



August 2, 2007

Via Certified Mail: 7005-1160-0001-7020-9427

Ivan Huntoon
Director, Central Region
Pipeline and Hazardous Material Safety Administration
901 Locust Street, Suite 462
Kansas City, MO 64106-2641

RE: CPF-3-2007-5020

Dear Mr. Huntoon:

Kinder Morgan (KM) is in receipt of your letter dated July 2, 2007 alleging that Kinder Morgan committed a probable violation of 49 CFR Part 195.583 and proposing a Civil Penalty in the amount of \$133,000 associated with a failure that occurred on August 12, 2006. The failure occurred on Kinder Morgan's Energy Partner's 8-inch 106W pipeline at an above ground crossing of the Des Plaines River near Lemont, Will County, Illinois. The Notice of Probable Violation alleges that the extent of atmospheric corrosion was incorrectly classified during KM's routine inspection for atmospheric corrosion that occurred on March 7, 2006. Dwayne Burton, Vice President, Gas Pipeline Operations and Engineering received your letter on July 6, 2007.

This letter is to advise you that Kinder Morgan has paid the Civil Penalty in the amount of \$133,000 to the account of the US treasury via wire transfer on August 2, 2007 (Fed/SWIFT Confirmation # 0802I1B7039R002304)

Notwithstanding the fact that we paid the Civil Penalty, Kinder Morgan does question the criteria and data used by PHMSA to determine the amount of civil penalty. 49 CFR Part 190.225 requires items such as, among others, the gravity, nature and circumstances of the alleged violation to be considered along with the good faith effort at compliance made by the operator, the operator's degree of culpability and the operator's history of violations. Specifically for this alleged violation, KM, while the specific inspection of the pipe attached to the side of the road bridge fell short of the required regulatory inspection, would point out that the citation does not fault the KM procedure for assessing the atmospheric corrosion potential nor does it cite KM for failing to follow its own procedures. Instead the error, centers on KM's alleged failure to properly classify the corrosion potential after the required inspection was done. If the correct classification had been made, then action to discover the point source of the release could have been taken earlier. In applying the criteria of 49 CFR 190.225 KM believes significant weight should be given to the history of prior offences found on KM's North System. KM would also point out that while a release occurred, there was no ignition or fire and no personal injury or property damage that occurred.

Mr. Ivan Huntoon
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With respect to the history of prior offences, in the last five years KM has received one closed Notice of Violations (NOV), which dealt specifically with the North System. In 2002, we received a NOV for lack of documentation to substantiate inspections at four specific locations. None of these violations dealt with corrosion control related issues. As we pointed out in our response these four locations represented a very small number relative to all of the inspection records maintained by Kinder Morgan. In addition, to the North system violation, Kinder Morgan's Liquid Pipelines Integrity Management Program was cited for nine NOV's; however, the violations were all programmatic issues and none of the issues dealt with factors specific to the findings related to this failure.

Kinder Morgan understands that consideration of the respondent's history of prior offenses is to be considered when determining the amount of the civil penalty; however, Kinder Morgan respectfully disagrees with PHMSA considering a violation that occurs in a subsidiary business unit, with different procedures, employees, and operating administrations in assessing the penalty in another business unit, which is the case in this instance. While the KM Liquid IMP program is an overarching program that covers many different operational entities (assets, operational areas, and business units), the issue at hand, was not an IMP issue, it was a KMEP Mid-Content Region procedure related issue. At the time of this event, the Mid-Contentment procedures were stand-alone procedures. Administratively, the Mid-Continent Region operations is under the direction of Dwayne Burton, Gas Pipelines Vice President of Operations and Engineering, and the IMP program is under the leadership of Ron McClain, Vice President of Operations and Engineering, KM Products Pipelines.

Sincerely,



Dwayne Burton
VP Gas Pipeline Operations and Engineering
Kinder Morgan Energy Partners, L.P.