

WARNING LETTER

OVERNIGHT EXPRESS DELIVERY

October 31, 2016

Mr. Carlos Munguia
VP, Operations and Engineering
Kinder Morgan Liquid Terminals, LLC
8500 W. 68th Street
Argo, IL 60501

CPF 1-2016-5011W

Dear Mr. Munguia:

From August 31 to September 3, 2015, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code, inspected Kinder Morgan Liquid Terminals, LLC (KMLT) pipeline terminal in Carteret, New Jersey.

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

1. § 195.432(b) Inspection of in-service breakout tanks.

Each operator must inspect the physical integrity of in-service atmospheric and low-pressure steel above-ground breakout tanks according to API Std 653 (except section 6.4.3, Alternative Internal Inspection Interval) (incorporated by reference, see §195.3). However, if structural conditions prevent access to the tank bottom, its integrity may be assessed according to a plan included in the operations and maintenance manual under §195.402(c)(3). The risk-based internal inspection procedures in API Std 653, section 6.4.3 cannot be used to determine the internal inspection interval.

KMLT failed to inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks within the required timeframes, per §195.432(b). Specifically, breakout tank #100-1, also identified as tank #100-1F, was not inspected per American Petroleum Institute (API) Standard 653 Section 6.3.2.1, incorporated by reference in

§195.3(b)(19).

Section 6.3.2.1 states in part:

“All tanks shall be given a visual external inspection by an authorized inspector. This inspection shall be called the external inspection and must be conducted at least every 5 years or RCA/4N years...whichever is less...”

During the inspection, the PHMSA inspector reviewed KMLT’s records for breakout tank inspections. The following reports were reviewed for breakout tank #100-1 / #100-1F:

1. DJA Inspection Services Inc. In-Service Inspection Tank #100-1F, dated April 15, 2010
2. HMT Atmospheric Storage Tank API 653 Internal/External & Ultrasonic Out-Of-Service dated May 18, 2015

The external inspection of breakout tank #100-1 was completed 33 days late.

According to a KMLT email to PHMSA, dated September 13, 2015, Tank #100-1F is the same as Tank #100-1.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$205,638 per violation per day the violation persists up to a maximum of \$2,056,380 for a related series of violations. For violation occurring between January 4, 2012 to August 1, 2016, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. 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 correct the item identified in this letter. Failure to do so will result in Kinder Morgan Liquid Terminals, LLC being subject to additional enforcement action

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 1-2016-5011W**. 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).

Sincerely,

Byron Coy, P.E.
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration