NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 3, 2016

Mr. Charles Fox
Kinder Morgan - Wink Pipeline LP
500 Dallas, Suite 1000
Houston, TX 77002

CPF 4-2016-5026

Dear Charles Fox:

On multiple occasions between October 6, 2014 through February 18, 2015, representatives 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 Wink Pipeline system in Wink, Texas.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

1. § 195.404 Maps and records.

(c) Each operator shall maintain the following records for the periods specified:

(1) The date, location, and description of each repair made to pipe shall be maintained for the useful life of the pipe.

KM Wink failed to have records documenting the date, location, and description of pipeline repairs from previous years.
KM Liquid O&M Manual Procedure L-O&M 213 section 5 *Documentation*, 5.1 *Per requirements of DOT and NEB (OPR Section 41 and CSA Z662 Section 10.3.3), 5.1.1 states,*

> *"Properly document all leaks and pipe repairs on* ***L-OM200-02 Pipeline Inspection/Repair Report****"*

From October 2013 through June 2014, KM has conducted seven (7) dig-inspections on identified anomalies called by current ILI runs only to discover that the anomalies have been previously repaired with composite or Type B sleeves.

2. § 195.406 Maximum operating pressure.

(a) Except for surge pressures and other variations from normal operations, no operator may operate a pipeline at a pressure that exceeds any of the following

(3) Eighty percent of the test pressure for any part of the pipeline which has been pressure tested under subpart E of this part.

Kinder Morgan Wink failed to correctly determine the MOPs for multiple pipeline systems. These pipelines were buried when the pressure tests were conducted. Section 195.304 Test Pressure states,

> *"The test pressure for each pressure test conducted under this subpart must be maintained throughout the part of the system being tested for at least 4 continuous hours at a pressure equal to 125 percent, or more, of the maximum operating pressure and, in the case of a pipeline that is not visually inspected for leakage during the test, for at least an additional 4 continuous hours at a pressure equal to 110 percent, or more, of the maximum operating pressure."*

KM Liquids O&M Procedure L-O&M 201 *Maximum Operating Pressure (MOP) Determination*, section 4.2 *Determining Maximum Operating and Control Pressures*, paragraphs 4.2.1 and 4.2.1.3 state,

> *"4.2.1. Except for surge pressures and other variations from normal operations, steel pipeline MOP shall not exceed any of the following:*
>
> *4.2.1.3. 80% of the test pressure for pipeline, (including facility piping, as applicable) tested in accordance with DOT 195 Subpart E - Hydrostatic Testing..."*

KM Liquids O&M Procedure L-O&M 1600 *Strength and Leak Testing,* section 4.2.4 *Conducting the Post-Installation Test,* 3rd bullet states,

> *"Adjust test pressures for elevation by considering grade profiles and deadweight elevation. Do not allow the pressure at the lowest elevation to exceed the maximum allowable test pressure or allow the pressure at*

the highest elevation to drop below the minimum allowable test pressure. Eliminate air from the test section. Allow an adequate period of time for temperature stabilization."

Records demonstrate that for 25 segments the stated MOP exceeds what should be the actual MOP. KM failed to correctly use the lowest test pressure seen during the test and incorrectly adjusted the pressure for elevation. Following the inspection, KM Wink recalculated the MOPs for the pipelines (Wink to El Paso, Snyder to Wink, and McCamey to Wink) using the lowest pressure recorded during the first 4 hours of the test. These new results still show several segments with incorrect MOP's.

3. § 195.432 Inspection of in-service breakout tanks.

(b) Each operator must inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to API Standard 653 (incorporated by reference, *see* § 195.3). However, if structural conditions prevent access to the tank bottom, the bottom integrity may be assessed according to a plan included in the operations and maintenance manual under § 195.402(c)(3).

KM Wink failed to inspect the physical integrity of in-service atmospheric and low-pressure aboveground breakout tanks at the required intervals according to API Standard 653. The operator failed to comply with the required interval of 5 years for the External In-Service inspection and the Ultrasonic Thickness inspection.

Six KM Wink low pressure breakout tanks have not received external and ultrasonic thickness inspections at the required interval pursuant to API 653. Specifically, tanks 3, 7, 8, 27, 28, and 29 have not received external inspections at the required five-year interval pursuant to API 653.

The details are as follows:

- Tank No. 3: Reviewed December 7, 2012 Report for EC/UT In-service Inspection, and the previous inspection was on February 3, 2005. Thus, Tank No. 3 exceeded the 5-year inspection period required by API 653.
- Tank No. 27: Reviewed Out-of-Service inspection report dated July 7, 2009, documentation that an inspection was required in July 2014. Tank No. 27 was inspected on November 11, 2014, which exceeded the 5-year inspection period required by API 653.
- Tank No. 7: The tank was last inspected on December 4, 2012, external only, and was previously inspection on April 24, 2006. Thus, Tank No. 7 exceeded the 5-year inspection period required by API 653.
- Tank No. 8: The In-Service EC/UT inspection report dated December 4, 2012 was reviewed. The prior inspection was done on October 9, 2006. Thus, Tank 8 exceeded the 5-year inspection period required by API 653.

- Tank 28: An Out-of-Service inspection was done on January 1 - February 3, 2012. The prior inspection was done on August 12, 2005. Thus, Tank 28 exceeded the 5-year inspection period required by API 653.
- Tank 29: An Out-of-Service inspection was done on April 5-6, 2011. The prior In-Service inspection was done on August 12, 2005. Thus, Tank 29 exceeded the 5-year inspection period required by API 653.

4. § 195.573 What must I do to monitor external corrosion control?

(d) *Breakout tanks.* You must inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank to ensure that operation and maintenance of the system are in accordance with API Recommended Practice 651. However, this inspection is not required if you note in the corrosion control procedures established under § 195.402(c)(3) why compliance with all or certain operation and maintenance provisions of API Recommended Practice 651 is not necessary for the safety of the tank.

KM Wink failed to ensure through inspection that the operations and maintenance of each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank is in accordance with API Recommended Practice 651.

During the inspection, PHMSA inspectors noted that KM Wink failed to inspect numerous test points for breakout tanks 7, 8, 27, 28, and 29 over the period 2012-2014. Additionally, there are test points below the -850 mV criteria for breakout tanks 3, 8, and 29 over the period 2012-2014.

PHMSA reviewed the cathodic protection records and found the following results:

- Tank 3 - 2012 CP read - center of tank floor below criteria from 4/28/2012 until 4/12/2014
- Tank 7 - 2012 CP reads - missing the center and mid-center reads from 4/28/2012 until 4/5/2014
- Tank 8 - 2012 CP reads - the center and mid-center reads below criteria from 4/28/2012 and missing on 5/8/2013 & 4/12/2014
- Tank 27 - 2012 CP reads - the center, mid-center, NE, NW, SE, & SW reads are missing from 4/28/2012 forward.
- Tank 28 - 2012 CP reads - all reads missing for year 2012; the center, mid-center, NE, NW, SE, & SW reads are missing from 5/08/2013 forward.
- Tank 29 - 2012 CP reads - the center and mid-center reads below criteria from 4/28/2012, and the NE, NW, SE, & SW reads are missing from 4/28/2012 forward.

5. §195.571 What criteria must I use to determine the adequacy of cathodic protection?
Cathodic protection required by this subpart must comply with one or more of the applicable criteria and other considerations for cathodic protection contained paragraphs 6.2.2, 6.2.3, 6.2.4, 6.2.5 and 6.3 in NACE SP 0169 (incorporated by reference, *see* § 195.3).

KM Wink records do not demonstrate the operator achieved adequate cathodic protection levels to meet the criteria required by NACE SP 0169 paragraphs 6.2 or 6.3 on the El Paso to Wink pipeline.

The data was reviewed covered the three year period (2012-2014). Records for the El Paso to Wink, Wink to McCamie, and the Wink to Snyder pipeline segments in the CPDM system were reviewed. An -0.850 mV cathodic protection applied criteria and a 100 mV cathodic polarization criteria are identified for each test point.

Records for 2012 through 2014 on the El Paso to Wink pipeline identify numerous locations that did not meet the stated 100 mV polarization criteria. For three consecutive years (2012 through 2014), at the same 5 locations, the 100 mV criteria was not attained. Still further, the native/static values were more negative than the IR free (current-off) values for 11 occasions in the 2012 data, for 7 occasions in the 2013 data, and for 8 occasions in the 2014 data.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed $200,000 per violation per day the violation persists up to a maximum of $2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed $100,000 per violation per day, with a maximum penalty not to exceed $1,000,000 for a related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of $183,800 as follows:

Item number	PENALTY
2	$65,800
3	$37,800
4	$37,800
5	$42,400

Warning Items

With respect to item 1, 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 item(s). Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to items 2, 4, and 5, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Wink Pipeline LP. 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. All material you submit in response to this enforcement action may be 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 4-2016-5026** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R.M. Seeley
Director, SW Region
Pipeline and Hazardous Materials Safety Administration

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

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 2 of the Notice pertaining to the failure of KM Wink to correctly determine the MOPs of the pipeline system and therefore operate pipelines at pressures that exceed the requirements of §195.406(a)(3), KM Wink must calculate the MOP of each pipeline segment as required by §195.406 and establish the proper MOP for each line segment. KM Wink must reset all over-pressure protection along each line segment. KM Wink must correctly determine and establish the MOP for each line segment and reset all affected over-pressure protection within **90 days** following the receipt of the Final Order.

2. In regard to Item Number 4 of the Notice pertaining to the failure of KM Wink to ensure through inspection the operation and maintenance of each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank is in accordance with API RP 651, KM Wink must remediate low and missing reads for each cathodic protection system used to control corrosion on the bottom of each aboveground breakout tank in accordance with API RP 651. This requirement refers to breakout tanks 3, 7, 8, 27, 28, and 29. KM must complete the remediation work within **180 days** from receipt of the Final Order.

3. In regard to Item Number 5 of the Notice pertaining to the failure of KM Wink to achieve adequate cathodic protection levels to meet criteria required by NACE SP 0169 sections 6.2 to 6.3 at various locations along the El Paso to Wink pipeline, KM Wink must remediate the cathodic protection system along the El Paso to Wink pipeline to meet adequate CP levels and achieve the criteria established by NACE SP 0169 sections 6.2 to 6.3. KM Wink must complete the remediation work on the El Paso to Wink pipeline CP system to meet adequate CP levels within **1 year** from receipt of the Final Order.

4. It is requested (not mandated) that Wink Pipeline LP maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to R. M. Seeley, Director, SW 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.