



October 16, 2009

Mr. Chris Hoidal
Director, Western Region
PHMSA Pipeline Safety
Suite 110
12300 W Dakota Ave.
Lakewood, CO 80228

RE: CPF 5-2009-5033

Dear Mr. Hoidal:

This letter is written in response to the above referenced Notice of Probable Violation (NOPV) and Proposed Compliance Order (CO) dated September 10, 2009 and received by Kinder Morgan on September 17, 2009. The alleged violations are based on the California State Fire Marshal's investigation of an accident that occurred on June 4, 2008 involving SFPP L.P.'s Line Section (LS) 111 at the Indio Block Valve. SFPP L.P. is an operating partnership of Kinder Morgan Energy Partners, L.P.

The accident was due to failure of the contractor to properly support a valve vault that had been exposed in preparation to replace a mainline valve and the failure of the Inspector to recognize that the vault was not properly supported. A ¾" threaded pipe nipple broke when the vault shifted vertically from loss of bearing support, thereby applying force against the ¾" threaded nipple causing the piping assembly to torque and separate at the threads on the nipple connection. Kinder Morgan's Root Cause Analysis investigation concluded that the primary and contributing causal factors were human performance, communication, and design related.

At the time of the accident, Kinder Morgan's contractor, WA Rasic Construction, was in the process of preparing for the replacement of the 20" Indio mainline valve. Inspection services were being performed by The Texian Group.

PHMSA has alleged that Kinder Morgan violated 49 CFR Part 195.402 (c) (13); 195.422; and 195.505 and issued three probable violations and a Proposed Compliance Order associated with the alleged violations. Kinder Morgan does not believe that the evidence supports all three of the alleged violations cited; therefore, pursuant to 49 CFR Part 190.209(b) (3), we object to certain

requirements listed in the Proposed Compliance Order, as discussed in the attachment below and submit written explanations, information or other materials in answer to the allegations in the notice of probable violation. We request that NOPV's 1&3 and the associated compliance order requirement be rescinded.

For your convenience, we have listed the proposed probable violation (in italics), followed by Kinder Morgan's response.

If you have any questions, please call Buzz Fant at 713-369-9454 or me at 713-369-9152.

Sincerely



 Ron McClain
Vice President of Operations and Engineering
Kinder Morgan Product Pipelines

Notice of Probable Violations

- 1. §195.402 Procedural manual for operations, maintenance, and emergencies.**
(c)(13) Periodically reviewing the work done by operator to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found.

The Root Cause analysis conducted by Kinder Morgan (KM) substantiates that KM should have periodically reviewed the O&M main line block valve replacement procedures for effectiveness. Supporting the 20" line and two block valves with a dirt plug and then tying the vaults together with 4x4 wooden supports was inadequate, especially on an active line. In this case, a 3/4" threaded nipple broke when the load shifted. KM did not take into consideration that the dirt plug could shift due to nearby traffic and railroad activity. This failure by KM to periodically review their main line block valve replacement procedures to ensure they were effective contributed to the release of petroleum.

Kinder Morgan's Response:

Kinder Morgan disagrees with this alleged violation for the following reasons: There is nothing in Kinder Morgan's Root Cause Analysis (RCA) that suggests, much less substantiates, that the procedures were found to be inadequate or ineffective; Kinder Morgan does not have a block valve replacement procedure; the procedure applicable to the task performed associated with this event was reviewed to determine the effectiveness of the procedure and found satisfactory.

The causal factors listed in KM's Root Cause Analysis Report did not suggest, much less substantiate, that procedures were found to be inadequate or ineffective. To the contrary, the RCA found that the causes were human performance: failure to recognize the general hazard of working around a live, small diameter pressure line; failure to recognize the potential hazard associated with the pipe vault bearing on the small diameter sensing line; failure to initiate lockout, tag out procedures to de-energize and isolate the system; failure to isolate or remove the small pressure piping; failure to support the valve vault properly when its supporting soil was removed and failure to formulate a work plan to cover project from start to finish. In addition, communication and design were identified as contributing factors.

Kinder Morgan does not have an Operation and Maintenance Procedure entitled "main line valve replacement procedures". There are many tasks associated with replacing mainline valves; therefore, several procedures apply. Since Contractors are used to replace mainline valves, a project

specific bid specification is prepared, which includes among other items, the scope of work, construction specifications, construction procedures, and an OQ Covered task list listing the covered task(s) that would be performed during the course of the project. Furthermore, KM's Contractor Safety Procedures require the contractor to conduct a daily Job Hazard Analysis to identify critical tasks, any additional Personal Protective Equipment (PPE) requirements, special equipment or operators and to develop controls for any potential hazards. Contractors are expected to follow the applicable KM procedures, and provide OQ qualified persons to do OQ covered tasks.

At the time of this accident, Kinder Morgan's contractor, WA Rasic Construction, was in the process of preparing to remove the Indio main line valve in accordance with the Contract Specifications entitled "Bid Specifications for 20" LS 111 900 lb. Valve Replacement, Indio California." The Bid Specification included the items referenced above.

Inspection of this project was being performed by The Texian Group. The inspector was charged with ensuring Kinder Morgan's standards and specifications outlined in the Contract Specifications were being followed, as well as, the applicable operation and maintenance procedures, such as LO&M 204 "Construction Near Company Facilities." Kinder Morgan believes that adherence to the specification and procedures would have averted this accident.

Kinder Morgan acknowledges there were certain procedures included in the Bid Specs that were taken from Kinder Morgan Liquids Operation and Maintenance Plan (LO&M); however, these procedures are reviewed each calendar year (not to exceed 15 months) as required by 49 CFR Part 195.402 (c)(13). Field personnel who use the procedure and supervisors and/or managers responsible for the procedure; Environmental Safety and Health (EHS) personnel; and Compliance, Codes, and Standards (CCS) personnel, review the procedures to confirm they are appropriate for the current operations, safe, and to ensure that the procedures are in compliance with existing pipeline safety regulations. During the review, consideration is to be given to current operations, practices and equipment, and any releases, abnormal operations, or other problems that occurred since the last review. Records for this review and process are available for review. There is no evidence provided by PHMSA to substantiate that the review(s) were not done or that the circumstances such as the ones encountered in this case were utilized during this period (or any period) for KM to consider.

In addition, to the annual review, KM's process actually allows for continuous improvement. Personnel are encouraged to submit revisions to the procedures any time deficiencies or areas for improvement are noted.

Kinder Morgan's Management team (the Action Decision Committee or ADC), meets monthly to review any proposed revisions that are submitted. The process allows those using the procedures (throughout KM's Liquids pipelines business units), Supervisors, Managers, Directors, EHS and CCS personnel to review and comment on the proposal prior to Management team reviewing for approval. KM not only meets the requirements of 49 CFR Part 195.402 (c) (13), we exceed it.

2. §195.422. Pipeline Repairs.

(a) Each operator shall, in repairing its pipeline systems, insure that the repairs are made in a safe manner and are made so as to prevent damage to persons or property.

Kinder Morgan failed to properly support the upstream pipe vault resulting in the vault shifting vertically due to loss of soil bearing support. Kinder Morgan procedure L-O&M 204 (Excavating Pressurized Lines and Excavating near Other Utilities), Section 3.8.2 states "The KM excavators will support and protect exposed underground facilities from damage." The movement of the steel vault placed pressure on the ¾" pressure transmitter piping causing a failure at the threaded nipple connection.

Kinder Morgan's Response: Kinder Morgan concedes that the valve vault was not properly supported.

3. §195.505. Qualification program.

(h) After December 16, 2004, provide training, as appropriate, to ensure individuals performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities.

One of Kinder Morgan's covered tasks is Motor Operated Valve (MOV) replacement. Kinder Morgan's Operator Qualification program did not ensure that individuals receive additional training in regard to MOV replacement, regarding stresses on small diameter piping, proper support, recognizing potential hazards of small diameter piping, vaults and lock out tag out procedures.

Kinder Morgan's response: Kinder Morgan takes exception to this NOPV. Kinder Morgan does not have a covered task entitled "Motor Operated Valve (MOV) replacement", we do however, have a task entitled "General pipeline repair – component replacement", which addresses the awareness of proper steps for removal and replacement of specific components, including proper lifting and support techniques which will prevent damage to component and/or coating. However, at the time of the accident, the activities covered by "General pipeline repair – component replacement procedure", had not begun. The procedure applicable for the

task at hand was “Construction Near Company Facilities” and the Covered Task “Damage Prevention During Excavation Activities”. This Covered Task does address monitoring for settlement during and after excavation activities and the potential for damage occurring which may not be easily recognized by the excavator such as improper support during excavation and backfill. Moreover, the task specific AOC addresses pipeline settlement, damaged pipe, and initiating remedial action to address these threats.

Kinder Morgan does not disagree that this accident demonstrates the need for additional training for the individuals involved. There is no evidence that Kinder Morgan’s OQ program is deficient. As noted above, this accident involved Contractors working for Kinder Morgan and a Contract Inspector; KM employees were not involved. Consistent with 49 CFR Part 195.505 and PHMSA guidance, Kinder Morgan requires contractor personnel to be OQ qualified (or directly observed by an OQ qualified personnel) when performing a Covered Task. Furthermore, documentation is provided to demonstrate that persons are on the job payroll to perform the covered task. Prior to accepting the Contractors program, the Contractor’s OQ program is evaluated to ensure that it is compatible with KM’s program and that the means used to qualify persons are acceptable. In the case of WA Rasic Construction Company and The Texian Group, they both use nationally recognized third party training and OQ assessment programs. We will communicate the need to stress protecting pipeline facilities, including components and appurtenances, stresses on small diameter piping, proper support, and recognizing potential hazards of small diameter piping, vaults and lock out tag out procedures.

With respect to the person associated with this event, the Texian Inspector was qualified for “Damage Prevention During Excavation Activities” Covered Task and the person responsible to insure that the above referenced procedure was followed. Following this accident, the contract Inspector’s applicable OQ qualification was revoked. Subsequently, the Inspector was retrained by his employer and on July 1, 2008 was requalified.

In addition to the above, soon after the accident, a KM Safety Advisory was distributed to all Operations; Engineering and Construction personnel to communicate the results of this investigation and the risk of excavating in close proximity to pipeline components and appurtenances to assure future vault excavations are properly supported or removed. Furthermore, KM will enhance our procedures and training to stress support of pipeline, pipeline components, and appurtenances when excavating in close proximity to pipelines, including stresses on small diameter piping, proper

support, and recognizing potential hazards of small diameter piping, vaults and lock out tag out procedures.

Corrective Action Order

1. *In regard to Item number 1 of the Notice pertaining to Kinder Morgan failing to review the work done periodically by operator to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found. Kinder Morgan shall revise their maintenance procedures to incorporate, as applicable, §419 of ASME/ANSI B31.4, to include any added stress that may be found or imposed during Motor Operated Valve (MOV) replacements.*

Kinder Morgan's Response: Notwithstanding that Kinder Morgan disagrees with the NOPV cited associated with this item, we agree that the written procedures could be enhanced to more explicitly address supporting the pipe, pipeline components, and appurtenances, including control piping when excavating in close proximity to the pipeline. However, Kinder Morgan does not believe that §419 of ASME/ANSI B31.4 is the appropriate Section to addresses events such as the one subject to this Order. Section 419 addresses expansion and flexibility of piping to prevent expansion or contraction due to significant changes in temperature or pressure causing excessive stresses in the piping material, excessive bending moments at joints, or excessive forces or moments at points of connection to equipment or at anchorage or guide points.

2. *In regard to Item number 2 of the Notice pertaining to Kinder Morgan failing to insure that the repairs are made in a safe manner and are made so as to prevent damage to persons or property. Kinder Morgan identified, in their Root Cause Analysis, nine recommendations and action items that they will do to prevent a reoccurrence of the incident. Kinder Morgan shall review the nine action items to ensure they are adequate and are being implemented.*

Kinder Morgan's Response: The referenced recommendations and action plans are being monitored and evaluated by the Director, Engineering, Pacific Region Products Pipelines.

3. *In regard to Item number 3 of the Notice pertaining to Kinder Morgan failing to ensure individuals performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities. Kinder Morgan shall revise their Operator Qualification program to ensure individuals receive additional training in regard to MOV replacement, minimizing stresses on small diameter piping, providing proper pipeline support, recognizing potential*

hazards to small diameter piping and vaults, and implementing lock out tag out procedures.

Kinder Morgan's response: Subject training will be addressed with the applicable Covered Task.

4. *Kinder Morgan must complete the item described above within 60 days of receipt of the Final Order.*
5. *Kinder Morgan shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. Costs shall be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.*

Kinder Morgan's Response: To the extent practical, Kinder Morgan will provide the direct cost associated with complying with this order.