



Chattanooga Gas™

An AGL Resources Company

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November 21, 2012

Mr. Wayne Lemoi
Director, Office of Pipeline Safety
PHMSA Southern Region
233 Peachtree Street, Suite 600
Atlanta, Georgia 30303

Dear Mr. Lemoi:

The following information is provided in response to the Notice of Probable Violation associated with the Pipeline and Hazardous Materials Safety Administration (PHMSA) inspection report number CPF 2-2012-3003. The report concerned an inspection of Chattanooga Gas Company's (CGC) liquefied natural gas (LNG) facility in Chattanooga, Tennessee pursuant to Chapter 601 of 49 United States Code. As a result of the inspection, PHMSA Staff alleged that CGC has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations Parts 193.2625(a) and (b).

It was identified that CGC did not determine that the 1.5-inch galvanized foam line, designed to retard vaporization of spilled LNG in the event of an LNG leak in the LNG pump area, could have its integrity or reliability adversely affected by corrosion. Records indicated that CGC discovered a corrosion leak at the soil-air interface of the referenced line during an August 23, 2010, foam delivery/generation system test. However, although the pipe at the soil-air interface was replaced after the leak was discovered, CGC provided no information to the PHMSA inspector to show that it had made any determination, either prior to or after the leak was discovered, as to whether or not the referenced line could be adversely affected by external, atmospheric, or internal corrosion.

In accordance with 193.2625(a), it was identified in the Proposed Compliance Order that CGC must conduct an analysis of all metallic components (including threats for components that are not normally in service such as the 1.5-inch galvanized foam line)

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within the LNG Plant and identify which metallic components could, unless corrosion is controlled, have its integrity or reliability adversely affected by external, internal, or atmospheric corrosion during its intended service life. In addition and in accordance with 193.2625(b), CGC must inspect and, if required, replace the components identified as a result of the analysis and include in its manual(s) of written procedures measures to be taken to protect the components from corrosion in accordance with Parts 193.2627 through 193.2635, as applicable.

Since the inspection, CGC has replaced the entire length of the 1.5-inch galvanized foam line in question between the vaporizer and LNG pump areas with 2-inch PVC plastic. CGC has evaluated the remaining belowground infrastructure at the Chattanooga LNG facility and has determined that the foam line was the only galvanized piping in its system.

However, CGC does operate a fire water system that is constructed of ductile iron which is non-cathodically protected. The Company monitors the pressure on this pipeline where an alarm will sound should the pressure drop. Should a situation occur where the alarm has sounded CGC will evaluate the pipeline in accordance with Part 193.2625 requirements to determine if the incident was corrosion related and will repair and/or replace accordingly. In addition, the Company's LNG Manual will be revised to clearly indicate that all metallic piping and components being operated to process LNG (i.e. transporting gas, water, coolant, fire protection, etc) shall be evaluated and maintained as required in Part 193.2625 to ensure follow up remedial measures are taken.

As for other metallic components (including threats for components that are not normally in service), the Company will continue to monitor (and take corrective action as necessary) its cathodically protected under ground piping through electrical surveys; aboveground piping through atmospheric corrosion surveys which include inspecting through windows in the insulation, along pipe stanchions, foundations, pipe racks, and other support systems; as well as monitoring coolants and/or heat transfer fluids for its corrosiveness through microbiological tests.

Also, as requested in Item 5 of the Proposed Compliance Order the Company has spent approximately \$6,500 on the replacement of the 1.5-inch galvanized foam line in question. Any additional costs associated with replacements, additions and other changes to the pipeline infrastructure based on this proposed compliance order will be maintained and documented as appropriate.

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If you have any questions or need additional information, please let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read "RRL", positioned below the word "Sincerely,".

Richard R. Lonn
Director
Compliance Assurance