

## NOTICE OF AMENDMENT

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

October 7, 2010

Mark Rauch  
President  
Key West Pipeline Company  
P.O. Box 270415  
Houston, Texas 77277-0415

**CPF 2-2010-6005M**

Dear Mr. Rauch:

On August 5-6, 2010, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) inspected the Key West Pipeline Company (KWPC) procedural manual for operations, maintenance, and emergencies at your pipeline terminal in Key West, FL, pursuant to Chapter 601 of 49 United States Code.

On the basis of the inspection, PHMSA has identified apparent inadequacies found within KWPC's procedures as described below:

**1. §195.58 Address for written reports.**

**Each written report required by this subpart must be made to the Information Resources Manager, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, U.S. Department of Transportation, Information Resources Manager, PHP-10, 1200 New Jersey Avenue, SE., Washington, DC 20590-0001.**

KWPC's procedures were inadequate because they did not include PHMSA's correct mailing address. The hazardous liquid pipeline safety regulations in 49 CFR Part 195, Subpart B contain certain reporting requirements. KWPC's procedural manual stated that reports required by Subpart B were to be submitted to PHMSA headquarters at 400 Seventh St., Washington D.C. This is incorrect.

Section 195.58 was changed by an amendment published in the federal register on January 16, 2009, (74 FR 2894). In that amendment, PHMSA notified pipeline operators that the reporting address for PHMSA had changed (see above) because of a move to a new building.

**2. §195.120 Passage of internal inspection devices.**

**(a) Except as provided in paragraphs (b) and (c) of this section, each new pipeline and each line section of a pipeline where the line pipe, valve, fitting or other line component is replaced; must be designed and constructed to accommodate the passage of instrumented internal inspection devices**

KWPC's procedures were inadequate because its procedural manual did not contain any requirements for the passage of internal inspection devices for newly constructed facilities. New pipeline facilities must be designed and constructed to allow for the passage of instrumental internal inspection devices.

**3. §195.402 Procedural manual for operations, maintenance, and emergencies.**

**(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.**

KWPC's procedures were inadequate because Section VII. E of its procedural manual stated that “*A record of each inspection and test required by any government regulation shall be kept for at least two (2) years.*”

While that statement reflects the record keeping requirements in Part 195, Subpart A, record keeping requirements exceed two years in other code sections in Part 195. Therefore, the procedures were deficient because some records required by Part 195 must be maintained for more than two years. For example, construction records required by §195.266 must be maintained for the life of the facility, and corrosion control records required by §195.589 must be maintained for at least five years and in some cases for the life of the pipeline.

**4. §195.440 Public awareness.**

**(a) Each pipeline operator must develop and implement a written continuing public education program that follows the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162 (incorporated by reference, *see* §195.3).**

**(b) The operator's program must follow the general program recommendations of API RP 1162 and assess the unique attributes and characteristics of the operator's pipeline and facilities.**

KWPC's procedures were inadequate because its procedural manual required the *Self Assessment of Implementation* of its Public Awareness Program to be done every four years rather than annually as required by Section 8 of the American Petroleum Institute Recommended Practice *Public Awareness Programs for Pipeline Operators* (API RP 1162), which is incorporated by reference into the federal pipeline safety regulations.

KWPC's procedures were also inadequate because its procedural manual requires the *Pre-Test Effectiveness of Materials* of its Public Awareness Program to be done every four years rather than upon design or major redesign of public awareness materials or messages as required by Section 8 of API RP 1162.

**5. §195.559 What coating material may I use for external corrosion control?**

**Coating material for external corrosion control under §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.**

KWPC's procedures were inadequate because Section XI of the KWPC procedural manual did not contain sufficient detail on the proper application of pipeline coatings.

While the KWPC procedural manual did list specific coating products for use on underground and above ground portions of pipelines, the manual lacked specifics with regards to the proper preparation, application and inspection for the listed coating products. For a protective coating to perform properly it must be properly applied and inspected.

**6. §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 §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.**

KWPC's procedures were inadequate because Section X.B.2 of its procedures manual states that KWPC will *“Inspect any buried pipe that is dug up to assure that the coating has not been damaged, and if the coating is damaged, properly replace the coating to assure continued cathodic protection is maintained.”*

The regulations require more than just the replacement of damaged coating. If damage coating is found when inspecting any portion of an exposed buried pipeline, an operator must also examine the exposed pipe for external corrosion. KWPC's procedures simply tell personnel to replace damaged coating without telling them to look for external corrosion before doing so.

**7. §195.573 What must I do to monitor external corrosion control?**

**(c) Rectifiers and other devices. You must electrically check for proper performance each device in the first column at the frequency stated in the second column.**

Device	Check Frequency
<b>Rectifier Reverse current switch Diode Interference bond whose failure would jeopardize structural protection</b>	<b>At least six times each calendar year, but with intervals not exceeding 2 ½ months</b>
<b>Other interference bond</b>	<b>At least once each calendar year, but with intervals not exceeding 15 months</b>

KWPC's procedures were inadequate because Section X.B.1 of its procedural manual states that KWPC will “*At intervals not exceeding 2 ½ months, but at least six (6) times each calendar year, inspect each of its cathodic protection rectifiers. Pipe-to-soil potentials are read from rectifier outputs...*”

Rectifiers are not checked for proper performance by reading pipe-to-soil potentials from rectifier outputs. Moreover, pipe-to-soil potential measurements cannot be made by reading rectifier outputs. Rectifiers are typically checked for proper performance by measuring rectifier voltage and current output and comparing the values to previous performance measurements on that rectifier.

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 60 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.

In correspondence concerning this matter, please refer to **CPF 2-2010-6005M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Wayne T. Lemoi  
Director, Office of Pipeline Safety  
PHMSA Southern Region

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