



May 11, 2011

Via Federal Express

Mr. Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration
12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

**RE: NOTICE OF PROBABLE VIOLATION AND PROPOSED COMPLIANCE ORDER
CPF No. 5-2011-5012
LS-8, LS-69, LS-75, LS-76, LS-99, LS-104**

Dear Mr. Hoidal:

We are in receipt of the above referenced Notice of Proposed Violation (NOPV) and Proposed Compliance Order (CO) dated April 5, 2011, which was written as a result of the September 27-30 and October 15 and 19, 2010 inspection of SFPP, LP's pipeline systems in the Richmond, CA area by the California State Fire Marshal (CSFM). SFPP, LP is a subsidiary of Kinder Morgan Energy Partners, L.P. (KM) The Notice alleges that SFPP LP was not in compliance with three provisions of Title 49, Code of Federal Regulations, and Part 195.

We have addressed each NOPV and CAO item below. For your convenience, each alleged violation is listed along with our response, as follows:

Item 1: **§195.406 Maximum operating pressure.**

- (b) **No operator may permit the pressure in a pipeline during surges or other variations from normal operations to exceed 110 percent of the operating pressure limit established under paragraph (a) of this section. Each operator must provide adequate controls and protective equipment to control the pressure within this limit.**

Kinder Morgan records reveal that the company exceeded 110 percent of its maximum operating pressure on three different occasions. Kinder Morgan did take immediate actions to prevent future recurrences.

Kinder Morgan Response Item 1:

KM acknowledges the overpressure events occurred and, as indicated, took immediate action to prevent future recurrences.

Item 2: §195.583 What must I do to monitor atmospheric corrosion control?

- b. You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:**

If the pipeline is located:

Onshore

Then the frequency of inspection is:

At least once every 3 calendar years, but with intervals Not exceeding 39 months

Kinder Morgan exceeded the maximum time period to monitor atmospheric corrosion control; Kinder Morgan hired T.C. Inspection, Inc. in September 2004 to conduct an atmospheric inspection on the above ground sections of LS-69, LS-99, and LS-104. The next atmospheric inspection was conducted by the Blackstone Group Ltd. in July 2010. This is a 5-year 10-month interval between inspections.

Kinder Morgan Response Item 2:

KM acknowledges that the atmospheric corrosion inspections for these three pipelines exceeded the maximum required time interval. Kinder Morgan has taken steps to prevent similar situations from occurring in the future.

Item 3: §195.583 What must I do to monitor atmospheric corrosion control?

- (c) If you find atmospheric corrosion during an inspection, you must provide protection against the corrosion as required by Sec. 195.581.**

Kinder Morgan provided a 2004 API 570 Piping Inspection report as their record of an atmospheric corrosion inspection of the aboveground sections of LS-69, LS-99, and LS-104 within the Chevron Richmond Refinery. The report showed portions of these three lines with severe coating failure and found portions partially covered in soil. Dents on LS-99 were also noted in the 2004 inspection along with external corrosion on LS-69. The inspection findings for LS-69 and LS-99 noted that ultrasonic testing (UT) measurements needed to be taken, and recommended the entire line be cleaned and coated. The 2010 Atmospheric Visual Inspection of these lines showed no progress was made to protect these lines from atmospheric corrosion since the 2004 inspection. The 2010 atmospheric inspection identified excessive corrosion on the LS-69 pipeline, and general corrosion on the majority of LS-99 and LS-104. Mechanical damage was still noted on the LS-99 and now on LS-104 pipelines.

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Kinder Morgan had knowledge of external corrosion on LS-69, mechanical damage on LS-99, and coating failure on LS-69, LS-99, and LS-104 since the 2004 atmospheric corrosion inspection but failed to investigate these findings or provide protection against atmospheric corrosion on these lines before the next scheduled inspection. This is a violation of Part 195.583(c).

Kinder Morgan response to Item 3:

Kinder Morgan acknowledges that some of the conditions noted during the 2004 inspection, such as portions of pipe partially covered in soil and dents referenced above were not investigated and corrected and existed at the time of the 2010 inspection. However, KM disagrees with the finding relative to atmospheric corrosion and the conclusion that the entire line needs to be cleaned and coated. Subsequent evaluation by KM, as well as a third party consultant concluded that remedial measures to protect against atmospheric corrosion is not necessary because the condition of the pipe satisfied the requirements of 49 CFR Part 195.581(c).

PROPOSED COMPLIANCE ORDER

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

PHMSA Proposed Compliance Order Item 1:

1. In regard to Item Number 3 of the Notice pertaining to an uncorrected atmospheric corrosion conditions and degraded coating on the aboveground sections of LS-69, LS-99 and LS-104 within the Chevron Richmond Refinery SFPP, L.P. must complete the UT measurements that need to be taken and the entire length that is exposed to atmospheric corrosion shall be cleaned and coated as necessary. In addition, SFPP, L.P. must submit documentation of completed corrective training.

Kinder Morgan Response Proposed Compliance Order Item 1:

As indicated above, Kinder Morgan has evaluated the atmospheric corrosion condition, including taking UT measurements of the pitting listed in the 2010. Based on the consultant's findings and recommendations, as well as our own, we have concluded that no remedial atmosphere corrosion protection measures are necessary.

We request clarification for the corrective training documentation you are requesting in your last sentence.

PHMSA Proposed Compliance Order Item 2:

2. In regard to Item 3, evaluate the dents on LS-99 and LS-104 detected during the 2004 and 2010 atmospheric corrosion surveys, and determine the need for remedial actions.

Kinder Morgan Response Proposed Compliance Order Item 2:

All the dents and gouges noted in the 2010 atmospheric corrosion inspection record were evaluated in October 2010 and found to meet KM Standards; therefore, no remedial measures are needed.

With respect to the portions of pipe partially buried in soil, KM is scheduled to meet with Chevron personnel to make arrangements to remove the dirt so that the pipe may be examined. The pipelines in question are inside Chevron's Richmond Refinery and work must be coordinated with them. While we are performing that task and the pipe is exposed, we will ensure that any dents identified on the 2004 inspection that was not listed on the 2010 report are evaluated as ordered.

PHMSA Proposed Compliance Order Item 3:

3. SFPP, L.P. must complete the evaluation and necessary changes within 60-days after receipt of the Final Order.

Kinder Morgan Response Proposed Compliance Order Item 3:

KM is diligently attempting to complete this work as soon as possible and expects all work to be completed on or before December 31, 2011. If the Final Order is issued before November 1, 2011, we request that the completion date be revised to December 31, 2011.

PHMSA Proposed Compliance Order Item 4:

4. It is requested (not mandated) that SFPP, L.P. maintain documentations of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs 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.

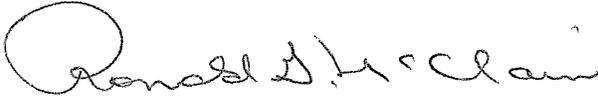
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Kinder Morgan Response Proposed Compliance Order Item 4:
4. KM will maintain and submit the information as requested.

Kinder Morgan is committed to operate our pipeline systems safely and in compliance with all applicable regulations. We will share the findings of your audit with our Managers and other appropriate personnel as a reminder of the requirements of the regulations to avoid a similar circumstance in the future.

Should you have any questions or concerns, please call Steve Marositz at 909-873-5146, Buzz Fant at 713-369-9454 or me at 713-369-9152.

Sincerely,

A handwritten signature in black ink that reads "Ronald G. McClain". The signature is written in a cursive style with a large initial "R" and "M".

Ron G. McClain
Vice-President Engineering and Operations
Products Pipelines