



U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

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

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 6, 2017

Mr. Steven Kean
President and CEO
Kinder Morgan
1001 Louisiana Street, Suite 1000
Houston, Texas 77002

CPF 5-2017-5011

Dear Mr. Kean:

On several occasions between September 7, 2016 and November 18, 2016, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code, inspected your CALNEV Pipeline (CALNEV)'s plans and records for operations and maintenance and conducted a field evaluation of the pipeline systems from Colton, California to Las Vegas, Nevada.¹

As a result of the inspection, it is alleged that CALNEV have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

¹ CALNEV Pipeline is a subsidiary of Kinder Morgan.

1. **§195.402 Procedural manual for operations, maintenance, and emergencies.**
 - (a) **General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.**

CALNEV did not follow its written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies as specified in Kinder Morgan's L-O&M. Specifically, Kinder Morgan's L-O&M 2101, 'Atmospheric Breakout Tank Inspections,' Section 3.1.1 states in part,

This in-service inspection shall include a visual inspection of the tank's exterior surfaces. Evidence of leaks; shell distortions; signs of settlement; corrosion; and condition of the foundation, paint and coatings, insulation systems, and appurtenances shall be documented on L-OM2100-02, Monthly Breakout Tank Inspection Report and reported to the local supervisor.

CALNEV did not follow its inspection procedures by not adequately documenting the conditions of the tanks' exterior surface on their 2015 and 2016 monthly inspections.² At the time of PHMSA inspection, the following had been observed:

- a) The 6/15/2015 and 6/13/2016 annual inspections conducted on Tank #120 by CALNEV's contractor indicated that there were paint failures and rust observed on the roof, shell and its appurtenances (Items), but the 2015 and 2016 monthly inspections conducted by CALNEV's personnel indicated that all these Items were in 'Okay' conditions. At the time of the PHMSA field inspection, PHMSA observed atmospheric corrosion and coating degradations on the shell and shell appurtenances of Tank #120. This information, however, was not listed on its Monthly Breakout Tank Inspection Reports.
- b) The 3/16/2015 and 3/16/2016 annual inspections conducted on Tank #321 by CALNEV's contractor and the 2015 and 2016 monthly inspections conducted by CALNEV personnel indicated that there were paint failures/discolorations observed on the shell and its appurtenances, but indicated that there were no atmospheric corrosion conditions observed. However, at the time of the PHMSA field inspection, PHMSA observed that in addition to coating deterioration as observed by CALNEV, there were

² See also 49 C.F.R. §195.432 (b) (discussing inspection of in-service breakout tanks).

atmospheric corrosion on the shell and shell appurtenances of Tank #321. This information, however, was not listed on its Monthly Breakout Tank Inspection Reports.

- c) The 3/17/2016 annual inspection conducted on Tank #521 by CALNEV's contractor and the 2015 and 2016 monthly inspections conducted by CALNEV personnel indicated that there were paint failures/discolorations observed on the shell and its appurtenances, but indicated that there were no atmospheric corrosion conditions observed. However, at the time of the PHMSA field inspection, PHMSA observed that in addition to coating deterioration as observed by CALNEV, there were atmospheric corrosion on the shell and shell appurtenances of Tank #521. This information, however, was not listed on its Monthly Breakout Tank Inspection Reports.

According to Section 3.1.1 of its O&M, CALNEV did not properly document the atmospheric corrosion conditions of Tanks # 120, 321, and 521 on its Monthly Breakout Tank Inspection Reports on form L-OM2100-02. By failing to document this information, CALNEV failed to properly follow its procedures in violation of 49 C.F.R. §195.402(b).

2. **§195.402 Procedural manual for operations, maintenance, and emergencies.**
 - (a) **General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.**

CALNEV did not follow its written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies, as specified in Kinder Morgan's L-O&M. Specifically, Kinder Morgan's L-O&M 918, 'Inspecting for Atmospheric Corrosion', Section 3.4 states in part,

Visually inspect all onshore, aboveground piping and structural components for evidence of atmospheric corrosion at least once every 3 calendar years, but with intervals not to exceed 39 months (L-O&M Procedure 1700, Inspection & Maintenance, L-I&M I-1141.00). During inspection, give particular attention to the following components:

- a. Flange gaps and bolts
- b. Soil-to-Air Interface
- c. Splash zones

- d. Air/building interface
- e. Crevices
- f. Pipe supports and wear pads
- g. Pipe under insulation
- h. Spans/bridges
- i. Deck penetrations

In addition, Kinder Morgan's procedure had an attachment for evaluating and grading the conditions of above-ground piping and associated structural components for signs of atmospheric corrosion. In the procedure, it shows sample pictures of atmospheric conditions of aboveground pipe and how to grade/evaluate them as 'Good', 'Fair' and 'Poor.'³

CALNEV's 2014, 2015, and 2016 atmospheric corrosion inspection records and the 2014 and 2016 Bridge/Span inspection reports indicated that all of the above-ground pipes' atmospheric corrosion conditions were 'Good.' However, at the time of the PHMSA inspection, PHMSA observed and photographed several above-ground pipes and components with atmospheric corrosion that CALNEV employees should have graded as 'Poor' or 'Fair' per Section 3.4, and the attachment, of its O&M.

Specifically, at the time of the PHMSA field inspection, the following was observed:

- a) Colton North Terminal:
 - Soil-to-air interface of the pipe showed signs of atmospheric corrosion.
 - Pipe showed coating disbondment.
 - Above-ground flange was inadvertently buried. After the soil had been removed, the pipe under the flange showed corrosion and pitting.
 - An above-ground valve body was inadvertently buried.
 - Pump equipment showed signs of corrosion pitting and coating deterioration.
- b) Valley Well Pump Station:
 - Pump equipment was inadvertently buried and showed signs of atmospheric corrosion.
- c) Las Vegas Terminal:
 - There was a metallic contact between an above-ground pipe and metallic support. The surface area within the vicinity of the metallic contact showed galvanic corrosion activity. The existing condition also made it impossible to conduct an accurate atmospheric corrosion inspection on contact surface.
- d) Baldy Mesa Aqueduct Pipe Span:
 - 14-inch pipe span shows signs of atmospheric corrosion.

³ See also 49 C.F.R. §195.583(b) (setting forth requirements for monitoring atmospheric corrosion control).

By failing to evaluate and grade the Colton North Terminal, Valley Well Pump Station, Las Vegas Terminal, and Baldy Mesa Aqueduct Pipe Span, all experiencing atmospheric corrosion conditions or signs of galvanic corrosion activity, as 'Fair' or 'Poor,' CALNEV failed to properly follow its procedures in violation of 49 C.F.R. §195.402(b).

Proposed Compliance Order

As of April 27, 2017, under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$209,002 per violation per day the violation persists up to a maximum of \$2,090,022 for a related series of violations.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to Items 1 and 2, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to CALNEV Pipeline. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. 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. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 5-2017-5011** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Huy Nguyen". The signature is fluid and cursive, with the first name "Huy" and last name "Nguyen" clearly distinguishable.

Huy Nguyen
Acting 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 M. Garcia (#154376 and #154377)

PROPOSED COMPLIANCE ORDER

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

1. In regard to Items 1 and 2 of the Notice pertaining to not following a written procedure for conducting normal operations and maintenance activities and handling abnormal operations and emergencies, CALNEV must:
 - (a) Requalify all its personnel who conducted atmospheric corrosion inspections from 2014 to 2016 and provide adequate training in evaluating atmospheric corrosion conditions of pipeline systems and in-service breakout tanks.
 - (b) Conduct a full atmospheric corrosion evaluation and apply new coats on 14-inch pipeline of Baldy Mesa Aqueduct.
 - (c) Conduct a full survey to locate all pipeline components that are inadvertently buried and mitigate any issues found.
 - (d) Evaluate the integrity and atmospheric corrosion condition on all above- ground pipeline surfaces at Las Vegas Terminal where it had a metallic contact with the metal support and correct the issue regarding the metallic contact between above-ground pipe and its support in order to conduct an accurate atmospheric corrosion inspection.
2. Pertaining to Items 1 and 2 of the Notice, CALNEV must complete the required remediation works within 180 days of the date of the Final Order and submit records to PHMSA to demonstrate that those items were corrected.
3. It is requested (not mandated) that CALNEV maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mr. Huy Nguyen, Acting 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.