U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

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

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

February 28, 2012

Mr. Hugh Harden
VP, Operations & Engineering & EHS
Kinder Morgan Canada, Inc.
Suite 2700, Stock Exchange Building
300 5th Ave. SW
Calgary, Alberta T2P5J2
Canada

CPF 5-2012-6003M

Dear Mr. Harden:

From August 22 to 26, 2011, representatives of the Washington Utilities and Transportation Commission (WUTC), pursuant to Chapter 601 of 49 United States Code, inspected your crude oil pipeline facilities in the State of Washington. As part of this inspection, they reviewed operation and maintenance records at your Laurel office. The WUTC representatives also performed a field inspection of your breakout tanks T-170 & T-180 at the Laurel Station, T-130 at the Ferndale Station, and T-7 inside the Shell Refinery in Anacortes, Washington.

On the basis of the inspection, PHMSA's representative identified the apparent inadequacies found within Kinder Morgan Canada's (KM) plans or procedures, as described below:

1. **49 CFR §195.424 Pipe movement.**
(a) No operator may move any line pipe, unless the pressure in the line section involved is reduced to not more than 50 percent of the maximum operating pressure.

This requirement is in the operator's legacy Operation and Maintenance (O&M) manual (being phased out), but not in the new O&M manual. The new O&M manual should include this requirement when moving operating pipelines.

2. **49 CFR §195.434 Signs.**

Each operator must maintain signs visible to the public around each pumping station and breakout tank area. Each sign must contain the name of the operator and a telephone number (including area code) where the operator can be reached at all times.

Requirements for signage at KM's facilities are inadequate. Although the signs at the field facilities show the name of the operator and the emergency contact telephone number, the operator's manual does not have this requirement.

3. **49 CFR §195.559 What coating material may I use for external corrosion control?**

Coating material for external corrosion control under Sec. 195.557 must--
(a) Be designed to mitigate corrosion of the buried or submerged pipeline;
(b) Have sufficient adhesion to the metal surface to prevent under film migration of moisture;
(c) Be sufficiently ductile to resist cracking;
(d) Have enough strength to resist damage due to handling and soil stress;
(e) Support any supplemental cathodic protection; and
(f) If the coating is an insulating type, have low moisture absorption and provide high electrical resistance.

The requirements for coating material properties are inadequate in the operator's manual. All of the requirements for proper design, application, and maintenance of pipe coating materials are not explicitly described in the O&M manual.

4. **49 CFR §195.561 When must I inspect pipe coating used for external corrosion control?**

(a) You must inspect all external pipe coating required by Sec. 195.557 just prior to lowering the pipe into the ditch or submerging the pipe.
(b) You must repair any coating damage discovered.

The requirement of §195.561 (b) is not in operator's manual. However, it is in the legacy manual (soon to be phased out). The new manual must include coating inspection and repair requirements, per Federal regulations.

5. **49 CFR §195.563 Which pipelines must have cathodic protection?**

(a) Each buried or submerged pipeline that is constructed, relocated, replaced, or otherwise changed after the applicable date in Sec. 195.401(c) must have cathodic protection. The cathodic protection must be in operation not later than 1 year after the pipeline is constructed, relocated, replaced, or otherwise changed, as applicable.

The requirement of having operational cathodic protection (CP) no later than 1 year after the pipeline is constructed, relocated, replaced, or otherwise changed, as applicable, is not in operator's O&M manual. The O&M must explicitly describe this CP requirement for newly-installed pipeline, including reroutes, replacements and repairs.

6. **49 CFR §195.569 Do I have to examine exposed portions of buried pipelines?**
Whenever you have knowledge that any portion of a buried pipeline is exposed, you must examine the exposed portion for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated. If you find external corrosion requiring corrective action under Sec. 195.585, you must investigate circumferentially and longitudinally beyond the exposed portion (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the exposed portion.

This requirement is not in the operator's O&M manual. The operator is currently using a right-of-way (ROW) proximity form to document the coating condition whenever the pipe is exposed along the pipeline ROW. A procedure and a new exposed pipe condition report form should be created.

7. **49 CFR §195.579 What must I do to mitigate internal corrosion?**
(c) Removing pipe. Whenever you remove pipe from a pipeline, you must inspect the internal surface of the pipe for evidence of corrosion. If you find internal corrosion requiring corrective action under Sec. 195.585, you must investigate circumferentially and longitudinally beyond the removed pipe (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the removed pipe.

The requirement of § 1955.579 (c) is not in the new operator's manual. However, it is in their legacy manual (being phased out) and should be incorporated in the new manual.

8. **49 CFR §195.583 What must I do to monitor atmospheric corrosion control?**
(a) During inspections you must 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.

The location of spans over water is not in the new operator's O&M manual. However, it is in their legacy manual (being phased out) and should be incorporated in the new manual.

9. **49 CFR §195.589 What corrosion control information do I have to maintain?**
(a) You must maintain current records or maps to show the location of--
(1) Cathodically protected pipelines;
(2) Cathodic protection facilities, including galvanic anodes, installed after January 28, 2002; and
(3) Neighboring structures bonded to cathodic protection systems.
(b) Records or maps showing a stated number of anodes, installed in a stated manner or spacing, need not show specific distances to each buried anode.
(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to Secs. 195.569, 195.573(a) and (b), and 195.579(b)(3) and (c) must be retained for as long as the pipeline remains in service.

The corrosion control records retention of at least 5 years is not in the operator's O&M manual in the section on recordkeeping. The requirement to maintain control records for a minimum of 5 years should be incorporated.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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.

If, after opportunity for a hearing, 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. § 190.237). 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 Canada, Inc. maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 5-2012-6003M** 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

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

cc: PHP-60 Compliance Registry
PHP-500 Ross Reineke
Washington Utilities Commission- Joe Subsits