NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 2, 2008

William White, VP Operations & Engineering
Kinder Morgan Inc
500 Dallas St, Suite 1000
Houston, TX 77002

CPF 4-2008-8001M

Dear Mr. White:

On April 25 & 26, 2006, representatives of the Pipeline and Hazardous Materials Safety Administration, Arizona Corporation Commission, and the State of California, Office of State Fire Marshall, (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your Operator Qualification Program (Program) in Houston, Texas. Your Program was inspected for both Natural Gas and Hazardous Liquid, and is the Program for 19 corporate entities with PHMSA Operator Identification Numbers as follows: KM Interstate Gas Transmission Co, #1007; Kinder Morgan Texas Pipeline Co, #31451; Natural Gas Pipeline Co of America (KMI), #13120; Trailblazer Pipeline Co (KMI), #19574; Trans – Colorado pipeline Co, #19580; KMI Casper, #13702; Rocky Mountain Natural Gas Co, #17620; KM Retail Lines, #10030; Kinder Morgan Tejas Pipeline, #4900; Kinder Morgan North Texas Pipeline, #31269; Kinder Morgan Energy Partners, L.P., #4472; Heartland pipeline Co, #31344; SFPP, LP, #18092; CalNev Pipeline Co, #26125; Central Florida Pipeline Co, #2190; Plantation Pipe Line Co, #15674; Kinder Morgan Liquid Terminals, LLC, #26041; Kinder Morgan CO2 Co. LP, #31555; and Kinder Morgan Wink Pipeline LP, #31957. For purposes of this letter, the 19 corporate entities will be called “Kinder Morgan”.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Kinder Morgan’s plans or procedures, as described below:

1. §192.805 & §195.505 Qualification program.
Each operator shall have and follow a written qualification program. The program shall include provisions to:
(a) Identify covered tasks;
§192.801 & §195.501 Scope.
(b) For the purpose of this subpart, a covered task is an activity, identified by the operator, that:
   (1) Is performed on a pipeline facility;
   (2) Is an operations or maintenance task;
   (3) Is performed as a requirement of this part; and
   (4) Affects the operation or integrity of the pipeline.

At the time of the inspection, Kinder Morgan’s Program did not clearly distinguish between operations and Maintenance (O&M) tasks and non-O&M tasks and the covered task list did not include maintenance and servicing of small tubing used for liquid pipeline sensors and equipment.

Kinder Morgan must clarify and describe in greater detail four bullets that are found in Section 9.2 of its Program. The 4 bullets describe work activities that are not O&M tasks. The concern is that an activity normally considered as O&M, or that has O&M tasks and non-O&M tasks, could be interpreted to be 'work on pipe not connected', 'a new installation', or 'replacement upgrade' unless this Section is clarified.

Kinder Morgan’s Program must have provisions established and documented to ensure that maintenance and servicing of small tubing used for liquid pipeline sensors and equipment is listed as a covered task

2. §192.805 & §195.505 Qualification program.

Each operator shall have and follow a written qualification program. The program shall include provisions to:
(b) Ensure through evaluation that individuals performing covered tasks are qualified;

Definitions. §192.803 & §195.503

Qualified means that an individual has been evaluated and can:
(a) Perform assigned covered tasks; and
(b) Recognize and react to abnormal operating conditions.

At the time of the inspection, Kinder Morgan’s Program did not address non-English speaking workers.

Kinder Morgan’s Program must have provisions established and documented to ensure effective communication of operator-specific requirements for task performance when qualified contractor individuals speak and comprehend languages other than English.

3. §192.805 & §195.505 Qualification program.

Each operator shall have and follow a written qualification program. The program shall include provisions to:
(c) Allow individuals that are not qualified pursuant to this subpart to perform a covered task if directed and observed by an individual that is qualified;

At the time of the inspection, Kinder Morgan's Program did not specify span of control by task, that a qualified observer can reduce the span of control based on his own judgment, or ensure the ability of qualified individuals to effectively communicate direction of task activities and reactions to AOC to unqualified individuals who speak and comprehend languages other than English.

Kinder Morgan's Program must specify a maximum span of control by task, and must specify that a qualified observer can reduce the span of control based on his own judgment.

Kinder Morgan's Program must have provisions established and documented to ensure the ability of qualified individuals to effectively communicate direction of task activities and reactions to AOC to unqualified individuals who speak and comprehend languages other than English.

4. §192.805 Qualification program.
   (f) Communicate changes that affect covered tasks to individuals performing those covered tasks;

§192.803 & §195.503 Definitions.
Abnormal operating condition means a condition identified by the operator that may indicate a malfunction of a component or deviation from normal operations that may:
   (a) Indicate a condition exceeding design limits; or
   (b) Result in a hazard(s) to persons, property, or the environment.

Qualified means that an individual has been evaluated and can:
   (a) Perform assigned covered tasks; and
   (b) Recognize and react to abnormal operating conditions.

At the time of the inspection, Kinder Morgan's Program did not describe how tailgate meetings are used to address site specific abnormal operating conditions and did not have provisions established and documented to show how incident/accident investigations, employee feedback programs, or other approaches to ensure that the AOC identified and used in evaluating individuals are representative of those that could reasonably be anticipated during performance of covered tasks.

Kinder Morgan reports that they use tailgate meetings to address site specific abnormal operating conditions. Kinder Morgan's Program must have provisions established and documented to show how the tailgate meeting will address site specific abnormal operating conditions.

Kinder Morgan's Program must have provisions established and documented to show how incident/accident investigations, employee feedback programs, or other approaches to ensure that the AOC identified and used in evaluating individuals are representative of those that could reasonably be anticipated during performance of covered tasks.
5. §192.805 & §195.505 Qualification program.
   Each operator shall have and follow a written qualification program. The program
   shall include provisions to:

   (l) After December 16, 2004, notify the Administrator or a state agency
   participating under 49 U.S.C. Chapter 601 if the operator significantly
   modifies the program after the Administrator or state agency has verified
   that it complies with this section.

At the time of the inspection, Kinder Morgan did not have provisions established and
documented for notification to appropriate State agencies of significant changes to its Program,
and did not have a definition of 'significant'.

Kinder Morgan's Program must have provisions established and documented for notification to
appropriate State agencies, and must provide a definition of 'significant'.

   (b) Records supporting an individual's current qualification shall be
   maintained while the individual is performing the covered task.
   Records of prior qualification and records of individuals no longer
   performing covered tasks shall be retained for a period of five years.

At the time of the inspection, Kinder Morgan's Program was inadequate concerning records
retention of contractor individuals.

Kinder Morgan's Program must have provisions established and documented to ensure the
availability and maintenance of qualification records for contractor individuals performing
covered tasks for the operator. The records for contractor individuals (see Section 8 of the
Program) need to be retained for as long as the employee records (see Section 5 of the
Program).

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 30 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 4-2008-8001M and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley  
Director, Southwest Region  
Pipeline and Hazardous  
Materials Safety Administration

Enclosure: Response Options for Pipeline Operators in Compliance Proceedings