

Panhandle Energy

Panhandle Eastern Pipe Line
Trunkline Gas
Trunkline LNG
Sea Robin Pipeline

5444 Westheimer Road
Houston, TX 77056-5306
P.O. Box 4967
Houston, TX 77210-4967
713.989.7000

November 10, 2009

Linda Daugherty
Director, Southern Region
Department of Transportation
Pipeline and Hazardous Materials Safety Administration
Office of Pipeline Safety
233 Peachtree Street, Suite 600
Atlanta, GA 30303

Certified Mail – Return Receipt Requested

**RE: CPF 2-2009-1004W (September 23, 2009 PHMSA Letter)
Response to Warning Letter**

Dear Ms. Daugherty:

In correspondence dated September 23, 2009 and received in our office on October 8, 2009, the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) details five warning items and one item of concern regarding Florida Gas Transmission Company (“FGT”). These warnings and item of concern stem from an inspection performed by PHMSA on June 22 through August 14, 2009, on FGT’s Gulf Coast, Central and South Florida Areas’ records and facilities.

Although not required to reply, FGT does so to provide clarification to PHMSA regarding certain mitigating circumstances and to inform PHMSA of actions that have been undertaken to address the issues raised. The items are addressed individually below.

PHMSA Warning Item (1)

As the result of an abnormal condition that Safety Harbor Team recently experienced, FGT installed program logic to close the by pass valve 30-0 at the Plant City compressor station 30 when the compressor station is not running and the bypass valve is open to prevent the 14 inch Saint Pete discharge lateral from over pressuring the suction side of the compressor station. The Saint Pete discharge pipeline is bi-directional and sometimes FGT needs natural gas to flow in the reverse direction (East to West) to feed back into the suction side of the compressor station to provide natural gas to the West side of the pipeline system due to varying system demands. At this time FGT only has one level of over pressure protection and needs to ensure another layer of over pressure protection in case program logic fails to close the bypass valve and not protect the suction side of the compressor station 30. The compressor station suction pipeline has a lower maximum allowable operating pressure (MAOP) than the discharge pipeline.

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FGT Response to Warning Item (1)

FGT agrees that pressure protection was necessary at this location, and that was why FGT appropriately responded to the Abnormal Operation (AO) by promptly installing pressure limiting controls. The installation meets the requirements of 192.201 (b). The operation at the time of the AO was not the usual mode of operation. This location had not seen a pressure excursion at this location in the past when operated in its normal mode of operation. Pressure monitoring is currently performed with the local control system by closing valve 30-0 when pressure reaches MAOP on the affected line. This methodology is the primary pressure control. In the event of over pressuring not alleviated by this methodology, the secondary mode of overpressure control is performed by Gas Control by monitoring SCADA data and remotely starting a unit at Station 30 to reduce the pressure on the affected pipeline.

The automatic controls on valve 30-0 are considered primary pressure protection and are set to close at the MAOP of the suction side pipeline. FGT's Gas Control is considered the secondary pressure protection and has Hi and Hi Hi alarms set to alert them when the suction pressure is approaching its MAOP. FGT's Gas Control will remotely start the station to pull the suction pressure down with the Plant City horsepower.

FGT has initiated a capital work order for 2010 which includes in its scope an automated valve in series which will totally automate the location and eliminate all human response currently required in the pressure protection of the Station 30 Plant City suction.

PHMSA Warning Item (2)

FGT Mt. Vernon team did not have a 2008 record of service for valve 44-0. FGT upgraded the database and this valve was not included into the new database.

PHMSA Warning Item (3)

FGT Quincy team did not have a 2007 maintenance record for the Hopkins New regulators and missed the 15 month requirement for the Hopkins West regulators. The Hopkins West regulators were serviced in February 2007 and September 2008. (This was caused by a database upgrade error and the information was not loaded).

PHMSA Warning Item (4)

FGT Quincy team missed the 15 month requirement for inspecting and testing pressure controls for the Quincy Compressor Station. FGT Records show the test was conducted on January 2007 and June 2008. (This was caused by a database upgrade error.)

PHMSA Warning Item (5)

FGT Caryville team missed the 2008 pipe to soil reading on the 100 line at milepost 374.768 "Hwy 69" (test point 273215).

The Caryville team missed the 15 month interval requirement on the 100 line at mile post 27.678 (test point 146139) "Valve at the Smith Power Plant". Pipe to Soil Readings were taken 3/6/08 and 8/5/09

FGT Response to Warning Item(s) (2) (3) (4) and (5)

As PHMSA has detailed in their Warning Letter, FGT was in the process of converting from their legacy MP2 to a new Enterprise Asset Management (EAM) inspection and testing scheduling and tracking database. The EAM group and the Corrosion Specialists will develop a data transfer process for new applications that includes a review of final data by responsible Asset Management Team (AMT) personnel to verify that all data and all entry items have been appropriately transferred into the system. The process will establish how new assets are identified and entered into EAM and provide an approval process for any reclassification for entities currently in the system. It will include a review and acceptance process for all data once it is entered into the system.

Regarding test point 146139, FGT agrees that the noted information was not available in the FGT's system at the time of the audit. FGT has enclosed documentation of a reading taken on May 9th by the Smith Plant Technician and witnessed by the FGT's OQ-qualified technician.

PHMSA Item of Concern

In reviewing FGT cathodic protection records on Alternating Current (AC) interference, some of the induced AC voltages were over 15 volts. FGT is planning to take remedial action to minimize the AC Interference. The current AC voltage readings on the Anclote pipeline are: (NOTE: PHMSA's Table in their letter noted that locations at stations 268+45, 309+71, 354+70 and 421+40 on the Anclote Lateral had AC voltages in excess of 15 volts)

FGT Response to PHMSA's Concern

FGT has taken the following actions in response to elevated AC potentials on the Anclote Lateral.

Supplemental AC mitigation systems have been installed at each test station where elevated potentials were noted, reducing AC levels at each to below 15 volts. The mitigation systems consist of zinc anodes connected to the pipeline through Dairyland decouplers.

Ark Engineering has been contracted to perform the following:

- Review the 1998 (preconstruction) AC interference study and mitigation design
- Evaluate the adequacy of the existing mitigation system with respect to current line loads
- Identify gaps / concerns between the as-designed and as-constructed mitigation designs (as applicable)
- Provide recommendations for upgrades / enhancements of the existing AC mitigation system (as applicable) to incorporate the supplemental AC mitigation installed in 2009.

If you require additional information or clarification, please contact me at (713) 989-7471.

Sincerely,



Jerry Rau
Director of Pipeline Integrity

Attachments: September 23, 2009 PHMSA Letter (CPF 2-2009-1004W)
Documentation of May 9, 2009 test point 146139 reading



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

233 Peachtree Street Ste. 600
Atlanta, GA 30303

WARNING LETTER

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

September 23, 2009

Mr. Jeryl Mohn
Senior Vice President, Operations and Engineering
Florida Gas Transmission Company, LLC
5444 Westheimer Road
Houston, TX 77056

CPF 2-2009- 1004W

Dear Mr. Mohn:

On June 22 through August 14, 2009, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code, conducted an onsite pipeline safety inspection of your Florida Gas Transmission (FGT) pipeline facilities for the Gulf Coast, Central and South Florida Areas. The pipeline records were reviewed at the Maitland and Tallahassee, Florida offices.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations, Part 192. The items inspected and the probable violations are:

1. §192.201(b) Required capacity of pressure relieving and limiting stations.

(b) When more than one pressure regulating or compressor station feeds into a pipeline, relief valves or other protective devices must be installed at each station to ensure that the complete failure of the largest capacity regulator or compressor, or any single run of lesser capacity regulators or compressors in that station, will not impose pressures on any part of the pipeline or distribution system in excess of those for which it was designed, or against which it was protected, whichever is lower.

As a result of an abnormal condition that Safety Harbor Team recently experienced, FGT installed program logic to close the by pass valve 30-0 at the Plant City compressor station 30 when the compressor station is not running and the by pass valve is open to prevent the 14 inch Saint Pete discharge lateral from over pressuring the suction side of the compressor station. The Saint Pete discharge pipeline is bi-directional and sometimes FGT needs natural gas to flow in

the reverse direction (East to West) to feed back into the suction side of the compressor station to provide natural gas to the West side of the pipeline system due to varying system demands. At this time, FGT only has one level of over pressure protection and needs to ensure another layer of over pressure protection in case program logic fails to close the by pass valve and not protect the suction side of the compressor station 30. The compressor station suction pipeline has a lower maximum allowable operating pressure (MAOP) than the discharge pipeline.

2. §192.745 Valve maintenance: Transmission lines.

(a) Each transmission line valve that might be required during any emergency must be inspected and partially operated at intervals not exceeding 15 months, but at least once each calendar year.

FGT Mt. Vernon team did not have a 2008 record of service for valve 44-0. FGT upgraded the data base and this valve was not included into the new data base.

3. §192.739 Pressure limiting and regulating stations: Inspection and testing.

(a) Each pressure limiting station, relief device (except rupture discs), and Pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests.

FGT Quincy team did not have a 2007 maintenance record for the Hopkins New regulators and missed the 15 month requirement for the Hopkins West regulators. The Hopkins West regulators were serviced in February 2007 and September 2008. (This was caused by a data base upgrade error and the information was not loaded.)

4. §192.731 Compressor stations: Inspection and testing of relief devices.

(a) Except for rupture discs, each pressure relieving device in a compressor station must be inspected and tested in accordance with §§192.739 and 192.743, and must be operated periodically to determine that it opens at the correct set pressure.

(b) Any defective or inadequate equipment found must be promptly repaired or replaced.

(c) Each remote control shutdown device must be inspected and tested at intervals not exceeding 15 months, but at least once each calendar year, to determine that it functions properly.

FGT Quincy team missed the 15 month requirement for inspecting and testing pressure controls for the Quincy Compressor station. FGT records show the test was conducted on January 2007 and June 2008. (This was caused by a data base upgrade error.)

5. §192.465 External corrosion control: Monitoring.

(a) Each pipeline that is under cathodic protection must be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of §192.463.

FGT Caryville team missed the 2008 pipe to soil reading on the 100 line at mile post 374.768 "Hwy 69" (test point 273215).

The Caryville team missed the 15 month interval requirement on the 100 line at mile post 27.678 (test point 146139) "Valve at the Smith Power plant". Pipe to Soil Readings were taken on 3/6/08 and 8/5/09.

In addition to the items above, we also noted the following item of concern:

In reviewing FGT cathodic protection records on Alternating Current (AC) interference, some of the induced AC voltages were over 15 volts. FGT is planning to take remedial action to minimize the AC interference. The current AC voltage readings on the Anclote pipeline are:

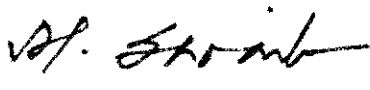
Anclote Pipeline

Station	Mile Post	Location	Old AC Reading
268+45	5.08	CLT 224	26.14 Volts (V)
309+71	5.87	CLT227	22.71
354+79	6.72	CLT230	25.58
421+40	7.98	CLT235	36.67

Under 49 United States Code, §60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violations persists up to a maximum of \$1,000,000 for any related series of violations. 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 correct the items identified in this letter. Failure to do so will result in FGT being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 2-2009-1004W**. 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).

Sincerely,

for 

Linda Daugherty
Director, Southern Region
Pipeline and Hazardous Materials Safety Administration

Hovis, Marvin

From: Gercak, Peter
Sent: Friday, November 06, 2009 9:07 AM
To: Hovis, Marvin
Cc: McQuilling, David M.
Subject: FW: scan0001.jpg; scan0002.jpg; SmithPlant.xlsx
Attachments:

Please see attachments and below confirmation.

From: david@pelusoassociates.com [mailto:david@pelusoassociates.com]
Sent: Friday, November 06, 2009 9:26 AM
To: Gercak, Peter
Cc: Bolton, Mike
Subject:

Peter, this email is to confirm with you that the readings in question that I sent to Nathan on October 8, 2009 were taken on May 9th 2008, and were taken by Nathan Smith and myself at Plant Smith

Any questions please don't hesitate to give me a call

David Peluso
Corrosion Technician
NACE # 6677

INITIAL CORROSION SURVEY SHEET

MAP#

ANODE / SYSTEM GAS YARD PLANT SMITH

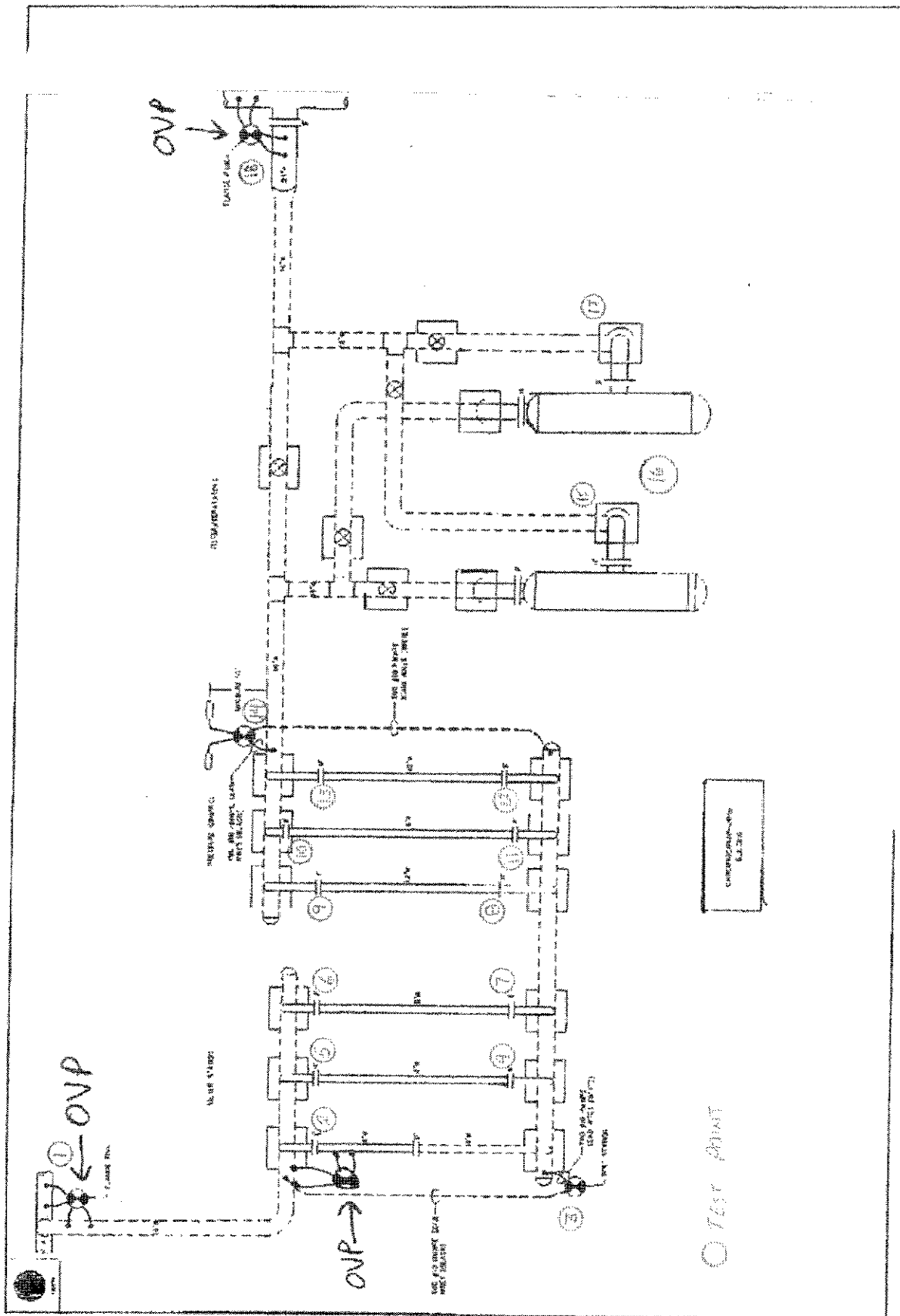
NO.

DIVISION

TOWN

		DATE					DATE		
TP	ADDRESS	P/S		P/S	TP	ADDRESS	P/S		P/S
1	T/P #				41				
2	1 (FGT)	-1.52			42				
3	2	-1.72			43				
4	3	-1.58			44				
5	4	-1.63			45				
6	5	-1.75			46				
7	6	-1.67			47				
8	7	-1.67			48				
9	8	-1.66			49				
10	9	-1.63			50				
11	10	-1.71			51				
12	11	-1.58			52				
13	12	-1.52			53				
14	13	-1.69			54				
15	14	-1.70			55				
16	15	-1.68			56				
17	16	-1.44			57				
18	17	-1.44			58				
19	18 - WIRE 1	-1.56			59				
20	18 - WIRE 2	-1.52			60				
21					61				
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23					63				
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REMARKS:



CONSTRUCTION No. 1.1.2.16

TEST PRINT

Panhandle Energy

Readings History

Station #	Hierarchy	Name & Description	Survey Date	Pipe to Soil	Foreign P/S	Other	Survey Remarks
18" Smith Plant Lateral - Valve Section 13-04E 1461+18	FLBIW	MP 27.678 VALVE AT SMITH POWER PLANT M/S	08/05/09	-1.027	-0.923		
		Test Point [146139]	05/08/08	-1.52	-1.72		Readings taken by David Peluse (Smith Plant) and Nathan Smith (Florida Gas) was present.
	Pipeline:	100 Line	03/06/08	-1.407	-0.542		
			02/22/07	-1.354	-0.452		