NOTICE OF PROBABLE VIOLATION
and
PROPOSED CIVIL PENALTY

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 26, 2008

Mr. Norman J. Szydlowski
President and Chief Executive Officer
Colonial Pipeline Company
1185 Sanctuary Parkway, Suite 100
Alpharetta, GA 30004-4738

Dear Mr. Szydlowski:

From November 27, 2007 to December 14, 2007, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your pipeline facilities in South Carolina, Georgia, and Tennessee, and reviewed records at various locations including offices at Austell, Chattahoochee, and Ringgold, GA, and Belton and Spartanburg, SC.

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. §195.567 Which pipelines must have test leads and what must I do to install and maintain the leads?

   (a) General. Except for offshore pipelines, each buried or submerged pipeline or segment of pipeline under cathodic protection required by this subpart must have electrical test leads for external corrosion control . . . .
The pipeline does not have an electrical test lead for performing cathodic protection surveys.

A test lead has not been installed on Line 19, Milepost 1733+08. Annual cathodic protection survey records indicate the pipeline is normally "probed" to obtain the pipe-to-soil survey reading.

2. §195.567 Which pipelines must have test leads and what must I do to install and maintain the leads?

... (c) Maintenance. You must maintain the test lead wires in a condition that enables you to obtain electrical measurements to determine whether cathodic protection complies with §195.571.

Test lead wires were not maintained as required of §195.567(c).

Records indicate test lead wires were not maintained in a condition that would enable a person to determine the pipeline's cathodic protection status.

The following information is taken from cathodic protection survey records, and indicates test lead wire maintenance was inadequate.

A. Line 13, Milepost 635+73 Paces Ferry Rd.
   10/05/05: no reading (remarks indicate bad test lead)
   08/13/06: no reading, no remarks
   08/29/06: 0v (remarks indicate test station not found)
   11/07/07: -0.974v

B. Line 16, Milepost 1378+78 Hwy. 29.
   08/30/04: no reading (remarks indicate no test station)
   10/03/05: no reading, no remarks
   08/26/06: -1.004v

C. Line 20, I-265 (East side) Milepost 6965+06
   07/30/04: no reading (remarks indicate markers were present, but test station was not).
   10/24/05: no reading (remarks indicate no test station was found)
   12/12/06: -1.880v

3. §195.573 What must I do to monitor external corrosion control?

(a) Protected pipelines. You must do the following to determine whether cathodic protection required by this subpart complies with §195.571:
(1) Conduct tests on the protected pipeline at least once each calendar year, but with intervals not exceeding 15 months.

Tests to determine whether cathodic protection complies with §195.571 were not conducted at least once each calendar year, with intervals not exceeding 15 months.
The following information, taken from cathodic protection survey records, indicates tests were not conducted within the referenced time requirements.

A. Line 02, Milepost 1835+28 Ridge Road. Surveys were not performed in 2005 and 2006 calendar years.
   07/08/04: -1.4v
   09/16/05: 0v (remarks indicate test lead was not found)
   07/24/06: 0v (remarks indicate test lead was not found)
   08/06/07: -1.986v

B. Line 13, Milepost 635+73 Paces Ferry Rd. Surveys were not performed in 2005 and 2006 calendar years.
   08/10/04: -0.915v
   10/05/05: no reading (remarks indicate bad test lead)
   08/13/06: no reading, no remarks
   08/29/06: 0v (remarks indicate test station not found)
   11/07/07: -0.974v

C. Line 15, Milepost 1124+23 Remington Dr. Survey was not performed in 2005 calendar year.
   08/10/04: -1.1v
   10/05/05: no reading (remarks indicate test lead was not found)
   08/12/06: no reading (remarks convey pipeline does not cross Remington)
   08/29/06: -1.142v

D. Line 16, Milepost 1356+28 PPL Xing. Surveys were not performed in 2004, 2005, and 2006 calendar years.
   08/25/04: no reading (remarks indicate vegetation overgrowth, unable to find)
   10/03/05: 0v
   08/27/06: no reading (remarks indicate test station not found)
   11/10/07: -0.889v

E. Line 16, Milepost 1378+78 Hwy. 29. Surveys were not performed in 2004 and 2005 calendar years.
   08/30/04: no reading (remarks indicate no test station)
   10/03/05: no reading, no remarks
   08/26/06: -1.004v

F. Line 19 Milepost 6801+78 L&N Railroad spur. Surveys were not performed in 2005 and 2006 calendar years.
   10/13/05: 0.000 (remarks indicate not found)
   12/13/06: no reading (remarks indicate not found)
   12/01/07: -1.369v

G. Line 19 Milepost 6582+50 Sewer Crossing. Survey was not performed in 2005 calendar year. The 15 month maximum time interval was exceeded in 2007 by at least 13 days (date of PHMSA inspection).
   10/11/05: 0.000 (remarks indicate test station could not be found).
   08/30/06: -1.022v
   12/01/07: 0.000 (remarks indicate test station could not be found)
H. Line 20, I-265 (East side) Milepost 6965+06. Surveys were not performed in 2004 and 2005 calendar years.
  07/30/04: no reading (remarks indicate markers were present, but test station was not).
  10/24/05: no reading (remarks indicate no test station was found)
  12/12/06: -1.880v
I. Line 20 Milepost 10+72 Span. Records indicate this location was not surveyed in calendar year 2005.
J. Line 01, Milepost 1329+91 Rector Road. Survey was not performed in calendar year 2006. Surveys were conducted on March 4, 2005 and May 10, 2007.
K. Line 20: The maximum allowed 15 month time between the 2006 and 2007 surveys was exceeded at 22 test stations between Mileposts 3185+06 and 4474+09. Times exceeding the 15 month interval vary from 27 days to 56 days.
L. Sweetwater Pump Station surveys were performed on 08/08/06 and 11/16/07. The 15 month maximum time interval was exceeded by 8 days.

4. §195.573 What must I do to monitor external corrosion control?
   . . . (e) Corrective action. You must correct any identified deficiency in corrosion control as required by §195.401(b). However, if the deficiency involves a pipeline in an integrity management program under §195.452, you must correct the deficiency as required by §195.452(h).

§195.401 General requirements.
   (b) Whenever an operator discovers any condition that could adversely affect the safe operation of its pipeline system, it shall correct it within a reasonable time. However, if the condition is of such a nature that it presents an immediate hazard to persons or property, the operator may not operate the affected part of the system until it has corrected the unsafe condition.

Identified non-hazardous deficiencies discovered as a result of corrosion control surveys were not corrected within a reasonable time as required of §195.573(e). PHMSA generally considers a "reasonable time" to be the maximum time allowed between required annual cathodic protection surveys (15 months maximum from discovery of a deficient survey reading).

A. Line 02 Milepost 7833+46, Liberty Church Rd. Survey reading taken on 03/01/06 was deficient. The deficiency was corrected in approximately eighteen months.
   03/01/06: -0.797v
   03/22/07: -0.623v
   A new cathodic protection system was completed on 08/25/07, new CIS performed 08/30/07.

B. Line 19 Mileposts 1078+35 Cochran Rd., 1141+60 Woods Rd., and 1165+60 Fence. Survey readings taken on 07/16/04 were deficient. Records indicate the deficient conditions were not corrected until at least after 11/28/06 (28 + months from discovery). Survey readings for these three locations are listed below.
<table>
<thead>
<tr>
<th>Date</th>
<th>Cochran Rd.</th>
<th>Woods Rd</th>
<th>Fence</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/16/04</td>
<td>-0.69v</td>
<td>07/16/04</td>
<td>-0.645v</td>
</tr>
<tr>
<td>09/09/05</td>
<td>-0.72v</td>
<td>09/09/05</td>
<td>-0.803v</td>
</tr>
<tr>
<td>11/28/06</td>
<td>-0.672v</td>
<td>11/28/06</td>
<td>-0.717v</td>
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<tr>
<td>09/18/07</td>
<td>-1.064v</td>
<td>09/18/07</td>
<td>-1.411v</td>
</tr>
</tbody>
</table>

C. Atlanta Junction breakout tanks. No documentation was provided indicating actions were taken to correct "low" cathodic protection survey readings, as indicated below, within a reasonable time.

**Tank #333 Bottom**
- 08/23/04: N side -0.528v, W side -0.559v.
- 11/22/05: N side -0.418v, W side -0.522v.
  No documented survey 2006
- 12/06/07 Observed during inspection: N side -0.492v, W side -0.541v. No voltage on c.p. cable.
- 12/11/07: N side -0.858v, W side -0.949v.

**Tank #334 Bottom**
- 08/23/04: N side -0.394v, S side -0.480v, E side -0.302v, W side -0.445v.
- 11/22/05: N side -0.306v, S side -0.424v, E side -0.403v, W side -0.325v.
  No documented survey 2006
- 12/06/07 Observed during inspection: N side -0.608v, S side -0.748v, E side -0.780v, W side -0.680v. No voltage on c.p. cable.
- 12/11/07: N side -0.508v, S side -0.577v, E side -0.451v, W side -0.571v.

**Tank #335 Bottom**
- 08/23/04: W side -0.775v
- 11/22/05: W side -0.578v
  No documented survey 2006
- 12/11/07: W side -0.953v

**Tank #353 Bottom**
- 11/22/05: N side -0.650v, S side -0.625v, E side -0.626v, W side -0.590v.
  No documented survey 2006
- 12/06/07: Observed during inspection: W side -0.810v.
- 12/12/07: N side -0.890v, S side -0.980v, E side -1.012v, W side -0.828v.
5. §195.589 What corrosion control information do I have to maintain?

(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to §§195.569, 195.573(a) and (b), and 195.579(b)(3) and (c) must be retained for as long as the pipeline remains in service.

Records required of §195.589(c) were not maintained.

Records of the 2006 annual survey of the Atlanta Junction breakout tank bottoms were not found. This survey is required of §195.573(a)(1) and §195.573(d). Work permits dated 12/19/06, 12/20/06, and 12/21/06, and the technician’s statement were provided, indicating 2006 surveys were performed in the tank farm. There are 33 active breakout tanks at Atlanta Junction. Three were constructed in 2006.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed $100,000 for each violation for each day the violation persists up to a maximum of $1,000,000 for any related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of $135,000 as follows:

<table>
<thead>
<tr>
<th>Item number</th>
<th>PENALTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>$52,000</td>
</tr>
<tr>
<td>4</td>
<td>$83,000</td>
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<td></td>
<td>$135,000</td>
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</table>

Warning Items

With respect to items: 1, 2, and 5, 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 Colonial Pipeline Company 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 2-2008-5005 and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Mohammed Shoaib
Acting Director, Southern Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*