

JUNE 15, 2012

Mr. William Cope
Vice President, Eastern Operations
Southern Natural Gas Company, LLC
569 Brookwood Village, Suite 501
Birmingham, Alabama 35209

Re: CPF No. 4-2011-1012

Dear Mr. Cope:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and assesses a civil penalty of \$72,900. This is to acknowledge receipt of payment of the full penalty amount, by wire transfer, dated November 23, 2011. Therefore, this enforcement action is now closed. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Rod M. Seeley, Director, Southwest Region, OPS
Mr. Alan Mayberry, Deputy Associate Administrator for Field Operations, OPS

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

In the Matter of)
)
Southern Natural Gas Company, LLC,) **CPF No. 4-2011-1012**
)
Respondent.)

FINAL ORDER

Between January 1 and December 31, 2010, pursuant to 49 U.S.C. § 60117, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Southern Natural Gas Company, LLC¹ (SNG or Respondent) in Texas, Louisiana, Mississippi, Alabama, Georgia, South Carolina, and the Gulf of Mexico. SNG is a wholly-owned subsidiary of El Paso Pipeline Partners Operating Company, LLC.² SNG operates approximately 7,600 miles of natural gas transmission pipelines throughout the southeastern United States.³

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated October 20, 2011, a Notice of Probable Violation and Proposed Civil Penalty (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that SNG had committed various violations of 49 C.F.R. Part 192 and assessing a civil penalty of \$72,900 for the alleged violations.

SNG responded to the Notice by letter dated November 28, 2011 (Response). The company did not contest the allegations of violation and paid the proposed civil penalty of \$72,900 as provided in 49 C.F.R. § 190.227. Payment of the penalty serves to close the case with prejudice to Respondent. SNG did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

The Notice alleged that Respondent violated 49 C.F.R. Part 192, as follows:

¹ Effective August 1, 2011, Southern Natural Gas converted from a general partnership to a limited liability company and changed its name to Southern Natural Gas Company, L.L.C. See Annual Report at <http://www.sec.gov/Archives/edgar/data/92232/000119312512079780/d268733d10k.htm>.

² *Id.*

³ See <http://www.eppipelinepartners.com/Assets/sng.shtm> (last accessed April 30, 2012).

Item 1: The Notice alleged that Respondent violated 49 C.F.R. §§192.911, 192.925, and 192.947 which state:

§ 192.911 What are the elements of an integrity management program?

An operator's initial integrity management program begins with a framework (*see* § 192.907) and evolves into a more detailed and comprehensive integrity management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program. The initial program framework and subsequent program must, at minimum, contain the following elements. (When indicated, refer to ASME/ANSI B31.8S (incorporated by reference, *see* § 192.7) for more detailed information on the listed element.)....

(d) A direct assessment plan, if applicable, meeting the requirements of § 192.923, and depending on the threat assessed, of §§ 192.925, 192.927, or 192.929.

§ 192.925 What are the requirements for using External Corrosion Direct Assessment (ECDA)?

(b) *General requirements.* An operator that uses direct assessment to assess the threat of external corrosion must follow the requirements in this section, in ASME/ANSI B31.8S (incorporated by reference, *see* § 192.7), section 6.4, and in NACE SP0502–2008 (incorporated by reference, *see* § 192.7). An operator must develop and implement a direct assessment plan that has procedures addressing preassessment, indirect examination, direct examination, and post-assessment. If the ECDA detects pipeline coating damage, the operator must also integrate the data from the ECDA with other information from the data integration (§ 192.917(b)) to evaluate the covered segment for the threat of third party damage, and to address the threat as required by § 192.917(e)(1).

(1) *Preassessment.* In addition to the requirements in ASME/ANSI B31.8S section 6.4 and NACE SP0502–2008, section 3, the plan's procedures for preassessment must include—

(i) Provisions for applying more restrictive criteria when conducting ECDA for the first time on a covered segment; and

(ii) The basis on which an operator selects at least two different, but complementary indirect assessment tools to assess each ECDA Region. If an operator utilizes an indirect inspection method that is not discussed in Appendix A of NACE SP0502–2008, the operator must demonstrate the applicability, validation basis, equipment used, application procedure, and utilization of data for the inspection method.

§ 192.947 What records must an operator keep?

An operator must maintain, for the useful life of the pipeline, records that demonstrate compliance with the requirements of this subpart. At

minimum, an operator must maintain the following records for review during an inspection.

(a) A written integrity management program in accordance with § 192.907;

(b) Documents supporting the threat identification and risk assessment in accordance with § 192.917;

(c) A written baseline assessment plan in accordance with § 192.919;

(d) Documents to support any decision, analysis and process developed and used to implement and evaluate each element of the baseline assessment plan and integrity management program. Documents include those developed and used in support of any identification, calculation, amendment, modification, justification, deviation and determination made, and any action taken to implement and evaluate any of the program elements;

(e) Documents that demonstrate personnel have the required training, including a description of the training program, in accordance with § 192.915;

(f) Schedule required by § 192.933 that prioritizes the conditions found during an assessment for evaluation and remediation, including technical justifications for the schedule.

(g) Documents to carry out the requirements in §§ 192.923 through 192.929 for a direct assessment plan;...

The Notice alleged that Respondent violated 49 C.F.R. §§192.911, 192.925, and 192.947 by failing to maintain complete documentation supporting the decisions it made in performing the pre-assessment step for the External Corrosion Direct Assessment (ECDA) of the Graniteville Mills Expansion Line. During the inspection, OPS inspectors discovered two casings listed in the pre-assessment data. However, SNG personnel clarified that the two casings did not exist but rather were horizontal directional drills. This information was not documented in SNG's ECDA report.

In its Response, SNG did not contest this allegation of violation. SNG acknowledged that errors occurred in the ECDA project file. SNG confirmed that it has corrected the report stating that the two casings did not exist. Accordingly, after considering all of the evidence, I find that SNG violated 49 C.F.R. § 192.947 by failing to maintain the required documentation.

Item 5: The Notice alleged that Respondent violated 49 C.F.R. §§ 192.605(a) and 192.475, which state:

§ 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. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year.

This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.

(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....

(2) Controlling corrosion in accordance with the operations and maintenance requirements of subpart I of this part.

§ 192.475 Internal corrosion control: General.

(a) Corrosive gas may not be transported by pipeline, unless the corrosive effect of the gas on the pipeline has been investigated and steps have been taken to minimize internal corrosion.

The Notice alleged that Respondent violated 49 C.F.R. §§ 192.605(a) and 192.475(a) by failing to follow its procedures for controlling corrosion. Specifically, the Notice alleged that SNG failed to follow procedures for monitoring gas quality at the Olga station. During the OPS inspection, SNG confirmed that it uses El Paso's Gas Quality Guidelines (Seventh Edition). These procedures require company personnel to perform a review to determine whether the gas flow is conforming or non-conforming in relation to the particular company tariff. The El Paso guidelines require that the review should not exceed 72 hours. The tariff mandates that SNG should not transport gas with a water vapor of 7 lbs/MMscf or more.

SNG's records demonstrated that on September 15, 2010, the moisture analyzer at the Olga station indicated that the water vapor was registering at 7.5 lbs/MMscf, above the threshold set by the tariff. In fact, SNG had received a "high" alarm from an on-line moisture analyzer on September 9, 2010. The OPS inspection confirmed that SNG was aware of the problem with the moisture analyzer since September 6, 2010, however, did not send out a technician to examine the problem until September 23, 2010. SNG admitted during the OPS inspection that they transported gas for 14 days during which the online moisture analyzer registered over 7.0 lbs/MMscf. This amount of time exceeds the 72 hour limitation for a review listed in its procedure.

In its Response, SNG did not contest this item. Although it acknowledged that it did not document its action on a Gas Quality Summary Report as required by its procedures, it noted that it did follow its procedures in handling this situation. SNG stated that it received the "high" alarm on September 9, 2010 and undertook efforts to trace where the high water vapor had entered the system. SNG also sampled gas received into the system from eight different producers. All showed water content at 6 lbs/MMscf or lower. Without direct evidence that the gas had water vapor outside the parameters of its tariff, SNG decided not take further action. SNG then had a technician evaluate the moisture analyzer on September 22-23, 2010. SNG presented a summary of these actions in its Response to demonstrate that it had appropriately addressed the high water volume alarm. However, having reviewed all of the evidence, SNG did not complete the Gas Quality Summary Report, which was a requirement of its procedures. Accordingly, I find that Respondent violated 49 C.F.R. § 192.605(a) by failing to follow its procedures for controlling corrosion.

Item 7: The Notice alleged that Respondent violated 49 C.F.R. § 192.475, which states:

§ 192.475 Internal corrosion control: General.

(b) Whenever any pipe is removed from a pipeline for any reason, the internal surface must be inspected for evidence for corrosion. If internal corrosion is found—

(1) The adjacent pipe must be investigated to determine the extent of internal corrosion;

(2) Replacement must be made to the extent required by applicable paragraphs of §§ 192.485, 192.487, or 192.489; and;

(3) Steps must be taken to minimize the internal corrosion.

The Notice alleged that Respondent violated 49 C.F.R. § 192.475 by failing to inspect the internal surface for evidence of corrosion, when the pipe was removed. SNG performed a hot tap on the 24” pipe to install a stopple for the Mississippi hub tie-in. On June 14, 2010, when the pipe was exposed, the operator observed crack-like indications on the pipe. An external examination was performed and the pipe was removed from the system. However, SNG did not inspect the internal surface for internal corrosion.

SNG removed another segment on November 24, 2009. An anomaly dig was conducted on November 16, 2009. SNG ultimately cut out the pipe on November 24, 2009. However, SNG’s records revealed that no internal inspection for internal corrosion was performed. The pipeline safety regulations require that operators inspect the internal surface whenever pipe is removed.

In its Response, SNG stated that the internal surfaces of the pipe were inspected. However, SNG could not provide documentation to support that these inspections occurred. After considering all of the evidence, I find that Respondent violated 49 C.F.R. § 192.475 by failing to inspect the internal surface for evidence of corrosion.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed \$100,000 per violation for each day of the violation, up to a maximum of \$1,000,000 for any related series of violations. In determining the amount of a civil penalty under 49 U.S.C. § 60122 and 49 C.F.R. § 190.225, I must consider the following criteria: the nature, circumstances, and gravity of the violation, including adverse impact on the environment; the degree of Respondent’s culpability; the history of Respondent’s prior offenses; the Respondent’s ability to pay the penalty and any effect that the penalty may have on its ability to continue doing business; and the good faith of Respondent in attempting to comply with the pipeline safety regulations. In addition, I may consider the economic benefit gained from the violation without any reduction because of subsequent damages, and such other matters as justice may require. The Notice proposed a total civil penalty of \$72,900 for the violations cited above.

Item 1: The Notice proposed a civil penalty of \$29,100 for Respondent's violation of 49 C.F.R. § 192.911, for failing to maintain proper documentation supporting the decisions made in performing the pre-assessment step for the ECDA of the Graniteville Mills Expansion Line. SNG did not contest either the allegation of violation or the proposed penalty amount. Accordingly, having reviewed the record and considered the penalty assessment criteria, I assess Respondent a civil penalty of \$29,100 which has already been remitted.

Item 5: The Notice proposed a civil penalty of \$21,600 for Respondent's violation of 49 C.F.R. § 192.605(a), for failing to follow its procedure for controlling corrosion. SNG did not contest either the allegation of violation or the proposed penalty amount. Accordingly, having reviewed the record and considered the penalty assessment criteria, I assess Respondent a civil penalty of \$21,600, which has already been remitted.

Item 7: The Notice proposed a civil penalty of \$22,200 for Respondent's violation of 49 C.F.R. § 192.475, for failing to inspect the internal surface of a pipe for evidence of internal corrosion when the pipe was removed. SNG did not contest either the allegation of violation or the proposed penalty amount. Accordingly, having reviewed the record and considered the penalty assessment criteria, I assess Respondent a civil penalty of \$22,200, which has already been remitted.

In summary, upon review of all the evidence and consideration of the assessment criteria for each of the Items cited above, I assess Respondent a total civil penalty of \$72,900, which has already been remitted.

WARNING ITEMS

With respect to Items 2, 3, 4, 6, 8, 9, and 10, the Notice alleged a probable violation of Part 192 specifically considered to be warning items. The warning were for:

49 C.F.R. § 192.911, as supplemented by § 192.925(b) (**Item 2**) — Respondent's alleged failure to implement its ECDA plan for conducting indirect examinations. SNG did not complete indirect examinations over the entire HCA segment of the 8" Graniteville Mills Expansion Line with the tools selected during the 2007 External Corrosion Direct Assessment.

49 C.F.R. § 192.911, as supplemented by § 192.933 (**Item 3**)---Respondent's alleged failure to take prompt action following the discovery of the immediate condition or to reduce the pressure within the timeframe required by the regulations.

49 C.F.R. § 192.605(a) (**Item 4**)---Respondent's alleged failure to follow its Site Specific Internal Corrosion Action Plan for the North Main Loop line. Specifically, in 2007, SNG did not run a cleaning pig in its North Main Loop line from the Tarrant Compressor station to Moody Gate according to its Corrosion Action Plan.

49 C.F.R. § 192.465 (**Item 6**)—Respondent's alleged failure to take prompt remedial action to repair a damaged test station on the Gadsden Branch Loop line at Steele Raceway, Mile Post 22.204. SNG deactivated the test point in April 2009 upon discovering that the test point was destroyed; however, SNG did not take further action to determine if the cathodic protection on the line was effective.

49 C.F.R. § 192.705 (**Item 8**)—Respondent's alleged failure to have a patrol program to observe surface conditions on and adjacent to its transmission lines right-of-way. SNG conducted patrols by flight. On September 15, 2010, SNG discovered that a motor home was placed over a SNG right-of-way near Adolphus Road. During the OPS inspection, SNG personnel confirmed that the motor home has been in the right-of-way since 2009. The mobile home was removed on December 10, 2010.

49 C.F.R. § 192.199 (**Item 9**)—Respondent's alleged failure to have discharge stacks, vents, or outlet ports designed to prevent accumulation of water, ice, or snow where gas can be discharged into the atmosphere without undue hazard. The discharge stack for the relief valve at SNG's Dubin #1 Regulator station was not positioned to vent to a safe area.

49 C.F.R. § 192.163 (**Item 10**)---Respondent's alleged failure to have gates at its Pell City Compressor Station that provided a convenient opportunity for exit to safety. The regulations require that gates at compressor stations must open outward and must be able to be opened without a key. SNG's gate at the Pell City Compressor Station was locked and not equipped with a bump bar to provide a convenient opportunity for exit to safety. SNG has since confirmed that it has installed a bump bar at this location.

If OPS finds a violation of these provisions in a subsequent inspection, Respondent may be subject to future enforcement action.

The terms and conditions of this Final Order are effective upon receipt of service.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued