



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

400 Seventh Street, S.W.
Washington, D.C. 20590

MAR - 3 2005

Mr. Patrick M. McCann
President
Koch Pipeline Company LP
P.O. Box 2975
Wichita, Kansas 67201

Re: CPF No. 46510-H

Dear Mr. McCann:

Enclosed is a Second Amendment to the October 7, 1996, Corrective Action Order issued by the Associate Administrator for Pipeline Safety in the above-referenced case. The Amendment adds additional required corrective actions to address the cause of the leaks on the Sterling 2 pipeline that were discovered on February 23, 2005. Service is being made by certified mail and telecopy. Your receipt of the enclosed document constitutes service of that document under 49 C.F.R. § 190.5. The terms and conditions of this amendment are effective upon receipt.

Sincerely,

James Reynolds
Pipeline Compliance Registry
Office of Pipeline Safety

Enclosure

VIA CERTIFIED MAIL (RETURN RECEIPT REQUESTED) AND TELECOPY

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
WASHINGTON, DC 20590

In the Matter of
Koch Pipeline Company L.P.,
Respondent.

CPF No. 46510-H

SECOND AMENDMENT TO CORRECTIVE ACTION ORDER

Purpose and Background

On October 7, 1996, the Associate Administrator for Pipeline Safety issued a Hazardous Facility Order (Order)* finding that the continued operation by Koch Pipeline Company L.P. (Respondent), of its highly volatile liquid ("HVL") pipeline (known as "Sterling 1") running from Medford, Oklahoma, to Mont Belvieu, Texas, would be hazardous to life, property, and the environment without the implementation of corrective measures. The Order required that corrective measures be taken prior to the return to service of the HVL line. On February 23, 2005, Respondent reported to Office of Pipeline Safety (OPS) that it had discovered two leaks on the Sterling 2 HVL pipeline which runs parallel to the Sterling 1 pipeline. Sterling 2 transports a mixture of liquified ethane and propane. Based on information from the investigation into these leaks, I find that these lines continue to be a hazard to life, property and the environment and that additional corrective actions are needed. This Amendment amends the original Order to make additional findings and to order additional corrective actions.

* The Office of Pipeline Safety now uses the term Corrective Action Order instead of Hazardous Facility Order.

Additional Findings

1. On February 23, 2005, Respondent reported a leak, which after investigation turned out to be two small pinhole leaks with three additional and similar pipe defects all within a short section of approximately 300 feet of pipe, on that portion of its Sterling 2 HVL pipeline that runs between the Tishomingo Booster (Pump) Station in Oklahoma and the Quinlan Booster (Pump) Station in Texas. The leak was located approximately 1.5 miles north of the Farmersville Junction in Collin County, Texas. Respondent shut down the pipeline
2. The pipeline is a 12 3/4-inch diameter by 0.219 inch nominal wall thickness Grade X60 carbon steel line that began operating on or about December 23, 1992. The external coating on the line is a two coating Polyken, consisting of a 20 mil inner wrap and a 50 mil outer jacket. The girth welds are coated with an over the ditch tape coating. Cathodic protection is supplied by impressed current using deep well anodes.

3. Respondent sleeved the two leaks and two of the three defects, using full encirclement pressure containing sleeves. A third defect was cut out as a short section of pipe containing the defect for testing. The two pinholes and three defects appeared to the Respondent to be caused by external corrosion, similar in nature to that found in the Sterling 1 pipeline in August of 2002 three miles south of the Nevada Booster in Rockwall County. The cause of corrosion on Sterling 1 pipeline was later assigned by the Respondent to be AC induced from locating the line in an AC Transmission Power Line corridor. Respondent repaired the Sterling 2 pipeline and plans to return it to service. Respondent also scheduled an in-line inspection ("ILI") tool to be run the week of February 28, 2005 to determine if additional anomalies exist in the pipeline.
4. The previously established maximum operating pressure(MOP) of the failed section of pipe in Sterling 2 pipeline is 1440 psig. Respondent had been operating the pipeline at pressures of approximately 1425 psig or less. The pressure at the time the leaks were discovered was calculated to be 965 psig.
5. Respondent plans to send the removed section of pipe to CC Technologies for testing and analysis, the week of February 28, 2005.
6. The Sterling 2 pipeline leak site is in an AC power transmission line corridor. Similarly, anomalies were detected on Sterling 1 pipeline by ILI in 2002 in areas in close proximity to the power lines. Testing done by Respondent in 2000 on Sterling 1 pipeline, indicated AC voltage was being induced on the pipeline south of the Nevada Booster Pump Station. On September 8, 2000, Respondent installed zinc anodes to mitigate the effects of the induced AC current.
7. Testing done by Respondent the week of February 28, 2005, on the Sterling 2 pipeline indicated AC voltage was being induced on the Sterling 2 pipeline very near the site of the two leaks. The Sterling 2 line was smart pigged in 2002, but only three of the five problem areas (leaks and defects) showed up as minor wall losses at that time. Respondent hired CC Technologies Services, Inc. the week of February 28, 2005, to evaluate the Sterling 2 corrosion problem.

Determination of Necessity for Amendment to Corrective Action Order and Right to Hearing

Section 60112 of Title 49, United States Code, provides for the issuance of a corrective action order, after reasonable notice and the opportunity for a hearing, requiring corrective action, which may include the suspended or restricted use of a pipeline facility, physical inspection, testing, repair, replacement, or other action as appropriate. The basis for making the determination that a pipeline facility is hazardous, requiring corrective action, is set forth both in the above referenced statute and 49 C.F.R. §190.233, a copy of which is enclosed.

Section 60112, and the regulations promulgated thereunder, provide for the issuance of a corrective action order without prior opportunity for notice and hearing upon a finding that failure to issue the order expeditiously will likely result in serious harm to life, property or the environment. In such cases, an opportunity for a hearing will be provided as soon as practicable after the issuance of the order.

Taking into consideration the findings of fact in the original Order as well as the additional findings, I find that the continued operation of the Sterling 2 line without additional corrective measures would be hazardous to life, property and the environment. In particular, because of the location of the pipeline with respect to populated and environmental areas, similar corrosion problems of Sterling 1 pipeline in 2002, the severity of the 1996 failure of Sterling 1 pipeline and the resulting consequences, and the inconclusive findings about the cause of the rapidly occurring corrosion in the pipeline segment, I find that a failure to issue expeditiously this Amendment, requiring immediate corrective action, would likely result in serious harm to life, property, and the environment.

Accordingly, this Amendment mandating needed immediate corrective action is issued without prior notice and opportunity for a hearing. The terms and conditions of this Amendment are effective upon receipt.

Within 10 days of receipt of this Amendment, the Respondent may request a hearing, to be held as soon as practicable, by notifying the Associate Administrator for Pipeline Safety in writing, delivered personally, by mail or by telecopy at (202) 366-4566.

After receiving and analyzing additional data in the course of this investigation, OPS may identify other long term measures that need to be taken. Respondent will be notified of any additional measures required and further amendment of the Order will be considered. To the extent consistent with safety, Respondent will be afforded notice and an opportunity for a hearing prior to the imposition of any additional corrective measures.

Discussion of Amendment

Two leaks discovered on the Sterling 2 pipeline within three years following an in-line inspection, which indicated no such anomalies, require that certain additional conditions be in place before the Sterling 2 line between the Tishomingo and Quinlan Booster Stations operates at full operating pressure. To provide a margin of safety when the integrity of pipe is questionable, OPS has consistently required that an operator reduce operating pressure by 20%. This Amendment requires an interim return-to-service plan (which allows Respondent to operate at or below the restricted pressure of 80% of MOP) and a plan for return to full service, both to be approved by the Director, Southwest Region, OPS.

Amendment

Pursuant to 49 U.S.C. § 60112, I hereby amend the Order dated October 7, 1996, and require Respondent to immediately take the following additional corrective actions with respect to its Sterling 2 pipeline:

The following new sections are added to the Order:

With respect to that segment of its Sterling #2 system (between Medford, Oklahoma and Mont Belvieu, Texas, which is a HVL line or pipeline) located between the Tishomingo and Quinlan Booster Stations:

13. | Limit current operating pressure to 80% of MOP (80% of 1440 psig). Determine other operating characteristics, such as further testing, in consultation with, and with final approval by, the Director, Southwest Region, OPS.
14. | Within 30 days of the date of this Amendment, submit for approval by the Director, Southwest Region, OPS, a written plan, based on an analysis of the results of all testing on the Sterling 2 pipeline to halt or satisfactorily mitigate the apparently accelerated corrosion on the pipeline segment. The plan must include in line inspections and assessment of acquired data, on at least an annual basis. Provide verification to the Director, Southwest Region, OPS, that the plan is being carried out.
15. | The pressure restrictions in item 13 are to remain in effect until:
 1. | A written plan addressing the accelerated corrosion has been submitted to, and approved by, the Director, Southwest Region, OPS, and the remedial and monitoring actions required by that plan to ensure the safe operation of the pipeline have been completed; and
 2. | The Director, Southwest Region, OPS, gives his approval, in writing, to an increase in operating pressure. Respondent may request approval from the Director to increase its operating pressure above the interim MOP under item 8, based on a showing that the hazard has been abated or that a higher pressure is justified based on an analysis showing that the pressure increase is safe considering all known defects, anomalies and operating parameters of the pipeline. The Director's determination will be based on the cause of the accelerated corrosion and provision of evidence that mitigative actions taken by the operator provide for the safe operation of the pipeline.
16. | Appeals to determinations of the Director, Southwest Region, OPS, will be subject to the decision of the Associate Administrator of Pipeline Safety.

The terms of the October 7, 1996 Order, as amended, remain in effect

Failure to comply with this Amendment may result in the assessment of civil penalties of not more than \$100,000 per day and in referral to the Attorney General for appropriate relief in United States District Court.

Stacey Gerard
Stacey Gerard
Associate Administrator
for Pipeline Safety

MAR - 3 2005
Date Issued