

AUG 08 2011

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, DC 20590

_____)
In the Matter of)
)
ONEOK NGL Pipeline, LP) CPF No. 3-2011-5008S
)
Respondent)
_____)

CONSENT AGREEMENT

On June 15, 2011, the Pipeline and Hazardous Materials Safety Administration (PHMSA), U.S. Department of Transportation, issued a Notice of Proposed Safety Order (Notice) to ONEOK NGL Pipeline, LP (Respondent). The Notice alleges that Respondent’s 106W pipeline and the North System control systems has a condition or conditions that, without corrective measures, would pose a pipeline integrity risk to public safety, property, or the environment. Specifically, the Notice alleges that the conditions that caused the May 14, 2011 failure at a cased road crossing in Romeoville, Illinois demonstrate the presence of integrity risks on the 106W pipeline including risks identified during a post-accident review of the North System control systems.

In connection with the issuance of the Notice, Respondent and PHMSA engaged in good faith settlement discussions resulting in this Consent Agreement (the “Agreement”).

Having agreed that settlement of this proceeding will avoid further administrative proceedings or litigation and that entry of this Consent Agreement is the most appropriate means of resolving the Notice, pursuant to 49 C.F.R. Part 190, without adjudication of any issue of fact or law, and upon consent and agreement of Respondent and PHMSA (“the Parties”), the Parties agree as follows:

I. General Provisions

1. Respondent acknowledges that as operator of the North System pipeline, Respondent and its pipeline system are subject to the jurisdiction of the Federal pipeline safety laws, 49 U.S.C. 60101 *et seq.*, and the regulations and administrative orders issued thereunder. For purposes of this Consent Agreement, Respondent acknowledges that it received proper notice of PHMSA’s action in this proceeding and that the Notice states

claims upon which relief may be granted pursuant to 49 U.S.C. 60101 *et seq.* and the regulations and orders issued thereunder.

2. Respondent neither admits nor denies the allegations in the Notice, but agrees, for purposes of this proceeding, that the integrity risk identified in the Notice exists as described in the Notice and agrees to address it by completing the actions specified in Section II of this Consent Agreement (“Work to be Performed”), including the actions set forth in any work plans and schedules each of which shall automatically be incorporated into this agreement upon approval. This Consent Agreement does not constitute a finding of violation of any Federal law or regulation and may not be used in any civil proceeding of any kind as evidence or proof of any fact, fault or liability, or as evidence of the violation of any law, rule, regulation or requirement, except in a proceeding to enforce the provisions of this Agreement. Respondent’s participation in this Consent Agreement shall not constitute or be construed as an admission of liability for any purpose except in a proceeding to enforce the provisions of this Agreement.

3. After Respondent returns this signed Consent Agreement, PHMSA’s representative will present it to the Associate Administrator for Pipeline Safety recommending that the Associate Administrator adopt the terms of this Agreement by issuing an administrative order (Consent Order) incorporating the terms of this Consent Agreement. The terms of this Consent Agreement constitute an offer of settlement until accepted by the Associate Administrator. Upon the effective date of this Agreement, any request for a hearing submitted by Respondent shall be automatically withdrawn.

4. Respondent consents to the issuance of the Consent Order, and hereby waives any further procedural requirements with respect to its issuance. Except as provided in Item 29 and Section IV of this Agreement, Respondent waives all rights to contest the adequacy of notice, or the validity of the Consent Order or this Consent Agreement, including all rights to administrative or judicial hearings or appeals.

5. This Consent Agreement shall apply to and be binding upon PHMSA, and upon Respondent, its officers, directors, and employees, and its successors, assigns, or other entities or persons otherwise bound by law. Respondent agrees to provide a copy of this Consent Agreement and any incorporated work plans and schedules to all of Respondent’s officers, employees, and agents whose duties might reasonably include compliance with this Agreement.

6. For all transfers of ownership or operating responsibility of the 106W pipeline, or the North System, Respondent shall provide a copy of this Consent Agreement to the prospective transferee at least 30 days prior to such transfer and simultaneously provide written notice of the prospective transfer to the PHMSA Central Region Director (Director).

7. This Consent Agreement constitutes the final, complete and exclusive agreement and understanding between the Parties with respect to the settlement embodied in this Agreement, and the Parties acknowledge that there are no representations, agreements or

understandings relating to the settlement other than those expressly contained in this Agreement, except that the terms of this Agreement may be construed by reference to the Notice.

8. Nothing in this Consent Agreement affects or relieves Respondent of its responsibility to comply with all applicable requirements of the Federal pipeline safety laws, 49 U.S.C. § 60101 *et seq.*, and the regulations and orders issued thereunder. Nothing in this Consent Agreement alters PHMSA's right of access, entry, inspection, and information gathering or PHMSA's authority to bring enforcement actions against Respondent pursuant to the Federal pipeline safety laws, the regulations and orders issued thereunder, or any other provision of Federal or State law.

9. This Consent Agreement does not waive or modify any Federal, State, or local laws or regulations that are applicable to Respondent's pipeline systems. This Consent Agreement is not a permit, or a modification of any permit, under any Federal, State, or local laws or regulations. Respondent remains responsible for achieving and maintaining compliance with all applicable Federal, State, and local laws, regulations and permits.

10. This Consent Agreement does not create rights in, or grant any cause of action to, any third party not party to this Agreement. The U.S. Department of Transportation is not liable for any injuries or damages to persons or property arising from acts or omissions of Respondent or its officers, employees, or agents carrying out the work required by this Consent Agreement. Respondent agrees to indemnify and hold harmless the U.S. Department of Transportation, its officers, employees, agents, and representatives from any and all causes of action arising from any acts or omissions of Respondent or its contractors in carrying out the work required by this Agreement.

II. Work to be Performed

11. Develop and submit a written restart plan for approval by the Director, Central Region, PHMSA (Director) for this segment. The restart plan must provide for adequate patrolling of the pipeline during the restart process, specify a daylight restart, provide details associated with the monitoring of other casings, and detail advance communications with local emergency response officials. The restart plan must include actions taken by ONEOK to confirm the integrity of pipeline facilities that were damaged, or were suspected of being damaged, as a result of the incident, prior to restart. After completion of restart ONEOK shall submit within 30 days of the receipt of the Order or Agreement documentation demonstrating the advance communications with local emergency response officials.

12. After the line has been restarted, the operating pressure of the 106W pipeline must not exceed 80% of the actual operating pressure in effect immediately prior to the May 14, 2011 failure. Specifically, the discharge pressure at Lamont Station into 106W must not exceed 918 psig. This pressure reduction requires any relevant remote or local alarm limits, software programming, set-points or control points, and mechanical over-pressure devices to be adjusted accordingly. Documentation of the adjustments to alarm limits,

software programming, set-points etc shall be submitted. The pressure restriction must remain in effect until written approval to increase the pressure or return the pipeline to its pre-failure operating pressure is obtained from the Director, as set forth in Item 27. If the results of any action undertaken pursuant to the Agreement necessitate a reduction in the operating pressure permitted by the Agreement, ONEOK must further reduce the operating pressure accordingly and notify the Director.

13. Within 15 days of receipt of the Order, submit a plan to conduct an instrumented leak survey of the 106W pipeline system detailing the schedule for the expeditious completion of the leak survey within 30 days of initiating the survey. Include in the plan a description of the equipment to be used and performance specifications describing sensitivity of leak detection. The plan must include provision for submission of a summary report detailing the findings of the leak survey to be provided directly from the instrumented leak survey provider to the Director. This summary report should include a description of any elements affecting the leak survey data, the area covered and associated ranges of the leak survey findings, and any other items of significance such as accuracy of the instrumentation or malfunction of equipment. The Director is to receive distribution of all resulting reports in their entirety, including all media, at the same time they are made available to ONEOK. The plan must provide for the ongoing performance of patrol surveillance activities for 106W pipeline on a weekly basis until approved otherwise by the Director.

Within 5 days from of the leak survey completion, submit a separate report detailing the schedule of planned maintenance activities to occur as a result of the leak survey for the 106W pipeline system.

14. Within 45 days of the Director's approval of testing protocols, complete third-party mechanical and metallurgical testing and failure analysis of the 106W pipeline failed pipe, the associated spacer(s) and casing as relevant to the incident. If a review of the casing vent stacks is required for any reason based on information received from the third-party tester, this shall be completed as well. Provide documentation verifying manufacturer and seam type, or in the alternative the testing shall also include examination of a sample of pipe to confirm wall thickness and seam type (low or high frequency ERW). The testing and analysis must be completed as follows:

- (A) Document the chain of custody when handling and transporting the failed pipe section and other evidence originating from the failure site;
- (B) Utilize mechanical and metallurgical testing protocols which have been previously approved by the Director;
- (C) Prior to commencing the mechanical and metallurgical testing, provide the Director with the scheduled date, time, and location of the testing to allow a PHMSA representative to witness the testing; and

- (D) Ensure that the testing laboratory distributes all resulting reports in their entirety, including all media, whether draft or final, to the Director at the same time they are made available to ONEOK. Additional testing may be requested by the Director based on metallurgical findings.

15. Within 30 days of receipt of the Order, conduct an evaluation of the previous in-line inspection (ILI) results, including a review and reporting by the ILI vendors' analysts (including raw data) of the failed 106W pipeline as follows:

- (A) Re-evaluate the 1996 and 2007 in-line inspection results to determine whether any features with similar characteristics to the feature at the failure site are present elsewhere on the pipeline; and
- (B) Within 15 days of the completion of the re-evaluation, submit a report within describing the process used to re-evaluate ILI results, and the results of the re-evaluation.

16. Within 30 days of receipt of the Order, perform an ILI of the 106W pipeline. Before performing the ILI tool run, the Director will review and approve the final criteria and specific technology considerations ONEOK has taken into account when selecting the specific tool. Technology considerations and final criteria should account for the size of anomalies experienced in the casing and other 106W pipeline specific elements. The data analysis must be completed within 60 days of successful completion of the ILI. The ILI must include consideration of best technology to reliably detect and size anomalies in casings. The ILI vendor shall evaluate the results per a performance specification, including consideration of the location and size of the defect that failed on May 14, 2011. Results of the inline inspection must be compared with previous ILI results from 1996 and 2007. Submit the ILI results to the Director including: the comparison with prior results, and a plan for remediation of anomalies requiring immediate action; including criteria for immediate action.

17. Perform corrective measures to SCADA operations as follows:

- (A) Within 30 days of the receipt of the Order, submit a review and implementation plan to the Director for a leak detection system on the entire North system. The implementation plan shall include a timeline to complete implementation for all pipeline segments on all Consoles for the North system and is not to exceed 24 months. A prioritization for all pipeline segments on the Consoles operating the ONEOK North system is to be included in the implementation plan submitted. This review and implementation plan shall include instrumentation improvements. Upon completion of the review submit a report for the Director's approval describing the prioritization, consideration of risk in developing schedule, implementation milestones, and a detailed explanation of the existing and new instrumentation requirements to be utilized for each prioritized leak detection section.

- (B) Within 90 days of receipt of the Order, install and activate additional instrumentation on the 106W pipeline. At a minimum, this instrumentation must consist of pressure and flow monitoring at the Wayne station IAP Valve 185 and additional pressure monitoring on either side of IAP Valve 184, IAP Valve 416, and IAP Valve 4. This instrumentation shall be used by the future leak detection system. If additional instrumentation is required for the leak detection, this shall also be installed.
- (C) Within 1 year of receipt of the Order, update the SCADA software to a version that will allow stale data, forced values, or points off scan to be backlit a different color per individual point on each Function Control Unit (FCU). Should additional time be required after initiating this upgrade for complete implementation, ONEOK will utilize provisions identified in Item 18.

18. Within 60 days of receipt of the Order, identify what caused the console logger to stop working for the console assigned the tag name TCU2. Contact the vendor and work to design and implement a software alarming system to indicate when this happens in the future. In addition, create a “re-boot” log that records all times, dates, identify employee performing, systems involved and /or causing, and reasons for rebooting of SCADA PCs or servers. This log shall be kept and available for PHMSA review upon request.

19. Within 60 days of receipt of the Order, thoroughly review and update all written control room procedures to reflect ONEOK specific requirements and remove references to previous pipeline operator(s).

20. Within 60 days of receipt of the Order, submit to the Director a company-wide management of change process including attached documentation describing the various departments that utilize the process and how the process is implemented by all departments within ONEOK. Require all revisions to procedures, process, assets including abandonments or idling of facilities, instrumentation, communication, networks, or new pipeline facilities involve the control room in such a manner as their input is provided before final decisions are made and their involvement is performed with enough time that controller training can occur in advance of operations of any asset associated with changes or newly operated. This is required to involve all departments in ONEOK Partners at large including but not limited to: asset management, scheduling, new business development, operations (field and headquarters), communications, design and engineering (field and headquarters), maintenance, leak detection, integrity management, IT, etc.

21. Within 90 days of receipt of the Order, design and implement a training program for all maintenance crews requiring them to call the control room before, during, and upon completion of all maintenance activity. The program must emphasize that this required contact should occur as frequently as needed to keep all controllers aware of the status of maintenance activities. This applies to any pipeline or facility repairs, emergency response, routine valve maintenance, routine instrumentation, or other routine maintenance.

22. Within 120 days of receipt of the Order, develop and submit to the Director for prior approval a remedial work plan that includes corrective measures. The work plan must provide for the verification of the integrity of the 106W pipeline and must fully address all known or suspected factors that caused or contributed to the May 14, 2011 incident, including, but not limited to:

- (A) The integration of the information developed from the actions required by the Agreement or Order with all historical construction, operating, maintenance, testing, and assessment data for the entire pipeline including:
 - (i) Within 30 days of completion of the testing and analysis required by Items 13-16, complete a root cause failure analysis for 106W pipeline relating to the May 14, 2011 incident that is supplemented and facilitated by an independent third-party expert acceptable to the Director. Elements of the root cause analysis must include, but not be limited to: scoping document of the root cause analysis; procedures associated with root cause analysis; multiple methods used for the analysis and updates on each method as it progresses; contributory factors; documentation of the decision-making process; and a final report of the root cause process results, including any lessons learned and whether the findings are applicable to other locations within the ONEOK System; and
 - (ii) Within 30 days of completion of the root cause failure analysis, integrate the findings of the root cause failure analysis into other data integration efforts and the remedial work plan.
- (B) The performance of additional field testing, inspections, and evaluations to determine whether and to what extent the conditions associated with the failure, or any other integrity-threatening conditions are present elsewhere on the 106W pipeline. Data-gathering activities must include a review of the failure history (in-service and pressure test failures) of the entire length of the 106W pipeline and development of a written report to the Director containing all available information regarding locations, dates, and causes of failures. Include a detailed description of ONEOK's plan to confirm the integrity of the 106W pipeline, including the criteria to be used for the evaluation and prioritization of any integrity threats and anomalies that are identified. Make the results of the actions required by this provision available to the Director or PHMSA's representative;
- (C) The performance of repairs or other corrective measures that fully remediate the condition(s) associated with the pipeline failures and any other integrity-threatening condition everywhere along the 106W pipeline where such conditions are identified by the evaluation process. Include a detailed

description of the repair criteria and method(s) to be used in undertaking any repairs or other remedial actions;

- (D) Provisions for continuing long-term periodic testing and integrity verification measures to ensure the ongoing safe operation of the 106W pipeline considering the results of the analyses, inspections, and corrective measures undertaken pursuant to the Safety Order; and
- (E) A proposed risk-based schedule for completion of the actions required by paragraphs (A) through (D) of this Item, including a schedule associated with all elements of the internal root cause analysis. Provide the Director with advance notice of scheduled repairs.

23. The remedial work plan becomes incorporated into the Agreement and must be revised as necessary to incorporate the results of actions undertaken pursuant to the Agreement and whenever necessary to incorporate new information obtained during the failure investigations and remedial activities. Submit any such plan revisions to the Director for prior approval. The Director may approve plan elements incrementally.

24. Implement the remedial work plan as approved by the Director, including any revisions to the plan. The results of all actions taken in accordance with the approved plan must be available for review by PHMSA or its representative.

25. Submit monthly reports to the Director that: (1) include available data and results of the testing and evaluations required by the Order or Agreement; and (2) describe the progress of the repairs and other actions being undertaken as a result of the Agreement. The first monthly report is due on the last day of the month following receipt of the Order. The regular intervals for submitting reports may be adjusted with prior approval of the Director.

26. Respondent agrees to maintain documentation of the costs associated with implementation of the Agreement, and include in each report submitted pursuant to Item 25, the to-date total costs associated with: (1) preparation and revision of procedures, studies and analyses; (2) physical changes to pipeline infrastructure, including repairs, replacements and other modifications; and (3) environmental remediation, if applicable.

27. The Director may allow the removal or modification of the pressure restriction set forth in Item 12 upon a written request from ONEOK demonstrating that the hazard has been abated and that restoring the pipeline, or portion thereof, to its pre-failure operating pressure would be justified, based on a reliable engineering analysis showing that the pressure increase is safe considering all known defects, anomalies, and operating parameters of the pipeline.

28. The Director may grant an extension of time for compliance with any of the terms of the Agreement upon a written request timely submitted demonstrating good cause for an extension.

29. ONEOK may appeal any decision of the Director to the Associate Administrator for Pipeline Safety. Decisions of the Associate Administrator are final.

III. Review and Approval Process

30. With respect to any submission under Section II of this Agreement that requires the approval of the Director, the Director may: (a) approve, in whole or in part, the submission, (b) approve the submission on specified conditions, (c) disapprove, in whole or in part, the submission, or (d) any combination of the foregoing. In the event of approval, approval in part, or approval upon conditions, Respondent will proceed to take all action required by the submission as approved by the Director, subject to Respondent's right to invoke the dispute resolution procedures in Section IV with respect to any conditions identified by the Director. In the event that the Director disapproves all or any portion of the submission, the Director will provide Respondent with a written notice of the deficiencies. Respondent will correct all deficiencies within the time specified by the Director and resubmit it for approval.

IV. Dispute Resolution

31. The Director and Respondent will informally attempt to resolve any disputes arising under this Agreement. If Respondent and the Director are unable to informally resolve the dispute within 15 days, Respondent may request in writing, within 10 days, a written determination resolving the dispute from the Associate Administrator for Pipeline Safety providing all information that Respondent believes is relevant to the dispute. If the request is submitted as provided herein, the Associate Administrator will issue a determination in writing which shall be final. The existence of a dispute and PHMSA's consideration of matters placed in dispute shall not excuse, toll, or suspend any term or timeframe for completion of any work to be performed under this Consent Agreement during the pendency of the dispute resolution process except as agreed by the Director or the Associate Administrator in writing.

V. Enforcement

32. This Agreement, as adopted by the Consent Order, is subject to all enforcement authorities available to PHMSA under 49 U.S.C. § 60101 *et seq.* and 49 C.F.R. Part 190, including administrative civil penalties under § 60122 of up to \$100,000 per violation for each day the non-compliance continues, if PHMSA determines that Respondent is not materially proceeding in accordance with terms of this Agreement, with determinations made by the Director, or if such determinations are appealed with decisions of the Associate Administrator. All work plans and associated schedules set forth or referenced in Section II shall be automatically incorporated into this Agreement and are enforceable in the same manner.

VI. Record Keeping and Information Disclosure

33. Respondent agrees to maintain records demonstrating compliance with all requirements of this Agreement for a period of at least five years following completion of all work to be performed. For any reports, plans, or other deliverables required to be submitted to PHMSA pursuant to this Agreement, Respondent may assert a claim of business confidentiality or other protections applicable to the release of information by PHMSA, covering part or all of the information required to be submitted to PHMSA pursuant to this Agreement in accordance with 49 C.F.R. Part 7. The claim of confidentiality shall be marked in writing on each page, and shall include a statement specifying the grounds for each claim of confidentiality. PHMSA shall determine release of any information submitted pursuant to this Consent Agreement in accordance with 49 C.F.R. Part 7, the Freedom of Information Act, 5 U.S.C. § 552, DOT and/or PHMSA policies, and other applicable regulations and Executive Orders.

VII. Effective Date

34. The “Effective Date” as used herein is the date on which this Agreement has been signed by both Respondent and PHMSA. Unless specified to the contrary, all deadlines for actions required by this Agreement run from the date of issuance of the Consent Order adopting this Agreement.

VIII. Modification

35. The terms of this Agreement may be modified by mutual agreement of the Parties. Such modifications shall be in writing and shall be signed by both Parties.

IX. Termination

36. This Agreement shall terminate upon the completion of all terms set forth in Section II (Work to Be Performed). Respondent may request written confirmation from PHMSA when this Agreement is terminated. To the extent ongoing monitoring is required, PHMSA may terminate this Agreement with respect to all other requirements with the exception of such monitoring. Nothing in this Agreement prevents Respondent from completing any of the obligations earlier than the deadlines provided for herein.

X. Ratification

37. The Parties' undersigned representatives certify that they are fully authorized to enter into the terms and conditions of this Agreement and to execute and legally bind such party to this document.

38. The Parties hereby agree to all conditions and terms of this Consent Agreement:

For PHMSA:

For Respondent:

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

Mr. Wes Christensen
Senior Vice-President of Operations
ONEOK NGL Pipeline, LP

Date

Date