

APRIL 22, 2013

Mr. Bryan Batson
President
Chattanooga Gas Company
10 Peachtree Place, NE
Atlanta, GA 30309

Mr. James Pitts
Vice President, Storage and Peaking Operations
AGL Resources, Inc.
1200 Smith Street, Suite 900
Houston, TX 77002

Re: CPF No. 2-2012-3003

Dear Mr. Batson and Mr. Pitts:

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 Chattanooga Gas Company 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
Mr. Alan Mayberry, Deputy Associate Administrator for Field Operations, OPS
Mr. Richard R. Lonn, Director, Compliance Assurance, Chattanooga Gas Company

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

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

In the Matter of)	
)	
Chattanooga Gas Company,)	CPF No. 2-2012-3003
a subsidiary of AGL Resources, Inc.)	
)	
Respondent.)	
)	

FINAL ORDER

From July 30 to August 1, 2012, 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 Chattanooga Gas Company's (CGC or Respondent) liquefied natural gas (LNG) facility in Chattanooga, Tennessee.¹ The Chattanooga LNG facility holds the equivalent of 1.2 billion cubic feet (Bcf) of natural gas, is supplied by two pipelines, and delivers up to approximately 62,000 million cubic feet (Mcf) per day to the Chattanooga Gas market.²

As a result of the inspection, the Director, Southern Region, OPS (Director), issued to Respondent, by letter dated October 23, 2012, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that CGC had violated 49 C.F.R. §§ 193.2625(a) and 193.2625(b) and proposed ordering Respondent to take certain measures to correct the alleged violations.

CGC responded to the Notice by letter dated November 21, 2012 (Response). The company did not contest the allegations of violation, but provided information concerning the corrective actions it had initiated. Respondent did not request a hearing and therefore has waived its right to one.

¹ CGC is a subsidiary of Atlanta based AGL Resources, Inc.
<http://www.chattanoogagas.com/Universal/AboutUs.aspx> (last visited April 4, 2013).

² <http://www.aglresources.com/about/LNG.aspx> (last visited April 4, 2013).

FINDINGS OF VIOLATION

In its Response, CGC did not contest the allegations in the Notice that it violated 49 C.F.R. Part 193, as follows:

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 193.2625(a), which states:

§ 193.2625 Corrosion protection.

(a) Each operator shall determine which metallic components could, unless corrosion is controlled, have their integrity or reliability adversely affected by external, internal, or atmospheric corrosion during their intended service life.

The Notice alleged that Respondent violated 49 C.F.R. § 193.2625(a) by failing to determine which metallic components could, unless corrosion is controlled, have their integrity or reliability adversely affected by external, internal, or atmospheric corrosion during their intended service life. Specifically, the Notice alleged that CGC did not determine that a 1.5-inch diameter galvanized foam line designed to retard vaporization of spilled LNG in the event of a leak in the LNG pump area could have its integrity or reliability adversely affected by corrosion prior to a corrosion leak at the pipe-to-soil interface which occurred on August 23, 2010.

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. § 193.2625(a) by failing to determine that a metallic component could, unless corrosion is controlled, have its integrity or reliability adversely affected by external, internal, or atmospheric corrosion during its intended service life.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 193.2625(b), which states:

§ 193.2625 Corrosion protection.

- (a)...
- (b) Components whose integrity or reliability could be adversely affected by corrosion must be either—
- (1) Protected from corrosion in accordance with §§ 193.2627 through 193.2635, as applicable; or
 - (2) Inspected and replaced under a program of scheduled maintenance in accordance with procedures established under § 193.2605.

The Notice alleged that Respondent violated 49 C.F.R. § 193.2625(b) by failing to protect a component whose integrity or reliability could be adversely affected by corrosion from corrosion in accordance with §§ 193.2627 through 193.2635, or inspect and replace the component under a program of scheduled maintenance in accordance with procedures established under § 193.2605.

Specifically, the Notice alleged that CGC failed to protect the 1.5-inch diameter galvanized foam line from corrosion or inspect and replace the component under a program of scheduled maintenance and failed to inspect, protect from corrosion, and replace as necessary other areas of the line and similar pipe-to-soil interfaces.

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. § 193.2625(b) by failing to protect the 1.5-inch galvanized foam line whose integrity or reliability could be adversely affected by corrosion from corrosion in accordance with §§ 193.2627 through 193.2635, or inspect and replace the component under a program of scheduled maintenance in accordance with procedures established under § 193.2605.

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 1 and 2 in the Notice for violations of 49 C.F.R. §§ 193.2625(a) and 193.2625(b), respectively. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of LNG or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601.

In its Response, CGC provided information concerning the corrective actions it has taken to address the cited violations including replacing the below ground portion of the 1.5-inch galvanized foam line and improved monitoring of metallic components. Having reviewed this information, the Director has indicated that, among other things, Respondent has not submitted the required analyses or copies of the amended procedures and therefore has not fully satisfied the compliance terms.

As for the remaining compliance terms, 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 § 193.2625(a) (**Item 1**), Respondent must conduct an analysis of all metallic components within the LNG Plant and identify which metallic components could, unless corrosion is controlled, have their integrity or reliability adversely affected by external, internal, or atmospheric corrosion during their intended service life. The analysis must include consideration of potential internal or atmospheric corrosion threats for components that are not normally in service, such as the 1.5-inch galvanized foam line referred to in Item 1 of the Notice.
2. With respect to the violation of § 193.2625(b) (**Item 2**), Respondent must:
 - A. Inspect and, if required, replace the components identified as a result of the analysis required by Item 1 above; and
 - B. Include in CGC's manual(s) of written procedures measures it will take to protect the components from corrosion in accordance with §§ 193.2627 through 193.2635, as applicable.

3. Complete Items 1 and 2 above within 60 days of receipt of this Order.
4. Provide written documentation to the Director demonstrating that Items 1 and 2 have been completed within 75 days of receipt of this Order.
5. It is requested (not mandated) that CGC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director. It is requested that these costs be reported in two categories: (1) total cost associated with preparation or revision of plans, procedures, studies, and analyses; and (2) total cost associated with repairs, replacements, additions, and other changes to physical pipeline facilities.

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 administrative assessment of civil penalties not to exceed \$100,000 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.

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

Date Issued