

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

February 25, 2010

Mr. Dwayne Burton
Vice President - Gas Pipeline Operations
Kinder Morgan / Natural Gas Pipeline Company of America LLC
500 Dallas Street; Suite 1000
Houston, TX 77002

CPF 3-2010-1001

Dear Mr. Burton:

On various dates between August 10 – October 29, 2009, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your records and facilities in Minneola, KS, Great Bend, KS, Glasco, KS, Beatrice, NE, and Geneseo, IL.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

1. §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 have enough capacity, and 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;**
- (ii) If the maximum allowable operating pressure is 12 p.s.i. (83 kPa) gage or more, but less than 60 p.s.i. (414 kPa) gage, the pressure may not exceed the maximum allowable operating pressure plus 6 p.s.i. (41 kPa) gage; or**
- (iii) If the maximum allowable operating pressure is less than 12 p.s.i. (83 kPa) gage, the pressure may not exceed the maximum allowable operating pressure plus 50 percent.**

At several town border stations in the Minneola and Great Bend areas, Natural Gas Pipeline Company of America (NGPLA) personnel were setting the relief valve set points at a pressure where the relief valve would not be able to limit the pipeline system to the maximum allowable operating pressure (MAOP) plus allowable build-up.

In the Minneola area, review of the over-pressure protection capacity calculations noted that the meter stations for Offerle and Spearville had relief valves that were set at the Maximum allowable operating pressure (MAOP) plus the maximum allowable build-up (46 psig for Offerle (40 psig MAOP) and 66 psig for Spearville (60 psig MAOP)). Setting the relief valves at this pressure does not allow for any build-up associated with stack piping at the relief or for any build-up associated with the relief valve itself. Activation of those relief devices would allow the system to exceed the MAOP plus allowable build-up. It was also noted that before 2007, the relief valves were set at 3 psig over the MAOP for Offerle and Spearville. This same issue was noted in the Great Bend area for the town border stations at Wilson and Pawnee Rock.

2. §192.455 External corrosion control: Buried or submerged pipelines installed after July 31, 1971.

(a) Except as provided in paragraphs (b), (c), and (f) of this section, each buried or submerged pipeline installed after July 31, 1971, must be protected against external corrosion, including the following:

- (2) It must have a cathodic protection system designed to protect the pipeline in accordance with this subpart, installed and placed in operation within 1 year after completion of construction.**

At the Atkinson Meter Station in the Geneseo area, there was a section of pipe in the station that was isolated from cathodic protection. The isolated section read -0.588v. It appears that the short section of under-ground line was not receiving cathodic protection due to insulators being installed at the hairpin inlet and discharge piping. Your

personnel immediately shorted one of the insulators to provide protection to the isolated section.

3. §192.459 External corrosion control: Examination of buried pipeline when exposed.

Whenever an operator has knowledge that any portion of a buried pipeline is exposed, the exposed portion must be examined for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated. If external corrosion requiring remedial action under Secs. 192.483 through 192.489 is found, the operator shall investigate circumferentially and longitudinally beyond the exposed portion (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the exposed portion.

In the Beatrice area, NGPLA personnel were unable to find an initial exposed pipe report for the exposures located at Station Numbers 23562+22 and 23577+11 on Line 2. Additionally, in the Geneseo area, no exposed pipe reports were completed when the lines were exposed via a vacuum truck for either an elevation confirmation or the attachment of cathodic protection test leads.

4. §192.603 General provisions.

(b) Each operator shall keep records necessary to administer the procedures established under §192.605.

NGPLA personnel could not find any records to show that the annual emergency response training for the Great Bend area personnel was conducted in 2007 and 2008. Your personnel indicated that they believed that the training was done, but acknowledged that the records were missing.

5. §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:

(4) Periodically reviewing the response of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found.

A review of records identified that NGPLA personnel did not conduct a periodic review of personnel work to check the effectiveness of abnormal operating conditions (AOC) procedures. In the Minneola and Great Bend Units, each one had only one AOC noted. In the Minneola unit, they had an unintended shutdown when an exhaust gasket failed.

In the Great Bend area, they experienced a remote operated valve that would not operate. Both of these AOCs did not have a review of personnel response to determine the effectiveness of the procedures. The other operating areas were also not conducting the periodic review.

6. §192.615 Emergency plans.

(b) Each operator shall:

(3) Review employee activities to determine whether the procedures were effectively followed in each emergency.

In October of 2007, NGPLA experienced a stress corrosion cracking failure on the IL Lateral in the Geneseo operating area. Review of the company's incident report did not show that post incident reviews of the emergency response actions were done. NGPLA personnel did not locate the documentation of the review anywhere else.

7. §192.743 Pressure limiting and regulating stations: Capacity of relief devices

(a) Pressure relief devices at pressure limiting stations and pressure regulating stations must have sufficient capacity to protect the facilities to which they are connected. Except as provided in §192.739(b), the capacity must be consistent with the pressure limits of §192.201(a). This capacity must be determined at intervals not exceeding 15 months, but at least once each calendar year, by testing the devices in place or by review and calculations.

NGPLA personnel exceeded the maximum 15 month criteria for review of the capacity calculations for the regulators and relief valves in the Minneola operating area. During the review of the capacity calculation records, it was noted that the review in 2006 occurred on May 12, 2006 and the review in 2007 occurred on October 1, 2007.

8. §192.481 Atmospheric corrosion control: Monitoring.

(a) Each operator must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

<u>If the pipeline is located:</u>	<u>Then the frequency of inspection is:</u>
Onshore	At least once every 3 calendar years, but with intervals not exceeding 39 months
Offshore	At least once each calendar year, but with intervals not exceeding 15 months

NGPLA personnel did not conduct atmospheric corrosion inspections of several above-ground facilities in the Minneola, Glasco, and Genesee areas. In the Minneola area, the fuel gas facilities for compressor stations 103 and 193 were not being evaluated every three years for atmospheric corrosion. In the Glasco area, the tap valves for the town border stations located in boxes were also not being evaluated. In the Genesee area, the discharge piping of the turbine at Station 110 was completely covered with insulation and was not being inspected.

9. §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.

In the Great Bend area, at the compressor building in Station 194, it was noted during the field evaluation that there were two (2) barrels of oil and hydraulic fluid that were being stored in the building and were not for use for the compressor. These combustible materials should not be stored in the same building as the compressor.

Proposed Compliance Order

With respect to items one (1) and two (2) pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Natural Gas Pipeline Company of America. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to items three (3) through nine (9), 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 promptly correct these items. Be advised that failure to do so may result in Natural Gas Pipeline Company of America being subject to additional enforcement action.

Response to this Notice

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.

In your correspondence on this matter, please refer to **CPF 3-2010-1001** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Natural Gas Pipeline Company of America (NGPLA), a Compliance Order incorporating the following remedial requirements to ensure the compliance of NGPLA with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to the set points of the relief valves, NGPLA must provide a schedule to review all the set points of all the relief valves in the NGPLA system and a time line of when the relief valves will be reset to ensure protection to MAOP with allowable build-up.
 - a. The schedule must be submitted within 60 days from the receipt of the Final Order to the Director Central Region for approval.
2. The review and remedial actions must be completed within one year from the date the Final Order is received.
3. In regard to Item Number 2 of the Notice pertaining to isolated sections of pipe within the stations, NGPLA must provide a schedule to evaluate Town Border Stations, Meter Stations, Inter-connects, and Compressor Stations for similar issues and a time line to correct the issues.
 - a. The schedule must be submitted within 60 days from the receipt of the Final Order to the Director Central Region for approval.
4. NGPLA shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Ivan Huntoon, Director, Central Region, Pipeline and Hazardous Materials Safety Administration. Costs shall be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.