

**NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 23, 2011

Mr. Tom Saunders
PostRock (KPC) Pipeline, LLC
9520 North May Avenue
Suite 300
Oklahoma City, Oklahoma 73120

Dear Mr. Saunders:

CPF 3-2011-1014

On October 18-22, 25-28, and November 2-5, 2010, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your records and facilities in Olathe, Kansas.

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. §192.465 External corrosion control: Monitoring.

(d) Each operator shall take prompt remedial action to correct any deficiencies indicated by the monitoring.

PostRock did not take prompt remedial action to correct deficiencies indicated by annual corrosion control monitoring. PHMSA discovered during the records review that between the 2006 and 2010 calendar years there were 12 test station locations on PostRock's 8-inch P-80 pipeline that were either damaged or exhibited cathodic protection readings that did not meet minimum voltage criteria found in Appendix B to Part 192. These deficiencies remained uncorrected on one or more subsequent annual inspections as shown by the table below.

Milepost	Deficiency	Subsequent annual inspections remaining uncorrected
105 38+52	low cathodic potentials	2 years (2009-2010)
130 01+45	low cathodic potentials	1 year (2009)
140 10+23	low cathodic potentials	3 years (2008-2010)
141 15+82	low cathodic potentials	3 years (2008-2010)
255 18+25	broken test station	4 years (2007-2010)
291 06+28	broken test station	1 year (2006)
296 40+88	low cathodic potentials	1 year (2006)
297 23+80	broken test station	1 year (2006)
299 20+95	low cathodic potentials	1 year (2007)
301 15+27	broken test station	1 year (2006)
302 45+34	broken test station	1 year (2006)
354 37+15	broken test station	1 year (2007)

2. §192.476 Internal corrosion control: Design and construction of transmission line.

(c) *Change to existing transmission line.* When an operator changes the configuration of a transmission line, the operator must evaluate the impact of the change on internal corrosion risk to the downstream portion of an existing onshore transmission line and provide for removal of liquids and monitoring of internal corrosion as appropriate.

PostRock did not perform an evaluation of the impact of reconfiguring its P-100, P-110, P-30, and P-40 pipelines prior to placing the pipelines into service for bidirectional flow. PHMSA discovered during the records inspection that PostRock had reconfigured the pipelines for reverse flow in September, 2010; however, no evaluation had been initiated. Subsequent to the inspection, PostRock agreed to perform additional internal corrosion monitoring.

3. §192.481 Atmospheric corrosion control: Monitoring.

(a) Each operator must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

If the pipeline is located:	Then the frequency of inspection is:
Onshore.....	At least once every 3 calendar years, but with intervals not exceeding 39 months
Offshore.....	At least once each calendar year, but with intervals not exceeding 15 months

Between the 2006 and 2010 calendar years (CY) PostRock did not perform atmospheric corrosion inspections on 148 pipe locations exposed to the atmosphere within the 39 month maximum interval. PHMSA found during the records inspection that many atmospheric corrosion reports were missing. Subsequent to PHMSA's inspection, PostRock provided an itemized log of completed atmospheric corrosion inspections. The log showed that 82 valves and 66 pipe spans had not been inspected within the 3 CY frequency. Many inspections exceeded the 39 month maximum interval by 1 or more full years because they had last been inspected in CY 2002, 2003, or 2004.

4. §192.479 Atmospheric corrosion control; General.

(a) Each operator must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

PostRock did not clean and coat four locations where its pipelines were exposed to the atmosphere at creek crossings. PostRock did not perform tests or investigations to demonstrate that the atmospheric corrosion would not affect the safe operation of the pipeline per the exception in §192.479(c). During the field verification the exposed pipe at four creek crossings were observed by PHMSA to be in a condition that was not coated with a suitable material to prevent atmospheric corrosion. The following locations were observed to have exhibited atmospheric corrosion: MP 179 on the P-40 pipeline, MP 190 on the P-30 pipeline, MP 319 on the P-50 pipeline, and MP 104 on the P-20 pipeline.

5. §192.605 Procedural manual for operations, maintenance, and emergencies

(a) General. Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations.

(c) Abnormal operation. For transmission lines, 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) 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.

PostRock did not conduct reviews of its abnormal operations. PostRock personnel informed PHMSA during the records review that they did not have abnormal operations records or reviews because they never exceeded the pipeline “design limits.” However, during the field inspection, PHMSA discovered recorded instances of unintended activations of safety devices, such as emergency compressor shut downs (ESD’s). ESD’s are abnormal operations; however, PostRock personnel did not regard the ESD’s and other safety device actuations as abnormal operations as long as the pipeline did not exceed maximum allowable operating pressure (MAOP). Exceeding “operating design limits” does not exclusively mean exceeding MAOP/design pressure of pipe or pipeline system components. Operating design limits include all control parameters, procedures, or settings relevant to **§192.605(c)(1)**.

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 violations and has recommended that you be preliminarily assessed a civil penalty of \$65,000 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$28,900
3	\$22,700
4	\$13,400

Proposed Compliance Order

With respect to item numbers 1, 3, 4 and 5 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to PostRock (KPC) Pipeline, LLC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to item number 2 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 this item. Be advised that failure to do so may result in PostRock 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 3-2011-1014** 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

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to PostRock KPC Pipeline, LLC a Compliance Order incorporating the following remedial requirements to ensure the compliance of PostRock KPC Pipeline, LLC with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to deficiencies in corrosion control monitoring on its P-80 pipeline, PostRock must identify and repair all broken test stations, and remediate known deficiencies in cathodic protection voltage criteria found through the annual corrosion control monitoring program.
A plan to accomplish this Item shall be furnished to PHMSA within 30 days of issuance of the Final Order for approval by the Director, Central Region. PostRock must complete necessary repairs as delineated in the approved plan within 90 days of the director's approval.
2. In regard to Item Numbers 3 and 4 of the Notice pertaining to the deficiencies in atmospheric corrosion monitoring and control, PostRock must accomplish the following within 30 days of issuance of the Final Order:
 - i. Assess the integrity of the pipe at the four locations outlined in Item 4 of the Notice, make necessary repairs, clean and coat the pipe at each location, and furnish to PHMSA a report of the completed actions.
 - ii. Establish a plan to identify, inspect, and perform necessary repairs to all creek crossings, spans, and pipe exposed by soil erosion according to a 12-month prioritized schedule and furnish to the Director, Central Region a copy of the plan for review.
3. In regard to Item Number 5 of the Notice pertaining to PostRock's failure to review its abnormal operations, within 90 days of the issuance of the Final Order PostRock must:

- i. Make modifications to its Operations and Maintenance procedures so that it is clear that exceeding “operating design limits” applies to all applicable system design parameters, including unintended ESD’s and any other mechanical or electrical parameters associated with §192.605(c)(1)(i) through (v). The procedures must make it clear that exceeding MAOP is not the sole criteria for determining when abnormal operations have occurred. Establish and maintain a specific record or log, in association with operating procedures, in order to document abnormal operations. Identify abnormal operations (based on the modified procedures) that have occurred within the 36 months prior to the issuance of the Final Order, and incorporate the related records into the log required by **ii** above.
 - ii. Perform a review of the personnel responses to the abnormal operations identified in the log required by **ii** and **iii** above in order to determine the effectiveness of procedures, and supply to the Director, Central Region the results of the review. The results shall include a plan to take necessary corrective actions based on the findings of the review.
 - iii. Hold training meetings as necessary so that the changes to abnormal operations procedures and documentation required by this Item are well understood by all applicable personnel, and submit a roster of all personnel who received the training to the Director, Central Region.
4. It is requested (not mandated) that PostRock maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to David Barrett, Director, Central Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.