

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 8, 2010

Mr. Kim Penner
President
Koch Pipeline Company
4111 East 37th Street North
Wichita, KS 67220

CPF 3-2010-5011M

Dear Mr. Penner:

On June 14-17, 2010, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) and the Minnesota Office of Pipeline Safety (MNOPS) pursuant to Chapter 601 of 49 United States Code inspected the operation and maintenance procedures for Koch Pipeline Company, L.P. at the Flint Hills Resources offices in Inver Grove Heights, MN. It was indicated by your personnel that these procedures also apply to the station facilities that Flint Hills Resources operates.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Koch Pipeline Company's (Koch) plans or procedures, as described below:

1. §195.402 Procedural Manual for Operations, Maintenance and Emergencies.

§195.402(a) - Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies.

§195.402(c) - The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(2) Gathering of data needed for reporting accidents under Subpart B of this part in a timely and effective manner.

Procedure must reference the Safety Related Condition form utilized by the company to meet this requirement. The procedure also needs to be updated to reflect the new PHMSA HQ address on page 2-3 to send the written reports. The address in the manual is the old address.

2. §195.402 (see above)

§195.402(c) indicates that the manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(3) Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

§195.422(b) requires that no operator may use any pipe, valve, or fitting, for replacement in repairing pipeline facilities, unless it is designed and constructed as required by this part.

When making repairs, the construction requirements for welding shall be followed; therefore, the procedure must be modified to ensure that the proper temperatures are utilized when re-baking low hydrogen rods and storing low hydrogen rods. Current temperatures in the procedures are too low according to manufacturer's specifications.

3. §195.402 (see above)

§195.310(a) & (b)(1)-(10) Records – A record must be made of each pressure test required by this subpart, and the record of the latest test must be retained as long as the facility tested is in use.

(b) The record required by paragraph (a) of this section must include:

- (1) The pressure recording charts;**
- (2) Test instrument calibration data;**
- (3) The name of the operator, the name of the person responsible for making the test, and the name of the test company used, if any;**
- (4) The date and time of the test;**
- (5) The minimum test pressure;**
- (6) The test medium;**

- (7) A description of the facility tested and the test apparatus;**
- (8) An explanation of any pressure discontinuities, including test failures, that appear on the pressure recording charts; and,**
- (9) Where elevation differences in the section under test exceed 100 feet (30 meters), a profile of the pipeline that shows the elevation and test sites over the entire length of the test section.**
- (10) Temperature of the test medium or pipe during the test period**

The procedure must include what records need to be kept after a pressure test and how long those records must be kept. Koch utilizes the form (040.120) for pressure testing documentation which details what is required. This form must be referenced from the procedure.

4. 195.402 Procedural Manual for Operations, Maintenance and Emergencies.

§195.402(a) requires that each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies.

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

- (1) Making construction records, maps, and operating history available as necessary for safe operation and maintenance.**

In the Manual, Page 3-3, the procedure needs to be modified to include that construction records, maps, and operating history will be made available as necessary to operating personnel.

5. §195.402 Procedural Manual for Operations, Maintenance and Emergencies.

§195.402(a) requires that each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies.

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

- (5) Analyzing pipeline accidents to determine their causes.**

In the procedures on Page 3-2 and in KPL G 220-170, it indicates that all accidents that meet part 195.50, will be investigated. By specifying only 195.50, this will exempt those

accidents that are significant, but do not meet the reporting requirements. This should be change to ensure that all significant incidents will be investigated.

6. §195.402 (See above)

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(11) Minimizing the likelihood of accidental ignition of vapors in areas near facilities identified under paragraph (c)(4) of this section where the potential exists for the presence of flammable liquids or gases.

The procedure should be expanded to reference all the actions that are done to meet this requirement. Current procedure indicates the requirement is met by signage, facility inspections, station walk through, and security of facilities. However, your personnel indicated that they were numerous other actions taken that were not described in the procedure.

7. §195.402 (See above)

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(13) Periodically reviewing the work done by operator to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found.

The procedure in Section 3.2, page 3-13 should specifically reference what is done to meet this requirement, and indicate how this is documented. Your personnel verbally indicated all the actions taken to meet this requirement, but the procedure in the manual re-stated the code without sufficient specifics regarding the actions taken to meet the requirement.

8. §195.402(See above)

(d) Abnormal operation. The manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded;

(2) Checking variations from normal operation after abnormal operation has ended at sufficient critical locations in the system to determine continued integrity and safe operation.

The procedure must be expanded to indicate that the entire line will be checked at sufficient critical locations to determine integrity and safe operations. Current procedures indicate that personnel will staff the pump stations only.

9. §195.402(See above)

(d) Abnormal operation. The manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded;

(3) Correcting variations from normal operation of pressure and flow equipment and controls.

The procedure on pages 4-2 and 4-6 should provide more guidance on determining why the abnormal operation occurred. It indicates that if it is determined that there is no leak, then restart the line. There is nothing in the procedure to determine why the variations occurred or to determine the root cause when needed.

10. §195.402(See above)

(d) Abnormal operation. The manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded;

(4) Notifying responsible operator personnel when notice of an abnormal operation is received.

In the tank filling procedure, no guidance is provided to safely perform this operation when a tank level gauge fails. The procedure only requires personnel to be there before and after the receipt of the product. It does not indicate that they should be present during the filling operation.

11. §195.402(See above)

(d) Abnormal operation. The manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded;

(5) Periodically reviewing the response of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found.

The procedure to periodically review must be expanded to fully describe all actions taken to meet the requirement, and how it is to be documented.

12. §195.402(See above)

(e) Emergencies. The manual required by paragraph (a) of this section must include procedures for the following to provide safety when an emergency condition occurs;

(8) In the case of failure of a pipeline transporting a highly volatile liquid, use of appropriate instruments to assess the extent and coverage of the vapor cloud and determine the hazardous areas.

The procedure to evaluate the extent and coverage of the vapor cloud and hazardous areas should fully reference other parts of the manual that readily identify actions taken. It should also indicate that appropriate instruments will be utilized to determine the extent and coverage of the vapor cloud.

13. §195.402(See above)

§195.403(b)(1) Emergency response training

(b) At the intervals not exceeding 15 months, but at least once each calendar year, each operator shall:

(1) Review with personnel their performance in meeting the objectives of the emergency response training program set forth in paragraph (a) of this section;

The procedure on page 6-5 of the manual needs to include that the annual training will review personnel performance in meeting the objective of the emergency response program.

14. §195.402(See above)

§195.404(a)(2) Maps and records

(a) Each operator shall maintain current maps and records of its pipeline systems that include at least the following information;

(2) All crossings of public roads, railroads, rivers, buried utilities, and foreign pipelines.

The Manual covers this in Section 5, but the procedure should also state that the Inspection and Investigation (I&I) and other reports get forwarded to the mapping group to ensure that the new crossings get mapped per the mapping group's procedures.

15. §195.402(See above)

§195.412(b) - Inspection of rights-of-way and crossings under navigable waters.

(b) Except for offshore pipelines, each operator shall, at intervals not exceeding 5 years, inspect each crossing under a navigable waterway to determine the condition of the crossing.

The procedure on page 3-14 should include a reference to TG1601.193 – “Evaluation of Pipeline Crossings Under Waterways”.

16. §195.402(See above)

§195.424 - Pipe movement.

(b) No operator may move any pipeline containing highly volatile liquids where materials in the line section involved are joined by welding unless-

(1) Movement when the pipeline does not contain highly volatile liquids is impractical;

(2) The procedures of the operator under §195.402 contain precautions to protect the public against the hazard in moving pipelines containing highly volatile liquids, including the use of warnings, where necessary, to evacuate the area close to the pipeline; and

(3) The pressure in that line section is reduced to the lower of the following:

(i) Fifty percent or less of the maximum operating pressure; or

(ii) The lowest practical level that will maintain the highly volatile liquid in a liquid state with continuous flow, but not less than 50 p.s.i. (345 kPa) gage above the vapor pressure of the commodity.

The procedure in section 3.1 on page 3-5 should be clarified so that the paragraph regarding the HVL line movement will be done in addition to what is specified in the previous paragraph. As it reads now, the previous paragraph specifically indicates that certain criteria must be considered and completed if any pipe is to be moved; whereas, the paragraph regarding HVL line movement just indicates what pressure must be on the line. It should also note that the previous paragraph must also be considered when moving the HVL line.

17. §195.402(See above)

§195.428(a) Overpressure safety devices and overflow protection systems

Each operator shall maintain adequate firefighting equipment at each pump station and breakout tank area. The equipment must be-

- (a) Except as provided in paragraph (b) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7½ months, but at least twice each calendar year, inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.**

The procedure on page 3-11 should include a reference to Maximo for the location of the actual step by step procedure for inspecting the pressure relief valves and the control valves.

18. §195.402(See above)

§195.430 Firefighting equipment.

Each operator shall maintain adequate firefighting equipment at each pump station and breakout tank area. The equipment must be-

- (a) In proper operating condition at all times;**
- (b) Plainly marked so that its identity as firefighting equipment is clear; and,**
- (c) Located so that it is easily accessible during a fire.**

The procedure should be modified to reflect that fire extinguishers not working or in need of maintenance must be replaced or repaired.

19. §195.402(See above)

§195.432(b) 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).**

The procedure on page 3-16 must be revised to include that external UT will be done every five years per API 653 Section 6.

20. §195.402(See above)

§195.442(c)(5) Damage Prevention Program

- (c) The damage prevention program required by paragraph (a) of this section must, at a minimum:**
- (5) Provide for temporary marking of buried pipelines in the area of excavation activity before, as far as practical, the activity begins.**

The procedure on page 5-7 should be modified to reflect that for abandoned lines in Minnesota, Koch personnel will identify those lines and they will be marked.

21. §195.402(See above)

§195.442(c)(6) Damage Prevention Program

- (6) Provide as follows for inspection of pipelines that an operator has reason to believe could be damaged by excavation activities:**
- (ii) In the case of blasting, any inspection must include leakage surveys.**

The procedure should be expanded to provide more guidance as to the “leak survey” requirements after blasting has occurred near pipelines. The Standard 220.120 appears to be a suitable reference for this procedure.

22. §195.561 When must I inspect pipe coating used for external corrosion control?

- (a) You must inspect all external pipe coating required by Sec. 195.557 just prior to lowering the pipe into the ditch or submerging the pipe.**

The Procedure on page 3-22 should be revised to reference PRC 1601.198 Field-Applied External Pipeline Coat and include the same requirements that are specified for Texas.

23. §195.402(See above)

§195.575 Which facilities must I electrically isolate and what inspections, tests, and safeguards are required?

(a) You must electrically isolate each buried or submerged pipeline from other metallic structures, unless you electrically interconnect and cathodically protect the pipeline and the other structures as a single unit.

The procedure on page 3-24 and TG 1603.206 – “Cathodic Protection Criteria and Requirements For Survey and Remedial Action” needs to be revised to ensure that all casings can be tested for electrical isolation.

24. §195.402(See above)

§195.581(c) Which pipelines must I protect against atmospheric corrosion and what coating material may I use?

(c) Except portions of pipelines in offshore splash zones or soil-to-air interfaces, you need not protect against atmospheric corrosion any pipeline for which you demonstrate by test, investigation, or experience appropriate to the environment of the pipeline that corrosion will-

- (1) Only be a light surface oxide; or**
- (2) Not affect the safe operation of the pipeline before the next scheduled inspection.**

The procedures for addressing the soil to air interface and the Technical Guidance should be revised to provide additional guidance on the distance the above grade coating for soil/air interface locations should extend.

25. §195.402(See above)

§195.583(c) What must I do to monitor atmospheric corrosion control?

(c) If you find atmospheric corrosion during an inspection, you must provide protection against the corrosion as required by Sec. 195.581.

The procedure for atmospheric corrosion should be revised to indicate the time frame for remedial actions.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 90 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to **CPF 3-2010-5011M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

David Barrett
Director, Central Region
Pipeline and Hazardous Materials Safety Administration

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

cc: Mr. Randy Lenz, Vice President – Flint Hills Resources