

JUNE 12, 2012

VIA CERTIFIED MAIL [Mr. Dwayne Burton] AND FAX TO: (713)-495-7432

Mr. Dwayne Burton
Vice President, Gas Pipeline Operations
Natural Gas Pipeline Company of America (KMI)
500 Dallas Street, Suite 1000
Room 3180H
Houston, TX 77002

Re: CPF No. 4-2012-1011H

Dear Mr. Burton:

Enclosed please find the Corrective Action Order issued in the above-referenced case. It finds that operation of Natural Gas Pipeline Company of America's 26-inch Oklahoma Extension natural gas pipeline is hazardous to life, property, and the environment without corrective action. The Corrective Action Order requires you to take immediate action to protect the public, property, and the environment in connection with the failure of the pipeline that occurred on or about June 6, 2012, near Laketon, Texas.

Service of the Corrective Action Order is being made by certified mail and facsimile. Your receipt of this Corrective Action Order constitutes service of that document under 49 C.F.R. § 190.5. The terms and conditions of the Order are effective upon receipt.

We look forward to a successful resolution of the concerns arising out of this failure to ensure the safe operation of the pipeline. Please direct any questions on this matter to Rod Seeley, Director, Southwest Region, OPS, at (713) 272-2852.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosures: Corrective Action Order and Copy of 49 C.F.R. § 190.233

cc: Mr. Alan Mayberry, Deputy Associate Administrator for Field Operations, OPS
Mr. Rod Seeley, Director, Southwest Region, OPS

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

_____)	
In the Matter of)	
)	
Natural Gas Pipeline)	CPF No. 4-2012-1011H
Company of America (KMI),)	
)	
Respondent.)	
_____)	

CORRECTIVE ACTION ORDER

Purpose and Background

This Corrective Action Order (Order) is being issued under 49 U.S.C. § 60112 to Natural Gas Pipeline Company of America (KMI) (NGPA or Respondent), the operator of the 26-inch diameter Oklahoma Extension natural gas pipeline. This Order finds that operation of the pipeline without corrective action is hazardous to life, property, or the environment and requires Respondent to take immediate action to ensure the safe operation of the pipeline.

On or about June 6, 2012, Respondent experienced a failure on the Oklahoma Extension (OE #1) pipeline near the town of Laketon, Texas, resulting in a release of gas that ignited and burned.

Pursuant to 49 U.S.C. § 60117, the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), initiated an investigation of the accident. The cause of the failure has not yet been determined. The preliminary findings of the investigation are as follows:

Preliminary Findings

- At approximately 2:00 a.m. CDT on June 6, 2012, Respondent experienced a sudden pressure drop on the OE #1 pipeline, requiring shut down of the line. Pampa local law enforcement contacted Respondent's Gas Control 800 number and reported a fire in the vicinity of a compressor station in a rural farming area.
- The failure occurred at Compressor Station 154 located at Mile Post (MP) 52 in Gray County, Texas, approximately four miles east of the town of Laketon.

- The escaping gas ignited, leaving a crater approximately 30 feet in diameter and burning approximately two acres of an agricultural area including two 500-gallon plastic tanks used to store liquid fertilizer. The fire also burned two telephone poles and associated transformers and required State Highway 152 to be shut down for several hours.
- Following the failure, automated valves closed upstream and downstream of the failure site and the main fire self-extinguished after about two hours, although a smaller fire resulting from valve leakage continued to burn for about seven hours. The pipeline remains out of service.
- NGPA reported the incident to the National Response Center at 4:07 EST a.m. (NRC Report 1013669)
- On June 9, 2012, Respondent excavated the failure site and removed the section of pipe containing the failed pipe. The preliminary visual inspection by NGPA at the scene indicated the presence of a 50-foot-long longitudinal rupture in the body of the pipe at the 1 o'clock position that propagated through one girth weld and arrested at the next upstream girth weld. The failed pipe section has been transported to a metallurgist in Houston, Texas, for failure analysis.
- The cause of the failure is unknown and the investigation is ongoing.
- The OE #1 pipeline transports gas from its origin station near the town of Fritch in Hutchinson County, Texas, across portions of Southern Oklahoma to its end station near the town of Bridgeport in Wise County, Texas. Its total length is approximately 256 miles and portions of the pipeline are routed near populated areas and cross numerous state and local highways.
- The 26-inch diameter OE #1 pipeline was constructed in 1957 of 0.250-inch wall thickness, grade X52 pipe with an electric flash welded (EFW) seam. It was manufactured by A. O. Smith and has an asphalt enamel coating and an impressed-current cathodic protection system.
- The maximum allowable operating pressure (MAOP) of the pipeline is 720 psig. At the time of the failure, the actual operating pressure of the pipeline was reported to be 688 psig.
- NGPA operates an interstate pipeline system consisting of approximately 9,800 miles of pipeline and is the largest transporter of natural gas into the Chicago market.¹

¹ Kinder Morgan, Inc., owns and operates a 20% interest in NGPA, while Myria Holdings, Inc., owns 80%. http://www.kindermorgan.com/business/gas_pipelines/central/NGPL/ (last visited June 11, 2012).

Determination of Necessity for Corrective Action Order and Right to Hearing

Under 49 U.S.C. § 60112 and 49 C.F.R. § 190.233, the Associate Administrator for Pipeline Safety (Associate Administrator) may issue a corrective action order after providing reasonable notice and the opportunity for a hearing if he finds that a particular pipeline facility is or would be hazardous to life, property, or the environment. The terms of such an order may include the suspended or restricted use of a pipeline facility, physical inspection, testing, repair, replacement, or any other action as appropriate. The Associate Administrator may also issue a corrective action order without providing any notice or the opportunity for a hearing if he finds that a failure to do so expeditiously will result in likely serious harm to life, property or the environment. The opportunity for a hearing is provided as soon as practicable after the issuance of the CAO in such cases.

After evaluating the preliminary findings, I find that the continued operation of the OE #1 pipeline without corrective measures would be hazardous to life, property, and the environment. Additionally, having considered the age of the pipe, the manufacture of the pipe, the circumstances surrounding the failure, the proximity of the pipeline to populated areas and public roadways, the hazardous nature of the product being transported, the pressure required for transporting the material, and the ongoing investigation to determine the cause of the failure, I find that a failure to issue this Order expeditiously to require immediate corrective action would result in likely serious harm to life, property, and the environment. Accordingly, this Corrective Action Order is being issued without prior notice and opportunity for a hearing and the terms and conditions are effective upon receipt.

Within 10 days of receipt of this Order, Respondent may request a hearing, to be held as soon as practicable, by notifying the Associate Administrator for Pipeline Safety in writing, with a copy to the Director, Southwest Region, PHMSA (Director). If a hearing is requested, it will be held telephonically or in-person in Houston, Texas.

After receiving and analyzing additional data in the course of this investigation, PHMSA may identify other corrective measures that need to be taken. Respondent will be notified of any additional measures required and amendment of this Order will be considered. To the extent consistent with safety, NGPA will receive notice and an opportunity for a hearing prior to the imposition of any additional corrective measures.

Required Corrective Action

Pursuant to 49 U.S.C. § 60112, NGPA is ordered to immediately take the following corrective actions to ensure the safe operation of the 26-inch OE #1 pipeline:

1. Develop and submit a written re-start plan for prior approval of the Director. Obtain written approval from the Director prior to resuming operation of the pipeline. The restart plan must address all damage to the pipeline facilities caused by the June 6, 2012 failure. Additionally, the restart plan must provide for adequate patrolling of the pipeline

segment during the restart process, must specify a daylight restart, and must specify advance communications with local emergency response officials.

2. After receiving approval from the Director to restart the pipeline, maintain a twenty percent (20%) pressure reduction in the operating pressure of the 26-inch Oklahoma Extension pipeline running from Compressor Station 111 (MP 1) to Compressor Station 801 (MP 256). The operating pressure is not to exceed eighty percent (80%) of the actual operating pressure in effect immediately prior to the failure. Submit the actual operating pressures for each pump station on the pipeline at the time of failure and the reduced discharge pressure limits for approval by the Director in the restart plan referenced in Item 1. 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. If the results of any action undertaken pursuant to this Order necessitate a reduction in the operating pressure permitted by the Order, NGPA must further reduce the operating pressure accordingly and notify the Director. This pressure restriction will 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 pursuant to Item 8.
3. Within 45 days of receipt of this Order, complete third-party mechanical and metallurgical testing of the failed pipe, including analysis of soil samples and any foreign materials, and a root cause analysis of all factors that caused or contributed to the failure. Complete the testing and analysis as follows:
 - A. Document the chain-of-custody when handling and transporting the failed pipe section and other evidence from the failure site;
 - B. Use the testing protocol provided by PHMSA and submit the selection of the testing laboratory to the Director for prior approval;
 - 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 as they are made available to Respondent.
4. Within 90 days following completion of the testing and failure analysis required by Item 3, submit an integrity verification and remedial work plan to the Director for approval. The plan must provide for the verification of the integrity of the pipeline and must address all factors known or suspected in the failure. The plan must include:
 - A. Integration of the results of the testing and failure analysis performed pursuant to Item 3, with all relevant system data, including all historical repair information,

construction, operating, maintenance, testing, metallurgical analysis or other third-party consultation information, and assessment data for the line segment. Data-gathering activities must include a review of the failure history (including both in-service and pressure test failures) of the pipeline and development of a written report containing all available information regarding locations, dates, and causes of leaks and failures;

- 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 pipeline. The additional testing and inspections must include consideration of a hydrostatic test of the section of OE #1 originating at Compressor Station 154 and ending at the District 112 Station, additional in-line inspections, or other testing and inspections as appropriate to the cause of the failure. Include a detailed description of the criteria to be used for the evaluation and prioritization of any integrity threats and anomalies that are identified;
 - C. A detailed description of the inspection and repair criteria to be used in the evaluation and prioritization of identified integrity threats. This is to include a description of how any defects are to be graded and a schedule for repairs or replacement;
 - D. Provisions for continuing long-term periodic testing and integrity verification measures, considering the results of the analyses, inspections, and corrective measures undertaken pursuant to this Order, to ensure the ongoing safe operation of the pipeline; and
 - E. A proposed schedule for completion of the actions required by paragraphs A-D of this Item.
5. Upon approval by the Director, the integrity verification and remedial work plan becomes incorporated into this Order and must be revised as necessary to incorporate the results of actions undertaken pursuant to this Order and whenever necessary to incorporate new information obtained during the failure investigation and remedial activities. Submit any such plan revisions to the Director for prior approval. The Director may approve plan elements incrementally.
 6. Implement the work plan as approved by the Director, including any revisions to the plan.
 7. Submit quarterly reports to the Director that: (1) include all available data and results of the testing and evaluations required by this Order; and (2) describe the progress of the repairs or other remedial actions being undertaken. The first quarterly report for the period from June 6, 2012, through September 30, 2012, shall be due by October 31, 2012.

8. The Director may allow the removal or modification of the pressure restriction set forth in Item 2 upon receipt of a written request from Respondent demonstrating that the hazard has abated and that restoring the pipeline to its pre-failure operating pressure or established MAOP is 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.

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

With respect to each submission that under this Order requires the approval of the Director, the Director may: (a) approve, in whole or part, the submission; (b) approve the submission on specified conditions; (c) modify the submission to cure any deficiencies; (d) disapprove, in whole or in part, the submission, directing that Respondent modify the submission; or (e) any combination of the above. In the event of approval, approval upon conditions, or modification by the Director, Respondent shall proceed to take all actions required by the submission as approved or modified by the Director. If the Director disapproves all or any portion of the submission, Respondent shall correct all deficiencies within the time specified by the Director, and resubmit it for approval. If a resubmitted item is disapproved in whole or in part, the Director may again require Respondent to correct the deficiencies in accordance with the foregoing procedure, and the Director may otherwise proceed to enforce the terms of this Order.

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), you must provide, along with the complete original document, a second copy of the document with those portions you believe qualify for confidential treatment redacted, along with an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b).

In your correspondence on this matter, please refer to “CPF No. 4-2012-1011H” and for each document you submit, please provide a copy in electronic format whenever possible. The actions required by this Order are in addition to and do not waive any requirements that apply to Respondent’s pipeline system under 49 C.F.R. Parts 190 through 199, under any other order issued to NGPA under authority of 49 U.S.C. Chapter 601, or under any other provision of Federal or State law.

Respondent may appeal any decision of the Director to the Associate Administrator, whose decision will be final.

Failure to comply with this Order may result in the assessment of civil penalties and in referral to the Attorney General for appropriate relief in United States District Court pursuant to 49 U.S.C. § 60120.

The terms and conditions of this Order are effective upon service in accordance with 49 C.F.R. § 190.5.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued