January 17, 2008

Southern Natural Gas
an El Paso company

Ms. Linda Daugherty
Director, Southern Region
Pipeline and Hazardous Materials Safety Administration
U. S. Department of Transportation
233 Peachtree Street, Suite 600
Atlanta, GA 30303

Re: CPF No. 2-2007-1018
Southern Natural Gas Company

Dear Ms. Daugherty:

We are in receipt of your letter dated October 31, 2007, which outlines the findings following PHMSA's inspection of various Southern Natural Gas Company (SNG) facilities in Mississippi and Alabama between October 10 and December 1, 2006. We appreciate the comments and observations made by your staff.

As you know, SNG requested and received from your office an extension of the 30-day deadline allowed in your letter for SNG to respond to the allegations contained therein. The new deadline is January 18, 2008. Your cooperation in this matter was appreciated.

SNG offers the following comments for each finding contained in the October 31, 2007 letter. PHMSA's findings are shown first in a slightly smaller font, corresponding with that used in your October 31 letter, with SNG's comments following in bold face type.

Item Numbers 1 and 5

1. 192.195 Protection against accidental overpressuring.
   (a) General requirements. Except as provided in 192.197, each pipeline that is connected to a gas source so that the maximum allowable operating pressure could be exceeded as the result of pressure control failure or of some other type of failure, must have pressure relieving or pressure limiting devices that meet the requirements of 192.199 and 192.201.

   192.201 Required capacity of pressure relieving and limiting stations.
   (a) Each pressure relief station or pressure limiting station or group of those stations installed to protect a pipeline……must be set to operate, to insure the following…….
   (2) In pipelines other than a low pressure distribution system:
   (i) If the maximum allowable operating pressure is 60 p.s.i. (414 kPa) gage or more, the pressure may not exceed the maximum allowable operating pressure plus 10 percent or the pressure that produces a hoop stress of 75 percent of SMYS, whichever is lower…..

A pressure limiting device located at the New Calera Tap facility does not meet the requirements of 192.195(a). The New Calera Tap, located at North Main Line milepost 300.513 and installed in 1997, does not have a pressure relieving or pressure limiting device that is set to operate at the pressure prescribed in 192.201(a)(2)(i). The North Main Line MAOP (525 psig) could be exceeded if the 16" check valve that isolates the 2nd North Main Line from the North Main Line was to catastrophically fail (*pressure control failure or of some other type of failure*). It is not uncommon for the pressure in the 2nd North Main Line to reach 600 psig at this location.

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Records indicate that pressure in the North Main Line at New Calera Tap is remotely monitored by Gas Control via SCADA and high pressure alarm(s). Also, Valve 4 at New Calera Tap can be closed remotely by Gas Control to isolate the 2nd North Main Line from the North Main Line. However, Valve 4 does not meet the requirements of [1]92.201(a)(2)(i) in that the valve is not set to operate at the pressure prescribed in [1]92.201(a); the valve can only be closed upon human action. *(Note: [ ] indicates text added that was not contained in the original PHMSA document.)*

5. 192.739 Pressure limiting and regulating stations: Inspection and testing.
   (a) Each pressure limiting station, relief device (except rupture discs), and pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is –
   (1) In good mechanical condition;
   (2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;
   (3) Except as provided in paragraph (b) of this section, set to control or relieve at the correct pressure consistent with the pressure limits of 192.201(a); and
   (4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.

The 16" check valve located between valve nos. 1 and 2 at New Calera Tap (MP 300.513 North Main Line, MP 178.016 2nd North Main Line) is not inspected and tested as required of 192.739(a). The check valve is considered by PHMSA to be a pressure limiting station because it effectively isolates the North Main Line (525 psig MAOP) from the 2nd North Main Line (750 psig MAOP), and could conceivably fail. It is not uncommon for pressure in the 2nd North Main Line to reach 600 psig at this location. The check valve should be inspected and tested at the referenced frequency, to assure it operates and seals as designed (is in good mechanical condition), and is properly installed and protected.

No inspection and test records were provided.

We are responding to these two items concurrently since they deal with the same location on SNG's North Main Pipeline System and they deal with facilities that are closely related in operational functionality. SNG is taking immediate steps to remediate the situation at the New Calera Tap, resulting in adequate compliance with 49 CFR 192.195(a), 192.201(a)(2)(i), and 192.739(a). While design is not complete, the need for some minor piping modifications has been identified. These are expected to be completed within the next six months.

Relative to the proposed Compliance Order regarding Item Numbers 1 and 5 discussed above, we have taken the initiative to proceed with a review of SNG facilities throughout the PHMSA Southern Region in an effort to determine where similar installations exist. Only one other such arrangement has been found utilizing check valves to separate pipelines of differing MAOPs and that is at the Roebuck Meter Station Tap, Milepost 328.854 on the North Main Pipeline. The design of this facility is being reviewed and we have determined several scenarios that may be viable alternatives to remedy this situation as well. We expect to accomplish implementation of one of these scenarios within the six month time frame stated above for the New Calera Tap.

Furthermore, SNG is pursuing a review of its entire pipeline system, extending beyond the PHMSA Southern Region, in order to ascertain whether any other installations utilize check valves in a manner similar to that identified by your inspector. In the event such facilities are determined to exist, appropriate modifications will be made for them as well.

Since SNG has proactively accomplished the intent of the proposed Compliance Order and is herein notifying you that remedial measures will be taken, we suggest that the Compliance Order is unnecessary and respectfully request that its proposal be rescinded. Associated costs are expected to be minimal and we will be glad to notify your office when the facility remediation is complete, even without the Compliance Order. We suggest that a Compliance Order is unnecessary and is overly burdensome relative to the scope of our remedial measures. SNG believes that under the circumstances it is appropriate for the company to act on good faith in lieu of the proposed Compliance Order.

Item Number 2

2. 192.465 External corrosion control: Monitoring.
   (a) Each pipeline that is under cathodic protection must be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of 192.463.....

Southern Natural Gas Company (SNG) did not test the cathodically protected North Alabama Pipeline at least once each calendar year, but with intervals not exceeding 15 months, between MP 32.216 and MP 122.175. Records indicate that the referenced pipeline segment was tested for cathodic protection on 05/10/04 and 08/22/05, 08/23/05, and 08/24/05, thus exceeding the maximum prescribed 15 month interval by 12 days, 13 days, and 14 days respectively.

SNG would like to note that this issue was brought to the inspector's attention before his review of the corrosion documentation, Paradigm, and was presented as our acknowledgement of missing the inspection dates. Extenuating circumstances were presented to the inspector to explain why this issue occurred including an employee being hospitalized, new supervision in place, and overlap of computerized scheduling and corrosion documentation processes, Maximo & Paradigm respectively.

Measures have been implemented to keep this situation from recurring. As a result of the inspection, SNG has made improvements to the Maximo scheduling process which schedules annual inspections for 12 months and no longer factors in the fifteen month inspection criteria allowed by Part 192. Also, division-level Corrosion Department personnel are now conducting quarterly reviews and status reports for all corrosion data. All annual reviews, rectifier readings, repairs, follow-ups, and cathodic protection histories are reviewed with location supervision and detailed studies, if needed, are evaluated.

Item Number 3

3. 192.709 Transmission lines: Record keeping.
   Each operator shall maintain the following records for transmission lines for the periods specified:
   .....(c) A record of each patrol, survey, inspection and test required by subparts L and M of this part must be retained for at least 5 years or until the next patrol, survey, inspection, or test is completed, whichever is longer.

SNG did not maintain records required of 192.709(c) relating to surveys performed in accordance with *192.625 Odorization of gas, 192.705 Transmission lines: patrolling, and 192.706: Leakage surveys* as required of 192.709(c) in that the records are not adequate or are incorrect.

Two (2) records dated 11/18/05 indicate different odorant injection rates at the East Gadsden odorizer. Also, the East Gadsden odorant injection reports have pre-programmed inaccurate remarks conveying that sniff tests are performed weekly. Sniff tests are performed quarterly.

The Auburn Class 3 patrol and leak survey report performed on 9/25/06 and 9/26/06 is incomplete in that the method of the leak survey (gas detector, foot patrol, vegetation, etc.) and the type of any leak detection equipment used are not documented on the report.

SNG agrees with the inspector's report with regard to the documentation being transcribed or insufficient.

The documentation for the odorization equipment at the East Gadsden Odorizer was a result of an employee's mistake in transcribing information to a form and a supervisor failing to verify the documentation accuracy before it was entered into the location files. The location has identified this problem and is now conducting a closer review of it's documentation by several individuals (Technical, Administrative, and Supervisory personnel) before entering into the location files. The scheduling process tool, Maximo, has also been adjusted for these inspections to occur 4 times per calendar year not to exceed 4.5 months as required by company policy.

The report of the Auburn Area's class 3 patrol & leak survey of September 25th & 26th marked the first time that the location used the El Paso Geofusion Class 3 or 4 Report as documentation for this task instead of the SNG Form 002-0336. The Geofusion Report is produced from the company's geospatial system that shows the latest class data based on class surveys and aerial photography. However, this report does not have a data area to capture information that existed on the SNG Form 002-0336 to indicate dates, personnel, equipment calibration, methods or remarks. Some of this pertinent information was hand-written on the report but not all desired information was captured. Hence, the inspector's finding.

Since this was noted during the inspection, the location has begun using a stamp on the Geofusion-produced report to capture the following information: report description, class location, type of patrol (method), frequency, each occurrence (description), equipment mfr/model, serial number, calibration date, signature and appropriate remarks. This, in addition to a Maximo Work Order, is adequate documentation in SNG's process for meeting the requirements of these inspections in accordance with 49 CFR 192.705 & 192.706.

Item Number 4

4. 192.731 Compressor stations: Inspection and testing of relief devices.
   (a) Except for rupture discs, each pressure relieving device in a compressor station must be inspected and tested in accordance with 192.739 and 192.743, and must be operated periodically to determine that it opens at the correct set pressure.

   192.739 Pressure limiting and regulating stations: Inspection and testing.
   (a) Each pressure limiting station, relief device (except rupture discs), and pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year.....

SNG did not adequately test the Gwinville Compressor Station high pressure shutdown devices (Unit no. 10 and 12) at intervals not exceeding 15 months, as required of 192.731(a).

Records indicate that although applicable pressure transmitters were tested for accuracy during the 09/05/06 safety device tests, the high pressure shutdown electronic control loops were not tested to assure shutdowns at setpoint. The previous tests were conducted on 06/03/05 (unit 10) and 06/02/05 (unit 12).

SNG agrees that the 15 month criterion for testing high pressure shutdown devices was exceeded on Units 10 & 12 by 2 and 3 days respectively. As a result of the PHMSA inspection, SNG has made improvements to the Maximo scheduling process which schedules annual inspections for 12 months and no longer factors in the allowed 15 month inspection criteria as allowed by Part 192.

The documentation for the Safety Device Tests for Gwinville Units 10 & 12 was not complete with regard to documenting the high pressure electrical control loops to assure shutdowns at set point and only included notation of high pressure transmitters.

At the time of these inspections, the work was conducted by qualified contractors from Solar Turbines, Inc. and the testing/inspection information was then transcribed onto existing SNG Form 002-0445. This SNG form, in sections A, E & F, contained the word "Switch", marked through and replaced with "Transmitter". On the SNG Form 002-0445, language was added, denoted by an asterisk (*) in section E "High Discharge Pressure: *"* Indicates device used to satisfy Part 192 over-pressure protection requirements and all associated testing confirms all components in the operational loop, i.e. system is tested "end to end".*"

Since the 2006 PHMSA inspection, SNG has decided to conduct this inspection with its own qualified Company employees and Solar Turbine contractors are no longer being used. The 002-0445 form has been revised to capture documentation of the steps required to accomplish testing of all components in the operational loop "end to end" and additional steps will be added to the Maximo Work Order for completion of this task.

SNG recognizes the excellent working relationship that we have with the PHMSA Southern Region and would like to express our appreciation for your cooperation. Please rest assured that SNG continues committed to safe pipeline operations.

Sincerely,

Ken Peters

Kenneth C. Peters
Manager, DOT Compliance Services

bcc: Mohammed Shoaib, PHMSA Southern Region Office
Derrick Turner, PHMSA Southern Region Office