NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 29, 2012

Mr. Dwayne Burton
Vice President of Operations
Kinder Morgan Interstate Gas Transmission Company
One Allen Center
500 Dallas Street, Suite 1000
Houston, Texas 77002

CPF 3-2012-1007

Dear Mr. Burton:

On September 13-17, October 18-22, October 25-29, November 15-19, 2010, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Kinder Morgan Interstate Gas Transmission Company (KMIGT) procedures for operations and maintenance in Kearney, Nebraska. KMIGT is a subsidiary of a Master Operating Entity, Kinder Morgan Energy Partners, L.P. (KMEP).

As a result of the inspection, it appears that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The item inspected and the probable violation is:

1. §192.605 Procedural manual for operations, maintenance, and emergencies

   (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.

KMIGT did not perform periodic reviews of personnel responses to certain abnormal operations. KMIGT personnel informed PHMSA during the records review that they did not regard the operation of a relief valve as an abnormal operation. PHMSA
requested documentation of instances of relief valve operation and a document was provided titled "Loss Causation Report" which described a March 3, 2010, release of gas from a relief valve due to a malfunctioned regulator pilot. The release is by definition an abnormal operation for transmission lines because the relief valve is a safety device where the set point of the regulator is the design limit. Operating design limits include all mechanical or electrical control parameters and set points necessary for normal operation. Per §192.605(c)(1) abnormal operations occur when there are any of the following: unintended valve closure or shutdowns, increases or decrease in pressure or flow rate outside normal operating limits, loss of communications, or the operation of any safety device. KMIGT did not conduct a review of this release because its O&M Procedure 1902 does not identify the operation of any safety device as an abnormal operation, but rather states, “Improper operation or operation outside of design parameters of any safety device, e.g., relief valve not resetting.”

Proposed Compliance Order

With respect to item 1 pursuant to 49 United States Code §60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Kinder Morgan Interstate Gas Transmission Company. Please refer to the Proposed Compliance Order, which is enclosed and made a part of this Notice.

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. All material you submit in response to this enforcement action may be 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 3-2012-1007 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 KMIGT a Compliance Order incorporating the following remedial requirements to ensure the compliance of KMIGT with the pipeline safety regulations:

1. In regard to Item number 1 of the Notice pertaining to KMIGT's failure to record and periodically review its abnormal operations, KMIGT must:
   
i. Make modifications to its Operations and Maintenance Manual of procedures, including O&M Procedure 1902, so that it is clear that exceeding “operating design limits” applies to all applicable system design parameters, including all mechanical and electrical safety device settings associated with §192.605(c)(1)(i) through (v). The procedures must also make it clear that exceeding MAOP is not a requirement for an abnormal operation to occur.
   
   ii. Make modifications to its Operations and Maintenance Manual of procedures, including O&M Procedure 1902, to clarify that an abnormal operation includes “operation of any safety device.”
   
   iii. Develop necessary training material and schedule training of appropriate personnel on the modified procedures and incorporate as necessary into the Operator Qualification program required by Part 192 Subpart N.
   
   iv. Identify previous abnormal operations, as defined by the modified procedures required by (i) and (ii) above, using records of loss causation reports and similar records for 1 year prior to the date of issuance of a Final Order, and conduct a review of the results, including determination of corrective actions.
   
   v. Submit for review and approval a Summary of all results and actions taken as required by this Proposed Compliance Order to the Director, PHMSA Central Region within 90 days of receipt of a Final Order.