

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 25, 2012

Mr. Ron McClain
Vice President, Operations & Engineering
SFPP, LP
500 Dallas Street
Suite 1000
Houston, TX 77002

CPF 4-2012-5016

Dear Mr. McClain:

On multiple visits from of June 7 through October 20, 2011, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code were onsite and inspected your interstate liquid pipeline system. PHMSA staff reviewed compliance records in Orange, CA; Bloomington, CA; and El Paso, TX. PHMSA staff also inspected physical facilities in El Paso, Texas and along the pipeline Right of Way (ROW) from El Paso, TX to the New Mexico and Arizona state border.

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 violation(s) are:

1. **§195.432 Inspection of in-service breakout tanks.**

(b) Each operator must inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to API Standard 653 (incorporated by reference, see § 195.3). However, if structural conditions prevent access to the tank bottom, the bottom integrity may be assessed according to a plan included in the operations and maintenance manual under § 195.402(c)(3).

Kinder Morgan SFPP, LP personnel (SFPP) failed to inspect the physical integrity of certain breakout tanks according to API 653. API 653 Section 6.3.1 “Routine In-Service Inspections” requires the monitoring of the external condition of tanks by close visual inspection from the ground on a routine basis. Section 6.3.1.2 requires the inspection interval for these inspections to be consistent with conditions at the particular site, but not to exceed one month.

SFPP uses Kinder Morgan’s Liquid Operations & Maintenance Procedures (L-O&M). Specifically, for the purpose of tank inspections, L-O&M Procedure 2101 titled “Atmospheric Breakout Tank Inspections” (LO&M2101) is used. Section 2 “Scope” states:

“This procedure describes the inspection of jurisdictional atmospheric breakout tanks. Periodic in-service inspection of tanks shall be performed as defined herein. The purpose of these inspections is to ensure tank integrity.”

LO&M2101 Section 3 “Core Information and Requirements” states:

“All tank inspections will be performed in accordance with API Standard 653, Section 6.”

LO&M2101 Section 3.1.1 “Routine Monthly In-Service Inspections” states:

“The external condition of the tank shall be monitored by close visual inspection from the ground on a monthly basis.” ... “This inspection ... will be documented using L-OM2100-02, Monthly Breakout Tank Inspection Report.”

During the inspection PHMSA staff reviewed L-OM2100-02 for calendar year 2010 through August 2011 for monthly inspections of the tanks at El Paso Breakout Station and noted several missed inspections. The instances are:

- EPB-1 (Tank 1) missing Jan 2010 inspection
- EPB-2 (Tank 2) missing Mar 2010 inspection
- EPB-3 (Tank 3) missing Jan 2010 inspection
- EPB-4 (Tank 4) missing Dec 2010 inspection
- EPB-5 (Tank 5) missing January, March, Dec 2010 and Feb 2011 inspections
- EPS-1 (Relief Tank) missing January, February, June, July, September, October, November, and December 2010; February, March and April 2011 inspections

The evidence demonstrates that the operator violated § 195.432 by failing to inspect the physical integrity of certain breakout tanks at the required intervals. In the event that such inspections were, in fact, performed, the evidence demonstrates the operator

violated §195.404(c)(3) by failing to maintain a record of each inspection and test required by this subpart for at least 2 years or until the next inspection or test is performed, whichever is longer.

2. §195.569 Do I have to examine exposed portions of buried pipelines?

Whenever you have knowledge that any portion of a buried pipeline is exposed, you must examine the exposed portion for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated. If you find external corrosion requiring corrective action under Sec. 195.585, you must investigate circumferentially and longitudinally beyond the exposed portion (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the exposed portion.

SFPP failed to examine the external surface of exposed pipelines for evidence of external corrosion on multiple occasions. For the purpose of external corrosion examinations, Kinder Morgan Procedure L-O&M 268 titled “Exposed Pipe Field Inspections” is used. Section 3 “Core Information and Requirements” states:

“Whenever any portion of a buried pipeline is exposed, the exposed portion of the pipe must be examined for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated.” ... “A Pipeline Inspection/Repair Report form L-OM200-02 (PIRR) shall be completed.”

During the inspection PHMSA staff reviewed PIRR’s and other project documentation and correspondence. There were no PIRR’s available for the specific locations listed below which indicate that SFPP failed to conduct a visual examination of exposed pipelines as required by their procedures on each of the seven (7) instances. The instances are:

FT Bliss Reroute Project: Six (6) instances

- Line LS-4 (8”) MP 11.334 (North side)
- Line LS-4 (8”) MP 10.353 (South side)
- Line LS-17 (12”) MP 11.334 (North Side)
- Line LS-17 (12”) MP 10.360 (South side)
- Line LS-132 (16”) MP 1.408 (North side)
- Line LS-132 (16”) MP .0430 (South side)

Montana Check-valve Replacement Project: One (1) instance

- Line LS-4 (8”) MP 4.327

The evidence demonstrates that the operator violated § 195.569 by failing to examine the external surface of exposed pipelines for evidence of external corrosion. In the event that such inspections were, in fact, performed, the evidence demonstrates the operator violated §195.589(c) by failing to maintain a record of each inspection and test required by this subpart.

3. **§195.579 What must I do to mitigate internal corrosion?**

(c) Removing pipe. Whenever you remove pipe from a pipeline, you must inspect the internal surface of the pipe for evidence of corrosion. If you find internal corrosion requiring corrective action under Sec. 195.585, you must investigate circumferentially and longitudinally beyond the removed pipe (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the removed pipe.

SFPP failed to inspect the internal surface of pipe removed from a pipeline for evidence of corrosion on multiple occasions. For the purpose of internal corrosion inspections, Kinder Morgan Procedure L-O&M 906 titled “Internal Corrosion Control” is used. Section 3.5 “Internal Corrosion Inspection – Removal of Pipe” states:

“Whenever any pipe is removed from a pipeline for any reason, inspect the internal surface for evidence of corrosion.”

Section 6 “Documentation” states:

“Maintain records of all internal corrosion inspections”...“Document all information on appropriate company forms/databases, including but not limited to:”... “L-OM200-02, Pipeline Inspection/Repair Report.” (PIRR)

During the inspection PHMSA staff reviewed PIRR’s and other project documentation and correspondence. There were no PIRR’s available for the specific locations listed below which indicate that SFPP failed to conduct an inspection of the internal surface for evidence of corrosion as required by their procedures on each of the eight (8) instances. The instances are:

FT Bliss Reroute Project: Six (6) instances

- Line LS-4 (8”) MP 11.334 (North side)
- Line LS-4 (8”) MP 10.353 (South side)
- Line LS-17 (12”) MP 11.334 (North Side)
- Line LS-17 (12”) MP 10.360 (South side)
- Line LS-132 (16”) MP 1.408 (North side)
- Line LS-132 (16”) MP .0430 (South side)

Montana Check-valve Replacement Project: One (1) instance

- Line LS-4 (8”) MP 4.327

Road Forks Mainline Valve replacement Project: One (1) instance

- Line LS-21 (12”) MP 4.327

The L-OM200-02 provided for the Road Forks Mainline Valve Replacement Project was incomplete and had the “Pipe-Inside Surface field” marked as not applicable (N/A). Although the original mainline valve was a weld in valve the internal surface of the adjacent pipe was not inspected for evidence of corrosion when it was removed from the pipeline.

The evidence demonstrates that the operator violated § 195.579 by failing to inspect the internal surface of pipe removed from a pipeline for evidence of corrosion. In the event

that such inspections were, in fact, performed, the evidence demonstrates the operator violated §195.589(c) by failing to maintain a record of each inspection and test required by this subpart.

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 violation(s) and has recommended that you be preliminarily assessed a civil penalty of \$103,300 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$58,500
2	\$22,200
3	\$22,600

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 4-2012-5016** 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*