



U.S. Department  
of Transportation

**Pipeline and  
Hazardous Materials Safety  
Administration**

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12300 W. Dakota Ave., Suite 110  
Lakewood, CO 80228

**NOTICE OF PROBABLE VIOLATION  
and  
PROPOSED COMPLIANCE ORDER**

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

April 5, 2011

Mr. Ron McClain  
Vice President, Operation & Engineering  
SFPP, L.P.  
500 Dallas Street, Suite 1000  
Houston, TX 77002

**CPF 5-2011-5012**

Dear Mr. McClain:

On September 27-30, 2010 and October 15 and 19, 2010, a representative of the California State Fire Marshal (CSFM) acting as an agent for the Western Region, Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Section 60106(a) of Title 49, United States Code, inspected line sections (LS) 8, 69, 75, 76, 99, and 104 of the Santa Fe Pacific Pipeline (SFPP) system. An operator and maintenance record review was conducted at the Pacific Northern Region office in Fairfield, the Richmond Station, and the Concord Station in the state of California. Field reviews of each line section were also conducted.

As a result of the investigation, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations, and Part 195. The items inspected and the probable violations are:

**1. §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.**

Kinder Morgan records reveal that the company exceeded 110 percent of its maximum operating pressure on three different occasions. Kinder Morgan did take immediate actions to prevent future recurrences. Over-pressure events and conditions leading up to each event are detailed below:

(1) On September 12, 2010 at 08:28 PST, the LS104 pipeline exceeded 110 percent of its maximum operating pressure when it was pressured to 318 psi. This was 115.6 percent of its maximum operating pressure. This was during a shipment to the Kinder Morgan Oakland Tank from the Chevron Richmond Refinery. The maximum operating pressure of LS104 is 275 psi. A valve opening at the Kinder Morgan Oakland Tank caused a flow rate surge alarm resulting in the Kinder Morgan Richmond Station pumps being automatically shut down because of the low suction. The Kinder Morgan SCADA was not programmed to shutoff the Chevron Richmond Refinery pumps if the Kinder Morgan Richmond Station pumps automatically shutdown. No leaks occurred due to this overpressure event. On September 13, Kinder Morgan took remedial actions by increasing the flow rate allowance on LS104 to 2500 bph to prevent another low suction pump shutdown at Richmond thereby avoiding another similar overpressure event.

(2) On September 20, 2010 at 22:48 PST, the pressure of LS99 exceeded 110 percent of its maximum operating pressure. The pressure reached 315 psi which was 114.5 percent of its maximum operating pressure. The maximum operating pressure of LS99 is 275 psi. A communication error occurred shutting down the Kinder Morgan Brisbane Station. The SCADA system was not programmed to shutdown the Chevron Richmond Refinery pumps. When a Brisbane valve was closed the operator at the Kinder Morgan Richmond Station shut down the pump within 2 milliseconds. No leaks occurred due to this overpressure. The SCADA logic was reprogrammed on September 21, 2010 to shutdown the Richmond pumps if Brisbane is shutdown thereby avoiding another similar O.P. event.

(3) While researching pressure trends for upcoming hydrostatic tests, Kinder Morgan noticed the LS69, LS99, and LS104 pipelines all experienced transient overpressure events that exceeded 110 percent of their maximum operating pressure on August 23, 2010. LS69 was pressured to 370 psi (135.5% of MOP) at 14:20 PST and 332 psi (121.6% of MOP) at 14:48 PST. LS99 was pressured to 500 psi (181.8% of MOP) at 10:08 PST, 362.9 (131.6% of MOP) psi at 10:43 PST, 352 psi (128.0% of MOP) at 11:52 PST, and 328psi (119.3% of MOP) psi at 18:30 PST. LS104 was pressured to 320 psi (116.3% of MOP) at 07:51 PST, 340 psi (123.6% of MOP) at 09:28 PST, and 352 psi (128.0% of MOP) at 18:30 PST. Each of these over-pressure events lasted less than one

second. These events did not trigger an alarm because at that time, the Richmond SCADA only scanned the pressures once every six seconds. The surges originated from the Chevron Richmond Refinery when operators were switching product flow between tanks. It appears that Kinder Morgan has taken appropriate measures to prevent an excursion above 110% MOP from reoccurring.

**2. §195.583 What must I do to monitor atmospheric corrosion control?**

**(a) You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:**

|   |   |
|---|---|
| <b><u>If the pipeline is located:</u></b> | <b><u>Then the frequency of inspection is:</u></b>                                      |
| <b>Onshore</b>                            | <b>At least once every 3 calendar years, but with intervals not exceeding 39 months</b> |

Kinder Morgan exceeded the maximum time period to monitor atmospheric corrosion control. Kinder Morgan hired T.C. Inspection, Inc. in September 2004 to conduct an atmospheric inspection on the above ground sections of LS69, LS99, and LS104. The next atmospheric inspection was conducted by the Blackstone Group Ltd. in July 2010. This is a 5-year 10-month interval between inspections.

**3. §195.583 What must I do to monitor atmospheric corrosion control?**

**(c) If you find atmospheric corrosion during an inspection, you must provide protection against the corrosion as required by Sec. 195.581.**

Kinder Morgan provided a 2004 API 570 Piping Inspection report as their record of an atmospheric corrosion inspection of the aboveground sections of LS69, LS99, and LS104 within the Chevron Richmond Refinery. The report showed portions of these three lines with severe coating failure and found portions partially covered in soil. Dents on LS99 were also noted in the 2004 inspection along with external corrosion on LS69. The inspection findings for LS69 and LS99 noted that ultrasonic testing (UT) measurements needed to be taken, and recommended the entire line be cleaned and coated. The 2010 Atmospheric Visual Inspection of these lines showed no progress was made to protect these lines from atmospheric corrosion since the 2004 inspection. The 2010 atmospheric inspection identified excessive corrosion on the LS69 pipeline, and general corrosion on the majority of LS99 and LS104. Mechanical damage was still noted on the LS99 and now on LS104 pipelines.

Kinder Morgan had knowledge of external corrosion on LS69, mechanical damage on LS99, and coating failure on LS 69, LS99, and LS104 since the 2004 atmospheric corrosion inspection but failed to investigate these findings or provide protection against atmospheric corrosion on these lines before the next scheduled inspection. This is a violation of Part 195.583(c).

Proposed Compliance Order

With respect to Item 3, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to SFPP, LP. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to Items 1 and 2, we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct these items. Be advised that failure to do so may result in SFPP, LP being subject to additional enforcement action.

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 5-2011-5012** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,



Chris Hoidal  
Director, Western Region  
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*  
*Response Options for Pipeline Operators in Compliance Proceedings*

cc: PHP-60 Compliance Registry  
PHP-500 T. Finch (#128415)  
Bob Gorham – CSFM  
Linda Zigler - CSFM

## **PROPOSED COMPLIANCE ORDER**

Pursuant to 49 United States Code § 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 an uncorrected atmospheric corrosion conditions and degraded coating on the aboveground sections of LS69, LS99 and LS104 within the Chevron Richmond Refinery SFPP, LP must complete the UT measurements that need to be taken and the entire length that is exposed to atmospheric corrosion shall be cleaned and coated as necessary. In addition, SFPP, LP must submit documentation of completed corrective training.
2. In regard to Item 3, evaluate the dents on LS99 and LS104 detected during the 2004 and 2010 atmospheric corrosion surveys, and determine the need for remedial actions.
3. SFPP, LP must complete the evaluation and necessary changes within 60-days after receipt of the Final Order.
4. It is requested (not mandated) that SFPP, LP 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. It is requested that these costs 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.

## **Response Options for Pipeline Operators in Compliance Proceedings**

The requirements of 49 C.F.R. Part 190, Subpart B (§§ 190.201–190.237) govern response to Notices issued by a Regional Director, Pipeline and Hazardous Materials Safety Administration (PHMSA).

Be advised that all material submitted by a respondent in response to an 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).

### **I. Procedures for Responding to a NOTICE OF PROBABLE VIOLATION:**

Within 30 days of receipt of a Notice of Probable Violation, the respondent shall respond to the Regional Director who issued the Notice in the following way:

#### **a. When the Notice contains a proposed CIVIL PENALTY\* --**

1. If you are not contesting any violations alleged in the Notice, pay the proposed civil penalty and advise the Regional Director of the payment. This authorizes PHMSA to issue an order making findings of violation and upon confirmation that the payment has been received PHMSA will close the case with prejudice to the respondent. Payment terms are outlined below;
2. If you are not contesting any violations alleged in the Notice but wish to submit written explanations, information, or other materials you believe warrant mitigation of the civil penalty, you may submit such materials. This authorizes PHMSA to make findings and to issue a Final Order assessing a penalty amount up to the amount proposed in the Notice. Refer to 49 C.F.R. § 190.225 for assessment considerations, which include the respondent's ability to pay and the effect on the respondent's ability to stay in business, upon which civil penalties are based;
3. If you are contesting one or more of the items in the Notice but are not requesting an oral hearing, submit a written response to the allegations and/or seek elimination or mitigation of the proposed civil penalty; or
4. Request a hearing as described below to contest the allegations and/or proposed assessment of a civil penalty.

b. When the Notice contains a proposed COMPLIANCE ORDER\* --

1. If you are not contesting the compliance order, notify the Regional Director that you intend to take the steps in the proposed compliance order;
2. If you are not contesting the compliance order but wish to submit written explanations, information, or other materials you believe warrant modification of the proposed compliance order in whole or in part, or you seek clarification of the terms of the proposed compliance order, you may submit such materials. This authorizes PHMSA to make findings and issue a compliance order;
3. If you are contesting the proposed compliance order but are not requesting an oral hearing, submit written explanations, information, or other materials in answer to the allegations in the Notice and stating your reasons for objecting to the proposed compliance order items in whole or in part; or
4. Request a hearing as described below to contest the allegations and/or proposed compliance order items.

c. When the Notice contains a WARNING ITEM --

No written response is required. The respondent is warned that if it does not take appropriate action to correct these items, enforcement action will be taken if a subsequent inspection reveals a violation.

\* Failure of the respondent to respond to the Notice within 30 days of receipt constitutes a waiver of the right to contest the allegations in the Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in the Notice without further notice to the respondent and to issue a Final Order.

II. Procedures for Responding to a NOTICE OF AMENDMENT\*--

Within 30 days of receipt of a Notice of Amendment, the respondent shall respond to the Regional Director who issued the Notice in the following way:

- a. If you are not contesting the Notice, notify the Regional Director of your plans to address the inadequacies identified in the Notice;
- b. If you are not contesting the Notice but wish to submit written explanations, information, or other materials you believe warrant modification of the Notice of Amendment in whole or in part, or you seek clarification of the terms of the

Notice of Amendment, you may submit such materials. This authorizes PHMSA to make findings and issue an Order Directing Amendment;

- c. If you are contesting the Notice of Amendment but are not requesting an oral hearing, submit written explanations, information, or other materials in answer to the allegations in the Notice and stating your reasons for objecting to the Notice of Amendment items in whole or in part; or
- d. Request a hearing as described below to contest the allegations in the Notice.

\* Failure of the respondent to respond to the Notice within 30 days of receipt constitutes a waiver of the right to contest the allegations in the Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in the Notice without further notice to the respondent and to issue a Final Order.

### III. **Procedure for Requesting a Hearing**

A request for a hearing must be in writing and accompanied by a statement of the issues that the respondent intends to raise at the hearing. The issues may relate to the allegations, new information, or to the proposed compliance order or proposed civil penalty amount. Refer to 49 C.F.R. § 190.225 for assessment considerations upon which civil penalties are based. A respondent's failure to specify an issue may result in waiver of the right to raise that issue at the hearing. The respondent's request must also indicate whether or not respondent will be represented by counsel at the hearing. Failure to request a hearing in writing within 30 days of receipt of a Notice waives the right to a hearing. In addition, if the amount of the proposed civil penalty or the proposed corrective action is less than \$10,000, the hearing will be held by telephone, unless the respondent submits a written request for an in-person hearing. Complete hearing procedures can be found at 49 C.F.R. § 190.211.

### IV. **Extensions of Time**

An extension of time to prepare an appropriate response to a Notice may be granted, at the agency's discretion, following submittal of a written request to the Regional Director. The request must indicate the amount of time needed and the reasons for the extension. The request must be submitted within 30 days of receipt of the Notice.

### V. **Freedom of Information Act**

Any material provided to PHMSA by the respondent, and materials prepared by PHMSA including the Notice and any order issued in this case, may be considered public information and subject to disclosure under the Freedom of Information Act (FOIA). If you believe the information you are providing is security sensitive, privileged, confidential or may cause your company competitive disadvantages, please clearly identify the material and provide justification why the documents, or portions of a document, should not be released under FOIA. If we receive a request for your material, we will notify you if PHMSA, after reviewing the materials and your provided justification, determines that withholding the materials does not meet any exemption

provided under the FOIA. You may appeal the agency's decision to release material under the FOIA at that time. Your appeal will stay the release of those materials until a final decision is made.

VI. **Small Business Regulatory Enforcement Fairness Act Information**

The Small Business and Agricultural Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about federal agency enforcement actions. The Ombudsman will annually evaluate the enforcement activities and rate each agency's responsiveness to small business. If you wish to comment on the enforcement actions of the Pipeline and Hazardous Materials Safety Administration, call 1-888-REG-FAIR (1-888-734-3247) or go to [http://www.sba.gov/ombudsman/dsp\\_faq.html](http://www.sba.gov/ombudsman/dsp_faq.html).

VII. **Payment Instructions**

***Civil Penalty Payments of Less Than \$10,000***

Payment of a civil penalty of less than \$10,000 proposed or assessed, under Subpart B of Part 190 of the Pipeline Safety Regulations can be made by certified check, money order or wire transfer. Payment by certified check or money order (containing the CPF Number for this case) should be made payable to the "Department of Transportation" and should be sent to:

Federal Aviation Administration  
Mike Monroney Aeronautical Center  
Financial Operations Division (AMZ-341) P.O. Box 269039  
Oklahoma City, OK 73125-4915

Wire transfer payments of less than \$10,000 may be made through the Federal Reserve Communications System (Fedwire) to the account of the U.S. Treasury. Detailed instructions are provided below. Questions concerning wire transfer should be directed to the Financial Operations Division at (405) 954-8893, or at the above address.

***Civil Penalty Payments of \$10,000 or more***

Payment of a civil penalty of \$10,000 or more proposed or assessed under Subpart B of Part 190 of the Pipeline Safety Regulations must be made wire transfer (49 C.F.R. § 89.21 (b)(3)), through the Federal Reserve Communications System (Fedwire) to the account of the U.S. Treasury. Detailed instructions are provided below. Questions concerning wire transfers should be directed to the Financial Operations Division at (405) 954-8893, or at the above address.

## INSTRUCTIONS FOR ELECTRONIC FUND TRANSFERS

|   |  |
|---|--|
| (1) <u>RECEIVER ABA NO.</u><br>021030004                                    | (2) <u>TYPE/SUB-TYPE</u><br>(Provided by sending bank)   |
| (3) <u>SENDING BANK ABA NO.</u><br>(Provided by sending bank)               | (4) <u>SENDING BANK REF NO.</u><br>(Provided by sending bank)  |
| (5) <u>AMOUNT</u>   | (6) <u>SENDING BANK NAME</u><br>(Provided by sending bank)   |
| (7) <u>RECEIVER NAME</u><br>TREAS NYC                                       | (8) <u>PRODUCT CODE</u><br>(Normally CTR, or as provided by sending bank)                            |
| (9) <u>BENEFICIAL (BNF) = AGENCY LOCATION CODE</u><br>BNF = /ALC-69-14-0001 | (10) <u>REASONS FOR PAYMENT</u><br>Example: PHMSA - CPF # / Ticket Number/Pipeline Assessment number |

**INSTRUCTIONS:** You, as sender of the wire transfer, must provide the sending bank with the information for blocks (1), (5), (7), (9), and (10). The information provided in Blocks (1), (7), and (9) are constant and remain the same for all wire transfers to the Pipeline and Hazardous Materials Safety Administration, Department of Transportation.

**Block #1** - RECEIVER ABA NO. - "021030004". Ensure the sending bank enters this 9-digit identification number; it represents the routing symbol for the U.S. Treasury at the Federal Reserve Bank in New York.

**Block #5** - AMOUNT - You as the sender provide the amount of the transfer. Please be sure the transfer amount is punctuated with commas and a decimal point. **EXAMPLE: \$10,000.00**

**Block #7** - RECEIVER NAME - "TREAS NYC". Ensure the sending bank enters this abbreviation. It must be used for all wire transfers to the Treasury Department.

**Block #9** - BENEFICIAL - AGENCY LOCATION CODE - "BNF=/ALC-69-14-0001". Ensure the sending bank enters this information. This is the Agency Location Code for the Pipeline and Hazardous Materials Safety Administration, Department of Transportation.

**Block #10** - REASON FOR PAYMENT - "AC-payment for PHMSA Case # / To ensure your wire transfer is credited properly, enter the case number/ticket number or Pipeline Assessment number, and country."

**NOTE:** A wire transfer must comply with the format and instructions or the Department cannot accept the wire transfer. You as the sender can assist this process by notifying the Financial Operations Division (405) 954-8893 at the time you send the wire transfer.

February 2009