

## WARNING LETTER

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 27, 2012

Mr. Dwayne Burton  
Vice President Engineering/Operations  
Southern Gulf LNG Company LLC  
1001 Louisiana Street, Suite 1000  
Houston, TX 77002

**CPF 2-2012-3004W**

Dear Mr. Burton:

From October 22-25, 2012, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) inspected the Southern Gulf LNG Company LLC (Gulf LNG) liquefied natural gas (LNG) facilities in Pascagoula, MS, pursuant to Chapter 601 of 49 United States Code.

As a result of the inspection, it appears that Gulf LNG has committed probable violations of the Pipeline Safety Regulations, in Title 49 of the Code of Federal Regulations. The items inspected and the probable violations are as follows:

**1. §193.2619 Control systems.**

**... (c) Control systems in service, but not normally in operation, such as relief valves and automatic shutdown devices, and control systems for internal shutoff valves for bottom penetration tanks must be inspected and tested once each calendar year, not exceeding 15 months, with the following exceptions:**

**... (2) Control systems that are intended for fire protection must be inspected and tested at regular intervals not to exceed 6 months.**

Gulf LNG did not inspect and test control systems intended for fire protection at intervals not to exceed 6 months.

The Gulf LNG plant in-service date was October 1, 2011, yet maintenance records indicated that the control systems identified on *Fire and Gas Cause and Effect Diagram* pages 5 through 13 were first inspected in August and September 2012.

Subsequent to the PHMSA inspection, Gulf LNG provided records indicating that all of the above-referenced fire protection control systems have been inspected and tested. Inspection and test completion dates varied from September 11, 2012 (163 days after the

initial required 6-month test) to October 31, 2012 (213 days after the initial required 6-month test).

**2. § 193.2629 External corrosion control: buried or submerged components.**

**(a) Each buried or submerged component that is subject to external corrosive attack must be protected from external corrosion by—**

**. . . (2) The following means:**

**. . . (ii) A cathodic protection system designed to protect components in their entirety in accordance with the requirements of §192.463 of this chapter and placed in operation before October 23, 1981, or within 1 year after the component is constructed or installed, whichever is later.**

Gulf LNG did not protect from external corrosion, by a cathodic protection system, certain buried components that were subject to external corrosive attack within one year after the components were installed.

Gulf LNG did not cathodically protect the below-listed fire water system components made of materials that do not resist underground external corrosion. The fire water system is . . . *fire control equipment . . . whose integrity and reliability is necessary to maintain safety in controlling . . . a hazardous fluid* (see § 193.2007 *Component* definition), and was installed prior to the October 1, 2011 plant in-service date (installed 390(+) days prior to the PHMSA inspection).

- 17 short buried and coated 6-inch carbon steel piping segments that connect the underground HDPE fire water distribution system to fire monitors,
- coated and buried portions of 25 ductile iron fire hydrants, and associated coated and buried ductile iron fire hydrant isolation valves.

Subsequent to the PHMSA inspection Gulf LNG conveyed, via email dated November 14, 2012, that its contractor will provide cathodic protection to all buried steel and ductile iron firewater system components that are currently without cathodic protection. The work is currently out for bid and installation is projected to commence by January 2013.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. Also, for LNG facilities, an additional penalty of not more than \$50,000 for each violation may be imposed. 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 item(s) identified in this letter. Failure to do so will result in Southern Gulf LNG Company, LLC 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 2-2012-3004W**. 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,

Wayne T. Lemoi  
Director, Office of Pipeline Safety  
PHMSA Southern Region