

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

February 6, 2013

Mr. Dwayne Burton
Vice President Engineering/Operations
Southern LNG, Inc.
c/o Kinder Morgan Inc.
1001 Louisiana Street, Suite 1000
Houston, TX 77002

CPF 2-2013-3001W

Dear Mr. Burton:

From December 4-6, 2012, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety Southern Region inspected the Southern LNG, Inc. (SLNG) liquefied natural gas (LNG) facilities on Elba Island near Savannah, Georgia, pursuant to Chapter 601 of 49 United States Code.

As a result of the inspection, it appears that SLNG has committed a probable violation of the Pipeline Safety Regulations, in Title 49 of the Code of Federal Regulations. The item inspected and the probable violation is as follows:

- 1. §193.2619 Control systems.
... (e) Relief valves must be inspected and tested for verification of the valve seat lifting pressure and reseating.**

SLNG did not properly inspect and test a relief valve for verification of the valve seat lifting pressure.

On April 13, 2012, SLNG personnel inspected relief valve PSV-31035 (a control system in service but not normally in operation) as required by §193.2619(c). However, the valve seat lifting pressure was not properly verified prior to ending the inspection. According to SLNG records, the seat lifting pressure for the 12-inch vacuum relief valve for LNG Storage Tank D-5 was left at - 0.40" H₂O instead of - 0.86" H₂O as required by SLNG's written valve inspection criteria.

Under 49 United States Code, § 60122, Southern LNG, Inc. is 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. 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 identified in this letter. Failure to do so will result in Southern LNG, Inc. 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 2-2013-3001W**. 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