

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

February 18, 2010

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 5-2010-5004W

Dear Mr. Harden:

From September 25 to 29, 2009, representatives of the Washington Utilities and Transportation Commission (WUTC), pursuant to Chapter 601 of 49 United States Code, inspected your Washington crude oil pipeline facilities. 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.

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 probable violations are:

1. §195.432 Breakout tanks.

(b) Each operator shall inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to section 4 of API Standard 653. 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).

During the field inspection it was observed that the mastic along the external chime area has deteriorated. This allowed the water to get under the chime to create corrosion on the chime. In addition, the drainage around the tank is poor thereby allowing standing water to collect on one side of the tank, especially during the rainy season.

The referenced Section 4 of API Standard 653 requires:

“4.3.1 Routine In-Service Inspections

4.3.1.3 This routine in-service inspection shall include a visual inspection of the tank’s exterior surfaces. Evidence of leaks; shell distortions; signs of settlement; corrosion; and condition of the foundation, paint coatings, insulation systems, and appurtenances should be documented for follow-up action by an authorized inspector.”

The need for follow-up actions are not being documented or implemented.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. 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 correct the item(s) identified in this letter. Failure to do so will result in Kinder Morgan Canada Inc. being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2010-5004W**. 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).

Sincerely,

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 T. Finch (#123860) and R. Reineke
Washington Utilities Commission - David Lykken