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WILLIAMS**HUNTON & WILLIAMS LLP
BANK OF AMERICA PLAZA
SUITE 4100
600 PEACHTREE STREET, N.E.
ATLANTA, GEORGIA 30308-2216TEL 404 • 888 • 4000
FAX 404 • 888 • 4190CATHERINE D. LITTLE
DIRECT DIAL: 404-888-4047
EMAIL: clittle@hunton.com

FILE NO: 83565.000005

February 15, 2008

By Facsimile and U.S. MailDenise L. Desautels, Esq.
Office of Chief Counsel
Pipeline and Hazardous Materials Safety Administration
U.S. Department of Transportation
1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

Re: Kinder Morgan, Inc., CPF No. 5-2007-1008

Dear Ms. Desautels:

In response to your letter of February 4, 2008, and in preparation for the informal telephonic hearing to be held on February 26, 2008, at 1:00 p.m. EST in the above referenced matter, this is to provide PHMSA with a list of witnesses and an Amended Statement of Issues on behalf of Kinder Morgan, Inc. (KMI).

The following representatives will be participating in the hearing on behalf of KMI:

Dwayne Burton, KMI
Gary Buchler, KMI
Bruce Hancock, KMI
Catherine Little, Hunton & Williams

Due to a conflict, Catherine Little will serve as KMI counsel at the Hearing instead of Bob Hogfoss. If anything changes with respect to this list of witnesses, we will advise you as soon as possible. We also anticipate using several exhibits at the hearing, and we will circulate those electronically prior to the hearing.

PHMSA should also be aware that at the time of the Agency's inspections on August 14-18 2006, and August 28-September 1, 2006, some of the assets that gave rise to the Notice of Proposed Violation and Warning, Rocky Mountain Gas and KM Casper District, had just been sold. In fact, that sale was effective on August 14, 2006, the first day of the first inspection, and these assets were transferred to another

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Denise L. Desautels, Esq.

February 15, 2008

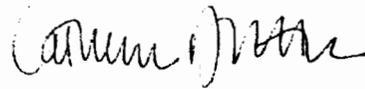
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company before PHMSA issued either the NOA or the NOPV in 2007. If this matter is not resolved through the upcoming hearing, there may be an issue as to whether KMI is a real party in interest in this enforcement action.

Finally, we have not yet received the enforcement file for this matter that we requested in our Request for a Hearing pursuant to 49 C.F.R. § 190.211(e), although your letter of February 4, 2008, indicated that it was attached. Please forward those materials to us as soon as possible.

If you have any questions, please let us know.

Sincerely,



Catherine Little

gm/CDL
Attachments

cc: Chris Hoidal, Director, Western Region, PHMSA
May Chiranand, Attorney, PHMSA
Dave DeVeau, Esq., KMI
Jessica Toll, Esq., KMI
Robert E. Hogfoss, Esq., Hunton & Williams

**Before the
U.S. Department of Transportation
Pipeline and Hazardous Materials Safety Administration
Office of Pipeline Safety**

) In the Matter of
))
) KMI, Inc.,
))
) Respondent
))

CPF No. 5-2007-1008

**AMENDED STATEMENT OF
ISSUES**

In connection with its Request for Hearing in the above referenced matter and in accordance with the requirements of 49 C.F.R. Part 190.211(a) and in response to a request by the Pipeline and Hazardous Materials Safety Administration (PHMSA), KMI, Inc. (KMI or the Company), presents this Amended Statement of Issues. This Statement incorporates by reference the Statement of Issues filed on July 12, 2007 (a copy of which is attached).

For the reasons set forth below and in the Hearing materials filed by KMI on July 12, 2007, KMI believes that the alleged probable violations and warning issued to the Company are either without legal or factual basis, and/or they are moot because the items were addressed prior to the issuance of an enforcement action.

Issue 1 - NOPV Item 1A: 49 C.F.R. Part 192.903

***PHMSA Allegation:** KMI, Inc. (KMI) O&M Procedure 220, Section 3.7 requires that large areas (schools, parks, areas of assembly) have the location of the outside corner boundaries or areas closest to the pipeline defining a potential identified site be documented by GPS. In practice KMI has not followed their own procedure and has identified structures as a point which is not consistently the closest or more conservative location for defining the length of an HCA. This practice has resulted in HCA length being under-called.*

KMI Response: The applicable rule for identification of HCAs along gas pipeline corridors is set forth at 49 C.F.R. Part 192.905. While not entirely clear, that rule as corrected by PHMSA in subsequent rulemakings allows for companies to use a point radius (or circle) from the centerline of the affected pipe, until December 17, 2006. The audit in this instance occurred before that date. Further, following the inspection and as part of its obligation under Part 192.937 to continually evaluate and update the IMP plan, KMI reviewed and revised its procedures for identification of HCAs to utilize polygons and buffers by October 26, 2006. These

changes were put in place prior to the issuance of the Notices of Amendment (NOA) on March 5, 2007 (CPF No. 5-200701002M) and Notice of Proposed Violation (NOPV) and Proposed Civil Penalty on June 11, 2007.

For the reasons set forth above, KMI asserts that PHMSA is without basis to allege a NOPV for this issue, or, in the alternative, that the violation as alleged was redressed even before the administrative action was commenced, rendering it moot. NOPV Item 1A should be withdrawn or dismissed.

Issue 2 - NOPV Item 2A: 49 C.F.R. Part 192.917(e)(5)

PHMSA Allegation: *KMI did not always perform an evaluation of similar pipeline segments (both covered and non-covered) when significant corrosion is found inside an HCA.*

KMI Response: It is the Company's understanding of both the regulation at issue and of PHMSA's interpretation of the regulation as discussed at the December 11, 2007, technical meeting that this rule is intended for direct assessments. While KMI does not currently utilize direct assessments, the Company believes that it does meet the requirement for performing like pipe surveys and that it was in compliance at the time of the inspections in August 2006. KMI respectfully requests that NOPV Item 2A be withdrawn or dismissed as without basis.

Further, the assets inspected by PHMSA in 2006 -- Rocky Mountain Gas and KM Casper District -- were sold on August 14, 2006, the very first day of the inspections initiated by PHMSA that gave rise to this enforcement action. KMI no longer has responsibility for these particular assets. Since these assets were transferred to another company before PHMSA issued either the NOA or the NOPV in 2007, and if the matter is not resolved in this proceeding, there is a significant issue as to whether KMI is a real party in interest in this enforcement action.

Issue 3 - NOPV Item 3A (Warning): 49 C.F.R. Part 192.937(b), (c)

PHMSA Allegation: *As of the date of the inspection, KMI has not selected the methods to be used for the next integrity assessment for those baseline assessments that have been completed.*

KMI Response: The applicable regulations in this instance do not require prior selection of *specific* inspection methods. The regulations do require that operators investigate and address threats, however, and provide flexibility as to which method is most appropriate. KMI was in compliance with this regulation at the time of the inspection, but as part of its obligation to continually review and update the IMP plan, KM updated its plan by December 17, 2006 to describe the assessment methods selected, prior to the issuance of either the NOA or the

NOPV. For those reasons, KMI respectfully requests that PHMSA withdraw or dismiss NOPV Item 3A (Warning).

Issue 4: Proposed Civil Penalties: \$39,000 each for NOPV Items 1A and 2A

As described above, KMI believes that there is no basis for NOPV Items 1A or 2A, and that those issues should be withdrawn or dismissed. In the alternative, KMI believes that the amount of penalty requested should be reduced for each item, in light of the Company's cooperative approach and proactive response to issues presented in the inspection. Accordingly, the civil penalty amounts requested in this matter should either be withdrawn or reduced, as justice may require.

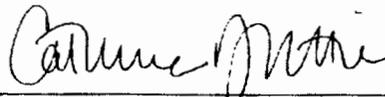
Written Response to Proposed Compliance Order

KMI believes the proposed Compliance Order is unnecessary, either because the underlying NOPVs and Warning are without basis, and/or because the requested actions have already been completed. Further, the assets at issue during the inspections that gave rise to the alleged probable violations and warning in this proceeding were sold on August 14, 2006, and KMI no longer has responsibility for them.

Summary and Request for Relief

For the reasons set forth above and in the materials filed on July 12, 2007, KMI believes that the alleged probable violations and warning in the latest NOPV issued to the Company are either without legal or factual basis, and/or they are moot. Accordingly, KMI respectfully requests that PHMSA withdraw or dismiss these NOPVs and the proposed Compliance Order, either informally or after Hearing on the issues. In the alternative, KMI believes that PHMSA should significantly reduce the amount of civil penalty requested, in light of the law and facts presented in its Request for Hearing, and as justice may require.

Respectfully submitted,



HUNTON & WILLIAMS

Robert E. Hogfoss, Esq.

Bank of America Plaza, Suite 4100

600 Peachtree Street, N.E.

Atlanta, GA 30308

(404) 888-4042

Catherine D. Little, Esq.
Bank of America Plaza, Suite 4100
600 Peachtree Street, N.E.
Atlanta, GA 30308
(404) 888-4047

KMI ENERGY PARTNERS, LP

David DeVeau, Esq.
Vice President, Deputy General Counsel
One Allen Center, Suite 1000
500 Dallas
Houston, Texas 77002
(713) 369-9457

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Gail Martin

Professional Assistant

gmartin@hunton.com

Hunton & Williams LLP

Bank of America Plaza, St 4100

600 Peachtree Street, N.E.

Atlanta, GA 30308

Phone: (404) 888-4043

Fax: (404) 888-4190

www.hunton.com

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