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March 31, 2011

Via UPS Next Day Air Saver
Penalty payment Via Electronic Fund Transfer

Mr. Wayne T. Lemoi
Director, Southern Region
Pipeline and Hazardous Materials Safety Administration
233 Peachtree Street
Suite 600
Atlanta, Georgia 30303

**Re: DCP Midstream
Notice of Probable Violation
CPF 2-2011-2002**

Dear Mr. Lemoi:

In October 18-21, 2010, a representative from the Pipeline and Hazardous Materials Safety Administration ("PHMSA") conducted an inspection of the DCP Midstream LP ("DCP") Dauphin Island offshore pipeline facilities in the Gulf of Mexico, including the records and procedures maintained in Coden, AL. As a result of the inspection, PHMSA has identified a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations, and PHMSA issued a Notice of Probable Violation ("NOPV") on March 4, 2011. This letter is DCP's response to the NOPV.

1. §192.491 Corrosion Control Records

...(c) Each operator shall maintain a record of each test, survey, or inspection required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that a corrosive condition does not exist. These records must be retained for at least 5 years, except that records related to §§192.465(a) and (c) and 192.475(b) must be retained for as long as the pipeline remains in service.

PHMSA Allegation

DCP Midstream failed to maintain internal corrosion coupon monitoring records in sufficient detail to demonstrate the adequacy of this internal corrosion control measure. At each of the coupon locations listed below (extracted from *Spectra Energy Coupon Inspection Report V*) the operator failed to provide records justifying an approximate 6-month time gap during which no coupons were monitored. The ten unexplained 6-month time gaps resulted in the operator not being able to confirm that it had monitored each coupon two times per calendar year as required by §192.477.

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DCP Response

Spectra Energy Transmission ("SET") operates and maintains DCP's Dauphin Island pipeline system by agreement with DCP, and is responsible for the corrosion control program for these facilities. DCP requested that SET review its records associated with the ten (10) corrosion control coupons referenced in the NOPV. SET found that the required records were not maintained in accordance with its policies and procedures, and SET could not confirm by documentation that such coupon monitoring was performed according to the regulatory schedule. DCP notes that SET employees were able to find log notes that referenced removal and/or installation of corrosion coupons at timeframes that were consistent with §192.477, but DCP agrees that these records were not adequate to meet the requirements of §192.491. Therefore, DCP does not intend to contest the finding of violation, and will pay the civil penalty of \$8,000 in accordance with the procedures attached to the NOPV.

SET employees also contacted testing laboratories that provide corrosion coupon testing services and have found lab analysis records for seven (7) of the ten (10) coupons. All seven (7) showed corrosion rates within SET's acceptance criteria. SET employees also found notes that indicated one (1) test coupon had broken off, thus could not be analyzed. SET employees also reviewed the corrosion coupon analysis results for these locations prior to and after the dates in question, and found the corrosion rates well within SET's acceptance criteria. In general, internal corrosion has not been identified as an issue on the pipelines monitored by these coupons.

SET employees have advised DCP that they developed and implemented a corrosion coupon database in 2010 that will allow SET to better track the monitoring of corrosion coupons and to maintain the appropriate records. This database will help to ensure this inspection finding does not reoccur.

The DCP civil penalty payment of \$8,000 will be sent by Electronic Fund Transfer on Friday April 1, 2011 as directed in the NOPV, Section VII titled Payment Instructions. If you need additional information, please contact David McAtee, DCP's Pipeline Compliance Manager, at (303) 605-2214.

Sincerely,
DCP Midstream


Alison E. Barry

Cc: Dave McAtee, DCP
Mark Falkenhagen, Spectra
Richard Sawey, DCP