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Colonial Pipeline Company

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VIA E-MAIL AND U.S. MAIL

May 9, 2008

Mr. Byron E. Coy, P.E.
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration
Office of Pipeline Safety
409 3rd Street, SW, Suite 300
Washington, DC 20024

Subject: Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order
CPF No. 1-2008-5002

Dear Mr. Coy:

This letter is in response to your Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order CPF No. 1-2008-5002 (the "Notice") dated April 7, 2008 and received by Colonial on April 11, 2008 relating to a February through April 2007 inspection of Colonial's approximately 2.5 mile pipeline extension construction project to the Dulles International Airport in Virginia by representatives from the Virginia State Corporation Commission (VA SCC) acting as Agents of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code.

The Notice provides that Colonial has 30 days from receipt of the Notice to submit written explanations, information, or other materials in response to the allegations and/or seek elimination or mitigation of the proposed civil penalty; and object to or seek clarification of the proposed compliance order items in whole or in part.

Notice of Probable Violation Allegations and Colonial's Responses

Set out below is Colonial's response to the allegations set forth in the Notice. Please note that, Colonial is not disputing the allegations, and we are not requesting a Hearing. We do believe the penalty should be reduced, however, both because the coating repair issues and the holiday detector issues were corrected either at the time of the inspection or before the Notice was issued.

The text of the Notice is shown below in italics, immediately followed by Colonial's response:

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 violations are:

1. §195.202 Compliance with specifications or standards

Each pipeline system must be constructed in accordance with comprehensive written specifications or standards that are consistent with the requirements of this part.

1A. On April 11, 2007 at the Dulles Pipeline Expansion Project, the VA SCC inspector observed and documented that the contractor for Colonial was not properly grounding the holiday detector when examining the pipe coating

for holidays.

The holiday detector instrument used for the project required proper grounding in order to detect holidays in the pipeline coating. Re-examination of the pipe revealed holidays initially undetected that were subsequently repaired.

1B. On February 27, 2007 the VA SCC inspector observed and documented at the Dulles Pipeline Expansion Project that the contractor for Colonial was not following the proper coating repair procedures as specified by the coating repair manufacturer. This was observed again on March 7, 2007.

After bringing this concern to the Colonial Construction Manager's attention on March 1, 2007, the VA SCC inspector again on March 7, 2007 observed incorrect coating repair procedures being performed by the contractor for Colonial. In addition, Colonial did not include the repair method being used in their written procedures for the Dulles Pipeline Expansion Project. Tests performed on the pipeline coating to determine the integrity of the coating repairs showed that the repairs did not bond properly to the pipe.

Colonial Response:

Colonial has comprehensive written specifications and standards that are consistent with the requirements of 49 CFR Part 195. Contractors for Colonial have a contractual obligation to adhere to the specifications and standards. Colonial does not dispute the allegations stated above, but is surprised that PHMSA determined that a Notice was needed, since Colonial addressed each item of concern that was raised by the VA SCC Inspector. Colonial believed that the additional tests and repairs made prior to the completion of the project verified that the coating was satisfactory and that further actions were not needed. In addition to the coating, the pipeline is cathodically protected.

Proposed Compliance Order

Set out below is Colonial's response to the Proposed Compliance Order items as set forth in the Notice. Please note that Colonial is not contesting the proposed compliance order items, and we are not requesting a Hearing.

The text of the Proposed Compliance Order is shown below in italics, immediately followed by Colonial's response.

With respect to items 1A and 1B, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Colonial Pipeline a Compliance Order incorporating the following remedial requirements to ensure the compliance of Colonial Pipeline with the pipeline safety regulations:

- 1. In regard to Item Number 1A and 1B of the Notice pertaining to compliance with specifications or standards:*
 - *Conduct a close-interval survey (CIS) and a Direct Current Voltage Gradient (DCVG) survey or an Alternating Current Voltage Gradient (ACVG) survey of the pipeline to check for coating holidays. A CIS and a DCVG/ACVG of the pipeline should take into consideration any effects of ground stabilization from the time the pipeline was backfilled.*
 - *Excavate and examine all survey indications that correspond to possible large coating holidays (severe per GTI ECDA Protocol Rev 4 Severity table below), to correct any undetected coating damage. Subsequent surveys should show no large coating holidays remaining after the initial assessment.*
 - *Evaluate DCVG or ACGV coating survey results as follows:*

- The threshold survey indication values are **50% IR** for DCVG and **70dBuV** for ACVG. These values represent the severe category in the severity classification used to characterize survey indications in the GTI External Corrosion Direct Assessment (ECDA) Protocol Rev 4.

GTI ECDA Protocol Rev 4 Severity Table

Tool	Severity of Measurement Amplitude Change of Indication (In Units of Measurement Resolution see Table 4.4.2)		
	MINOR	MODERATE	SEVERE
CIS (impressed current system)	Small Dips, on & off potentials both are more negative than -0.850 V	Medium Dips, on potential more negative than -0.850 V off potential not more negative than -0.850 V	Large Dips, on & off potentials, both not more negative than -0.850 V
DCVG	1-35%	35-50%	50-100%
PCM (EM, AC Atten.)	1-30%	30-50%	50-100%
PCM A-Frame (ACVG)	30-50 dBuV	50-70 dBuV	> 70 dBuV (2 ft intervals around defect)

- Colonial will submit a proposed remediation plan to PHMSA for indications found above the threshold values.
 - Colonial will conduct a calibration dig on at least one anomaly that is classified as minor and moderate, to ensure findings not in the remediation plan are not detrimental to the pipeline.
- Monitor CP current requirements to determine if there are other coating issues with the pipeline. Any significant change in CP requirements, such as 10% to 20% overall increase, will trigger a follow up investigation. Test stations will be available to facilitate monitoring.
 - Submit to PHMSA a summary report with coating evaluation survey results and excavation/remediation results.
2. All the above mentioned remedial items must be completed within 120 days of receipt of a Final Order.
 3. Colonial Pipeline shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Byron Coy, PE, Director, Eastern 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.

Colonial Response:

Colonial believes the condition of the coating is satisfactory based on tests and inspections that have already been performed. However, Colonial does not object to performing the items contained in the Proposed Compliance Order in order to address any concerns PHMSA or VA SCC have about the condition of the coating on the new pipeline to the Dulles International Airport.

Response as to Proposed Compliance Order Item 1.:

Colonial completed a close interval survey (CIS) of the Dulles pipeline segment on 3/3/08 in order to properly evaluate the condition of the coating and to help determine if the cathodic protection (CP) system is functioning as designed. The CIS was witnessed by the VA SCC Inspector. The results of the survey confirmed that the pipeline is well protected by the coating system and by the cathodic protection system. Colonial found no exceptions or deficiencies that require follow-up activities. Colonial considers the CIS survey completed in March 2008 fulfillment of the CIS portion of Item 1 of the Proposed Compliance Order.

It is not Colonial's practice to perform a DCVG or ACVG survey when the CIS identifies no problem. Nevertheless, Colonial agrees to perform a DCVG coating survey and evaluate the results as requested in the Proposed Compliance Order. Colonial will submit a remediation plan for indications, if any, that are above the severe threshold values. Colonial also agrees to excavate and examine and repair, if needed, any possible large coating holidays (severe per GTI ECDA Protocol Rev 4 Severity table.) Colonial will conduct a calibration dig on at least one anomaly that is classified as minor and moderate, if any.

Colonial will monitor the pipe-to-soil potentials at test stations and the bond current to confirm the current flow through the bond is adequate to maintain cathodic protection as required by 49 CFR Part 195, Subpart H. Colonial will establish the normal operating range for the CP current needed to cathodically protect the Dulles pipeline and will complete a follow up investigation of significant increases in CP requirements.

A summary report will be submitted to PHMSA including the coating evaluation survey results and excavation/remediation results.

Response as to Proposed Compliance Order Item 2.:

Colonial will complete the work described in the Response to Item 1 above within 120 days of receipt of a Final Order, unless it can be demonstrated that completion in 120 days is impractical.

Response as to Proposed Compliance Order Item 3.:

Colonial will maintain documentation of the safety improvement costs associated with fulfilling the requirements of the Compliance Order and will report costs to PHMSA in the two categories as requested.

Colonial requests that the amount of the Proposed Civil Penalty be reduced by all costs associated with the fulfilling the requirements of the Compliance Order, except for those costs associated with excavating, examining, and repairing any Severe/Large coating holidays. At this time, Colonial estimates that those costs will approximate \$30,000.

Request for Mitigation of the Proposed Civil Penalty

Colonial respectfully requests that PHSMA reconsider and reduce the amount of the proposed civil penalty, for the following reasons: (1) The costs associated with the Compliance Order (except for those costs associated with excavating, examining, and repairing any Severe/Large coating holidays) are unnecessary in Colonial's opinion since the Dulles pipeline meets or exceeds the 49 CFR 195, Subpart H criteria for a cathodically protected pipeline and has a satisfactory coating as evidenced by the CIS, and (2) the Items included in the Notice were corrected either at the time of the inspection, or before the Notice was issued. OPS regulations state that the Agency should consider "any good faith by the Respondent in attempting to achieve compliance," in determining the appropriate amount of a penalty under the regulations. 49 C.F.R. Part 190.225(a)(5). Colonial has demonstrated good faith in this instance, by addressing each concern of PHMSA and VA SCC during the construction project and before the Notice was issued.

For all these reasons, Colonial believes a reduction of the proposed civil penalty is justified. Colonial hopes that its responses to the allegations, the measures that Colonial has taken, and the measures that Colonial will take under the Compliance Order will be considered by PHMSA as a basis for reducing the proposed penalty.

If you should have any questions concerning any of the information contained herein, please feel free to contact me.

Respectfully,



Doug Belden
General Manager

cc: N. J. Szydowski
J. T. Pajak
G. A. Beck
S. A. Barnes
J. L. Didas
P. J. Mihelick
C. P. Sims
R. G. Tucker
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