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April 6, 2011

Via Federal Express

Mr. Chris Hoidal  
Director, Western Region  
Pipeline and Hazardous Materials Safety Administration  
12300 W. Dakota Ave., Suite 110  
Lakewood, CO 80228

**RE: NOTICE OF PROBABLE VIOLATION AND PROPOSED COMPLIANCE ORDER  
CPF No. 5-2011-5004**

Dear Mr. Hoidal:

We are in receipt of the above referenced NOPV and Proposed Compliance Order dated February 28, 2011, which was written as a result of the October 5 - 8, 2010 inspection of SFPP, LP's pipeline systems in the Reno, NV area. SFPP, LP is a subsidiary of Kinder Morgan Energy Partners, L.P. (KM) The Notice alleges that SFPP LP was not in compliance with three provisions of Title 49, Code of Federal Regulations, Part 195.

We are submitting written explanations, information, and other materials in order to demonstrate prompt mitigation of both Warning Items and request modification of the proposed compliance order.

For your convenience, each alleged violation is listed along with our response, as follows:

**Notice of Probable Violations**

**Item 1: §195.410 Line markers.**

*(a) Except as provided in paragraph (b) of this section, each operator shall place and maintain line markers over each buried pipeline in accordance with the following:*

*(1) Markers must be located at each public road crossing, at each railroad crossing, and in sufficient number along the remainder of each buried line so that its location is accurately known.*

*At the time of inspection, there was no pipeline marker at the Taylor Street crossing in Fallon, Nevada as required by §195.410 (a)(1).*

**Kinder Morgan Response Item 1:**

KM disagrees. At the time of the inspection there were pavement markers over the buried pipeline at this crossing. KM procedures allow alternative methods to mark the pipeline when it is not possible to use stand up markers to help prevent damage to the buried pipe. There were no stand up line markers at the Taylor Street crossing in the city of Fallon, NV because the pipeline runs beneath the middle of the paved street. Promptly after the inspection, a traditional offset line marker was placed at the street crossing. A photograph showing the location of this line marker was sent to the PHMSA inspector on 10/14/2010 to demonstrate compliance.

**Item 2: §195.410 Line markers.**

*(a) Except as provided in paragraph (b) of this section, each operator shall place and maintain line markers over each buried pipeline in accordance with the following:*

*(2) The marker must state at least the following on a background of sharply contrasting color:*

*(i) The word "Warning," "Caution," or "Danger" followed by the words "Petroleum (or the name of the hazardous liquid transported) Pipeline", or "Carbon Dioxide Pipeline," all of which, except for markers in heavily developed urban areas, must be in letters at least 1 inch (25 millimeters) high with an approximate stroke of 1/4 inch (6.4 millimeters).*

*At the time of inspection, the pipeline markers at the Everett Street crossing in West Reno did not meet all the requirements of §195.410 (a)(2)(i). The word "Warning," "Caution," or "Danger" did not appear on the marker.*

**Kinder Morgan Response Item 2:**

KM agrees that there were no stand up line markers at the Everett Street crossing in the city of Reno, NV because the pipeline runs beneath the paved street. KM alternatively placed and maintained pavement markers over the buried pipeline, albeit without the word "Warning," "Caution," or "Danger" on the marker. KM has historically used pavement markers with the correct wording to supplement or supplant the use of stand up markers, when appropriate. However, in the unknown recent past an order was delivered by the vendor without the correct wording and had gone unnoticed by KM personnel. Promptly after the inspection, a traditional offset line marker was placed at the street crossing. A photograph showing the location of this line marker was sent to the PHMSA inspector on 10/14/2010 to demonstrate compliance. In addition, KM has

purchased new pavement markers with the correct wording to supplant or supplement the use of stand up markers when appropriate.

**Item 3: §195.406 Maximum operating pressure.**

(b) No operator may permit the pressure in a pipeline during surges or other variations from normal operations to exceed 110 percent of the operating pressure limit established under paragraph (a) of this section. Each operator must provide adequate controls and protective equipment to control the pressure within this limit.

*At the time of inspection of the Sparks Terminal, there were no pressure controls or protective equipment on certain portions of the terminal pipeline facilities, specifically, the transfer line to OP Reno's facility. This line can be isolated from pressure relief by valves on each end resulting in no pressure protection against thermal over-pressurization beyond its established maximum operating pressure. On October 5, 2009 the Sparks Terminal had an in-station overpressure event during the night shift starting at 2228 after a valve to a customer's delivery line was closed, and ending at 0818 on October 6, when the customer's valve was opened. During this period of time terminal Personnel had configured valves so that product from SFPP's Line 13 was continuously flowing through the pig receiver. The operating pressure for in-station pipe exceeded the rating for the ANSI 150 components of 275 psig and SFPP's in-station maximum control pressure of 264 psig. The maximum pressure recorded was 307 psig, but this was the limit of the pressure recording equipment's range. The maximum pressure may not have been constant; however, the in-station operating pressure exceeded the maximum operating pressure (MOP) during normal operations over a period of 9 hours and 50 minutes. SFPP's management performed an investigation of the overpressure event, report dated October 7, 2009. The report identified fire corrective actions. It could not be confirmed during the inspection that all recommended corrective actions (CA's) were completed for the training of personnel, and for all station pressure control procedures, devices and facilities;*

- *CA2, Conduct stand-down for all facility personnel, and conduct training on procedures;*
- *CA3, Ensure understanding and importance of L-O&M 159 (ERL process) to all terminal personnel;*
- *CA4, Review/update LO&M 703 and create a guidance document giving direction and procedures how to set station over-pressure safety devices; and*
- *CA5, Evaluate station pressure relief devices.*

*At the time of this writing, it is unknown whether the CA's to ensure adequate controls and protective equipment to keep operating pressures below the MOP have been implemented.*

**Kinder Morgan Response Item 3:**

Kinder Morgan acknowledges the overpressure event cited above and that substantiation of the recommended correction action was not readily available during the inspection.

**PROPOSED COMPLIANCE ORDER**

**Item 1:**

*Pursuant to 49 United States Code 9 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to SFPP, LP a Compliance Order incorporating the following remedial requirements to ensure the compliance of SFPP, LP with the pipeline safety regulations:*

- 1. In regard to Item Number 3 of the Notice pertaining to training of facility and terminal personnel (CA2 and CA3), SFPP, LP must review corrective actions taken to date, and complete as necessary. In addition, SFPP, LP must submit documentation of completed corrective training.*

**Kinder Morgan Response Item 1:**

1. The requisite training was completed prior to the inspection. KM is submitting this documentation as an enclosure and asks that this item be removed from the order. Presently, we can not ascertain why this documentation was not produced the inspection or if it was asked for by the inspector.

**Item 2:**

- 2. In regard to Item Number 3 of the Notice pertaining to pressure controls and protective equipment (CA4 and CA5), SFPP, LP must perform a comprehensive evaluation of the pressure control devices at all facilities from the Rocklin pump station in California to the Fallon Naval Air Station in Nevada SFPP, LP must make*

*changes to pressure controls and equipment as needed to fully comply with §195.406. In addition, SFPP, LP must present documentation of the review and update to "LO&M 703" and the guidance document giving direction and procedures how to set station over-pressure safety devices.*

**Kinder Morgan Response Item 2:**

2. Regarding CA-4, Kinder Morgan Pipeline Engineering has reviewed L-O&M 703 along with L-O&M 260 and found the procedures to be adequate and concluded that a stand-alone guidance document giving direction and procedures how to set station over-pressure safety devices is unnecessary. Completion of CA 1 "Re-train/re-OQ Tech on maintaining relevant equipment" satisfied this deficiency completed 10/9/2009.

Regarding CA-5, the October 2009 overpressure event was limited to Reno station piping, not mainlines LS 11, 12, and 13 (Rocklin, CA to Reno, NV) and LS 55 (Reno, NV to Fallon, NV.). KM conducted a comprehensive evaluation of the relief system of the Rocklin to Reno (LS 11, 12, 13) in 2000. The evaluation was shown to PHMSA on January 30, 2008. In addition, a comprehensive evaluation of the Fallon Line (LS 55) was conducted in 2003. We have confirmed that there have been no operating changes that would affect these evaluations. Therefore, KM does not see the need to re-perform a comprehensive evaluation of the pressure control devices at all facilities from the Rocklin pump station in California to the Fallon Navel Air Station in Nevada and request that the requirement for the comprehensive study of the mainline be rescinded. A pressure study of the station piping will be conducted.

**Item 3:**

3. *SFPP, LP must complete the evaluation and necessary changes within 60-days after receipt of the Final Order*

**Kinder Morgan Response Item 3:**

3. The PL Engineering Department has reviewed the events of this overpressure event and determined that the in-station overpressure design is adequate. The cause of the October 2009 overpressure event was not related to the station's overpressure devices. The cause was failure to secure the station from the mainline hill pressure which was exacerbated by incorrectly setting the sensitivity of the control valve and by the Technician misinterpreting L-O&M 703

and 260 by setting the relief valve above the MCP (Maximum Control Pressure) listed in L-O&M 260, all three of these causes are incorrect operations, not design related. With that said KM believes there would be benefit from conducting the evaluation for the Reno in-station piping and will do so and make any necessary changes by 6/7/2011.

**Item 4:**

4. *SFPP, LP 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 Response Item 4:**

4. KM will maintain documentation of the safety improvement costs and submit them when finalized.

Kinder Morgan is committed to operate our pipeline systems safely and in compliance with all applicable regulations. We will share the findings of your audit with our Managers and other appropriate personnel as a reminder of the requirements of the regulations to avoid a similar circumstance in the future.

Should you have any questions or concerns, please call Steve Marositz at 909-873-5146, Buzz Fant at 713-369-9454 or me at 713-369-9152.

Sincerely,



Ron McClain  
Vice-President Engineering and Operations  
Products Pipelines

**Enclosure: Training records\_CA 2 & 3 of SCAT Investigation**



**Training or Safety Meeting Attendance  
(circle one or both)**

Date(s): 10/14/2009 Trainer / Leader: Pat, Tony, Wally

Title: 4<sup>th</sup> Quarter Safety Meeting

**Training Session**

**Foul Weather Driving**

**New Confined Space Inventory Doc.**

- Course Title: Operations of Pipeline System-Emergency Shutdown
- Course Title: Operations of Pipeline system-
- Course Title: Emergency shut -In L O&M 500
- Course ID: \_\_\_\_\_
- Course ID: \_\_\_\_\_
- Course ID: \_\_\_\_\_
- Course ID: \_\_\_\_\_

*Security Awareness Bulletin  
4th. Quarter (#2009-04)*

*L-O&M 260, 1900, 159*

	<u>Employee Name (Printed)</u>	<u>Employee No.</u>	<u>Make up</u> <u>Date</u>	<u>Signature</u>
1	John Damele	28588		<i>[Signature]</i>
2	Gamboa, Patrick	10407		<i>[Signature]</i>
3	Wally, Stevenson	14563		<i>[Signature]</i>
4	Hadley, Tim	12074		<i>[Signature]</i>
5	Jones, Jared	14334		<i>[Signature]</i>
6	Mudd, Anthony	10823		<i>[Signature]</i>
7	Rayner, Steven	27021		<i>[Signature]</i>
8	Roth, Lance	10999	10-22-09	<i>[Signature]</i> Lance Roth 10-22-09
9	Stacy, Robert	11095		<i>[Signature]</i>
10	<i>Johnson, Kelly</i>	<i>10573</i>		<i>[Signature]</i>
11	CURTIS PARKER	14992		<i>[Signature]</i>
12				
13				
14				
15				

<u>Safety or Training Makeup</u>	<u>Trainer / Leader:</u>	<u>Title:</u>
1. Reviewed Notes 2. Instructor Lead 3. CBT or Reviewed O&M (Circle the method used listed above)	<b>Note:</b> Sign the roster after Completing the make up. Place the date the Make up was conducted: Return form to your supervisor.	