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April 12, 2007

Via Certified Mail: 7005-1160-0001-7020-8871

Mr. Ivan Huntoon
Director, Central Region
Pipeline and Hazardous Materials Safety Administration
901 Locust Street, Suite 462
Kansas City, MO 64106

RE: CPF No. 3-2007-5007

Dear Mr. Huntoon:

This letter is in response to your *Notice of Probable Violation, and Proposed Compliance Order* dated March 6, 2007 and received by our office on March 13, 2007, regarding the pipeline safety inspections of Kinder Morgan Energy Partner L.P.'s (KMEP) North System. These inspections were conducted in Calendar year 2005.

Kinder Morgan was cited for not conducting tanks inspection under 195.432, (b) &(c) as follows:

1. **§195.432 Breakout tanks.**
(b) Each operator shall inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to section 4 of API Standard 653. However, if structural conditions prevent access to the tank bottom, the bottom integrity may be assessed according to a plan included in the operations and maintenance manual under §195.402(c) (3).
2. (c) Each operator shall inspect the physical integrity of in-service steel aboveground breakout tanks built to API Standard 2510 according to section 6 of API 510.

Kinder Morgan believes that the inspection elements listed in the Mid-Continent Region Operation and Maintenance Procedure III-03-02 "Inspection of Storage Tank and Vessels" addresses the external inspection requirements outlined in API 653 and API 510 as required by 195.432 (b) and (c), respectively. Procedure III-03-02, which is applicable to atmospheric, low pressure and high pressure tanks, governs the annual inspection of the breakout tanks pursuant to 195.432 (a). The majority of the elements are checked annually; additionally, the procedures require that every 5 years measurements be taken to substantiate that tank settlement has not occurred and wall thickness measurements be taken on tanks exposed to corrosive products to ensure tank integrity.

With respect to the internal inspection requirements of the low pressure breakout tank at Lemont, Kinder Morgan acknowledges that internal inspection of the sphere has not been conducted as required by API 653; however, 195.432 (d) specifies that the inspection intervals began on May 3, 1999; therefore, the 10 year interval ends on May 2, 2009, thus we are not in violation of meeting the internal inspections interval for low pressure tanks.

With respect to the alleged violation of 49 CFR 195.432 (c), Kinder Morgan does not agree that we are in violation. 195.432 (c) which requires in-service steel aboveground breakout tanks built to API Standard 2510 to be inspected according to section 6 of API 510. The high pressure bullets and spheres in question were not built to API Standard 2510. PHMSA's implies that because API 2510 references the design and construction requirements of ASME Boiler and Pressure Vessel Code, any tank built to the ASME Boiler and Pressure Code automatically meets API Standard 2510. This increases the reach of the regulation without justification and contradicts the historical approach to the meaning of "incorporation by reference". The requirement to conduct inspections is directly linked to API Standard 2510 and not "to tanks designed and constructed in accordance with ASME Boiler and Pressure Vessel Code".

We acknowledge that internal inspections as required by API 510 of the high pressure tanks has not been conducted thus far; however note that the interval for internal or on-stream inspections is "one half the estimated remaining life of the vessel based on corrosion rate or 10 years, whichever is less". Given the nature of our operation, inspections of the internal surfaces of pipe and components, where the absence of internal corrosion is documented, we believe the 10 year inspection interval is a reasonable assumption. 195.432 (d) states that the inspection intervals began on May 3, 1999; therefore, the 10 year interval ends on May 2, 2009, thus we are not in violation of meeting the internal inspections interval and therefore, not in violation of 49 CFR 195.432 (c).

Notwithstanding our position that we are in compliance with 195.432, we will revise our procedures to address your concerns and to ensure that all of the inspection requirements of API 653 and 510 for the low pressure and high pressure tanks are addressed.

The proposed compliance order requires that the Kinder Morgan provide PHMSA with the plan, schedule, and procedures to inspect the tanks using the appropriate standards applicable to the pressure rating of the tank.

In accordance with item 1, b, 2, of the Response Options for Pipeline Operators in Compliance Proceedings, Kinder Morgan requests clarifications from PHMSA regarding Proposed Compliance Order items 1, 2, 3 and 4 associated with CPF 3-2007-5007. Furthermore Kinder Morgan reserves the right to seek additional information and possibly contesting the Proposed Compliance Order after PHMSA responds to our request for clarification.

Clarifications:

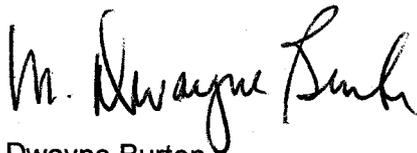
1. In regards to Item 1 of the Proposed Compliance Order, Kinder Morgan requests that PHMSA clarify if our inspection procedures should be written to Section 4 or 6 of API 653.

2. In regards to conducting internal inspection for each tank as required by items 1, 3, and 4, Kinder Morgan requests permission to offer an alternative plan, which satisfies API 653 and 510; however, includes internal inspection, as well as on-stream inspection. Our proposal includes:
 - a. Conducting an external inspection per API 510 and 653 on each tank in 2007 (Note: that current operating and maintenance procedures requires an inspection once per year although not necessarily to API 510 or 653),
 - b. Conducting an internal inspection per API 510 on six (6) propane bullets and the iso sphere at Morris in 2007 (note that an API 653 internal inspection has already been completed on the natural gasoline sphere at Morris),
 - c. Conducting an external (on-stream) NDE evaluation per API on each remaining tank in 2007,
 - d. Analyzing 2007 data, making any repairs as needed, and establishing a baseline,
 - e. Repeating the external NDE evaluations every two years until,
 - f. 2012, at which time the NDE data should provide a documented general corrosion rate less than 0.005 inch per year and an estimated remaining life of greater than 10 years which will then be the basis for substituting an on-stream inspection for all future internal inspections,
 - g. Repeating the external inspections on all tanks in 2012 and thereafter on five (5) year intervals,
 - h. Repeating the on-stream inspection (in lieu of internal) on all tanks in 2012 and thereafter on ten (10) year intervals,

We would be glad to meet with you to discuss our proposal. Kinder Morgan is committed to operating our pipelines safely, in respect of the environment and in compliance with all governmental regulations.

If you have any questions or need further assistance contact me at 713 369-9356 or Jaime Hernandez at 713-369-9443.

Sincerely,



M. Dwayne Burton
Vice President
Pipeline Operations
Kinder Morgan, Inc.