

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

ELECTRONIC MAIL - RETURN RECEIPT REQUESTED

March 7, 2022

Kenneth Grubb
Chief Operating Officer
Southern Gulf LNG Company, LLC
1001 Louisiana Street, Suite 1000
Houston, Texas 77002

CPF 4-2022-035-NOPV

Dear Mr. Grubb:

From June 21, 2021 through August 25, 2021, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected Southern Gulf LNG Company, LLC's (SGLNG) plans and procedures for its facilities located in Jackson County, Mississippi.

Based on the inspection, it is alleged that SGLNG has committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The item inspected and the probable violation is:

1. § 193.2801 Fire protection.

Each operator must provide and maintain fire protection at LNG plants according to sections 9.1 through 9.7 and section 9.9 of NFPA-59A-2001 (incorporated by reference, *see* § 193.2013). However, LNG plants existing on March 31, 2000, need not comply with provisions on emergency shutdown systems, water delivery systems, detection systems, and personnel qualification and training until September 12, 2005.

**NFPA-59A-2001
Chapter 9 Fire Protection, Safety, and Security
9.1 ...**

9.1.2 Fire protection shall be provided for all LNG facilities. The extent of such protection shall be determined by an evaluation based on sound fire protection engineering principles, analysis of local conditions, hazards within the facility, and exposure to or from other property. The evaluation shall determine the following, as a minimum:

- (1) The type, quantity, and location of equipment necessary for the detection and control of fires, leaks, and spills of LNG, flammable refrigerants, or flammable gases**
- (2) The type, quantity, and location of equipment necessary for the detection and control of potential nonprocess and electrical fires**

SGLNG failed to provide and maintain fire protection at its LNG plant according to section 9.1.2 of NFPA-59A-2001, as required by § 193.2801. Specifically, SGLNG failed to perform an evaluation to determine the type, quantity, and location of equipment necessary for the detection and control of fires, leaks, and spills of LNG, flammable refrigerants, or flammable gases, and potential non-process and electrical fires in accordance with section 9.1.2 of NFPA-59A-2001.

During the inspection, PHMSA reviewed SGLNG's Fire and Gas Location Plan North Send Out Pumps & North Vaporizer Area, Drawing No. GLF-HSE-DWG-0035 (Rev. 4) (Drawing). The Drawing shows the location of flame detectors, gas detectors, and thermal detectors necessary for the detection and control of fires, leaks, and spills of LNG, flammable refrigerants, or flammable gases, and potential non-process and electrical fires. However, the Drawing does not demonstrate an evaluation based on sound fire protection engineering principles, analysis of local conditions, hazards within the facility, and exposure to or from other property as required by section 9.1.2 of NFPA-59A-2001. SGLNG could not produce any record of an evaluation. Consequently, SGLNG is unable to demonstrate that the location of detectors adequately covered the area for the detection and control of fires, leaks, and spills of LNG, flammable refrigerants, or flammable gases.

Therefore, SGLNG failed to provide and maintain fire protection at its LNG plant according to section 9.1.2 of NFPA-59A-2001, as required by § 193.2801.

Proposed Compliance Order

Under 49 U.S.C. § 60122 and 49 C.F.R. § 190.223, Southern Gulf LNG Company, LLC is subject to a civil penalty not to exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violations occurring on or after January 11, 2021, and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violations occurring on or after July 31, 2019, and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violations occurring on or after November 27, 2018, and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violations occurring on or after November 2, 2015, and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022. Also, for each violation involving LNG facilities, an additional penalty of not more than \$82,245 occurring on or after May 3, 2021, may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$81,284 occurring on or after January 11, 2021, and before May 3, 2021, may be imposed. For each violation involving LNG facilities, an additional penalty of not more than \$79,875 occurring on or after July 31, 2019, and before January 11, 2021, may be imposed. For each violation involving LNG

facilities, an additional penalty of not more than \$77,910 occurring on or after November 27, 2018, and before July 31, 2019 may be imposed. For each violation involving LNG facilities occurring on or after November 2, 2015, and before November 27, 2018, an additional penalty of not more than \$76,352 may be imposed.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to Item 1 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Southern Gulf LNG Company, LLC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement 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).

Following the receipt of this Notice, you have 30 days to submit written comments or request a hearing under 49 C.F.R. § 190.211. 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 you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 4-2022-035-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Mary L. McDaniel, P.E.
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration

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

cc: Carla Roark, Compliance Manager, Southern LNG, Carla_Roark@kindermorgan.com
Andrew Kohout, P.E., Director, Division of LNG Facility Reviews and Inspections,
Office of Energy Projects, Federal Energy Regulatory Commission, andrew.kohout@ferc.gov

PROPOSED COMPLIANCE ORDER

Pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Southern Gulf LNG Company, LLC (SGLNG) a Compliance Order incorporating the following remedial requirements to ensure compliance with the pipeline safety regulations:

- A. In regards to Item 1 of the Notice pertaining to SGLNG's failure to provide and maintain fire protection at its LNG plant pursuant to § 193.2801, SGLNG must perform an evaluation of the LNG plant in accordance with section 9.1.2. of NFPA-59A-2001 to determine that the detectors adequately covered the area for the detection and control of fires, leaks, and spills of LNG, flammable refrigerants, or flammable gases. SGLNG must provide documentation of this evaluation to the Director, Southwest Region, Office of Pipeline Safety, PHMSA, within **30** days after receipt of a Final Order

It is requested (not mandated) that SGLNG maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mary L. McDaniel, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) the total cost associated with the preparation/revision of plans, procedures, studies, and analyses, and 2) the total cost associated with replacements, additions, and other changes to the pipeline infrastructure.