NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 25, 2009

Mr. Robert S. Bahnick
Sr. Vice President of Operations and Technical Services
Southern Star Central Gas Pipeline Inc.
4700 Hwy 56
Owensboro, KY 42301

CPF 3-2009-1020M

Dear Mr. Bahnick:

On July 7-9, 2009, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Southern Star Central Gas Pipeline, Inc.’s procedures for Operations and Maintenance and emergencies in Lenexa, Kansas.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Southern Star Central Gas Pipeline, Inc.’s plans or procedures, as described below:

1. §192.605 Procedural manual for operations, maintenance, and emergencies.

   (a) General. Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations.

   (d) Safety-related condition reports. The manual required by paragraph (a) of this section must include instructions enabling personnel who perform operation and maintenance activities to recognize conditions that potentially may be safety-related conditions that are subject to the reporting requirements of §191.23 of this subchapter.
§191.25 – Filing safety related condition reports
(a) Each report of a safety-related condition under §191.23(a) must be filed (received by the Associate Administrator, OPS) in writing within five working days (not including Saturday, Sunday, or Federal Holidays) after the day a representative of the operator first determines that the condition exists, but not later than 10 working days after the day a representative of the operator discovers the condition. Separate conditions may be described in a single report if they are closely related. Reports may be transmitted by telefacsimile (fax), dial (202) 366-7128.

Procedure to submit the SRCR did not have the fax number in the procedure.

2. §192.605 Procedural manual for operations, maintenance, and emergencies.

(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.
   (1) Operating, maintaining, and repairing the pipeline in accordance with each of the requirements of this subpart and Subpart M of this part.
   (5) Starting up and shutting down any part of the pipeline in a manner designed to assure operation within the MAOP limits prescribed by this part, plus the build-up allowed for operation of pressure-limiting and control devices.

Section 15.03.00.03 and 70.09.01.03 – Start up and shut down of P/L. Procedure needs to define what build-up is.

3. §192.605(b) (see above)
   (11) Responding promptly to a report of a gas odor inside or near a building, unless the operator’s emergency procedures under §192.615(a)(3) specifically apply to these reports.

On page 3 of 30, Southern Star procedure indicated that callers should put out any ignition sources prior to leaving a building immediately. The procedure should indicate that people should be instructed to leave immediately, instead of finding all ignition sources first.

4. §192.605 Procedural manual for operations, maintenance, and emergencies.

(c) Abnormal operation. For transmission lines, the manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded:
   (2) Checking variations from normal operation after abnormal operation has ended at sufficient critical locations in the system to determine continued integrity and safe operation
More specifics are needed as the procedure does not indicate that the checking of facilities at critical locations will be done after an abnormal operating condition occurs.

5. §192.605 Procedural manual for operations, maintenance, and emergencies.

(e) Surveillance, emergency response, and accident investigation. The procedures required by §§192.613(a), 192.615, and 192.617 must be included in the manual required by paragraph (a) of this section.

§192.613 Continuing Surveillance.
(b) If a segment of pipeline is determined to be in unsatisfactory condition but no immediate hazard exists, the operator shall initiate a program to recondition or phase out the segment involved, or, if the segment cannot be reconditioned or phased out, reduce the maximum allowable operating pressure in accordance with §192.619 (a) and (b).

Procedure did not contain enough information on what to do. Procedure should at least spell out the steps or criteria that Southern Star is going to base the pressure reduction on.

6. §192.605(a) (see above)

§192.614 Damage prevention program.
(a) Except as provided in paragraphs (d) and (e) of this section, each operator of a buried pipeline must carry out, in accordance with this section, a written program to prevent damage to that pipeline from excavation activities. For the purposes of this section, the term "excavation activities" includes excavation, blasting, boring, tunneling, backfilling, the removal of aboveground structures by either explosive or mechanical means, and other earthmoving operations.

(c) The damage prevention program required by paragraph (a) of this section must, at a minimum:
(5) Provide for temporary marking of buried pipelines in the area of excavation activity before, as far as practical, the activity begins.

Procedure did not contain the means for temporarily marking the pipeline in the vicinity of the excavation. Upon further checking, Procedure 70.12.00.02 Section 1.3 under line markers had something about temporary marking. This information should either be referenced or put in the damage prevention section.

7. §192.605(a) (see above)

§192.614(c) (see above)

(6) Provide as follows for inspection of pipelines that an operator has reason to believe could be damaged by excavation activities:

3
(i) The inspection must be done as frequently as necessary during and after the activities to verify the integrity of the pipeline;

Procedure 70.10.01.04 Section 3.1.3.1 should be re-worded to indicate that this section applies to the entire pipeline, not just HCA areas and Class 3 and 4 areas.

8. §192.605 (see above)

§192.735 Compressor stations: Storage of combustible materials.
(a) Flammable or combustible materials in quantities beyond those required for everyday use, or other than those normally used in compressor buildings, must be stored a safe distance from the compressor building.

Procedure 15.05.01.01 appears to indicate that storage of 1100 gallons of oil next to the compressor building is acceptable. Southern Star has indicated that this is not the case. It appears that this procedure needs some clarification, as Southern Star personnel indicated that they do not allow 1100 gallons of oil to be stored right next to a compressor building per 192.735.

9. §192.605 (see above)

§192.615 Emergency plans.
(a) Each operator shall establish written procedures to minimize the hazard resulting from a gas pipeline emergency. At a minimum, the procedures must provide for the following:
(10) Beginning action under §192.617, if applicable, as soon after the end of the emergency as possible.

Procedure could use some clarification because it appears that all failures require a root cause analysis per procedures; but in the field, it was found that not all failures do receive a root cause analysis. For example, if the failure is clearly third party damage, a root cause analysis may not necessarily be done.

10. §192.605 (see above)

§192.617 Investigation of failures.
Each operator shall establish procedures for analyzing accidents and failures, including the selection of samples of the failed facility or equipment for laboratory examination, where appropriate, for the purpose of determining the causes of the failure and minimizing the possibility of a recurrence.

Chain of Custody form and procedures should be added to this section.
11. §192.605 (see above)

§192.625 Odorization of gas.
(f) To assure the proper concentration of odorant in accordance with this section, each operator must conduct periodic sampling of combustible gases using an instrument capable of determining the percentage of gas in air at which the odor becomes readily detectable.

Southern Star annually checks the individual odorant pots on their farm taps. However, this procedure is not in the O&M, but rather it is considered a best practice. The procedure should be modified to include the checking of these individually odorized lines.

12. §192.605 (see above)

§192.627 Tapping pipelines under pressure
Each tap made on a pipeline under pressure must be performed by a crew qualified to make hot taps.

It is recommended that the Procedure include that NDT will be done on the pipe prior to any hot tapping work.

13. §192.605 (see above)

§192.719 Transmission lines: Testing of repairs.
(b) Testing of repairs made by welding. Each repair made by welding in accordance with §§192.713, 192.715, and 192.717 must be examined in accordance with §192.241.

It is recommended that the Procedure include that NDE will be done on Type B Sleeve Repairs.

14. §192.605 (see above)

§192.751 Prevention of accidental ignition.
(a) When a hazardous amount of gas is being vented into open air, each potential source of ignition must be removed from the area and a fire extinguisher must be provided.

Need to add that fire extinguishers will be available in Section 10.19.01.01 Paragraph 4.1., and not just when natural gas is being vented.
15. §192.605 (see above)

§192.225 Welding Procedures
(a) Welding must be performed by a qualified welder in accordance with welding procedures qualified under section 5 of API 1104 (incorporated by reference, see §192.7) or section IX of the ASME Boiler and Pressure Vessel Code "Welding and Brazing Qualifications" (incorporated by reference, see §192.7) to produce welds meeting the requirements of this subpart. The quality of the test welds used to qualify welding procedures shall be determined by destructive testing in accordance with the applicable welding standard(s).

Section 90.02.00.02 Paragraph 1.1 should be revised to indicate that the latest adopted edition of API 1104 will be utilized.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. Enclosed as part of this Notice is a document entitled Response Options for Pipeline Operators in Compliance 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). 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, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 90 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to CPF 3-2009-1020M and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

[Signature]
Ivan A. Huntoon
Director, Central Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: Response Options for Pipeline Operators in Compliance Proceedings
Response Options for Pipeline Operators in Compliance Proceedings

The requirements of 49 C.F.R. Part 190, Subpart B (§§ 190.201–190.237) govern response to Notices issued by a Regional Director, Pipeline and Hazardous Materials Safety Administration (PHMSA).

Be advised that all material submitted by a respondent in response to an 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).

I. Procedures for Responding to a NOTICE OF PROBABLE VIOLATION:

Within 30 days of receipt of a Notice of Probable Violation, the respondent shall respond to the Regional Director who issued the Notice in the following way:

a. When the Notice contains a proposed CIVIL PENALTY* --

1. If you are not contesting any violations alleged in the Notice, pay the proposed civil penalty and advise the Regional Director of the payment. This authorizes PHMSA to issue an order making findings of violation and upon confirmation that the payment has been received PHMSA will close the case with prejudice to the respondent. Payment terms are outlined below;

2. If you are not contesting any violations alleged in the Notice but wish to submit written explanations, information, or other materials you believe warrant mitigation of the civil penalty, you may submit such materials. This authorizes PHMSA to make findings and to issue a Final Order assessing a penalty amount up to the amount proposed in the Notice. Refer to 49 C.F.R. § 190.225 for assessment considerations, which include the respondent’s ability to pay and the effect on the respondent’s ability to stay in business, upon which civil penalties are based;

3. If you are contesting one or more of the items in the Notice but are not requesting an oral hearing, submit a written response to the allegations and/or seek elimination or mitigation of the proposed civil penalty; or

4. Request a hearing as described below to contest the allegations and/or proposed assessment of a civil penalty.
b. When the Notice contains a proposed COMPLIANCE ORDER* --

1. If you are not contesting the compliance order, notify the Regional Director that you intend to take the steps in the proposed compliance order;

2. If you are not contesting the compliance order but wish to submit written explanations, information, or other materials you believe warrant modification of the proposed compliance order in whole or in part, or you seek clarification of the terms of the proposed compliance order, you may submit such materials. This authorizes PHMSA to make findings and issue a compliance order;

3. If you are contesting the proposed compliance order but are not requesting an oral hearing, submit written explanations, information, or other materials in answer to the allegations in the Notice and stating your reasons for objecting to the proposed compliance order items in whole or in part; or

4. Request a hearing as described below to contest the allegations and/or proposed compliance order items.

c. When the Notice contains a WARNING ITEM --

No written response is required. The respondent is warned that if it does not take appropriate action to correct these items, enforcement action will be taken if a subsequent inspection reveals a violation.

* Failure of the respondent to respond to the Notice within 30 days of receipt constitutes a waiver of the right to contest the allegations in the Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in the Notice without further notice to the respondent and to issue a Final Order.

II. Procedures for Responding to a NOTICE OF AMENDMENT*--

Within 30 days of receipt of a Notice of Amendment, the respondent shall respond to the Regional Director who issued the Notice in the following way:

a. If you are not contesting the Notice, notify the Regional Director of your plans to address the inadequacies identified in the Notice;

b. If you are not contesting the Notice but wish to submit written explanations, information, or other materials you believe warrant modification of the Notice of Amendment in whole or in part, or you seek clarification of the terms of the
Notice of Amendment, you may submit such materials. This authorizes PHMSA to make findings and issue an Order Directing Amendment;

c. If you are contesting the Notice of Amendment but are not requesting an oral hearing, submit written explanations, information, or other materials in answer to the allegations in the Notice and stating your reasons for objecting to the Notice of Amendment items in whole or in part; or

d. Request a hearing as described below to contest the allegations in the Notice.

* Failure of the respondent to respond to the Notice within 30 days of receipt constitutes a waiver of the right to contest the allegations in the Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in the Notice without further notice to the respondent and to issue a Final Order.

III. Procedure for Requesting a Hearing

A request for a hearing must be in writing and accompanied by a statement of the issues that the respondent intends to raise at the hearing. The issues may relate to the allegations, new information, or to the proposed compliance order or proposed civil penalty amount. Refer to 49 C.F.R. § 190.225 for assessment considerations upon which civil penalties are based. A respondent's failure to specify an issue may result in waiver of the right to raise that issue at the hearing. The respondent's request must also indicate whether or not respondent will be represented by counsel at the hearing. Failure to request a hearing in writing within 30 days of receipt of a Notice waives the right to a hearing. In addition, if the amount of the proposed civil penalty or the proposed corrective action is less than $10,000, the hearing will be held by telephone, unless the respondent submits a written request for an in-person hearing. Complete hearing procedures can be found at 49 C.F.R. § 190.211.

IV. Extensions of Time

An extension of time to prepare an appropriate response to a Notice may be granted, at the agency's discretion, following submittal of a written request to the Regional Director. The request must indicate the amount of time needed and the reasons for the extension. The request must be submitted within 30 days of receipt of the Notice.

V. Freedom of Information Act

Any material provided to PHMSA by the respondent, and materials prepared by PHMSA including the Notice and any order issued in this case, may be considered public information and subject to disclosure under the Freedom of Information Act (FOIA). If you believe the information you are providing is security sensitive, privileged, confidential or may cause your company competitive disadvantages, please clearly identify the material and provide justification why the documents, or portions of a document, should not be released under FOIA. If we receive a request for your material, we will notify you if PHMSA, after reviewing the materials and your provided justification, determines that withholding the materials does not meet any exemption
provided under the FOIA. You may appeal the agency's decision to release material under the FOIA at that time. Your appeal will stay the release of those materials until a final decision is made.

VI. Small Business Regulatory Enforcement Fairness Act Information
The Small Business and Agricultural Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about federal agency enforcement actions. The Ombudsman will annually evaluate the enforcement activities and rate each agency's responsiveness to small business. If you wish to comment on the enforcement actions of the Pipeline and Hazardous Materials Safety Administration, call 1-888-REG-FAIR (1-888-734-3247) or go to http://www.sba.gov/ombudsman/dsp_faq.html.

VII. Payment Instructions

Civil Penalty Payments of Less Than $10,000

Payment of a civil penalty of less than $10,000 proposed or assessed, under Subpart B of Part 190 of the Pipeline Safety Regulations can be made by certified check, money order or wire transfer. Payment by certified check or money order (containing the CPF Number for this case) should be made payable to the "Department of Transportation" and should be sent to:

Federal Aviation Administration
Mike Monroney Aeronautical Center
Financial Operations Division (AMZ-341) P.O. Box 269039
Oklahoma City, OK 73125-4915

Wire transfer payments of less than $10,000 may be made through the Federal Reserve Communications System (Fedwire) to the account of the U.S. Treasury. Detailed instructions are provided below. Questions concerning wire transfer should be directed to the Financial Operations Division at (405) 954-8893, or at the above address.

Civil Penalty Payments of $10,000 or more

Payment of a civil penalty of $10,000 or more proposed or assessed under Subpart B of Part 190 of the Pipeline Safety Regulations must be made wire transfer (49 C.F.R. § 89.21 (b)(3)), through the Federal Reserve Communications System (Fedwire) to the account of the U.S. Treasury. Detailed instructions are provided below. Questions concerning wire transfers should be directed to the Financial Operations Division at (405) 954-8893, or at the above address.
### INSTRUCTIONS FOR ELECTRONIC FUND TRANSFERS

<table>
<thead>
<tr>
<th>Block</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>1) RECEIVER ABA NO.</strong> 021030004</td>
</tr>
<tr>
<td></td>
<td><strong>2) TYPE/SUB-TYPE</strong> (Provided by sending bank)</td>
</tr>
<tr>
<td></td>
<td><strong>3) SENDING BANK ABA NO.</strong> (Provided by sending bank)</td>
</tr>
<tr>
<td></td>
<td><strong>4) SENDING BANK REF NO.</strong> (Provided by sending bank)</td>
</tr>
<tr>
<td></td>
<td><strong>5) AMOUNT</strong></td>
</tr>
<tr>
<td></td>
<td><strong>6) SENDING BANK NAME</strong> (Provided by sending bank)</td>
</tr>
<tr>
<td></td>
<td><strong>7) RECEIVER NAME</strong> TREAS NYC</td>
</tr>
<tr>
<td></td>
<td><strong>8) PRODUCT CODE</strong> (Normally CTR, or as provided by sending bank)</td>
</tr>
<tr>
<td></td>
<td><strong>9) BENEFICIAL (BNF) = AGENCY LOCATION CODE</strong> BNF = /ALC-69-14-0001</td>
</tr>
<tr>
<td></td>
<td><strong>10) REASONS FOR PAYMENT</strong> Example: PHMSA - CPF # / Ticket Number/Pipeline</td>
</tr>
<tr>
<td></td>
<td>Assessment number</td>
</tr>
</tbody>
</table>

**INSTRUCTIONS:** You, as sender of the wire transfer, must provide the sending bank with the information for blocks (1), (5), (7), (9), and (10). The information provided in Blocks (1), (7), and (9) are constant and remain the same for all wire transfers to the Pipeline and Hazardous Materials Safety Administration, Department of Transportation.

**Block #1** - RECEIVER ABA NO. - "021030004". Ensure the sending bank enters this 9-digit identification number; it represents the routing symbol for the U.S. Treasury at the Federal Reserve Bank in New York.

**Block #5** - AMOUNT - You as the sender provide the amount of the transfer. Please be sure the transfer amount is punctuated with commas and a decimal point. **EXAMPLE: $10,000.00**

**Block #7** - RECEIVER NAME - "TREAS NYC". Ensure the sending bank enters this abbreviation. It must be used for all wire transfers to the Treasury Department.

**Block #9** - BENEFICIAL - AGENCY LOCATION CODE - "BNF=/ALC-69-14-0001". Ensure the sending bank enters this information. This is the Agency Location Code for the Pipeline and Hazardous Materials Safety Administration, Department of Transportation.

**Block #10** - REASON FOR PAYMENT - "AC-payment for PHMSA Case # / To ensure your wire transfer is credited properly, enter the case number/ticket number or Pipeline Assessment number, and country."

**NOTE:** A wire transfer must comply with the format and instructions or the Department cannot accept the wire transfer. You as the sender can assist this process by notifying the Financial Operations Division (405) 954-8893 at the time you send the wire transfer.

February 2009