeline system. An operator must describe in its integrity management program which method it is applying to each portion of the operator's pipeline system. The description must include the potential impact radius when utilized to establish a high consequence area. (See appendix E.I. for guidance on identifying high consequence areas.)

Cheniere must amend its High Consequence Area (HCA) identification process and procedures to ensure that they adequately describe how to identify HCAs. Cheniere

needs to add language to its procedure in order to demonstrate how the Aerial patrol plays a key role in the ongoing HCA identification process.

2. §192.917(c) Risk assessment. An operator must conduct a risk assessment that follows ASME/ANSI B31.8S, section 5, and considers the identified threats for each covered segment. An operator must use the risk assessment to prioritize the covered segments for the baseline and continual reassessments (§§192.919, 192.921, 192.937), and to determine what additional preventive and mitigative measures are needed (§192.935) for the covered segment.

Cheniere must amend its integrity management plan's risk assessment section to ensure that procedures adequately document the requirements for completing a risk assessment validation. The validation process needs a procedure in order to specify how this process will be implemented and must include lessons learned from industry. Results of these evaluations must be documented.

3. §192.933(a) General requirements. An operator must take prompt action to address all anomalous conditions that the operator discovers through the integrity assessment. In addressing all conditions, an operator must evaluate all anomalous conditions and remediate those that could reduce a pipeline's integrity. An operator must be able to demonstrate that the remediation of the condition will ensure that the condition is unlikely to pose a threat to the integrity of the pipeline until the next reassessment of the covered segment. If an operator is unable to respond within the time limits for certain conditions specified in this section, the operator must temporarily reduce the operating pressure of the pipeline or take other action that ensures the safety of the covered segment. If pressure is reduced, an operator must determine the temporary reduction in operating pressure using ASME/ANSI B31G or RSTRENG or reduce the operating pressure to a level not exceeding 80% of the level at the time the condition was discovered. (See Appendix A to this part 192 for information on availability of incorporation by reference information). A reduction in operating pressure cannot exceed 365 days without an operator providing a technical justification that the continued pressure restriction will not jeopardize the integrity of the pipeline.

Cheniere must amend its integrity management plan's process and procedures to ensure that for each occurrence when the repair schedule cannot be met, the documentation will include the reasons why the schedule cannot be met and contain justification for why the schedule change will not adversely affect public safety.

4. §192.933(b) Discovery of condition. Discovery of a condition occurs when an operator has adequate information about a condition to determine that the condition presents a potential threat to the integrity of the pipeline. A condition that presents a potential threat includes, but is not limited to, those conditions that require remediation or monitoring listed under paragraphs (d)(1) through (d)(3) of this section. An operator must promptly, but no later than 180 days

after conducting an integrity assessment, obtain sufficient information about a condition to make that determination, unless the operator demonstrates that the 180-day period is impracticable.

Cheniere must amend its integrity management plan's process and procedures to ensure that a requirement is in place to notify PHMSA when the operator cannot meet the evaluation and remediation schedule and cannot provide a temporary reduction in operating pressure or other action.

5. §192.911 An operator's initial integrity management program begins with a framework (see CFR: 192.907) and evolves into a more detailed and comprehensive integrity management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program. The initial program framework and subsequent program must, at minimum, contain the following elements. (When indicated, refer to ASME/ANSI B31.8S for more detailed information on the listed element.)

- I. A quality assurance process as outlined in ASME/ANSI B31.8S, Section 12.**

Cheniere must amend its Integrity Management Quality Assurance processes and procedures to ensure that it adequately requires that responsibilities for the integrity management program be formally defined. The process is lacking specificity on how the Quality Assurance plan is being implemented in order to ensure consistent reviews. The amended Quality Assurance plan must fully document the criteria for assessing the use of various resources to conduct processes that affect the quality of the integrity management program.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. Be advised that all material you submit in response to this enforcement action is subject to being 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). 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, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 60 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to **CPF 4-2010-1006M** and, for each document you submit, please provide a copy in electronic format whenever possible.

In regard to Items 1 through 5 listed above, Cheniere provided revised procedures via email to PHMSA on June 22 and 25, 2010 of various changes made to their Integrity Management Plan. After considering the material provided, PHMSA deemed the modifications adequate, and no further action is required in response to this Notice and this case is now closed. Thank you for your cooperation.

Sincerely,

R. M. Seeley
Director, Southwest region
Pipeline and Hazardous
Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*