Southern Natural Gas
an El Paso company

November 28, 2011

RECEIVED
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BY:

Via E-Mail and Overnight Mail
Mr. R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration
US Department of Transportation
8701 South Gessner, Suite 1110
Houston, TX 77074

Re: CPF 4-2011-1012
Response to Notice of Probable Violation Proposed Civil Penalty

Dear Mr. Seeley:

On October 28, 2011, we received the Notice of Probable Violation Proposed Civil Penalty in the above-referenced case from the Pipeline and Hazardous Materials Safety Administration ("PHMSA") finding ten (10) probable violations by Southern Natural Gas ("SNG"). The NOPV proposes a fine of $72,900. This enforcement action was taken by PHMSA following the integrated inspection of SNG by PHMSA in 2010.

SNG is not contesting the violations but wishes to submit a written explanations and information for PHMSA's files. Accordingly, SNG has submitted payment of the proposed fines on 11/23/2011.

This letter provides the response to the ten (10) Notices of Probable Violation.

Notice of Probable Violation ("NOPV") Item No. 1

NOPV Item No. 1 states "SNG did not maintain proper or complete documentation supporting the decisions made in performing the Pre-Assessment step for the ECDA of the Graniteville Mills Expansion Line. During the review of the Pre-Assessment step for ECDA of the Graniteville Mills Expansion line shows two casings in the report pre-assessment data. The HCA was treated as one region, rather than two ECDA Regions which would have been required if there were cased crossings identified in the HCA segment per table 6.1 of El Paso's IM program.

In 2007, SNG performed an ECDA of the 8" Graniteville Mills Expansion Line. The Executive Summary of SNG's ECDA report External Corrosion Direct Assessment; 8" Graniteville Mills Expansion Line-HCA No. 1126; Valve Section MP 3+1355.87-Sta. 13+56 to Sta. 30+32; El Paso Work Request No. PS07-107 states:

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> "The Pre-Assessment step of the ECDA process was performed in July 2007. During Pre-Assessment it was determined that ECDA was feasible and practicable for this HCA segment, and that the entire HCA segment could be defined as one ECDA region."

Section 1.2 Assessment of ECDA Feasibility of SNG's ECDA report states:

> "Certain ground surface conditions such as paved and frozen: Only one short length of the pipeline segment lies below pavement, approximately 4-1/2 feet below a blacktop road. The pipeline is not cased under the road. This situation does not preclude the use of Indirect Inspections tools."

The Pre-Assessment Data Sheet in Appendix 3 -Pre-Assessment Data Sheet of SNG's ECDA report identifies two (2) casings in the Casing Length(s) line: "130 feet (from 19+82 to 21 +12) and 110 feet (from 22+88 to 23+98)". During the inspection SNG personnel stated that the two (2) casings identified in the Pre-Assessment Data Sheet were horizontal directional drills rather than casings, but this information was not documented in SNG's ECDA report.

SNG response to this item:

SNG does not contest this item. PHMSA is correct that the ECDA project file contradicted itself by stating in one part of the file that there were two casings present in the segment in one part of the project file and in another part of the file, that the casings were not present. SNG has confirmed and noted correctly in every portion of the project report that the two casings did not exist but instead there had been directional drillings at the crossings.

NOPV Item No. 2

NOPV Item No 2 states: "SNG did not implement their ECDA plan for conducting indirect examinations. SNG did not complete indirect examinations over the entire High Consequence Area (HCA) segment of the 8" Graniteville Mills Expansion Line with the tools selected during the External Corrosion Direct Assessment (ECDA) performed in 2007.

In 2007, SNG performed an ECDA of the 8" Graniteville Mills Expansion Line. SNG selected three (3) indirect assessment tools to perform the indirect examination of the HCA segment. Appendix 5 - Indirect Inspection Tool Selection and Specifications of SNG's ECDA report External Corrosion Direct Assessment; 8" Graniteville Mills Expansion Line -HCA No. 1126; Valve Section MP 3+1355.87 - Sta. 13+56 to Sta. 30+32; El Paso Work Request No. PS07-107 identifies that an interrupted Close Interval Survey (ICIS) was selected as an indirect assessment tool. In performing the ICIS of the HCA segment a portion of the pipeline from Station 20 + 27.9 to Station 21 + 06 was not inspected by the CIS as identified in the chart and spreadsheet in Appendix 7 - Indirect Inspection Data and CorrVision Data Plot.

During the pre-assessment SNG identified the High Consequence Area (HCA) as one region for purposes of the ECDA even though the HCA contained a paved road crossing. SNG based their decision assuming that the paved road crossing would have holes drilled in the surface to allow the indirect assessment tools to be used across the road crossing. SNG's records for the indirect assessment of the pipeline show that the ICIS was not conducted across the road.

During a follow-up onsite inspection, SNG informed PHMSA that the ICIS was completed over the paved crossing.

SNG response to this item:

SNG does not contest this item. In the meantime, SNG has completed the ICIS over the paved road crossing at this location. In additions, a complete ECDA was performed for this HCA in 2010.

NOPV Item No. 3

NOPVItem No 3 states: "SNG did not take prompt action following the discovery of an Immediate Condition nor did they take the required pressure reduction within the timeframe specified in the regulations. On Friday September 21, 2007, SNG published an Initial Response Memo for the integrity assessment of the SNG 24" North Main Loop & 2nd Loop pipelines between DeArmanville Compressor Station and Winston Gate. The Initial Response Memo identified twelve (12) Immediate Conditions and identified a pressure reduction to be taken. From the internal memo:

> "A pressure restriction must be put in effect limiting the MOP to 80% of the maximum pressure within the past 120 da ys between the Heflin Gate (MP 391.970) and the Rome-Calhoun Gate (MP 400.244) and the Mt. Zion Gate (MP 413.852). This restriction must be put in place as soon as possible and not to exceed 5 days of the Discovery Date (9/2112007)."

On Monday September 24, 2007, SNG reduced the pressure in the pipelines. Though SNG followed its' procedures (Pipeline Operating Procedures Manual, Operating and Maintenance, Section 306, In-Line Inspection and Data Analysis, Effective Date: 08/24/2009 [POP 306]) it did not comply with the IM regulatory requirement to take the pressure reduction as soon as practicable, promptly.

PHMSA's Gas Integrity Management FAQ-134. Timing of Pressure Reduction in Immediate Repair Conditions states "Pressure should be reduced, or the line should be shut down, as soon as practicable once an immediate repair condition is identified." and FAQ-215. 5-day 831.8S requirement for immediate conditions states "... Pressure reductions should be taken promptly."

SNG did not take the pressure reduction either promptly or as soon as practicable, nor document the reasons for the three (3) day delay in taking the pressure reduction."

SNG response to this item:

Although SNG reduced the pressure in the pipeline as soon as practicable (3 days) and prior to the five (5) days as required in 192.933(a) and 192.933(d), SNG does not contest this item..

NOPV Item No 4

NOPV Item No. 4 states: "SNG did not follow their Site Specific Internal Corrosion Action Plan (ICP) for the North Main Loop Line. SNG did not run a cleaning pig in their North Main Loop Line, from Tarrant Compressor station to Moody Gate in 2007 per their Site Specific Internal Corrosion Action Plan (ICP). The ICP is developed and maintained by SNG personnel. The documentation provided by SNG demonstrated that the cleaning pig has not been run since 2004."

SNG response to this item:

SNG does not contest this item. This segment was not operational pigged in 2007 due to construction work to expand this piggable segment. Once this work was completed in 2007 the operational pigging resumed in 2008. SNG failed to record this changed date in the ICP.

In 2007 the receiver was being moved from the Moody Gate to the DeArmanville compressor station and the Coosa River crossing was being made piggable. This extension of the piggable segment to DeArmanville made it unable to be operationally pigged in 2007. This line was operational pigged on August 26, 2008 prior to the geometry and MFL in-line inspection runs that same year. The ICP has been updated.

NOPV Item No 5

NOPV Item No. 5 states: "SNG did not follow their procedures for monitoring gas quality or taking appropriate actions for the Olga station. During the inspection, the team was informed that SNG utilizes the El Paso Pipeline Group, Gas Quality Guidelines, seventh edition. These procedures state company personnel must arrive at a determination as to whether the gas flow is conforming or non-conforming in relation to the particular company tariff. One particular standard in the tariff for SNG is to not transport gas with a water vapor of 7 lbs/MMscf or more. While the particular circumstances of each case will determine the duration of the Evaluation and Decision-Making Period, the guidelines state that this review shall not exceed 72 hours by company personnel.

During the field evaluation, on September 15, 2010, the inspector and field personnel noted that the moisture analyzer at Olga was indicating that the water vapor was registering 7.51bs/MMscf. It was identified during the inspection, that SNG had noted a "High" alarm from an on-line moisture analyzer on September 9, 2010. Additional documentation indicated that SNG was aware of the "high" alarm from the moisture analyzer on September 6, 2010; SNG was reading 9.5 lbs/MMscf for water vapor at Olga. Documentation was received from SNG, stating that multiple trips to producer locations were made to verify location conditions, but no dates were documented. On September 23, 2010, a technician was sent out to troubleshoot the analyzer. The inspection team requested the operator's "Cooperative Short Term Plan" but none was completed. SNG had information that indicated they transported gas for 14 days when the on-line moisture analyzer register over 7.0 lbs/MMscf. Correction action was not completed for approximately 14 days. This exceeded the time allowed in their procedure. "

SNG response to this item:

SNG does not contest this item, but wishes to note although documentation was missing to show the efforts undertaken, SNG generally did follow its Gas Quality Guidelines in handling this matter. After receiving a high water vapor content alarm from a mainline moisture analyzer near Olga on September 9, 2010, SNG undertook efforts to (i) trace where the high water vapor gas had been introduced into the system and (ii) check and service the moisture analyzer. SNG sampled gas being received into the system from eight different producers. Each of the samples showed water content at 6 lbs/MMcf of water or lower which is within SNG's Tariff specifications for water vapor content. With no evidence of operator's introducing gas into SNG that was outside of the tariff specifications, SNG saw no need to issue a waiver or further develop a Corrective Action Plan. Unfortunately, these actions were not documented on a Gas Quality Summary Report as should have occurred.

Because SNG was unable to trace the source of the gas containing high water vapor to any specific receipt point, SNG elected to take further action by troubleshooting the mainline moisture analyzer on September 22 -23, 2010. During this additional work, technicians determined one of the input tubing streams to the analyzer was contaminated. This was corrected and the moisture analyzer put back into operation. This effort was documented. In addition, SNG conducted maintenance pigging to occur on this line in an effort to ensure any water vapor present in the gas stream had not developed into free water in the pipe. With these efforts, SNG is confident it has appropriately addressed the high water vapor alarm.

NOPV Item No 6

NOPV Item No. 6 states: "SNG did not 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 on April 16, 2009 when the SNG technician found the test point was destroyed. SNG did not take other actions to discount the necessity of test point to determine if the CP was effective. SNG initiated a Maximo Work Order to repair the test station on August 26, 2010, after the issue was identified during the inspection."

SNG response to this item:

SNG does not contest this item. The corrosion technician did not immediately replace this test lead because the test lead at MP 21.5 (0.7 miles from the damaged test leads) had acceptable readings. Also, an additional test lead has been installed at MP 24.4. The test lead at 22.204 is being replaced this year and has taken this time to allow for negotiations with the landowner.

NOPV Item No 7

NOPV Item No. 7 states: "SNG did not inspect the internal surface for evidence of corrosion, when pipe was removed. In the first instance, 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. The paperwork indicates that the external examination was performed. SNG personnel contacted Houston and informed them of the crack like indications. They were instructed to expose the pipe until there was no more crack like indications. At MP 8+2965.6 from station #451+28 to 452+75.1 the pipe was excavated and removed from the system and sent the El Paso Laboratory, in El Paso, Texas.

In the second instance, SNG removed a segment of the North Main 2"d Loop Line at MP 433 (Project 143225) on November 24, 2009. An anomaly dig was conducted on November 16, 2009. The coating condition and the external pipe condition were noted and documented on an El Paso Inspection Form Report on November 16, 2009. The excavation and documentation of the coating and external pipe condition was conducted by the area employees in the Fayetteville office. SNG later decided to cut out the segment of pipe. The cut out portion of the project was turned over to the Pipeline Services team from the Birmingham, AL (HQ.) office. The segment was cut out on November 24, 2009. Pipeline Services did not update the internal pipe condition on the existing (online) Inspection Form Report. Pipeline Services also did not create a new Inspection report to document the internal pipe wall condition inspection. Records indicate that there was no internal inspection performed.

The evidence demonstrates that the operator violated § 192.4 75 by failing to inspect the internal surface for internal corrosion. In the event that such inspections were, in fact, performed, the evidence demonstrates the operator violated §192.491 by failing to maintain a record of each inspection required by this subpart."

SNG response to this item:

SNG does not contest this item but has confirmed that in both cases the internal surfaces of the pipe were inspected. There is no documentation, however, to support this activity. The confirmation of these inspections will be noted in the project files.

NOPV Item No 8

NOPV Item No. 8 states: "During the field evaluation on September 15, 2010, SNG provided helicopter over flight over the entire SNG right-of-way (ROW) in the state of Louisiana from offshore Main Pass 289 to Toea and from Toea to the Louisiana/Mississippi state line. During the flight, it was noted that a mobile home was over the SNG pipeline ROW. SNG employees informed the inspector that the mobile home has been on their line since 2009. The mobile home was being towed and broke down and was then left over the pipeline ROW. On December 10, 2010, the mobile home was removed at Adolphus Road and is no longer on the SNG ROW."

SNG response to this item:

SNG does not contest this item. As noted above the mobile home was removed from the SNG right-of-way on December 10, 2010.

NOPV Item No 9

NOPV Item No. 9 states: "At SNG's Dublin #1 Regulator station the discharge stack for the relief valve was not positioned to vent to a safe area, the vent was directed to vent gas into the roof of the shed covering the station. This office understands that SNG has corrected this issue, by cutting the roof so that the vent is now to discharge to the atmosphere without any obstruction."

SNG response to this item:

SNG does not contest this item. As noted above, this issue has been corrected.

NOPV Item No 10

NOPV Item No. 10 states: "At the Pell City Compressor Station, there is a gate on the south side of the fence next to the station Control Building that was locked and not equipped with a "bump bar," the gate was within 200-ft of the compressor building. This office understands that SNG has equipped Pell City Compressor Station gate with a "bump bar.""

SNG response to this item:

SNG does not contest this item. A bump bar has been installed on this gate at the Pell City Compressor Station.

We appreciate your continuing attention to pipeline safety, and submit these responses to each of the NOPV issues for your review. In addition, we agree to the proposed fine and have complied with the payment stipulations contained in the initial NOPV letter from your office.

If you have any questions please do not hesitate to contact me.

Sincerely,

William Cope
Vice President, Eastern Operations
El Paso Pipeline Group