



U.S. Department
of Transportation

**Research and
Special Programs
Administration**

400 Seventh St. S.W.
Washington D.C. 20590

JUL 29 2003

Mr. Michael P. Crisman
Vice President, Operations
KN Energy, Inc.
370 Van Gordon
Box 281304
Lakewood, CO 80228-8304

RE: CPF No. 49103

Dear Mr. Crisman:

Enclosed is the Final Order issued by the Associate Administrator for Pipeline Safety in the above-referenced case. It makes findings of violation, assesses a civil penalty of \$10,000, and requires certain corrective action. The penalty payment terms are set forth in the Final Order. When the civil penalty is paid and the terms of the compliance order completed, as determined by the Director, Southwest Region, this enforcement action will be closed. Your receipt of the Final Order constitutes service of that document under 49 C.F.R. § 190.5.

Sincerely,

Gwendolyn M. Hill
Pipeline Compliance Registry
Office of Pipeline Safety

Enclosure

CERTIFIED MAIL RETURN RECEIPT REQUESTED

DEPARTMENT OF TRANSPORTATION
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, DC 20590

In the Matter of)
KN Energy, Inc.)
Respondent.)
_____)

CPF No. 49103

FINAL ORDER

Between May and September 1998, pursuant to 49 U.S.C. § 60117, a representative of the Office of Pipeline Safety (OPS) conducted an on-site pipeline safety inspection of Respondent's Natural Gas Pipeline Company (NGPL) facilities and records in Texas and Oklahoma. As a result of the inspection, the Director, Southwest Region, OPS, issued to Respondent by letter dated May 10, 1999, a Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Respondent had violated 49 C.F.R. §§ 192.465, 195.469, 192.707, 192.481 and proposed assessing a civil penalty of \$10,000 for the alleged violations.

Respondent responded to the Notice by letter dated August 12, 1999 (Response). Respondent did not contest the allegations of violation but provided information concerning the corrective actions it has taken. Respondent did not request a hearing, consequently Respondent waived its right to one.

FINDING OF VIOLATION

In its Response, Respondent did not contest the alleged violations in the Notice. Accordingly I find that Respondent violated the following sections of 49 C.F.R. Part 192, as more fully described in the Notice:

- 49 C.F.R. § 192.707(a) – failing to place line markers over buried and transmission lines in the New Caney and Mooreland districts;
- (d) – failing to have legible “Warning” notations on numerous pipeline markers in the Robstown, New Caney and Balko districts;

49 C.F.R. § 192.739 – failing to adequately inspect and test pressure limiting devices in the Victoria, Houston, Wharton, Ratliff City, Mooreland, Sayre, Stinett, and Balko districts at intervals not exceeding 15 months, but at least once each calendar year;

49 C.F.R. § 192.481 – failing to monitor corrosion on the pipeline between New Caney and Goodrich Station;

49 C.F.R. § 192.469 – failing to determine the adequacy of cathodic protection in the New Caney and Lufkin districts, taking into account numerous missing test leads;

49 C.F.R. § 192.465(a) – failing to conduct, at least once each calendar year, with intervals not to exceed 15 months, an annual survey of cathodic protection in the Stinett district;

(d)– failing to promptly correct deficiencies identified during the annual survey in the Balko district.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to a civil penalty not to exceed \$100,000 per violation for each day of the violation up to a maximum of \$1,000,000 for any related series of violations.

49 U.S.C. § 60122 and 49 C.F.R. §190.225 require that, in determining the amount of the civil penalty, I consider the following criteria: nature, circumstances, and gravity of the violation, degree of Respondent’s culpability, history of Respondent’s prior offenses, Respondent’s ability to pay the penalty, good faith by Respondent in attempting to achieve compliance, the effect on Respondent’s ability to continue in business, and such other matters as justice may require.

The Notice proposed a penalty of \$10,000 for violation of § 192.739. In its Response, Respondent detailed its corrective actions with respect to the Victoria, Houston, Ratliff City, Mooreland, Sayre and Balko locations. Regular inspection and testing of pressure limiting devices is essential to the safe operation of Respondent’s extensive pipeline systems. Because Respondent relies on contractors to perform valve inspections, Respondent must be careful to ensure that inspection and testing is conducted and recorded on time, and that records, such as particular relief valve capacities, are easily accessible.

Respondent has not shown any circumstance that would justify reducing the civil penalty. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$10,000. A determination has been made that Respondent has the ability to pay this penalty without adversely affecting its ability to continue in business.

Payment of the civil penalty must be made within 20 days of service. Federal regulations (49 C.F.R. 89.21(b)(3)) require this payment be made by wire transfer, through the Federal Reserve Communications system (Fedwire), to the account of the U.S. Treasury. Detailed instructions are

contained in the enclosure. Questions concerning wire transfers should be directed to: Financial Operations Division (AMZ-120), Federal Aviation Administration, Mike Monroney Aeronautical Center, P.O. Box 25770, Oklahoma City, OK 73125; (405) 954-4719.

Failure to pay the \$10,000 civil penalty will result in accrual of interest at the current annual rate in accordance with 31 U.S.C. § 3717, 31 C.F.R. § 901.9 and 49 C.F.R. § 89.23. Pursuant to those same authorities, a late penalty charge of six percent (6%) per annum will be charged if payment is not made within 110 days of service. Furthermore, failure to pay the civil penalty may result in referral of the matter to the Attorney General for appropriate action in a United States District Court.

COMPLIANCE ORDER

The Notice proposed a compliance order for violations of 49 C.F.R. §§ 192.465, 192.469, 192.707, 192.481. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations. Respondent must

1. Conduct a survey of its entire operating system to identify the location of line markers that are missing and line markers with faded lettering.

Develop and implement a plan for the installation of new line markers or the replacement of line markers that are faded or otherwise illegible.

3. Within 90 days submit a copy of the plan of action in item 3, and a summary of the results of implementation of that plan to the Director, Southwest Region, Office of Pipeline Safety at 2320 La Branch, Suite 2100, Houston, TX 77004.

Conduct a survey of your entire operating system to identify all pressure limiting devices that are required to be inspected and ensure that these devices are included on the appropriate inspection and maintenance schedules.

Review and update, as necessary, existing procedures addressing the reporting requirements for pressure limiting devices.

Review the current computerized maintenance and inspection record keeping system to ensure that inspection deadlines for capacity verification and set point check are appropriately identified.

Within 90 days submit a summary of the results of completion of items 4, 5, and 6 to the Director, Southwest Region, Office of Pipeline Safety, at 2320 La Branch, Suite 2100, Houston, TX 77004.

8. Conduct a survey of your entire operating system to ensure that atmospheric corrosion monitoring is being performed on an interval not exceeding 3 years.
9. Conduct a survey of your entire operating system to identify missing test station locations.
10. Develop a plan to replace the missing test stations or install additional test stations in alternate locations to adequately demonstrate the adequacy of your cathodic protection system.
11. Conduct a survey of the entire operating system to identify areas requiring remedial action due to cathodic protection deficiencies.
12. Develop an implementation plan, including a timetable, to correct the deficiencies identified as a result of the survey in item 11.
13. Review and update, as necessary your existing corrosion control procedures implementing lessons learned from the above reviews.
14. Review the current computerized maintenance and inspection record keeping system to ensure that inspection deadlines for corrosion control activities are appropriately identified.
15. Items 8 through 14 must be completed within 120 days following receipt of the Final Order. Upon completion, submit them to the Director, Southwest Region, OPS, at 2320 La Branch, Suite 2100, Houston, TX 77004.
16. The Director, Southwest Region, OPS, may grant an extension of time for completion of any of the actions required herein upon receipt of a written request from the Respondent.

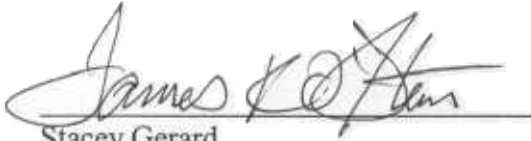
Failure to comply with this Final Order may result in the assessment of civil penalties of up to \$100,000 per violation per day, or in the referral of the case for judicial enforcement.

WARNING ITEM

The Notice did not propose a civil penalty or compliance action with respect to Item 5 in the Notice. However, Respondent is warned that if it does not take appropriate corrective action and OPS finds a violation in a subsequent inspection, enforcement action will be taken.

Under 49 C.F.R. § 190.215, respondent has a right to petition for reconsideration of this Final Order. However, if the civil penalty is paid, the case closes automatically and Respondent waives the right to petition for reconsideration. The filing of the petition automatically stays the payment of any civil

penalty assessed. The petition must be received within 20 days of Respondent's receipt of this Final Order and must contain a brief statement of the issue(s). The terms and conditions of this Final Order are effective on receipt.



Stacey Gerard
Associate Administrator
for Pipeline Safety

JUL 29 2003

Date Issued

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