1200 New Jersey Avenue SE
Washington DC 20590

U.S. Department
of Transportation
**Pipeline and Hazardous
Materials Safety
Administration**

2011 Natural Gas State Program Evaluation

for

RAILROAD COMMISSION OF TEXAS

Document Legend
PART:

- O -- Representative Date and Title Information
- A -- Progress Report and Program Documentation Review
- B -- Program Inspection Procedures
- C -- Program Performance
- D -- Compliance Activities
- E -- Incident Investigations
- F -- Damage Prevention
- G -- Field Inspections
- H -- Interstate Agent State (If Applicable)
- I -- 60106 Agreement State (If Applicable)

2011 Natural Gas State Program Evaluation -- CY 2011

Natural Gas

State Agency: Texas **Rating:**
Agency Status: **60105(a):** Yes **60106(a):** No **Interstate Agent:** No
Date of Visit: 06/04/2012 - 09/28/2012
Agency Representative: Ms. Polly McDonald, Director Pipeline Safety Division
PHMSA Representative: Patrick Gaume
Commission Chairman to whom follow up letter is to be sent:

Name/Title: The Honorable Barry T. Smitherman, Chairman
Agency: Railroad Commission of Texas
Address: 1701 North Congress Ave., PO Box 12967
City/State/Zip: Austin, Texas 78711-2967

INSTRUCTIONS:

Complete this evaluation in accordance with the Procedures for Evaluating State Pipeline Safety Program. The evaluation should generally reflect state program performance during CY 2011 (not the status of performance at the time of the evaluation). All items for which criteria have not been established should be answered based on the PHMSA representative's judgment. A deficiency in any one part of a multiple part question should be scored as needs improvement. Determine the answer to the question then select the appropriate point value. If a state receives less then the maximum points, include a brief explanation in the space provided for general comments/regional observations. If a question is not applicable to a state, select NA. Please ensure all responses are COMPLETE and ACCURATE, and OBJECTIVELY reflect state program performance. Increasing emphasis is being placed on performance. This evaluation together with selected factors reported in the state's annual progress report attachments provide the basis for determining the state's pipeline safety grant allocation.

Field Inspection (PART G):

The field inspection form used will allow different areas of emphasis to be considered for each question. Question 13 is provided for scoring field observation areas. In completing PART G, the PHMSA representative should include a written summary which thoroughly documents the inspection.

Scoring Summary

PARTS		Possible Points	Points Scored
A	Progress Report and Program Documentation Review	10	10
B	Program Inspection Procedures	15	15
C	Program Performance	44	37
D	Compliance Activities	14	14
E	Incident Investigations	9	9
F	Damage Prevention	8	8
G	Field Inspections	12	12
H	Interstate Agent State (If Applicable)	0	0
I	60106 Agreement State (If Applicable)	0	0
TOTALS		**112**	**105**
State Rating			**93.8**

PART A - Progress Report and Program Documentation Review

		Points(MAX)	Score
1	Accuracy of Jurisdictional Authority and Operator/Inspection Units Data - Progress Report Attachment 1 (A1a) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:

A.1. YES. The TX database is a live system. The data upload used to populate Attachment 1 was run on Jan 3, 2012. It is consistant with TRC records. Item of note: The data upload to populate Attachment 3 was run on March 9, 2012 due to both a TRC programming error and a FedStar glitch. During that time 4 Intrastate Transmission Units were added. Attachment 1 shows 488 units and Attachment 3 shows 492 units. The rest of the report is consistent.

2	Review of Inspection Days for accuracy - Progress Report Attachment 2 (A1b) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:

A2. YES. The inspector field days are a roll up of actual field hours worked from the time sheets

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3	Accuracy verification of Operators and Operators Inspection Units in State - Progress Report Attachment 3 (A1c) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:

A3. Yes. Attachment 3 is consistent with attachment 7 and TRC records.

4	Were all federally reportable incident reports listed and information correct? - Progress Report Attachment 4 (A1d) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:

A4. YES. The significant incidents were reported and other incidents were reported that were considered significant by either the TRC or the operator.

5	Accuracy verification of Compliance Activities - Progress Report Attachment 5 (A1e) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:

A5. YES. The PES database is the source for violations and compliance actions. The fines are from a spreadsheet that captures 'Agreed Orders' from legal.

6	Were pipeline program files well-organized and accessible? - Progress Report Attachment 6 (A1f, A4) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:

A6. Yes. Each report was known and each is kept either electronically, in paper file, or combination paper & electronic.

7	Was employee listing and completed training accurate and complete? - Progress Report Attachment 7 (A1g) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:

A7. Yes, Attachment 7 is consistent with the TQ online reports.

8	Verification of Part 192,193,198,199 Rules and Amendments - Progress Report Attachment 8 (A1h) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:

A8. Yes. Texas has adopted or is within the three year time to adopt for all regulations in CY 2011

9	List of Planned Performance - Did state describe accomplishments on Progress Report in detail - Progress Report Attachment 10 (H1-3) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:

A9. YES. Attachment 10 details several identified performance goals and metrics

10	General Comments: Info Only = No Points	Info Only	Info Only

Evaluator Notes:

A10. Activities other than NAPSR Committees include: A study of composite wrap repairs that are proposed as the next generation beyond 'Armour All' that could be applied to either steel or plastic pipe; and digital X-Rays for forensic studies as well as NDT of construction or repair welds of both PE (both high density & medium density) and steel pipe. In 2011 the Pipeline Safety Division received three Foreign delegations (Hungarian, Chinese, & French) and discussed and showed pipeline safety issues and practices that were common to their nations and Texas. After visiting in Texas, the French delegation visited with PHMSA in Washington DC. During April, 2011, Texas participated in National Safe Digging month by giving educational pipeline awareness presentations in each of 5 cities in the lower Rio Grande Valley area.

Total points scored for this section: 10
Total possible points for this section: 10

PART B - Program Inspection Procedures

		Points(MAX)	Score
1	Standard Inspections (B1a) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:
B1. Yes. The policy states that unit inspections will not exceed 5 calendar years

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2	IMP Inspections (including DIMP) (B1b) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:
B2. Yes. Policy states that the inspections will not exceed 5 years. IMP-see SOP 17B, 1st paragraph. TX 16 TAC 8.101

3	OQ Inspections (B1c) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:
B3. Yes. Policy states that the inspections will not exceed 5 calendar years. OQ-see SOP 16B, Inspection Frequency

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4	Damage Prevention Inspections (B1d) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:
B4. Yes. Policy states that the inspections will not exceed 5 calendar years. Damage Prevention-see SOP 7B

5	On-Site Operator Training (B1e) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:
B5. Yes. Policy states that operator training is an intergral part of all inspections and as requested by operators. Oper Training-see SOP 23B-On-Site Operator Training.

6	Construction Inspections (B1f) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:
B6. Yes. TX regulation requires 30 day advance notice of new constr & The filing of Form PS 48, which allows the scheduling of Construction inspections as staff loads allow. Constr-see SOP 24B & TX 16 TAC 8.115.

7	Incident/Accident Investigations (B1g) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:
B7. Yes. The decision to make on-site investigations is made by supervisors. All reportable incident/accident will include telephonic and written reports. incident/accident-see SOP 22B & SOP 20B

8	Does inspection plan address inspection priorities of each operator, and if necessary each unit, based on the following elements? (B2a-d, G1,2,4) Yes = 6 No = 0 Needs Improvement = 1-5	6	6

a. Length of time since last inspection	Yes ◉	No ○	Needs Improvement ○
b. Operating history of operator/unit and/or location (includes leakage, incident and compliance activities)	Yes ◉	No ○	Needs Improvement ○
c. Type of activity being undertaken by operators (i.e. construction)	Yes ◉	No ○	Needs Improvement ○
d. Locations of operators inspection units being inspected - (HCA's, Geographic areas, Population Density, etc)	Yes ◉	No ○	Needs Improvement ○
e. Process to identify high-risk inspection units that includes all threats - (Excavation Damage, Corrosion, Natural Forces, Outside Forces, Material and Welds, Equipment, Operators and any Other Factors)	Yes ◉	No ○	Needs Improvement ○

f. Are inspection units broken down appropriately? Yes ◉ No ○ Needs Improvement ○

Evaluator Notes:

B8. Yes, See SOP 6B for Length of time requirements, See PES 'Risk Factors' and 'Inspection Frequency' spreadsheets for previous violation count, population density, customer count, material type, loss & unaccounted gas, class location, off shore, HVL, ID>10", outside of time frequency, recommended inspection intervals by priority and type

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9 General Comments: Info Only Info Only

Info Only = No Points

Evaluator Notes:

B9. The Pipeline Evaluation System (PES) is in its fourth year of operation, and has been in Phase II for a year. PES now has more online data entry forms and details on accidents and incidents and inspector weekly work reports. Personnel training and qualification continue to be an area of focus as the staff reached the full complement of 31 field inspectors and then suffered 4 resignations. In 2011 & 2012 there have been 3 new hires and Authorized FTE has increased from 31 to 33 inspectors.

Construction in the Barnett Shale continues to be active and a new play called the Eagle Ford Shale in South Texas (about 70 miles SW of San Antonio) has become active

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Total points scored for this section: 15
Total possible points for this section: 15

PART C - Program Performance

		Points(MAX)	Score
1	Was ratio of Total Inspection person-days to total person days acceptable? (Director of State Programs may modify with just cause) Chapter 4.3 (A12) Yes = 5 No = 0	5	5

A. Total Inspection Person Days (Attachment 2):
3923.00

B. Total Inspection Person Days Charged to the Program (220 X Inspection Person Years) (Attachment 7):
220 X 22.33 = 4912.60

Ratio: A / B
3923.00 / 4912.60 = 0.80

If Ratio >= 0.38 Then Points = 5, If Ratio < 0.38 Then Points = 0
Points = 5

Evaluator Notes:
C1. YES. 3923 field days, 22.33 inspector-years, 3923/(22.33*220)=.798. .798>.38 okay.

		Points(MAX)	Score
2	Has each inspector and program manager fulfilled the T Q Training Requirements? (See Guidelines for requirements) Chapter 4.4 (A8-A11, G19) Yes = 5 No = 0 Needs Improvement = 1-4	5	5

a.	Completion of Required OQ Training before conducting inspection as lead?	Yes ◉	No ○ Needs Improvement ○
b.	Completion of Required DIMP*/IMP Training before conducting inspection as lead? *Effective Evaluation CY2013	Yes ◉	No ○ Needs Improvement ○
c.	Root Cause Training by at least one inspector/program manager	Yes ◉	No ○ Needs Improvement ○
d.	Note any outside training completed	Yes ◉	No ○ Needs Improvement ○

Evaluator Notes:
C2. Yes, all inspectors with 3+ years of service have attended all T&Q core courses or are on the waiting list, and the new inspectors are taking courses and are scheduled for the rest.

State- all Inspectors are HAZWOPER certified and defensive driving trained. About half of the inspectors are H2S certified. In 2009, all hands took or renewed their HAZWOPER, and received instruction in using the new 'PES' database. In July, 2011 an All Hands meeting focused on accident investigation, DIMP, and the State facility replacement rule. HAZWOPER refresher was given to all.

Operators ? training in PS 95 reporting of leak repairs (state requirement & state database), GIMP & DIMP training, and damage prevention program were all presented in the June, 2011 Lake Conroe Pipeline Safety Seminar with PHMSA T&Q and the TGA.

Non-operator/public ? Made presentations about Pipeline Safety to the Houston City Council, Port Arthur Local Emergency Planning Comm, , at an International technology conference, at the UT School of Business, met, talked, toured with three foreign delegations, and with the fed GAO.

		Points(MAX)	Score
3	Did state records and discussions with state pipeline safety program manager indicate adequate knowledge of PHMSA program and regulations? Chapter 4.1,8.1 (A5) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:
C3. Yes. The Program Manager & the records review show a professional knowledge of the regulations.

		Points(MAX)	Score
4	Did state respond to Chairman's letter on previous evaluation within 60 days and correct or address any noted deficiencies? (If necessary) Chapter 8.1 (A6-7) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:
C4. Yes. A one week forbearance was granted due to the untimely resignation and departure of the TRC Chairman. The reply was actually within the 60 day requirement.

		Points(MAX)	Score
5	Did State hold PHMSA TQ Seminar in Past 3 Years? Chapter 8.5 (A3) Yes = 2 No = 0	2	2

Evaluator Notes:
C5. Yes, in Corpus Christi in June, 2010, & with LA & MS in July, 2010; In Lake Conroe in June, 2011, and joint with LA in July, 2011. The new practice is to request a seminar almost every year.

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6 Did state inspect all types of operators and inspection units in accordance with time intervals established in written procedures? Chapter 5.1 (B3) — 5 — 3
Yes = 5 No = 0 Needs Improvement = 1-4

Evaluator Notes:
C6. NI 3 pts. Certain OQ and IMP work has not been completed per State Procedures; specifically, some OQ and IMP inspections were not done or were not loaded into the IMDB databases.

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7 Did inspection form(s) cover all applicable code requirements addressed on Federal Inspection form(s)? Did State complete all applicable portions of inspection forms? Chapter 5.1 (B4-5) — 2 — 1
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:
C7. N.I. 1 pt.; Some inspections were not completed or were completed incorrectly. See Insp # 104685, 103818, 103834, 104758, 104633, and 105103.

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8 Did the state review operator procedures for determining if exposed cast iron pipe was examined for evidence of graphitization and if necessary remedial action was taken? (NTSB) Chapter 5.1 (B7) — 1 — 1
Yes = 1 No = 0

Evaluator Notes:
C8. Yes, It is part of the States' distribution Insp form. The only Operator with significant amounts of cast iron is Atmos Energy in the DFW area. Also, the new Rule named 'Distribution Facility Replacements' became effective in March, 2011and it addresses Cast Iron facility replacement along with several other DIMP related risk assessment requirements.

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9 Did the state review operator procedures for surveillance of cast iron pipelines, including appropriate action resulting from tracking circumferential cracking failures, study of leakage history, or other unusual operating maintenance condition? (Note: See GPTC Appendix G-18 for guidance) (NTSB) Chapter 5.1 (B8) — 1 — 1
Yes = 1 No = 0

Evaluator Notes:
C9. Yes, It is part of the States' distribution Insp form. The only Operator with significant amounts of cast iron is Atmos Energy in the DFW area. Also, the new Rule named 'Distribution Facility Replacements' became effective in March, 2011and it addresses Cast Iron facility replacement along with several other DIMP related risk assessment requirements.

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10 Did the state review operator emergency response procedures for leaks caused by excavation damage near buildings and determine whether the procedures adequately address the possibility of multiple leaks and underground migration of gas into nearby buildings Refer to 4/12/01 letter from PHMSA in response to NTSB recommendation P-00-20 and P-00-21? (NTSB) Chapter 5.1 (B9) — 1 — 1
Yes = 1 No = 0

Evaluator Notes:
C10. Yes, it is addressed in the Federal Pipeline Failure Investigation Report under 'Gas Migration Survey' on page 9 (Form 11), & is on the State Evaluation checklist. See also the 'Investigation Report' in PES. It is also on the current Fed dist Insp Form (Form 2), .615(a)(7) on pg 5.

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11 Did the state review operator records of previous accidents and failures including reported third party damage and leak response to ensure appropriate operator response as required by 192.617? Chapter 5.1 (B10,E5) — 1 — 1
Yes = 1 No = 0

Evaluator Notes:
C11. Yes it is on the gas distribution standard inspection form, and is reviewed during every Std Insp. Review of accident records and failure records to discover causes of failure is a major duty of the Damage Prevention Staff.

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12 Has the state reviewed Operator Annual reports, along with Incident/Accident reports, for accuracy and analyzed data for trends and operator issues? Data Initiative (G6-9,G16) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

C12. Yes. The reports are compared against the Operator's pipeline permit, the Federal Operator ID, and against PES. The Annual Reports are used to track leak reports, unaccounted for losses, and histories. ALL distribution system and plastic transmission & gathering repaired leaks in Texas must be reported twice a year into an on-line system. This information is then analyzed for a whole spectrum of trends. In addition, TRC has full access to DIRT, which provides additional data resources.

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13 Did state input all applicable OQ, IMP inspection results into federal database in a timely manner? This includes replies to Operator notifications into IMDB database. Chapter 5.1 (G10-12) — 2 — 0

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

C13. No, 0 pt. Many OQ and IMP inspections have been uploaded, however, recent OQ since 2009 and Protocol 'A' & '1' for Operators to demonstrate if they are subject to IMP have NOT been uploaded into IMDB. A Plan will be developed for uploading the backlog of data.

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14 Has state confirmed intrastate transmission operators have submitted information into NPMS database along with changes made after original submission? (G14) — 1 — 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

C14. Yes, NPMS updates are linked with the annual pipeline permit renewals. Unit maps are compared against NPMS during Unit inspections

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15 Is the state verifying operators are conducting drug and alcohol tests as required by regulations? This should include verifying positive tests are responded to in accordance with program. 49 CFR 199 (I1-3) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

C15. Yes, is part of every Std Insp. I recommended the use of the D&A Long Form (Form 3.1.11) during HQ O&M inspections.

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16 Is state verifying operators OQ programs are up to date? This should include verification of any plan updates and that persons performing covered tasks (including contractors) are properly qualified and requalified at intervals determined in the operators plan. 49 CFR 192 Part N (I4-7) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

C16 Yes, TRRC has OQ inspected every Operator and is in the process of Re-inspecting all Operators. I observed that PES is used to document OQ verifications

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17 Is state verifying operator's gas transmission integrity management programs (IMP) are up to date? This should include a previous review of IMP plan, along with monitoring progress on operator tests and remedial actions. In addition, the review should take in to account program review and updates of operators plan(s). 49 CFR 192 Subpart 0 (I8-12) — 2 — 0

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

C.17. No, 0 pts. IMP is NOT up to date because some operators have NOT been IMP inspected or the IMP inspection has NOT been loaded into the IMDB.

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18 Is state verifying operator's gas distribution integrity management Programs (DIMP)? This should include a review of DIMP plans, along with monitoring progress. In addition, the review should take in to account program review and updates of operators plan(s). 49 CFR 192 Subpart P — Info Only — Info Only

Info Only = No Points

Evaluator Notes:

C18. Yes. DIMP inspections were started in 2011. TRC is implementing the Federal program and using the Fed Form. They also made a new regulation (16 TAC Sec 8.209, effective March, 2011) that requires the operators to determine (in conjunction with DIMP) their highest risk facilities, and to submit replacement plans annually for replacing a minimum of 5% of the riskiest facilities per year. The first required filing was August 1, 2011.

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19 Is state verifying operators Public Awareness programs are up to date and being followed. State should also verify operators have evaluated Public Awareness programs for effectiveness as described in RP1162. 49 CFR 192.616 (I13-16) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

C19. Yes, TRRC participated in the Clearing House activity, & has contacted every Operator. New Operators are being directed to develop public awareness plans. Until 2011, Public Awareness was addressed during Std Inspections. During 2011 certain TRC staff received PAPEE training, and then participated in three HQ PAPEI inspections.

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20 Does the state have a mechanism for communicating with stakeholders - other than state pipeline safety seminar? (This should include making enforcement cases available to public). (G20-21) — 1 — 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

C.20. Yes, through a well-designed web site, numerous Damage Prevention Seminars, & periodic informational mail outs. In addition, all records are public open records, and many can be accessed on-line.

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21 Did state execute appropriate follow-up actions to Safety Related Condition (SRC) Reports? Chapter 6.3 (B6) — 1 — 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

C 21. Yes, SRCR are handled by Steven Rios in 2011 & 2012. Monitoring of SRC are current.

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22 Did the State ask Operators to identify any plastic pipe and components that has shown a record of defects/leaks and what those operators are doing to mitigate the safety concerns? (G13) — 1 — 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

C22. Yes. RRC Safety Division requires an annual pipe inventory report and a plastic pipe failure report. Both reports can be entered on-line starting with the 2006 reports.

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23 Did the state participate in/respond to surveys or information requests from NAPSR or PHMSA? (H4) — 1 — 1

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

C23. Yes, TRRC is an active participant in NAPSR.

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24 General Comments: — Info Only — Info Only

Info Only = No Points

Evaluator Notes:

C. 24. For the distribution operations, the Leak Repair Data Form (PS-95) was fully implemented and operators are using it for CY2011. As a result of data filed, Commission staff has implemented a distribution facility replacement program. The program also requires Operators to manage the issues identified through the leak repair data reports and are now filing annual reports detailing prior year progress plus coming year agenda. Personnel training and qualification continue to be an area of focus as the staff has just recently reached the full complement of 33 field inspectors.

Construction in the Barnett Shale continues to be active and a new play called the Eagle Ford Shale in South Texas (about 70 miles SW of San Antonio) has become active.

The Texas Damage Prevention program appears to be improving safety and awareness. In calendar year 2011 through present, personnel participated in 49 events throughout the state making Safe Digging presentations and providing regulatory resource assistance on safety standards or best practices. Overall 'line Hits' per thousand line locate requests were 4.92

hits/1000 in 2011.

The proposed use for the 2011 suspension funds grant will provide for the next upgrade of your Pipeline Evaluation System (PES), and for further development of your Texas Damage Reporting Form (TDRF); including hiring two contract employees to work full time on this project.

Total points scored for this section: 37
Total possible points for this section: 44

PART D - Compliance Activities

		Points(MAX)	Score
1	Does the state have written procedures to identify steps to be taken from the discovery to resolution of a probable violation? Chapter 5.1 (B12-14, B16, B1h) Yes = 4 No = 0 Needs Improvement = 1-3	4	4

a. Procedures to notify an operator (company officer) when a noncompliance is identified — Yes ◉ No ○ Needs Improvement ○

b. Procedures to routinely review progress of compliance actions to prevent delays or breakdowns — Yes ◉ No ○ Needs Improvement ○

Evaluator Notes:

D1. Yes. See SOP 19A ? It is detailed guidance that directs letters to be sent to Corporate Officers, and directs the path of a PV from beginning to end. Also see Pipeline Evaluation System (PES) Appendices A, B, C, & D.

2	Did the state follow compliance procedures (from discovery to resolution) and adequately document all probable violations, including what resolution or further course of action is needed to gain compliance? Chapter 5.1 (B11,B18,B19) Yes = 4 No = 0 Needs Improvement = 1-3	4	4

a. Were compliance actions sent to company officer or manager/board member if municipal/government system? — Yes ◉ No ○ Needs Improvement ○

Evaluator Notes:

D2. Yes, at this point, the information is increasingly residing in PES, and also in the paper files. Records are retained at 4 years plus current. An item of note; in the case of some Master Meters & municipal systems, two letters will be sent, one to the Owner / Mayor, and the other to the Operating Manager.

3	Did the state issue compliance actions for all probable violations discovered? (B15) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:

D3. Yes, all probable violations are addressed in writing per Standard Procedures (SOP 19A). In addition the violation counts are found in the Gas Certification, attachment 5 summary page.

4	Did compliance actions give reasonable due process to all parties? Including "show cause" hearing if necessary. (B17, B20) Yes = 2 No = 0	2	2

Evaluator Notes:

D4. Yes, there were some administrative enforcement actions in 2011, resulting in $60,500 assessed and $60,500 in collected administrative penalties for Gas. For Hazardous Liquid, it was $8587.50 Assessed & collected. Damage Prevention fines were $1,637,738 total in 2011. Due process is afforded all & is stated in the violation letters.

5	Is the program manager familiar with state process for imposing civil penalties? Were civil penalties considered for repeat violations (with severity consideration) or violations resulting in incidents/accidents? (describe any actions taken) (B27) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:

D5. Yes, The Program Manager is familiar with state process for imposing civil penalties. The processes for using civil penalties are understood and used.

6	Can the State demonstrate it is using their enforcement fining authority for pipeline safety violations? (new question) Info Only = No Points	Info Only	Info Only

Evaluator Notes:

D6. Yes, The TRC uses civil penalties as an integral part of their resources to achieve compliance with the regulations.

7	General Comments: Info Only = No Points	Info Only	Info Only

Evaluator Notes:

D7. The Pipeline Evaluation System (PES) is in its fourth year of operation, and has moved to Phase III to include more

online data entry forms; including federal forms and report formats for the incident tab.

Special project teams were implemented for FY 2012 to address Drug & Alcohol, O&M, Public Awareness, Damage Prevention, New Construction, OQ, DIMP and IMP Specialty Inspections. Scheduled for the future are Control Room Management Specialty Inspections.

Prior to performing evaluations or inspections, (IMP, Breakout Tank, O&M, Incident investigations, etc.) and at the operators' request, training is given to operating and maintenance personnel that will be involved in the inspections or evaluations. This training has proven to increase safety and reduce violations. It also enhances the knowledge of the operator's personnel and provides them with a better understanding of the written procedures and processes that are needed to answer the questions; "who, what, where, when, how and why". These classes also assist in achieving a more effective and valuable evaluation or inspection for both the inspector and the operator.

Total points scored for this section: 14
Total possible points for this section: 14

PART E - Incident Investigations

		Points(MAX)	Score
1	Does state have adequate mechanism to receive and respond to operator reports of incidents, including after-hours reports? And did state keep adequate records of Incident/ Accident notifications received? Chapter 6 (A2,D1-3) Yes = 2 No = 0 Needs Improvement = 1	2	2

a. Acknowledgement of MOU between NTSB and PHMSA (Appendix D) — Yes ◉ No ○ Needs Improvement ○

b. Acknowledgement of Federal/State Cooperation in case of incident/accident (Appendix E) — Yes ◉ No ○ Needs Improvement ○

Evaluator Notes:

E1. Yes. Appendix C of the State Guidelines specifies 1. Determine if safety violations occurred. 2. Determine root causes of the accident if asked by NTSB. 3. Cooperate with NTSB. The MOU between NTSB and OPS is understood, and RRC fully cooperates with NTSB. TRC has a full time employee to keep track of incident notifications. Also have an after-hours answering service.

2	If onsite investigation was not made, did state obtain sufficient information from the operator and/or by other means to determine the facts to support the decision to not go on-site? Chapter 6 (D4) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:

E2. Yes, See PES, Incident tab. All incidents are checked by phone, and determination is made for an on-site visit. All of the federally reportable incidents that the RRC was notified about had a field visit.

3	Were all incidents investigated, thoroughly documented, and with conclusions and recommendations? (D5) Yes = 3 No = 0 Needs Improvement = 1-2	3	3

a. Observations and document review — Yes ◉ No ○ Needs Improvement ○

b. Contributing Factors — Yes ◉ No ○ Needs Improvement ○

c. Recommendations to prevent recurrences when appropriate — Yes ◉ No ○ Needs Improvement ○

Evaluator Notes:

E3. Yes, RRC uses PES Incident Report for incident investigations, and supplements with Federal Form 11. The events are documented and Appendix C is followed. Including findings of fact, probable cause, and determine if Regulations were followed.

4	Did the state initiate compliance action for violations found during any incident/accident investigation? (D6) Yes = 1 No = 0	1	1

Evaluator Notes:

E4. Yes, hundreds of violations are issued every year. When violations are found, a violation letter is generated and follow up is done. Civil penalties are assessed when appropriate, typically for repeat violations.

5	Did the state assist region office by taking appropriate follow-up actions related to the operator incident reports to ensure accuracy and final report has been received by PHMSA? (validate report data from operators concerning incidents/accidents and investigate discrepancies) Chapter 6 (D7) Yes = 1 No = 0 Needs Improvement = .5	1	1

Evaluator Notes:

E5. Yes, the Pipeline Safety Division has almost daily contact with PHMSA SW Region and DC to ensure that incident reports are accurate & updated. The reports are reviewed for completeness & to ensure that a final report is submitted. If PV are found they are communicated to the SW Region office.

6	Does state share lessons learned from incidents/accidents? (sharing information, such as: at NAPSR Region meetings, state seminars, etc) (G15) Yes = 1 No = 0	1	1

Evaluator Notes:

E6. Yes, the White paper report on non-restraint compression couplings, and Third party hit reports, the PPAAHC Forum (plastic pipe ad hoc advisory committee), and the Texas report at the SW Region Meeting.

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7 General Comments: Info Only Info Only

Info Only = No Points

Evaluator Notes:

E7. Incidents continue to be a highly visible issue for the Commission. Incident reporting and tracking have been migrated into the PES system and became active in February 2010. Pipeline operators and excavators are using the on-line damage prevention excavation incident reporting programs. The Commission has seen another reduction of the number of 3rd party hits in 2011, particularly as expressed as line hits per 1000 locate requests. The Commission has adopted rules for distribution operators for leak survey, leak grading, and leak reporting to help find leaks and repair them prior to the incident. As a result of data filed, Commission staff has implemented a distribution facility replacement program to manage the issues identified through the leak repair data reports.

Total points scored for this section: 9
Total possible points for this section: 9

PART F - Damage Prevention

		Points(MAX)	Score
1	Has the state reviewed directional drilling/boring procedures of each pipeline operator or its contractor to determine if they include actions to protect their facilities from the dangers posed by drilling and other trench less technologies? NTSB (E1) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:

F1. Yes, Texas is very aware of this and has investigated incidents/accidents related to boring. This is a priority review with Texas; it is on Texas' insp check list & is part of the Excavation Damage Review (DIRT).

2	Did the state inspector check to assure the pipeline operator is following its written procedures pertaining to notification of excavation, marking, positive response and the availability and use of the one call system? (E2) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:

F2. Yes, The Operator has to self-report its excavation plans and results into the Texas on-line reporting system it and includes line marking and One-call. These reports are verified during Std and Damage prevention inspections. The Federal Forms are used for Standard Inspections.

3	Did the state encourage and promote practices for reducing damages to all underground facilities to its regulated companies? (i.e. such as promoting/adopting the CGA Best Practices encouraging adoption of the 9 Elements, etc.) (E3) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:

F3. Yes, RRC participated in 35 damage prevention seminars. The damage prevention rule extending authority over excavators has been in effect for over four years and awareness of the rule continues to expand. At present, TX has a law that names several CGA best Practices, The RRC Regulation names 10 additional CGA best practices, and the Damage Prevention Program staff is very active in enforcing Damage Prevention. There is pending regulation to require that 10 additional CGA best practices be followed.

4	Has the agency or another organization within the state collected data and evaluated trends on the number of pipeline damages per 1,000 locate requests? (This can include DIRT and other data shared and reviewed by the pipeline safety program) (E4,G5) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:

F4. Yes, The Damage Prevention Staff is getting the raw numbers of one-calls and line hits from One-call and the on-line reporting site, and is doing follow-up on almost every damage report that is filed. For CY 2011 the raw data shows 9,271 hits, 15,435 hit reports, and 1,885,495 one-calls. TRRC was an early user of DIRT, & has their own version of Virtual DIRT.

5	General Comments: Info Only = No Points	Info Only	Info Only

Evaluator Notes:

F5. The TX damage prevention program is proving to be effective in raising One-Call awareness and reduce line hits. Damage prevention has twelve staff. The September 2007 through August 2012 total for fines in damage prevention has grown to $5.7 million, and most fines will continue to be cited at $1,000 per violation. Now that the Damage Prevention regulations have been in effect for several years, the fines will increase effective August 27, 2012 to the $2,000 to $2,500 range per assessed violation. Operator and excavator training, effective treatment of repeat offenders, and adoption of more Best Practices such as Ticket life, and ownership of the Dig ticket, are just some of the areas that continue to be developed.

Total points scored for this section: 8
Total possible points for this section: 8

PART G - Field Inspections

		Points(MAX)	Score
1	Operator, Inspector, Location, Date and PHMSA Representative Info Only = No Points	Info Only	Info Only

Name of Operator Inspected:
COPANO ENERGY opid 31926

Name of State Inspector(s) Observed:
Samuel Copeland, TX RRC-Houston Region-Pipeline

Location of Inspection:
246 Beach Airport Rd, Conroe, TX 77301

Date of Inspection:
8/13, 14 & 17/12

Name of PHMSA Representative:
Patrick Gaume, State Liaison, PHMSA

Evaluator Notes:
G.1.
COPANO ENERGY opid 31926
Samuel Copeland, TX RRC-Houston Region-Pipeline
246 Beach Airport Rd
Conroe, TX 77301
8/13, 14 & 17/12
Patrick Gaume, State Liaison, PHMSA
This was a Standard Inspection using the most recent Federal Form, PHMSA Form 1 of 6/18/12.
Jim Doss, jim.doss @copano.com VP Operations.
Kathryn (Kathy) S. DeYoung, VP Government & Regulatory Affairs, 713.621.9547, Kathy.deyoung@copano.com
Allen Koonce, Regional Manager, upper Gulf Coast.
Floyd Willis, Jr, Sr Manager, Regulatory Compliance & Corrosion Control. 281.352.6755c, Floyd.willis@copano.com
713.737.9555 888.737.9555 emerg response. ? gas control.
Lindsay N. Sander, Principal, Sander Resources; 713.863.1496, 713.208.0273, LNS@SanderResources.com

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2	Was the operator or operator's representative notified and/or given the opportunity to be present during inspection? (F2) Yes = 1 No = 0	1	1

Evaluator Notes:
G2. Yes, Copano was contacted & 6 COPANO employees participated in the inspection

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3	Did the inspector use an appropriate inspection form/checklist and was the form/checklist used as a guide for the inspection? (New regulations shall be incorporated) (F3) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:
G3. Yes, This was a Standard Inspection using the most recent Federal Form, PHMSA Form 1 of 6/18/12.

4	Did the inspector thoroughly document results of the inspection? (F4) Yes = 2 No = 0 Needs Improvement = 1	2	2

Evaluator Notes:
G4. Yes, every question was addressed.

5	Did the inspector check to see if the operator had necessary equipment during inspection to conduct tasks viewed? (Maps,pyrometer,soap spray,CGI,etc.) (F5) Yes = 1 No = 0	1	1

Evaluator Notes:
G5.Yes, N2 tank, hoses, ?" manifold, tubing, gauges, hand tools, OQ procedure, multi-meter, half cell, keys, cell phone, soap spray.

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6 Did the inspector adequately review the following during the field portion of the state evaluation? (check all that apply on list) (F7) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

a. Procedures ☒
b. Records ☒
c. Field Activities ☒
d. Other (please comment) ☒

Evaluator Notes:

G6. Yes, this was a full standard inspection & included procedures, records, field, OQ field insp of rectifier, relief valve, cp test, & block valve; & Protocol 1 of IMP.

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7 Did the inspector have adequate knowledge of the pipeline safety program and regulations? (Evaluator will document reasons if unacceptable) (F8) — 2 — 2

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

G7. Yes, Mr. Sam Copeland demonstrated good and adequate knowledge of the pipeline safety program goals and regulations.

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8 Did the inspector conduct an exit interview? (If inspection is not totally complete the interview should be based on areas covered during time of field evaluation) (F9) — 1 — 1

Yes = 1 No = 0

Evaluator Notes:

G8. Yes, There were 30+ probable violations identified in the O&M procedures, Emergency procedures, records, and the OQ Field review. Some PV include: need to reference the PAP in the O&M, inadequate procedures for the OQ covered task for operating a relief valve, need to develop forms for most field work and cross reference those forms into the O&M, procedures must direct that the cause of an incident be determined and to contact the RRC before returning the pipe to service, no procedure for uprating a pipe, the CRM procedures need to be referenced in the O&M, change names of individuals to position titles in the O&M, must develop the Internal Communications procedures and test them every year, plane pilots need to be OQ qualified, ROW patrol form referenced in the O&M was not the form actually being used, and detailed guidance was given relative to their IMP.

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9 During the exit interview, did the inspector identify probable violations found during the inspections? (if applicable) (F10) — 1 — 1

Yes = 1 No = 0

Evaluator Notes:

G9. Yes, There were 30+ probable violations identified in the O&M procedures, Emergency procedures, records, and the OQ Field review. Some PV include: need to reference the PAP in the O&M, inadequate procedures for the OQ covered task for operating a relief valve, need to develop forms for most field work and cross reference those forms into the O&M, procedures must direct that the cause of an incident be determined and to contact the RRC before returning the pipe to service, no procedure for uprating a pipe, the CRM procedures need to be referenced in the O&M, change names of individuals to position titles in the O&M, must develop the Internal Communications procedures and test them every year, plane pilots need to be OQ qualified, ROW patrol form referenced in the O&M was not the form actually being used, and detailed guidance was given relative to their IMP

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10 General Comments: What did the inspector observe in the field? (Narrative description of field observations and how inspector performed) Best Practices to Share with Other States - (Field - could be from operator visited or state inspector practices) Other. — Info Only — Info Only

Info Only = No Points

a. Abandonment ☐
b. Abnormal Operations ☒
c. Break-Out Tanks ☐
d. Compressor or Pump Stations ☐
e. Change in Class Location ☐
f. Casings ☐
g. Cathodic Protection ☒
h. Cast-iron Replacement ☐

i.	Damage Prevention	☒
j.	Deactivation	☐
k.	Emergency Procedures	☐
l.	Inspection of Right-of-Way	☒
m.	Line Markers	☒
n.	Liaison with Public Officials	☐
o.	Leak Surveys	☐
p.	MOP	☐
q.	MAOP	☒
r.	Moving Pipe	☐
s.	New Construction	☐
t.	Navigable Waterway Crossings	☐
u.	Odorization	☐
v.	Overpressure Safety Devices	☒
w.	Plastic Pipe Installation	☐
x.	Public Education	☐
y.	Purging	☐
z.	Prevention of Accidental Ignition	☒
A.	Repairs	☐
B.	Signs	☒
C.	Tapping	☐
D.	Valve Maintenance	☒
E.	Vault Maintenance	☐
F.	Welding	☐
G.	OQ - Operator Qualification	☒
H.	Compliance Follow-up	☐
I.	Atmospheric Corrosion	☒
J.	Other	☐

Evaluator Notes:

G10. Locks, cp, valves, row, overpressure protection, line markers, signs, safety signs, fencing, air-soil interface, supports, atmospheric corrosion, regulators, rectifiers, AC induction check, overhead lines, coupon holder, electrical grounding.

Total points scored for this section: 12
Total possible points for this section: 12

PART H - Interstate Agent State (If Applicable)

		Points(MAX)	Score
1	Did the state use the current federal inspection form(s)? (C1) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is not an interstate agent.

2	Are results documented demonstrating inspection units were reviewed in accordance with "PHMSA directed inspection plan"? (C2) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is not an interstate agent.

3	Did the state submit documentation of the inspections within 60 days as stated in its latest Interstate Agent Agreement form? (C3) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is not an interstate agent.

4	Were probable violations identified by state referred to PHMSA for compliance? (NOTE: PHMSA representative has discretion to delete question or adjust points, as appropriate, based on number of probable violations; any change requires written explanation.) (C4) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is not an interstate agent.

5	Did the state immediately report to PHMSA conditions which may pose an imminent safety hazard to the public or to the environment? (C5) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is not an interstate agent.

6	Did the state give written notice to PHMSA within 60 days of all probable violations found? (C6) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is not an interstate agent.

7	Did the state initially submit documentation to support compliance action by PHMSA on probable violations? (C7) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is not an interstate agent.

8	General Comments: Info Only = No Points	Info Only	Info Only

Evaluator Notes:
NA TX is not an interstate agent.

Total points scored for this section: 0
Total possible points for this section: 0

PART I - 60106 Agreement State (If Applicable)

		Points(MAX)	Score
1	Did the state use the current federal inspection form(s)? (B21) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is a 60105 partner.

2	Are results documented demonstrating inspection units were reviewed in accordance with state inspection plan? (B22) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is a 60105 partner.

3	Were any probable violations identified by state referred to PHMSA for compliance? (NOTE: PHMSA representative has discretion to delete question or adjust points, as appropriate, based on number of probable violations; any change requires written explanation.) (B23) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is a 60105 partner.

4	Did the state immediately report to PHMSA conditions which may pose an imminent safety hazard to the public or to the environment? (B24) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is a 60105 partner.

5	Did the state give written notice to PHMSA within 60 days of all probable violations found? (B25) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is a 60105 partner.

6	Did the state initially submit adequate documentation to support compliance action by PHMSA on probable violations? (B26) Yes = 1 No = 0 Needs Improvement = .5	1	NA

Evaluator Notes:
NA TX is a 60105 partner.

7	General Comments: Info Only = No Points	Info Only	Info Only

Evaluator Notes:
NA TX is a 60105 partner.

Total points scored for this section: 0
Total possible points for this section: 0