U.S. Department
Of Transportation
Pipeline and
Hazardous Materials
Safety Administration

820 Bear Tavern Road, Suite 103
West Trenton, NJ 08628
609.771.7800

NOTICE OF AMENDMENT

OVERNIGHT EXPRESS DELIVERY

November 2, 2016

Carlos Mungia
Vice President – Operations & Engineering
Kinder Morgan Liquid Terminals, LLC.
8500 W 68th Street
Argo, IL 60501

CPF 1-2016-5012M

Dear Mr. Mungia:

From July 27 – September 3, 2015 a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Kinder Morgan Liquid Terminals, LLC. (KMLT) procedures in Perth Amboy and Carteret, New Jersey.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within KMLT's plans or procedures, as described below:

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. . .

KMLT's procedures for handling abnormal operations and emergencies were inadequate in that they failed to include sufficient guidance for responding to abnormal operations as per 195.402(d). During the inspection, the PHMSA inspector reviewed KMLT's T-O&M Procedure No. 1101-Response to Notice of Emergency or Abnormal Operations, revised 4/29/2015, and KMLT's Abnormal Operating Condition (AOC) Data Gathering Reports from 2012 through 2015.

T-O&M 1101 Section 3.1, Receiving, Identifying and Classifying Notices of Events, states in part that:

"3.1.2 Monitoring For and Recognizing an Emergency or Abnormal Condition

. . .

3.1.2.4 Report to the supervisor(s) as appropriate. Operations may continue only if it is determined to be safe by the control room manager.

. . .

3.2.5. The Controller/Operator shall notify appropriate personnel to begin the investigation of the abnormal operating condition.

. . .

3.5.1. Occasionally, field maintenance or an abnormal condition may require operating under reduced pressure or flow conditions. Controller(s) must ensure that connecting terminals that inject into the pipeline are aware of such limits. Adhere to limits until . . . the abnormal conditions have been cleared by the control room manager.

. . .

3.7.1.4. Notify the local management when communications are out for an abnormal period of time.

. . .

5. Documentation

Documentation may include: . . ."

The procedure failed to provide details such as:

1. Criteria for (paragraph 3.1.2.4)
    a. Determining when it is "appropriate" to report an AOC to the supervisor.
    b. Determining that it is safe to continue operations.
    c. Documenting the decision to continue operations.
2. Identifying the personnel that must be notified to begin an investigation of an AOC (paragraph 3.2.5).
3. Requirements for documenting:
    a. AOCs
    b. A decision to return to full pressure or flow conditions when the AOCs have been "cleared by the control room manager" (paragraph 3.5.1).
4. Criteria for notifying local management when communications are out of service (paragraph 3.7.1.4).

5. Specifics on documentation, such as what must be documented and what forms must be used (Section 5).

    a. KMLT provided records from 2012 through 2015 on "KMLT's Abnormal Operating Condition (AOC) Data Gathering Reports." The report was not referenced in KMLT's procedures, and did not have a form number or revision date.

    b. For the AOCs that occurred on 7/3/15, 6/12/15, and 4/29/15, KMLT could not provide documentation that the control room manager determined that operations were safe to continue.

Thus, KMLT's procedure did not provide sufficient guidance for handling abnormal operations.

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. . .

KMLT's procedures were inadequate in that they did not provide sufficient guidance for conducting normal operations and maintenance activities.

Specifically, KMLT's procedures did not adequately address the requirements for breakout tanks per API Standard 653 Section 6.9. Reports, incorporated by reference in §195.3(b)(19).

API Standard 653 Section 6.9.1 states in part that: "Each external inspection report and internal inspection report along with inspector recommendations and documentation of disposition shall be maintained by the owner/operator for the life of the tank."

During the inspection, the PHMSA inspector reviewed KMLT's T-O&M 2101 - Tank Inspections procedure, revised 4/29/2015. KMLT's procedure states in part that, "All inspection documentation, related to this procedure, will be kept in the local file or in a computer maintenance management system (i.e. tank database, etc.), and will be maintained for at least 2 years or until the next inspection or test is performed, whichever is longer."

The procedure failed to provide details such as the types of records that must be retained. In addition, the recordkeeping retention guidance provided in KMLT's procedure conflicted with the requirements specified in API Standard 653 Section 6.9.1.

3. §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. . .

KMLT's procedures were inadequate in that they did not provide sufficient guidance for conducting normal operations and maintenance activities.

Specifically, KMLT's procedures did not adequately address the requirements for breakout tanks per API Standard 653 Section 6.9, Reports, incorporated by reference in §195.3(b)(19).

API Standard 653 Section 6.9.3.2 states in part that, "It is the responsibility of the

owner/operator to review the inspection findings and recommendations, establish a repair scope, if needed, and determine appropriate timing for repairs, monitoring and/or maintenance activities."

During the inspection, the PHMSA inspector reviewed KMLT's T-O&M 2101 - Tank Inspections procedure. The procedure failed to provide guidance on items such as the individuals responsible for reviewing inspection findings and recommendations, and establishing a repair scope.

4. §195.402(c)(3) Procedural manual for operations, maintenance, and emergencies.

(a) . . .

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(3) Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

KMLT's written procedures in its Operation and Maintenance (O&M) Manual for overpressure safety devices were inadequate in that they failed to include sufficient guidance on how to conduct and document inspections of overpressure safety devices as per §195.428.

Specifically, KMLT's T-O&M 703- Pressure Limiting and Relief Devices and Inspections dated 5/27/2014, did not provide sufficient guidance on conducting and documenting relief valve inspections, such as:

1. What criteria are used to determine acceptable "as-found" and "as-left" relief pressures.
2. What actions must be taken if the relief valve "as-found" pressure does not meet the criteria.
3. What criteria are used to determine "pass" and "fail."
4. What documentation is required and where it must be recorded, for example:
    a. What information must be captured in the "as found", "as left", and "inspected by" and "contact room contact" columns of form T-OM700-04.
    b. What actions are required if an "Item" on form T-OM700-04 no longer exists.

During the inspection, the PHMSA inspector reviewed KMLT's O&M Section 703- Pressure Limiting and Relief Devices and Inspections dated 11/17/2011 and 5/27/2014. Section 5, Documentation, paragraph 5.1 states "Complete T-OM700-04, Inspection and Tests Performed on Relief and Pressure Switch Equipment or computer based management system; for inspection of relief valves and/or Pressure Switch Equipment."

The PHMSA inspector also reviewed KMLT's T-OM700-04 records for 2013 and noted the following issues:

1. There was no consistency in the data reported in the "as found" and "as left" columns. Some entries were blank, some had numeric values, and others stated "open", "closed" or "same". KMLT was unable to explain of what the words "open" and "closed" actually documented.
2. Some "as left" values exceeded the set point by up to 60%. KMLT could not provide additional information to validate that valves were not returned to service with relief settings that exceeded the set point.
3. The "control room contact" data reported included names, units, and the word "yes".

Thus, KMLT's procedure did not provide sufficient guidance on how to conduct and document inspections of overpressure safety devices.

5. §195.402(c)(3) Procedural manual for operations, maintenance, and emergencies.

(a) . . .

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(3) Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

KMLT's procedures for operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part were inadequate.

Specifically, KMLT's procedure for monitoring atmospheric corrosion did not adequately address the requirement to give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water, in accordance with 195.583(b).

During the inspection, the PHMSA inspector reviewed KMLT's O&M procedure "918 Inspecting for Atmospheric Corrosion, revised 4/29/2015. Paragraph 3.6 of the procedure states in part that:

"During inspection, give particular attention to the following components:

- Flange gaps and bolts
- Soil-to-air-interface
- Splash zones
- Air/building interface
- Crevices
- Pipe supports and wear pads
- Pipe under insulation
- Spans/bridges, deck penetrations."

The aforementioned procedure is general and provides minimal guidance on how to give particular attention to each of the stated items.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.206. 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, revised procedures, or a request for a hearing under §190.211. Failure to respond within 30 days of receipt of this Notice 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 an Order Directing Amendment. If your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.206). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 30 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

It is requested (not mandated) that Kinder Morgan Liquid Terminals, LLC. maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Byron Coy, P.E., Director, Eastern Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 1-2016-5012M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Byron Coy, P.E.
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*